Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

Pride in Enduring Success

ANNUAL REPORT 2019

Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

OUR VISION

We are the lender of first choice for residential mortgages in Trinidad and Tobago.

We are passionate and proud about what we do, with a reputation for exceptional, friendly and professional service.

We focus on fulfilling our potential with the most skilled and knowledgeable team in the industry.

OUR MISSION

In partnering, we make home ownership an easy and rewarding experience.

OUR CORE VALUES

REsults oriented
Customer focused
Integrity
Teamwork
Empowerment

Trinidad & Tobago Mortgage Finance Company Limited

From here... to Home.

CORPORATE OFFICE

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Cor. of Jerningham & Ross Streets
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Tobago W.I.
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BANKERS

REPUBLIC BANK LIMITED
9-17 Park Street
Port of Spain
Trinidad W.I.

CITIBANK (TRINIDAD & TOBAGO) LIMITED
12 Queen's Park East
Port of Spain
Trinidad W.I.

CORPORATE ATTORNEYS

ASHMEAD ALI & COMPANY
36 Edward Street
Port of Spain
Trinidad W.I.

M.G. DALY & PARTNERS
115a Abercromby Street
Port of Spain
Trinidad W.I.

AUDITORS

EY TRINIDAD & TOBAGO
5-7 Sweet Briar Road,
Port of Spain
Trinidad W.I.

BOARD OF DIRECTORS

CHAIRMAN
Douglas Camacho

DEPUTY CHAIRMAN
Jennifer Lutchman

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER
Robert C. Green

DIRECTORS
Anthony Campbell
Ann Chan Chow
Marilyn Gordon
Niala Persad-Poliah
Athena Ryan

CHIEF OPERATING OFFICER / SECRETARY
Brent Mc Fee
(Seconded to Home Mortgage Bank)

DOUGLAS CAMACHO
Chairman

CHAIRMAN'S REPORT

I am pleased to report that 2019 was another year of solid performance for the Trinidad and Tobago Mortgage Finance Company Limited (TTMF). This despite a challenging year as widespread trade and geopolitical uncertainty and a decline in global energy prices meant that the global and domestic business environment remained difficult. Against this backdrop, TTMF stayed the course and our performance was commendable in respect of growth in assets and profitability. Total assets grew by 2.12% to $4.28B with profit before tax at $135.2 million. Mortgage assets grew by $307M, after having disbursed $842.5M and sold $310M in mortgages to the Home Mortgage Bank.

A full discussion of the company's financial performance is presented in the Management Discussion and Analysis segment of this report.

ECONOMIC CLIMATE 2019

Lower commodity prices and trade policy tensions in the global economy, particularly between the United States and China weighed on global growth which fell to 2.9% in 2019, from 3.6% in 2018, according to the April (2020) release of the International Monetary Fund's (IMF) World Economic Outlook (WEO).

On the domestic front, initial estimates from the Central Bank's revised Quarterly Index of Real Economic Activity indicated that economic activity contracted by 1.1% year on year in 2019 owing to a 3.6% decline in activity in the energy sector occasioned by mature acreage and the shutdowns of some plants. A modest 0.5% increase in activity in the non-energy sector, led by activity in the finance, construction, wholesale and retail trade sectors, benefited from a low-interest rate environment and expansionary public-sector led activity.

Notably, the Central Bank maintained the 'repo' rate at 5.00% throughout 2019 against a backdrop of muted economic activity and low inflation. Over the year, elevated liquidity in the financial system was supported by the Central Bank's open market operations. High levels of liquidity, coupled with a low interest rate environment supported consumer credit activity, particularly borrowing for residential mortgages and equity financing.

THE HOUSING MARKET

Low mortgage rates spurred growth in real estate mortgage loans which grew by 9.4% in 2019 compared to 7.9% in the prior year. The buoyancy in real estate lending was influenced by lower interest rates offered on mortgages which trended downward to 4.67% in December (2019), a 6-basis point decline over December 2018. Consequently, residential real estate mortgages for existing homes grew by 17.3% while loans for new houses and land expanded by 7.0% and 5.4% respectively.

The government, in its 2019/2020 Budget statement, invited private contractors and developers to participate in the Housing Construction Incentive Programme, with a view to expanding the supply of affordable housing solutions to low-income families. The housing units will be constructed in accordance with designs, specifications and prices established by the Trinidad and Tobago Housing Development Corporation (HDC). A total of 1,845 housing units will be constructed by December 2021.

STRATEGIC ALLIANCE

Work is well underway to unlock the substantial synergies from a merged TTMF and Home Mortgage Bank (HMB) entity. Integration initiatives have commenced and are targeted for completion in the last quarter of 2020. TTMF and HMB continue to work together to maximize returns to stakeholders while fulfilling their joint mandates to support the funding requirements of the Government's Housing Programme. The National Insurance Board of Trinidad and Tobago (NIBTT) which owns 100% of HMB shares and is the majority shareholder of TTMF anticipates that the merger will contribute to its mission "to maximize contributions and pay relevant benefits in a timely manner through good governance and quality customer service from an empowered staff, cutting edge technology, and prudent fund management."

OUTLOOK FOR 2020

For 2020, the IMF is projecting the steepest global economic contraction since the Great Depression of the 1930s as a result of the coronavirus pandemic. In the Fund's April World Economic Outlook 2020, the world economy is forecast to contract by 3%, with steep contractions in major economies including the US of 5.9%, 7.5% in the Euro Zone, 5.2% in Japan, 6.5% in the UK and 6.2% in Canada.

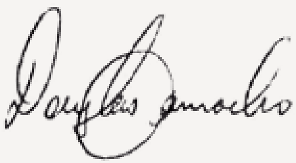
The short-term outlook for the local economy has inevitably become more uncertain amid the severe economic, financial and commercial impacts of the Covid-19 pandemic. Expectations now are that the economy will face a deep contraction this year, estimated at 4.5% by the IMF. Recent historic drops in global crude oil prices, combined with lower-for-longer natural gas prices, have heightened the negative outlook for this country. This will have a dampening effect on public finances, consumption, investment and trade flows.

In the current environment, managing through a period of contraction will require working with customers to help them survive through financial challenges. As the preferred lender under the Government's housing programme, TTMF is well positioned to provide mortgages at preferential rates to the beneficiaries of the HDC's housing programme. While we continue to satisfy families acquiring homes on the private market, we continue to provide equity facilities to our existing customers as they grow their wealth through the acquisition of other investments and fund major expenses.

CONCLUSION

In partnering with Home Mortgage Bank, Trinidad and Tobago Housing Development Corporation and our dedicated customers, I am confident that we will continue to achieve excellent financial results while meeting our mandate to provide affordable mortgage financing to the citizens of Trinidad and Tobago and providing returns to our major shareholder, the NIBTT, to fulfil its mandate under the national insurance programme.

I take this opportunity to thank my predecessor, Mr. Ansel Howell for his contribution to the growth and development of TTMF during his three-year tenure. I offer too my gratitude to the members of the Board whose insights and expertise drove the success of TTMF. I also recognize the hard and energetic work of TTMF's management and staff who have been pivotal in the achievement of the Company's 2019 results. I warmly acknowledge and thank each staff member for their contribution, and I look forward to working with them as we continue to deliver on our mission ***to make home ownership an easy and rewarding experience***.



Douglas Camacho
Chairman

DOUGLAS CAMACHO
Chairman

Mr. Douglas Camacho is an accountant by profession and has a wealth of experience having held several leadership positions in a leading financial institution for over 35 years. He is a past president of The Association of Trinidad and Tobago Insurance Companies (ATTIC) and the Insurance Association of the Caribbean (IAC). Mr. Camacho currently serves as Chairman on several boards, including the National Insurance Board and the Home Mortgage Bank. A former national hockey player and still a hockey administrator, Mr. Camacho is a past president of the Trinidad and Tobago Olympic Committee (TTOC). Mr. Camacho contributed to many NGOs and corporations whose mandate falls within the field of human development.

ROBERT C. GREEN
Managing Director/
Chief Executive Officer

Robert C. Green – Managing Director / Chief Executive Officer, has over 32 years of experience in the mortgage finance industry, having spent that time in a specialised mortgage institution in several senior positions. He is a graduate of the University of Western Ontario, with a Bachelor of Arts degree in Economics. He also holds a Masters of Business Administration degree from the University of the West Indies, Institute of Business.

JENNIFER LUTCHMAN
Deputy Chairman

Jennifer Lutchman is a Fellow of the Association of Chartered Certified Accountants (ACCA) and has over thirty (30) years of accounting and auditing experience. Ms. Lutchman facilitated the implementation of the International Standards of Supreme Audit Institutions (ISSAIs) within the public sector. She was a member of a Quality Assurance Unit to ensure compliance and assisted in re-engineering processes to bring them in line with international standards and best practice.

ANTHONY G. CAMPBELL
Director

Anthony Campbell has over 37 years' experience in the Banking sector. His responsibilities in Credit Management and Arrears Collections included leading both commercial and personal banking units and branch management which allowed for astute management of mortgage facilities. Mr. Campbell also holds a BSc in Management Studies from the University of the West Indies.

BOARD OF

DIRECTORS

ANN CHAN CHOW
Director

With her accounting experience, Ann Chan Chow has served as Treasurer of several unions. She has been a member of the board of Textel Credit Union and a Caribbean Representative of the Women's committee of the UNI Global Union. She currently serves as a member of the Board of Directors of the National Insurance Board.

ATHENA S. RYAN
Director

Athena S. Ryan is an Attorney-at-Law by profession, having obtained her Bachelor of Laws Degree (Honours) from the University of London and her Legal Education Certificate from the Hugh Wooding Law School. Ms. Ryan also holds a Bachelor of Arts History and Communication Studies (Honours) from the University of the West Indies, as well as several other certifications including Mediation and Corporate Governance.

MARILYN GORDON
Director

Ms. Gordon served as a teacher at both the primary and secondary school level. She then served as Minister in various ministries. She brings with her over forty (40) years' experience. She graduated from the University of Newcastle on Tyne, England with a Bachelor of Arts in Geography. She represented Trinidad and Tobago at hockey and athletics and went on to coach the first national junior hockey team to compete in Jamaica. Ms. Gordon has led the team which conceptualized and implemented several property development projects in Western Trinidad. Currently, Ms. Gordon is a Director of the Home Mortgage Bank (HMB), the National Insurance Board of Trinidad and Tobago (NIBTT) and SPORTT.

NIALA PERSAD-POLIAH
Director

Niala Persad-Poliah is the Executive Director of the National Insurance Board of Trinidad and Tobago and is the principal lead of operations and strategic direction of the organisation. She is charged with the responsibility for the execution of the decisions of the Board and implementation of policies, responsible for the overall accountability and management of the country's National Insurance Fund. Mrs. Persad-Poliah is an Attorney at Law by profession and also holds a Masters of Law (LL.M.) in Corporate and Commercial Law from the University of the West Indies. She possesses over 15 years' experience at senior executive leadership and also currently serves as a member of the Board of Directors of NIPDEC and Home Mortgage Bank.

ROBERT C. GREEN
Managing Director/
Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) continued its stellar performance for fiscal 2019. Despite an extremely competitive mortgage finance market and a relatively slow economy, we disbursed seventeen hundred and twelve (1,712) loans amounting to $842.5M, our best performance in the history of the company. We were also very profitable achieving profit before tax in the amount of $135.3M.

The domestic economy continued in a recovery mode with inflation remaining stable throughout 2019, averaging 1% and unchanged from 2018. Liquidity levels in the domestic financial system increased during 2019 with excess reserves rising to a daily average of $4.8 billion by the end of the year. The excess liquidity in the financial system and the extremely competitive lending environment resulted in a reduction in lending rates. Total real estate mortgage lending experienced robust growth throughout 2019, increasing by 9.4% for 2019, due to lower mortgage interest rates. Labour market conditions remained soft in 2019 with an increase in retrenchments in the manufacturing, construction, energy and social services industries. There was moderate wage growth.

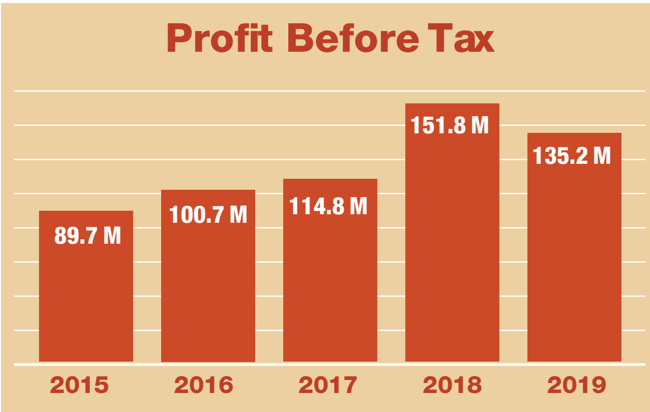
Despite these challenges experienced in the domestic economy, (TTMF) continued to fulfil its mandate for the provision of affordable mortgages to citizens of Trinidad and Tobago. In 2019, we further deepened our partnerships with the Trinidad and Tobago Housing Development Corporation, the Ministry of Housing and Urban Development and the Land Settlement Agency in the fulfilment of the Government's Housing Policy. These partnerships along with the reduction in the interest rate on our open market product, redounded to the benefit of our customers, while we continued to focus on operational efficiency and sustainable improvements in our core business activities.

The following is a detailed discussion and analysis of the financial performance and key business initiatives undertaken for the fiscal year ended December 31, 2019.

FINANCIAL PERFORMANCE

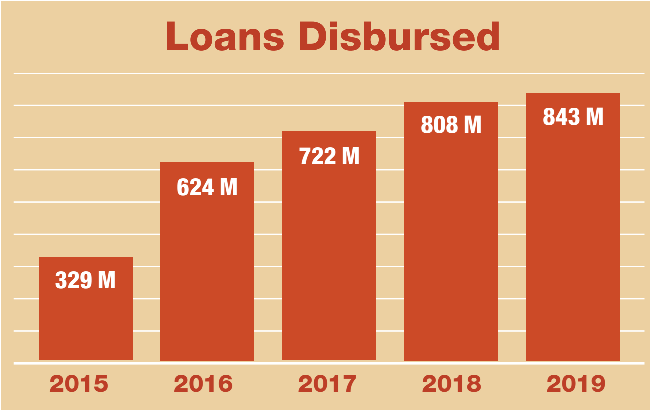
Net Profit

For fiscal 2019, we achieved Profit Before Tax of $135.2 million, a decrease of $16.6 million over 2018 while the Profit After Tax stood at $126.2 million, compared to 2018's result of $132.6 million. The reduction in profitability was occasioned by the reduced mortgage interest earned on the portfolios sold to Home Mortgage Bank (HMB) totalling $905 million in 2018 and $310 million in 2019. The sale of mortgages was TTMF's funding mechanism, chosen in furtherance of the strategic alliance with HMB under the Memorandum of Understanding executed in 2017. This decline was offset in part by continued growth in the mortgage portfolio under the Government's Affordable Housing Programme and Open Market loans which totaled $842.5 million for the year compared to $807.8 million in 2018.



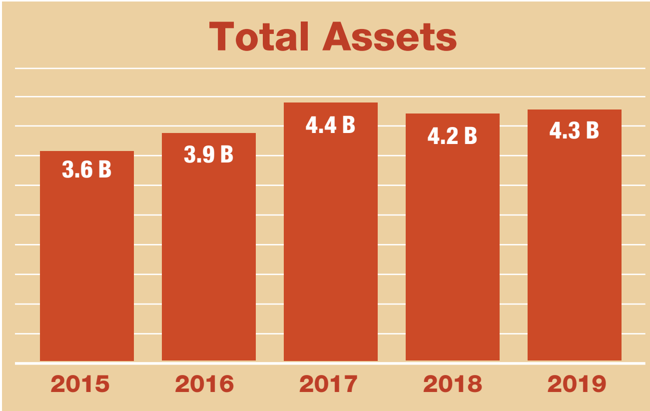
Return on Assets

Total Assets stood at $4.3 billion at the end of the year, representing an increase of 2.12% over 2018. This is primarily as a result of the growth in mortgage loans funded in part by the bond with IDB Invest's Partial Credit Guarantee and a Syndicated Loan issued in 2018.



New mortgages disbursed over the last five years have shown steady growth as we assist citizens in realising their homeownership goals. For 2019, 69% of the loans disbursed are in support of the Government's Affordable Housing programme.

The Total Assets for the last five years are shown in the next graph.



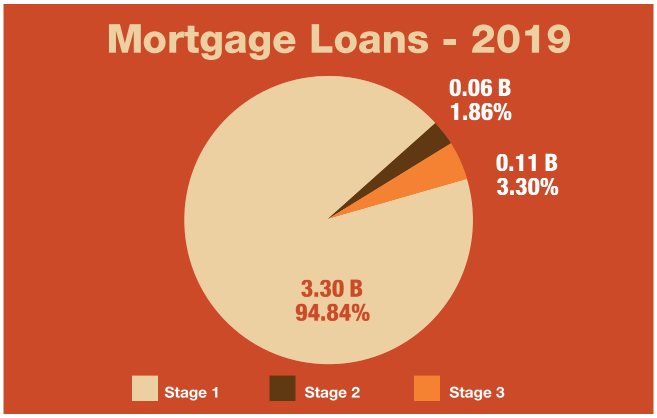
The Return on Total Assets (ROA) for fiscal 2019 was 2.95% a marginal decrease of 0.21% year on year. The ROA over the five (5) year period ended December 31, 2019 is as follows:

	2015	2016	2017	2018	2019
ROA	2.30%	3.09%	2.38%	3.16%	2.95%

The Mortgage Loan Portfolio

Mortgage loans comprise 82.58% of our total asset base, and are classified as: Stage 1 – loans that are performing according to the contractual terms and conditions; Stage 2 – loans that are overdue 90 days but less than 180 days and Stage 3 – loans that are overdue more than 180 days and credit impaired. 94.84% of our loans are in good standing and paid to date and are thus considered Stage 1 loans. 1.86% are Stage 2, while 3.30% are Stage 3.

The following chart shows the distribution of these categories of loans in the portfolio.



During 2019, the residential mortgage market continued to be extremely competitive with banks offering as low as 4% for mortgage loans along with the bundling of products to attract customers. Despite this competitive environment, TTMF has been successful in achieving growth in its new loans programme.

MANAGEMENT DISCUSSION AND ANALYSIS

TTMF has also been successful in limiting its delinquency ratio to 3.68%, compared to 3.72% in 2018. This was due to continued stringent monitoring of the performance of its portfolio resulting in a loan loss provision at 0.6% of its gross mortgage portfolio.

Shareholders' Equity

Shareholders' Equity to December 31, 2019 stood at $1,149 million with the return on shareholders' equity (ROE) at 10.99%. The ROE over the five (5) year period was:

	2015	2016	2017	2018	2019
ROE	9.78%	12.96%	10.55%	12.26%	10.99%

Dividends Payable/Paid

Dividends payable for 2019 amounted to $52.8 million, compared to $41.9 million in 2018. The Dividends payable/paid and the dividend per share (DPS) over the five (5) year period was:

	2015	2016	2017	2018	2019
Dividends Payable/Paid	$26.8M	$33.2M	$40.3M	$41.9M	$52.8M
DPS	$10.38	$12.85	$15.59	$16.20	$20.43

CariCRIS Rating

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed our credit ratings of CariAA- (Local and Foreign Currency Ratings) on its regional rating scale and ttAA- on the Trinidad and Tobago national scale and maintained our outlook at stable.

TTMF's ratings continue to reflect its strong market position in the domestic real estate mortgage market, which is supported by its crucial role in the implementation of government's national housing policy. The company's comfortable capitalization reflected in adequate capital adequacy ratios, healthy financial performance and proactive risk management stance underpinning its good asset quality level also support the ratings.

BUSINESS OPERATIONS

Customer Focus

The increased competition in the mortgage finance industry necessitates vigilance in our business processes. The restructure of the mortgage department, initiated in 2018 and executed in early 2019, achieved its desired results with improvements in service delivery through a reduction in turnaround times for an enhanced customer experience. The Contact Centre unit which was fully operationalized in December 2018 saw significant improvements in the rate of calls answered daily. The unit also facilitated the expansion of our communication channels with the introduction of a Live Chat service, another method to improve customer service levels through a direct line to the centre via the website. The unit is being ramped up to facilitate the provision of services traditionally sought by customers over the counter using the real-time capabilities of our mortgage administration computer systems.

While our funding arrangements do not allow for flexibility in our lending rate, it was recognized that in order to remain competitive and relevant, a reduction in our open market mortgage rate from 7% to 6% was carried out in 2019. This allowed a greater number of customers to access the Open Market lending facility at a lower, stable interest rate. At the close of fiscal 2019, a total of 668 open market loans valued at $260.4M was disbursed. A noteworthy achievement in the face of such aggressive competition.

Digital media has continued to be the focus of our marketing strategy as it provides great insights into the customers' interaction with our ads and how we can focus our efforts to help them meet their homeownership requirements. In 2019, there was a revamp of the website user interface and information map to steer users toward pre-qualification interviews and the mortgage calculator to help users quickly assess their purchase readiness and request a pre-qualification interview. Following the release of the new website, the monthly average of prequalification requests increased by 761%. A four-part video series was also completed, aimed at targeting the nation's youth in preparing them for their homeownership journey. These videos were posted on our social media channels and reached over 100K viewers.

Internal Business Processes

The delinquency on our portfolio was carefully managed with greater use of our Webcollect Software to assist in the monitoring of payment arrangements. An early warning system was implemented to proactively deal with delinquency in an environment of decreased economic activity and increased job loss. This resulted in the achievement of a Delinquency Ratio of 3.68% which bettered our target of 3.95%.

We are currently in the process of reviewing our mortgage platform with a view to enhancing our operational efficiencies through the use of leading-edge technology. While that process is being pursued, we have taken steps to expand and enhance our subsystems to achieve improvements now. The processes in the securities unit was enhanced with the development of a more automated system to manage and track the receipt of outstanding security documents. The Internal Audit department introduced new software which provides end-to-end functionalities for the management of the complete audit cycle from audit planning, risk assessment, and testing, to the development of audit report templates, workflow, time tracking, email-based notifications and alerts, defect resolution automatic tracking and alerts, automated working papers and automated internal audit reporting.

In our continuous efforts to improve our service delivery, feedback was sought from customers after their mortgage transaction was closed. They were contacted to participate in a survey and provide a rating on various areas along the mortgage process and about the officer with which they dealt. Areas rated included, being courteous and professional; clarity of communications; responsiveness to inquiries; timeliness of the loan disbursement process and how helpful was the Officer(s). The overall customer approval rating for 2019 was 88.7%.

Building improvement projects at the Head Office continued with the upgrade of the main entrance and lobbies which modernised the ambiance of the space. The electrical system was also upgraded to ensure compliance with contemporary building safety requirements. These building improvements were completed in keeping with renewed efforts to improve the corporate image which aims to satisfy our internal and external customers by making the office environment pleasant and safe.

Learning and Growth

The organisation has a culture of learning and growth in keeping with our vision to focus on fulfilling our potential with the most skilled and knowledgeable team in the industry. Our High Performer and High Potential employee programme which was initiated in 2018 was continued during this fiscal year with these employees attending several training programmes including supervisory management and a leadership development series. The sales team underwent a review of the sales process: from Prospecting to Closing and Follow-up, being the end of the 7 stages of the sales process.

The staff also participated in the execution of team building and employee engagement exercises with the launch of the health and wellness initiative which is the subject of separate article in this report.

OUTLOOK FOR 2020

The international and domestic markets have been severely affected by the coronavirus which has slowed global economies and conditions will remain challenging as the world works to rise above its impacts. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The twin crises of the pandemic coupled with a collapse of oil prices are dual blows to the Trinidad and Tobago economy and will compound downward pressure on this country's GDP. Expectations are that the economy will face a deep contraction this year, projected at -4.5% by the IMF, which given global growth downward revisions, could be protracted. Even after recalibrating the budget against crude oil and natural gas prices at USD40/b and USD1.80/MMBtu, the depreciating price of hydrocarbons reinforces sharp declines in the country's economic growth and will have severe consequences for the country's revenues and public spending.

Subsequent to the pandemic announcement, TTMF was required to offer a deferral of payments to its mortgagors for a three-month period beginning in March, in the first instance. The deferrals will not result in a loss of interest but rather a deferral in the collection of interest. The overall impact of these crises on the economy and other macroeconomic factors such as unemployment will need to be carefully monitored. We are confident that our processes for the management of risk and possible losses that may arise out of these issues of international concern are sufficiently robust and Management will continue to monitor and evaluate these on an ongoing basis to take the necessary mitigating action.

We remain committed to the provision of affordable financing to low- and middle-income families in Trinidad and Tobago. We look forward to the completion of the merger with Home Mortgage Bank which will position the merged entity to more effectively meet its mandates. We are committed to executing the government's mandate to support HDC's funding requirements through the timely completion of mortgages to recipients of its housing units.

CONCLUSION

I am extremely proud to be part of TTMF's enduring success which was made possible by the dedication and commitment of the management and staff who, with their passion and pride, have made us "the lender of choice for residential mortgages in Trinidad and Tobago". On behalf of Team TTMF, I thank the Board of Directors for successfully navigating this company through these challenged economic circumstances and competitive environment. I take this opportunity to welcome our new Chairman Mr. Douglas Camacho, and I join him in thanking his predecessor, Mr. Ansel Howell for his stewardship of TTMF for the last three years. To our loyal customers, our success can only be possible with your business and unwavering commitment. For this we are eternally thankful.

ROBERT C. GREEN
Managing Director / Chief Executive Officer

MANAGEMENT TEAM

1. **BRENT MC FEE**
   Chief Operating Officer
   (Seconded to Home Mortgage Bank)

2. **LAURETTE WALKER**
   Chief Financial Officer

3. **WENDY HUGGINS**
   General Manager, Mortgage Services

4. **KAMILAH PETERSON**
   Manager, Contact Centre

5. **JESSEL MORALDO-CUMBERBATCH**
   Senior Manager, Human Resources

6. **MYRTLE HARRIS**
   Senior Manager, Mortgage Operations

7. **MEERA ROOPAN**
   Manager, Mortgage Origination

8. **LISA WILLIAMS**
   Assistant General Manager, Mortgage Administration

9. **NAHSHON RAMLAL**
   Manager, Finance

10. **LISA GRANNUM**
    Assistant General Manager, Mortgage Origination

11 **MARSHA RAE LEBEN**
   Manager, Corporate Communications

12. **NICOLE HOSPEDALES**
    Manager, Corporate Services

Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

CORPORATE SOCIAL RESPONSIBILITY

The provision of financing to families for the acquisition of their homes is a source of immeasurable pride to all the management and staff of TTMF. While owning a home contributes to the financial wellbeing and safety and security of any family, we recognize that our work should go beyond the families' walls, into the communities in which they live. The very nature of our business incorporates a social integration component that is essential to our mandate. As the preferred lender under the Government of Trinidad and Tobago's housing programme, we share the social agenda for the delivery of sustainable, secure and well-established communities for all citizens of Trinidad and Tobago. The wellbeing of our communities is important to us and to this end we are equally proud to report on our corporate social responsibility activities for 2019.

We continued our corporate social responsibility project which began four years ago, themed **TTMF CAN, C**orporate **A**ssistance for the **N**eedy. Through volunteerism we have contributed positively to the lives of the less fortunate. Our CSR projects traditionally focuses on children's homes and homes for the aged and the socially displaced. This year in our pursuit of making a difference in the lives of students in rural and semi-rural communities in Trinidad and Tobago, we selected schools in areas where many low-income families live. A needs assessment was done with the kind cooperation of the schools' principals and teachers and together we agreed on what assistance can be given to enhance the educational experience of its students. We take this opportunity to thank the principals and teachers at those schools, for their kind cooperation and for giving us the treasured opportunity to assist. It is with much pride that we share the very rewarding projects that we undertook.

Toco R.C. School: Located in the most north easterly community in Trinidad, this school has six teachers, three on-the-job trainees and forty-six students. Principal Miriam Marcelle told us of the perennial issue of students not having the required stationery and supplies to use in class and that many of them lack school bags. Stationery supplies and school bags were purchased for the entire student population and were presented to a senior teacher at a handing over ceremony before the beginning of the 2019/2020 school year.

Caparo RC Primary School: This school, which is in a predominantly agricultural community, has fifteen teachers and two hundred and sixty students. Principal Cheryl Rullow showed us the relatively poor condition of the school furniture. As a result, in support of the school motto to "Strive for Excellence", we refurbished one hundred and thirty-six desks and eleven infant desks. Mrs. Rullow thankfully received the desks at a handing over before the beginning of the new school year.

CORPORATE SOCIAL RESPONSIBILITY

Hindustan Baptist William Webb (Memorial) Primary School: Located in another agricultural community, this school has nine teachers and one hundred and sixty-eight students. Mrs. Cheryl Ann Khan-Chance sought to upgrade the computers in the school's lab, after falling behind technology trends occasioned by its older computers. Eight new computers were installed to serve the school's students and teachers. A senior teacher received the computers on behalf of Mrs. Khan-Chance, the teachers and students.

Las Cuevas Government Primary School: Located in the fishing village of Las Cuevas, this school has eight teachers, seven on-the-job trainees and one hundred and fifty-seven students. The school had insufficient seating for its students, so, fifteen two-seater desks were added to the existing furniture, and twenty-two infant desks were repaired. Acting Principal, Mrs Lycell Constantine asked senior teachers to receive the furniture on behalf of the teachers and students.

Parlatuvier Anglican School: This school is in a small fishing village in north west Tobago. Despite having only six teachers and forty-five students, the school boasts of being the Primary Schools Panorama Champions for three consecutive years and copped the top three positions in a regional spoken word competition. They have also been successful in regional sporting competitions. The school has embarked on an initiative to introduce its students to hydroponics as an alternative to traditional agriculture. A complete hydroponics system was built on the school compound. Principal Dansel Hazel was delighted to receive and introduce the system to his teachers and students.

TTMF CAN also involved a food drive in which staff were asked to collect and donate canned foods from family members, friends and our network of professional suppliers. The drive included a competition amongst the departments on which collected the most cans. This yielded 3,380 cans, which were distributed to needy homes in the districts in which we have branches.

We remain faithful to our mission of making homeownership an easy and rewarding experience and at the same time taking every opportunity to play our part in enriching the lives of our citizens throughout Trinidad and Tobago by way of community support.

Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

CORPORATE WELLNESS

The Transformers Mission: To improve the overall health and fitness of staff by being cognizant of some of the little things that you have control over, such as rest, water intake, better food choices and physical activity.

The Transformers Vision: Taking time to restore and nurture a sensible lifestyle from wherever our current health regimen may be. Energetic and relentless in our journey to a sustainable, healthier lifestyle.

Healthy behaviors decrease health risks and helps avoid chronic disease. Several health problems are caused by lack of exercise and poor nutritional choices. Implementing a wellness program is an effective way to help employees learn to make healthy choices in their lives, making them healthier in the long run and reduce the risks of health problems. The benefits that typically redound to corporations is a reduction in medical expenses, a reduction in absenteeism, an improvement in productivity, stress reduction and an increase in employee engagement and communication.

In 2019, TTMF initiated a corporate wellness program under the name ‘Transformers’ to introduce staff to varying activities to encourage them to become more active in body, mind and soul. With the appropriate education, skills, encouragement, tools, and community support, employees will change their behavior which is the measure of an effective wellness programme.

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Republic Bank

The Transformers programme began with a preventative health screening for all staff, designed to inform employees of their current health status. The results revealed that a high percentage of our relatively young staff is at risk for lifestyle diseases.

As a proactive measure in the interest of all staff, preventive measures were undertaken because the results of the screening exercise projected that over the subsequent five years, these potential health risks will impact not only the employee physically, socially and financially but also affect the overall wellbeing and productivity of the organisation. Employees were educated on healthy lifestyle modifications and were advised of healthy meal options to assist with adjusting their dietary habits.

Employees benefitted from a variety of company sponsored introductory activities that bolstered their physical and mental wellness, geared towards transforming the Body, Mind and Soul. To strengthen and increase stamina, staff participated in on-site physical activities which included a high intensity interval training programme, yoga and dance classes. The on-site training was supplemented by group walks and runs around the savannah. As a means of encouraging participation in the physical and endurance activities, a weight loss challenge was conducted with very enticing prizes. A three-month self-defense programme was organized which equipped employees with the necessary skills to protect themselves. Staff had an opportunity to learn new sports which included Archery; Dragon Boat racing; Golf; Lawn Tennis; Table Tennis; Aqua Aerobics and Swimming. For the mind, a book club was established, and games nights were held. 'Brown bag' workshops were facilitated during the luncheon period, on health and wellness generally, financial planning and vision board creation. A creditable wellness programme must involve outdoor activities to allow for the communing with the many gifts of nature and enjoying fresh unspoilt air. One very exciting activity that attracted many members of staff and their families was hikes to Rio Seco and Avocat waterfalls and to the L'eau Michel Mud Volcano.

As an organization that serves families in the community, the extended members of our own families were included in this wellness initiative.

As part of the corporate wellness programme, TTMF participated for the first time in the annual CariFin Games. These games bring together local financial institutions to engage in friendly competition under the motto 'Fun, Fitness, Friendship'. Several members of staff proudly participated in the various disciplines under the TTMF flag with some of them recording their personal best. We were successful in copping several titles including: 1st place – Football; Best Tent at the family day; Are You Fan Enough; Best Dance Routine; Most Participants at the Family Day; Team Captain of the Year and most significantly, Miss CariFin which was won by Ms. Kharena Chee-Wah.

The success of the Transformers wellness programme was in no short measure due to the work of the organizing committee which worked arduously to organize the events and to encourage participation. Congratulations and thank you to the committee.

At the end of the year 2019, 67.2% of the staff participated in at least one activity. Feedback from the participants indicates that it has helped employees become healthier and happier, they feel appreciated and valued and their transformation is notable. The programme will be continued in 2020 and it is anticipated that it will be embraced with the same level of enthusiasm as in 2019.

Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

FOREWORD

SUMMARY FINANCIAL STATEMENTS

This summary financial statements contains the Company's summary statement of financial position, summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows as well as a note to explain them. It does not contain sufficient information to allow a full understanding of the results and state of affairs of Trinidad and Tobago Mortgage Finance Company Limited.

The full annual financial statements and reports are available online at
www.ttmf-mortgages.com
or at our registered offices.

INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2019, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended and related notes, are derived from the complete audited financial statements of Trinidad and Tobago Mortgage Finance Company Limited for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in Note 1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of the Company.

Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2020.

The audited financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis of their established criteria as described in Note 1.

Auditor's Responsibility for the Audit of the Summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

EY

Port of Spain,
TRINIDAD:
March 26, 2020

SUMMARY STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

(Expressed in Thousands of Trinidad and Tobago dollars)

	2019	2018
ASSETS		
Cash and cash equivalents	60,318	427,191
GORTT subsidy receivable	219,424	73,113
Debtors and prepayments	8,195	6,241
Investment securities	253,465	253,043
Mortgage loans	3,538,419	3,230,457
Property and equipment	42,613	42,357
Right-of-use assets	3,706	–
Other assets	158,786	163,448
TOTAL ASSETS	4,284,926	4,195,850
LIABILITIES AND EQUITY		
LIABILITIES		
Dividend payable	52,822	–
Interest payable on debt	28,218	31,587
Debt securities	2,861,371	2,898,159
Other liabilities	193,501	184,331
TOTAL LIABILITIES	3,135,912	3,114,077
EQUITY		
Share capital	12,408	12,408
Retained earnings	1,136,606	1,069,365
TOTAL EQUITY	1,149,014	1,081,773
TOTAL EQUITY AND LIABILITIES	4,284,926	4,195,850

On March 26, 2020, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these financial statements for issue.

: Director

: Director

: Director

SUMMARY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of Trinidad and Tobago dollars)

	2019	2018
Net interest income	**142,290**	**165,751**
Other income	72,587	63,494
Total income	**214,877**	**229,245**
Total expenses	(79,665)	(77,459)
Income before taxation	**135,212**	**151,786**
Taxation	(8,983)	(19,207)
Income after taxation	**126,229**	**132,579**
Other comprehensive loss for the year, net of tax	(6,166)	(1,188)
Total comprehensive income for the year	**120,063**	**131,391**

SUMMARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of Trinidad and Tobago dollars)

	Share Capital	Retained Earnings	Total
Balance at December 31, 2017	**12,408**	**980,377**	**992,785**
Net impact of adopting IFRS 9	–	(523)	(523)
Restated opening balance under IFRS 9	**12,408**	**979,854**	**992,262**
Comprehensive income for the year	–	131,391	131,391
Dividends paid	–	(41,880)	(41,880)
Balance at December 31, 2018	**12,408**	**1,069,365**	**1,081,773**
Comprehensive income for the year	–	120,063	120,063
Dividends payable	–	(52,822)	(52,822)
Balance at December 31, 2019	**12,408**	**1,136,606**	**1,149,014**

The accompanying note forms an integral part of these summary financial statements.

SUMMARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of Trinidad and Tobago dollars)

	2019	2018
Net cash (outflow)/inflow from operating activities	(310,148)	327,804
Net cash outflow from investing activities	(9,245)	(4,394)
Net cash outflow from financing activities	(47,480)	(241,239)
Net cash (outflow)/inflow for the year	**(366,873)**	**82,171**
Cash and cash equivalents at the beginning of the year	427,191	345,020
Cash and cash equivalents at the end of the year	60,318	427,191
Represented by:		
Cash at bank	60,318	427,191
Bank overdraft	–	–
	60,318	427,191
Supplemental information		
Interest received	184,728	205,350
Interest paid	136,943	138,104

The accompanying note forms an integral part of these summary financial statements.

NOTE TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of Trinidad and Tobago dollars)

Note 1 Basis of Preparation

The summary financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary statement of financial position, summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows. These summary financial statements are derived from the audited financial statements of Trinidad and Tobago Mortgage Finance Company Limited for the year ended December 31, 2019.

These summary financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the December 31, 2019 audited financial statements consistently applied from period to period. The Company has adopted all new and revised accounting standards and interpretations that are mandatory for annual accounting periods on or after January 1, 2019 and which are relevant to the Company's operations. The areas of critical accounting estimate and judgement as disclosed in "Note 3" of the December 31, 2019 audited financial statements, have also remained unchanged.

Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

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Website: www.ttmf-mortgages.com • E-mail: info@ttmf-mortgages.com

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

Ernst & Young

Building a better
working world

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

C O N T E N T S **Page**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Trinidad and Tobago Mortgage Finance Company Limited, which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Robert C Green

Chief Executive Officer
March 26, 2019

Laurette Walker

Chief Financial Officer
March 26, 2019

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working world

Ernst & Young Services Limited
P.O. Box 158
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trinidad and Tobago Mortgage Finance Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

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

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
26 March 2019

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
ASSETS			
Cash and cash equivalents	4	427,191	345,020
GORTT Subsidy receivable	5a	73,113	28,057
Debtors and prepayments	6	6,241	7,227
Investment securities	7	253,043	252,656
Mortgage loans	8	3,230,457	3,546,726
Property and equipment	9	42,357	42,644
Deferred tax assets	10	163,448	180,033
TOTAL ASSETS		4,195,850	4,402,363
LIABILITIES AND EQUITY			
LIABILITIES			
Prepayments by mortgagors	11	88,771	193,452
Amount due under IDB loan programme	12	169	331
Amount due to HDC	13	858	858
Sundry creditors and accruals	14	80,487	63,670
Short-term debt	15	–	400,000
Interest payable on debt		31,587	35,364
Long-term debt	16	2,898,159	2,699,349
Pension plan liability	17	14,046	16,554
TOTAL LIABILITIES		3,114,077	3,409,578

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	Note	2018	2017
EQUITY			
Share capital	18	12,408	12,408
Retained earnings		1,069,365	980,377
TOTAL EQUITY		1,081,773	992,785
TOTAL EQUITY AND LIABILITIES		4,195,850	4,402,363

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

On March 26, 2019 the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these Financial Statements for issue.

: Director

: Director Jennifer Sutchman

: Director Robert C Green

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Income			
Mortgage interest		183,205	202,529
Net interest expense	19	(17,454)	(57,089)
Net interest income		165,751	145,440
Investment income	20	22,145	21,433
Rental income		825	566
Other income	21	40,524	28,581
		229,245	196,020
Expenses			
Administration	22	(70,450)	(73,945)
Loan impairment expense		(1,560)	(873)
Building expenses		(5,449)	(6,396)
		(77,459)	(81,214)
Net income before taxation		151,786	114,806
Taxation expense	24	(19,207)	(10,106)
Net income after taxation		132,579	104,700
Other comprehensive income, net of taxes			
Items that will not be reclassified subsequently to profit or loss:			
- Re-measurement losses on defined benefit plans	17 (c)	(1,697)	(2,131)
- Income tax credit	10	509	640
Other comprehensive loss for the year, net of tax		(1,188)	(1,491)
Total comprehensive income for the year		131,391	103,209

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	Share capital	Retained earnings	Total
Balance at 31 December 2016		12,408	917,459	929,867
Net income for the period		–	104,700	104,700
Other comprehensive loss for the year		–	(1,491)	(1,491)
Dividends paid	31	–	(40,291)	(40,291)
Balance at 31 December 2017		12,408	980,377	992,785
Net Impact of adopting IFRS 9 (Note 2 b) (i))		–	(523)	(523)
Restated opening balance under IFRS 9		12,408	979,854	992,262
Net income for the period		–	132,579	132,579
Other comprehensive loss for the year		–	(1,188)	(1,188)
Dividends paid	31	–	(41,880)	(41,880)
Balance at 31 December 2018		12,408	1,069,365	1,081,773

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Cash flows from operating activities			
Net income before tax		151,786	114,806
Adjustments for			
Depreciation	9	4,515	4,999
Loss on sale of property and equipment		166	302
Amortisation of discount on investment securities		(387)	(355)
Amortised subsidy 2% and 5% mortgage programmes	5b	–	(16,716)
Accretion on long-term debt		(1,831)	6,534
Surplus before working capital changes		154,249	109,570
Increase in debtors and prepayments		(44,070)	(28,531)
Decrease/(increase) in mortgages		315,746	(190,673)
(Decrease)/increase in prepayment by mortgagors		(104,681)	20,609
Decrease in amount due under IDB loan programme		(162)	(176)
Increase in sundry creditors and accruals		16,817	11,097
Decrease in pension liability	17	(4,205)	(1,162)
(Decrease)/increase in interest payable on debt		(3,777)	4,982
Taxes paid		(2,113)	(1,947)
Net cash generated from/(used in) operating activities		327,804	(76,231)

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	Notes	2018	2017
Cash flows from investing activities			
Purchase of fixed assets	9	(4,414)	(2,483)
Proceeds from sale of fixed assets		20	1,556
Net cash used in investing activities		(4,394)	(927)
Cash flows from financing activities			
Proceeds from debt		550,000	911,400
Repayments on debt		(749,359)	(495,492)
Dividends paid	31	(41,880)	(40,291)
Net cash (used in)/generated from financing activities		(241,239)	375,617
Net increase in cash and cash equivalents		82,171	298,459
Cash and cash equivalents at the beginning of year		345,020	46,561
Cash and cash equivalents at the end of year	4	427,191	345,020
Supplemental information			
Interest received		205,350	196,627
Interest paid		138,104	127,140

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

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) or the 'Company' is incorporated in the Republic of Trinidad and Tobago and provides mortgage financing secured by residential property. The Company is also an "approved mortgage company" under the provisions of the Housing Act, Ch. 33.01. The Company is a subsidiary of The National Insurance Board of Trinidad and Tobago (NIBTT) which is a statutory board under the National Insurance Act.

The registered office is located at 61 Dundonald Street, Port of Spain.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in thousands of Trinidad and Tobago dollars. These financial statements have been prepared on a historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Significant accounting policies (continued)

b) Changes in accounting policy

(i) New standards and amendments/revisions to published standards and interpretations effective in 2018

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 for annual periods on or after 1 January 2018. The Company has not restated comparative information for 2017 for financial instruments within the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018 and are disclosed in this Note.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available-for-sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost (AC)
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial Assets at FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39.

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

b) **Changes in accounting policy** (continued)

(i) ***New standards and amendments/revisions to published standards and interpretations effective in 2018*** (continued)

IFRS 9 Financial Instruments (continued)

Changes to classification and measurement (continued)

The Company's classification of its financial assets and liabilities is explained in Notes 2 d), 2 e) and 2 f). The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in the transition disclosures in this Note.

Changes to impairment calculation

The adoption of IFRS 9 has fundamentally changed the company's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantees contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Company's impairment methodology are disclosed in Note 2 f). The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in this Note.

IFRS 7R – Financial Instruments: Disclosures Revised

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures Revised was updated and the Company has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in this Note.

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2018 (continued)

IFRS 7R – Financial Instruments: Disclosures Revised (continued)

Transition Disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained earnings, including the effect of replacing IAS 39's credit loss calculations with the ECL calculation under IFRS 9.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	IAS 39 Amount	Re-classification	Remeasurement ECL	IFRS 9 Amount
Financial assets				
Cash and cash equivalents	345,020	–	–	345,020
GORTT Subsidy Receivable	28,057	–	–	28,057
Investment securities – held-to-maturity	252,656	(252,656)	–	–
Investment securities – amortised cost	–	252,656	–	252,656
Mortgage loans	3,546,726	–	(523)	3,546,203
Interest receivable on investments	4,567	–	–	4,567
Total financial assets	4,177,026	–	(523)	4,176,503
Financial liabilities				
Interest payable on debt	35,364	–	–	35,364
Short-term debt	400,000	–	–	400,000
Long-term debt	2,699,349	–	–	2,699,349
Total financial liabilities	3,134,713	–	–	3,134,713

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2018 (continued)

IFRS 7R – Financial Instruments: Disclosures Revised (continued)

Transition Disclosures (continued)

1. As of 1 January 2018, the Company did not have any investment securities that did not meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as investment securities measured at amortised cost.

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Share capital	Retained earnings	Total
Closing balance under IAS 39 (31 December 2017)	12,408	980,377	992,785
Initial recognition of IFRS 9 ECLs	-	(523)	(523)
Opening Balance under IFRS 9 (1 January 2018)	12,408	979,854	992,262

The following table reconciles the aggregate opening financial asset impairments under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances for financial assets under IFRS 9.

31 December 2017	Financial Asset Impairment under IAS 39	Remeasurement ECLs under IFRS 9	Financial asset Impairment under IFRS 9
Impairment allowance for:			
Mortgage loans	19,204	523	19,727
	19,204	523	19,727

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2018 (continued)

Hedge Accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, that is, fair value hedges, cash flow hedges and net investment hedges. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

The Company has adopted IFRS 9, which resulted in changes to accounting for its mortgage loans. Hedge accounting is not applicable to the Company.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

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

b) **Changes in accounting policy** (continued)

(i) ***New standards and amendments/revisions to published standards and interpretations effective in 2018*** (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

The adoption and amendment to this standard had no impact on the Company.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

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

b) **Changes in accounting policy** (continued)

(i) ***New standards and amendments/revisions to published standards and interpretations effective in 2018*** (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (continued)

(i) The beginning of the reporting period in which the entity first applies the interpretation or;
(ii) The beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation

The adoption and amendment to this standard had no impact on the Company.

(ii) ***New standards and amendments/revisions to published standards and interpretations effective in 2018 but not applicable to the Company***

The following new IFRS standards and amendments that have been issued do not apply to the activities of the Company:

IFRS 1 First Time Adoption of Financial Reporting Standards

The standard sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of cash-settled share-based payment transaction

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(ii) *New standards and amendments/revisions to published standards and interpretations effective in 2018 but not applicable to the Company* (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (continued)

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled

IFRS 4 Insurance Contracts: Applying IFRS 9 with IFRS 4 Insurance Contracts – Amendments to IFRS 4

The amendment addresses concerns arising from implementing the new financial instruments standards, IFRS 9, before implementing the new insurance contracts standard that the board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

IAS 28 Investment in Associates and Joint Ventures

The amendment provides clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

IAS 40 Investment Property: Transfers of Investment Properties – Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(ii) New standards and amendments/revisions to published standards and interpretations effective in 2018 but not applicable to the Company (continued)

IAS 40 Investment Property: Transfers of Investment Properties – Amendments to IAS 40 (continued)

The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

(iii) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company

The following is a list of new IFRS standards and amendments issued that are not yet effective and have not been early adopted by the Company. The Company has not yet assessed the impact of these new standards and amendments, but if applicable, the Company intends to adopt these standards/amendments when they become effective.

Effective 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 19 Employee Benefits - Amendments to IAS 19
- IAS 28 Investments in Associates and Joint Ventures – Amendments to IAS 28

Effective 1 January 2020:

- Conceptual Framework for Financial Reporting

Effective January 1 2021:

- IFRS 17 Insurance Contracts

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(iv) Improvements to International Financial Reporting Standards

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

IFRS Subject of Amendment

IFRS 3 – Business Combinations – Previously held interests in a joint operation

IFRS 11 – Joint Arrangements – Previously held interests in a joint operation

IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity

IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation

c) Financial instruments

The Company's financial assets and liabilities are recognised in the statement of financial position when it becomes party to the contractual obligations of the instrument. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The Company derecognises its financial assets when the rights to receive cash flows from the assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised only when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised on the trade date, which is the date that the Company commits to purchase or sell the instrument.

2. Significant accounting policies (continued)

d) Investment securities

Before 1 January 2018, the Company classified its investment securities as held-to-maturity financial assets. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity financial investments were subsequently measured at amortised cost, less allowance for impairment. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortization of premiums and discounts is taken to the Statement of Comprehensive Income.

From 1 January 2018, the Company only measures investment securities at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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) on the principal amount outstanding.

e) Mortgage loans

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

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

f) Impairment of financial assets (Policy applicable before 1 January 2018)

Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Provision for impairment is assessed for all loans where there is objective evidence that the full amount due to the Company would not be repaid. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted for the period of time to sell at the asset's original effective interest rate.

When properties are seized by the Company, provisions are also made for the differences between the carrying value of the mortgages and the value of the related properties in the possession of the Company at the balance sheet date.

Any change in provisions required is recorded in the income statement and other comprehensive income.

Impairment of financial assets (Policy applicable from 1 January 2018)

(i) Overview of the ECL principles

As described in Note 2 b) (i), new and amended standards and interpretations, the adoption of IFRS 9 has fundamentally changed the Company's financial assets impairment methodologies by replacing the incurred loss approach under IAS 39 with a forward-looking ECL approach. From 1 January 2018, the Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Company uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

2. Significant accounting policies (continued)

f) Impairment of financial assets (Policy applicable from 1 January 2018) (continued)

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in Note 29.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions after initial recognition, the Company recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3. Stage 2 assets are overdue >90 days, but <180 days.

Stage 3
Financial assets considered credit-impaired. The Company records an allowance for the LTECLs. All loans >180 days are in this category.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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

f) **Impairment of financial assets** (continued)

(i) The calculation of ECLs

The Company adopted a more proportional and simplified ECL methodology based on information already used in the current credit risk management and reporting framework. This involves the application of inherent risk rates currently calculated, with an allowance for possible future worsening of credit loss experience. Annual portfolio credit loss rates have been stable over the past 5 years at 0.2% or below.

The methodology adopted assumes the following:

- Historic credit loss rates represent a reasonable predictor for future credit events
- The Company's approach to credit risk management is consistent going forward
- The credit risks of the portfolio will remain relatively stable in the future

The parameters outlined would be reviewed annually for consistency. The proposed assumptions and methodology would be reviewed and adjusted as required if actual default experience differs from expectation.

2. Significant accounting policies (continued)

g) Property and equipment

All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an infinite life. Artwork is not depreciated as it is deemed to appreciate in value. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Office buildings	-	2 to 33⅓%
Motor vehicles	-	25%
Furniture and equipment	-	12½%
Computer equipment	-	20 to 25%

Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are taken into the statement of comprehensive income.

Included within the Property and Equipment on the Statement of Financial position is a Tobago property, which is fully owned by the company. However, 15% of this property is owner-occupied with the remaining 85% being leased to the Tobago Tourism Agency Limited and the Tobago House of Assembly under operating leases. As such, the portions leased out are considered Investment Property under IAS 40. We determined that the re-classification to Investment Property would have no impact to the financial statements as a whole and thus, no amendment was made to the financial statements.

2. Significant accounting policies (continued)

h) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, bank overdraft, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events from which, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the statement of financial position date.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

j) Employee benefits

The Company operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the Company, taking into account the recommendations of an independent qualified actuary. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

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

j) **Employee benefits** (continued)

The asset/liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Re-measurement of the net defined benefit liability, which comprise of actuarial gains and losses and the return on Plan assets (excluding interest) are recognised immediately through the statement of comprehensive income.

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, inherent rate risk and longevity risks.

Past service cost is recognised as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits or related restructuring costs.

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

k) Financial liabilities

Initial recognition and measurement
Financial liabilities are recognized initially at fair value net of transactions costs, and subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Net Interest Expense in the statement of comprehensive income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

l) Taxation

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement and other 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

2. Significant accounting policies (continued)

l) Taxation (continued)

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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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.

m) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on December 31 2018. All revenue and expenditure transactions denominated in foreign currencies are translated at the buying (cash) rate of our bankers and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

n) Revenue recognition

Mortgage loans

Income from mortgage loans, including origination fees, is recognised on an amortised basis. Interest is accounted for on the accrual basis except where a loan becomes contractually three months in arrears and the interest is suspended and then accounted for on a cash basis of at least 6 months subsequent to the loan being brought up to date.

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

n) **Revenue recognition** (continued)

Investment income
Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium.

Rental income under operating leases is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

Fees and commissions
Unless included in the effective interest calculation, fees are recognised on an accrual basis as the service is provided. Fees and commissions not integral to the effective interest arising from negotiating or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contract.

Other income and expenditure
Other income and expenditure, inclusive of borrowing costs and related government subsidies, are brought into account on the accrual basis.

o) **Mortgage agency business**

The Company manages the disbursement and collection of mortgage loans on behalf of other mortgage companies. The loan portfolios managed under these agreements totalled $1,363.0 million (2017: $589.3 million) and is not reflected in these financial statements.

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

p) Share capital

Ordinary shares are classified as equity. 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.

q) Capitalized transaction costs

The costs incurred in the issue of bonds for investment in housing is amortised over the duration of the respective bond issue (see Note 16).

r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

3. Critical accounting judgments and key sources of estimation uncertainty

Key sources of estimation uncertainty
The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations that management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in financial statements.

a) Deferred tax asset

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of taxable losses which have arisen at the statement of financial position date. These are detailed in Note 10.

b) Impairment of financial assets

Impairment losses on financial assets (Policy applicable under IAS 39)

Management made judgments at the end of the reporting period to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Impairment losses on financial assets (Policy applicable under IFRS 9)

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.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

b) Impairment of financial assets (continued)

Impairment losses on financial assets (Policy applicable under IFRS 9) (continued)

The Company's ECL calculation is an output of a model 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 Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Losses basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- The inclusion of overlay adjustments based on judgement and future expectations

c) Net pension liability

In conducting valuation exercises to measure the effect of employees benefit plans throughout the Company, judgment is used and assumptions are made, in determining discount rates, salary increases, National Insurance ceiling increases, pension increases and the rate of return on the assets of the Plan. These are detailed in Note 17.

(Expressed in Thousands of Trinidad and Tobago dollars)

4. Cash and cash equivalents

	2018	2017
Cash in hand	2,564	738
Cash at bank	424,627	344,282
	427,191	345,020

The average effective interest rate on cash and cash equivalents for the current year is 0.00% (2017: 0.00%).

The Company has an unsecured overdraft facility for $25 million with Republic Bank Limited.

5. a. GORTT subsidy receivable

	2018	2017
Subsidy on $200M Bond	466	653
Subsidy on 2% and 5% graduated programmes	72,647	27,404
	73,113	28,057

b. Subsidy 2% and 5% mortgage programmes

Subsidy on Mortgages

The Company is the Government's partner in the provision of mortgage financing for affordable housing. The facility is provided to qualifying citizens at subsidized rates of interest through a Government subsidy.

Amounts of $347.5 million were received from the GORTT to assist with the financing and the provision of affordable housing at subsidized rates of interest to citizens of Trinidad and Tobago. This subsidy also compensates TTMF for the overall administration of this portfolio. The subsidy is being released to income on an amortised basis over the duration of the subsidized mortgages, with the interest element of the subsidy being net off against interest expense and the administration fees being recognised in other income.

(Expressed in Thousands of Trinidad and Tobago dollars)

5. b. Subsidy 2% and 5% mortgage programmes (continued)

Subsidy on Bonds

The subsidy received from the GORTT is calculated on a quarterly basis as the difference between the cost of the bonds, plus an administrative fee, and the effective rate of return on the Company's mortgage loans, over the term of the bonds. This enabled the Company to lend at specified mortgage interest rates under the approved mortgage company programme. This is recognised on the accrual basis and is net off against interest expense in the statement of comprehensive income.

	2018	2017
Grant balance at beginning	(28,057)	16,716
Add: Receipts from GORTT	103,703	45,734
Total	75,646	62,450
Less amounts released:		
Interest expense (Note 19)	(123,559)	(75,034)
Other	(25,200)	(15,473)
Total	(148,759)	(90,507)
Amount deferred	(73,113)	(28,057)
Amounts reclassified to subsidy receivable	73,113	28,057
	–	–

6. Debtors and prepayments

	2018	2017
Interest receivable on investments	4,567	4,567
IDB service fee	132	158
Staff debtors	253	288
Other	1,289	2,214
	6,241	7,227

(Expressed in Thousands of Trinidad and Tobago dollars)

7.	**Investment securities**	**2018**	**2017**
a)	**Securities held-to-maturity**		
	HDC Fixed Rate 8.5% Bond	–	226,625
	NIPDEC 6.55% Bond	–	26,031
		–	252,656
b)	**Securities at amortised cost**		
	HDC Fixed Rate 8.5% Bond	227,046	–
	NIPDEC 6.55% Bond	25,997	–
		253,043	–
c)	**Securities at amortised cost**	**Stage 1**	**Total**
	Gross exposure	253,043	253,043
	ECL	–	–
	Net exposure	253,043	253,043

The average effective interest rate on the Company's securities for the current year is 8.30% (2017:8.49%). As at the year end, the fair value of investment securities classified as amortised cost to $288.63 million (2017: $296.67 million).

8.	**Mortgage loans**	**2018**	**2017**
a)	Stage 1	2,999,364	3,392,870
	Stage 2	91,718	67,169
	Stage 3	114,108	101,419
		3,205,190	3,561,458
	Add: Recoveries cost	9,443	9,801
	Less: Net interest	(279)	(5,329)
		3,214,354	3,565,930
	Less: Allowances for ECL	(21,197)	(19,204)
	Net advances	3,193,157	3,546,726
	Mortgages in process of conversion	37,300	–
		3,230,457	3,546,726

(Expressed in Thousands of Trinidad and Tobago dollars)

8. Mortgage loans (continued)

The average effective interest rate on the mortgage loan portfolio for the current year is 4.94% (2017: 5.87%).

9. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	Artwork	Work in progress	2018	2017
Cost								
At beginning of the period	48,990	1,931	5,026	8,915	315	–	65,177	72,544
Additions	338	660	258	2,269	59	830	4,414	2,483
Disposals	(281)	(570)	(571)	(1,411)		–	(2,841)	(9,850)
At end of period	49,047	2,021	4,713	9,773	366	830	66,750	65,177
Accumulated depreciation								
At beginning of the period	16,123	755	2,002	3,653	–	–	22,533	25,526
Current depreciation (Note 22)	1,347	531	606	2,031	–	–	4,515	4,999
Depreciation on disposals	(267)	(469)	(512)	(1,407)	–	–	(2,655)	(7,992)
At end of period	17,203	817	2,096	4,277	–	–	24,393	22,533
Net book value	31,844	1,204	2,617	5,496	366	830	42,357	42,644

(Expressed in Thousands of Trinidad and Tobago dollars)

10. Deferred tax assets

	2018	2017
Taxation losses	154,238	169,739
Loan fees	5,850	5,745
Pension liability	4,214	4,966
Property and equipment	(854)	(417)
	163,448	180,033

	2017	(Charge)/credit to income statement	OCI	2018
Taxation losses	169,739	(15,501)	–	154,238
Loan fees	5,745	105		5,850
Pension liability	4,966	(1,261)	509	4,214
Property and equipment	(417)	(437)	–	(854)
	180,033	(17,094)	509	163,448

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. Management's retention of this asset is largely based on the tax planning associated with likely corporate restructuring associated with the planned formation of Trinidad and Tobago Mortgage Bank (TTMB). Such restructuring will allow for the use of accumulated income tax losses against future taxable profits in the short to medium term.

11. Prepayments by mortgagors

Prepayments by mortgagors reflect payments received by customers primarily for remittance to third parties.

	2018	2017
Escrows	62,853	168,916
Insurance	22,495	20,605
Other	3,423	3,931
	88,771	193,452

(Expressed in Thousands of Trinidad and Tobago dollars)

12. Amount due under IDB loan programme

The Company has been appointed agents by the GORTT to disburse funds to beneficiaries under the IDB Settlements Programme. This balance includes funds received and not yet disbursed and repayments from borrowers received and not yet remitted.

13. Amount due to HDC

This balance relates to the liability due to HDC from the GORTT's decision to rescind the administered portfolio arrangement with TTMF.

14. Sundry creditors and accruals

	2018	2017
Unearned loan fees	19,501	19,150
Home Mortgage Bank	27,283	4,145
Provision for staff costs	7,389	6,784
Advance - Beneficiary Owned Land Subsidy	2,826	2,826
Mortgage clearing accounts	10,165	18,747
Other	13,323	12,018
	80,487	63,670

15. Short-term debt

As at December 31 2017, the outstanding amount represented a Commercial Paper facility arranged through ANSA Merchant Bank Limited to assist in the granting of mortgages and operational expenses. This facility matured on September 1, 2018. The average effective interest rate on short-term debt for 2017 was 4.07%.

Short term debt	**2018**	**2017**
Unsecured:		
ANSA Merchant Bank Limited	-	400,000

(Expressed in Thousands of Trinidad and Tobago dollars)

16.	**Long term debt**	**2018**	**2017**
	Government of Trinidad and Tobago Loans		
	- 7.00% debentures 1999/2018	–	2,891
	- 7.50% debentures 1999/2018	–	1,396
	- 5.00% debentures 1999/2018	–	7,035
	- 5.00% debentures 2018	–	127,490
		–	138,812
	National Insurance Board Loans		
	- 5.00% debentures 1999/2018	–	8,766
	- 5.00% debentures 1999/2018	–	1,274
		–	10,040
	Mortgage backed Loans		
	- 4.00% debentures 2012/2019	51,750	51,750
	- 4.95% debentures 2012/2022	90,250	90,250
		142,000	142,000
	Bonds		
	1.125% 1994 Bond Issue 2019	2,500	5,000
	1.00% 1995 Bond Issue 2020	8,258	12,387
	10.00% 2000 Bond Issue 2020	20,000	30,000
	20 Series Bond Issue 2018-2023	319,000	383,000
	20 Series Bond Issue 2018-2023	249,200	318,800
	20 Series Bond Issue 2018-2024	137,500	162,500
	3 Series Bond Issue 2021/2025	850,941	876,219
	4 yr Demand Loan 2022	150,000	150,000
	5 Series Bond Issue 2019-2026	516,400	516,400
	UTC $150M Syndicated Loan due 2021	150,000	–
	FCB $400M PCE Bond Issue 2023	400,000	–
		2,803,799	2,454,306
		2,945,799	2,745,158
	Less: unamortised transaction cost	(47,640)	(45,809)
	Total long term debt	2,898,159	2,699,349

(Expressed in Thousands of Trinidad and Tobago dollars)

16. Long term debt (continued)

Loans amounting to $20 million (2017: $30 million) are fully secured by Government guarantee, whilst debt amounting to $2,249 million (2017: $1,883 million) is fully secured by the Company's mortgage assets.

The average effective interest rate on long-term debt for the current year is 4.69% (2017: 4.67%).

17. Pension and other post-employment benefits	**2018**	**2017**
a) Amounts recognised in the statement of financial position:		
Defined benefit obligations	71,409	62,673
Fair value of plan assets	(57,363)	(46,119)
Net defined benefit liability	14,046	16,554
b) Amounts recognised in profit or loss		
Current service cost	3,567	3,338
Interest costs	766	732
Admin expenses	207	121
Net benefit cost	4,540	4,191
c) Amounts recognised in other comprehensive income		
Experienced loss – demographic	1,399	1,951
Experience loss – financial	298	180
	1,697	2,131
d) Actual return on plan assets	2,172	2,031

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Pension and other post-employment benefits (continued)

e) Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
Opening defined benefit obligation	62,674	59,912
Current service cost	3,567	3,338
Interest costs	3,236	2,942
Members' contributions	1,517	1,423
Actuarial losses	1,399	1,951
Benefits paid	(984)	(6,893)
Closing defined benefit obligation	71,409	62,673

f) Changes in the fair value of plan assets are as follows:

	2018	2017
Opening fair value of plan assets	46,119	44,327
Expected return	2,471	2,210
Employer contributions	8,745	5,352
Members' contributions	1,517	1,423
Actuarial loss on plan assets	(298)	(179)
Administrative expenses	(207)	(121)
Benefits paid	(984)	(6,893)
Closing fair value of plan assets	57,363	46,119

g) The major categories of plan assets as a percentage of total plan assets are as follows:

	2018	**2017**
Deposit administration contracts	100%	100%

Summary of principal actuarial assumptions

Discount rate	5.0%	5.0%
Salary increases	3.0%	3.0%

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Pension and other post-employment benefits (continued)

h) The Company is expected to contribute $6.34 million (2018: $5.07 million) to its defined benefit plan in 2019.

i) Sensitivity of present value of Defined Benefit Obligation

	1% Increase	1% Decrease
Discount rate	(13,306)	17,673
Salary growth	7,448	(6,420)

The weighted average duration of the obligations is 25 years.

18. Share capital

	2018	2017
Authorised:		
Unlimited number of ordinary shares of no par value		
Issued and fully paid:		
2,585,000 shares of no par value	12,408	12,408

Dividend per share is $16.20 (2017: $15.59).

19. Interest expense

Gross interest expense	141,013	132,123
Less Government subsidy:		
Bonds (Note 5)	(996)	(1,359)
2% and 5% Mortgage Programmes (Note 5)	(122,563)	(73,675)
Net interest expense	17,454	57,089

(Expressed in Thousands of Trinidad and Tobago dollars)

20. Investment income

	2018	2017
Amortization of discount and premium on amortised cost investments	387	355
Interest on investments	21,758	21,078
	22,145	21,433

21. Other income

	2018	2017
Loan fees	2,478	2,289
IADB income	277	332
Home Mortgage Bank service and origination fee	9,796	4,983
Government assisted programme - Administration fees	28,020	20,332
Other	(47)	645
	40,524	28,581

22. Administration expenses

	2018	2017
Staff costs (Note 23)	48,056	48,579
Depreciation (Note 9)	4,515	4,999
Legal and professional fees	3,213	3,162
Advertising and public relations	4,068	3,290
Bank interest and charges	132	272
Bond issue costs	3,953	4,020
Other	6,513	9,623
	70,450	73,945

23. Staff costs

	2018	2017
Wages, salaries and other benefits	40,658	41,008
National insurance	2,304	2,140
Pension costs and other benefits	5,094	5,431
	48,056	48,579

(Expressed in Thousands of Trinidad and Tobago dollars)

24. Taxation

	2018	2017
a) Components of tax charge		
Deferred tax	(17,094)	(8,159)
Current tax - current year	(927)	(984)
Green fund levy	(1,186)	(963)
	(19,207)	(10,106)
b) Reconciliation of accounting to tax profit:		
Accounting profit	151,786	114,806
Income taxes calculated at statutory rate - 25%	-	(250)
Income taxes calculated at statutory rate - 30%	(45,536)	(34,142)
Green fund levy	(1,186)	(963)
Net expenses not allowable for tax	(4,297)	(26,855)
Tax exempt income	31,812	52,104
	(19,207)	(10,106)

25. Mortgage commitments

At 31 December 2018, the Company had outstanding commitments totalling $109.7 million (2017: $113.3 million), to intending mortgagors.

(Expressed in Thousands of Trinidad and Tobago dollars)

26. Related party transactions

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. A number of transactions are entered into with related parties in the normal course of business.

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

	2018	2017
Mortgage loans		
Key management personnel (including Directors)	3,326	3,563
Borrowings and other liabilities		
National Insurance Board		
Interest payable on debt	2,635	3,081
Borrowings	131,400	164,440
Home Mortgage Bank		
Borrowings	167,000	167,000
Interest Payable on debt	1,837	1,837
Other liabilities	27,283	4,145
Interest and other income		
Key management personnel	127	138
Borrowings interest and other expense		
National Insurance Board	8,586	9,496
Home Mortgage Bank	7,384	7,384
Key management compensation		
Short-term benefits	2,944	3,080
Post-employment benefits	284	483
Directors' remuneration	458	466

26. Related party transactions (continued)

In the normal course of the Company's business, Government and Government-related entities invest in the Company's funding instruments offered to the public. The Government also provides financing for specifically designated arrangements. The Company also administers portfolios for Government and Government-related entities and earns fees for these services. These specific arrangements have been disclosed in the financial statements.

27. Contingent liabilities - litigation

As at 31 December 2018, there were certain legal proceedings outstanding for the Company. This is expected in the normal course of business, with the re-possession of the underlying collateral supporting mortgage loans in arrears. This is taken into consideration in the establishment of individual and collective provisions in the assessment of the impairment of mortgages.

28. Capital management

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

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Company defines capital as an appropriate mix of debt and equity. Capital decreased by $112 million to $4.0 billion during the year under review.

The Company reviews its capital adequacy annually at the Asset/Liability Risk Management committee and Board meetings. The Company maintains healthy capital ratios in order to support its business and to maximize shareholder value.

29. Risk management

The Company's activities are primarily related to the provision of mortgage loans for the purchase of residential properties. The Company's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practice. The most important types of risk that the Company is exposed to are credit risk, liquidity risk, market risk and other operational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

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

Internal audit

Risk management processes throughout the Company are audited periodically by the Internal Audit department, which examines both the adequacy of the procedures and the Company's compliance with the procedures. In addition, Internal Audit is responsible for the independent review of risk management and the control environment. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Company either by its unwillingness to perform on an obligation or its ability to perform such an obligation is impaired. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counter-parties and for geographical concentrations, and by monitoring exposures in relation to such limits.

Credit risk is the most important risk that the Company faces; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to mortgage loans, and investment activities that bring debt securities and other bills into the Company's asset portfolio. There is also credit risk in financial instruments, such as loan commitments which is not included in the statement of financial position. These commitments are due within one year of the financial year end.

Maximum exposure to credit risk before collateral held or other credit enhancements

The table below show the Company's maximum exposure to credit risk:

	Maximum exposure	
Details	**2018**	**2017**
Financial assets		
Mortgage loans	3,205,190	3,561,458
Investment securities	253,043	252,656
Other receivables	77,680	32,624
Cash at bank and cash equivalents	427,191	345,020
Total gross financial assets	3,963,104	4,191,758
Mortgage commitments	109,700	113,316
Total credit risk exposure	4,072,804	4,305,074

29. Risk management (continued)

Risk limit control and mitigation policies

The Company manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or Company of borrowers and to geographical segments.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations.

The Company has developed a credit risk strategy that establishes the objectives guiding the organization's credit-granting activities and has adopted the necessary policies and procedures for conducting such activities having determined the acceptable risk/reward trade-off for its activities, factoring in the cost of capital. The credit risk strategy, as well as significant credit risk policies are approved and periodically reviewed by the Board of Directors.

The Company's credit strategy reflects its willingness to grant credit based on exposure type residential mortgages, geographic location, maturity and anticipated profitability. The strategy also encompasses the identification of specific target markets.

Concentrations arise when a number of counterparties are engaged in similar activities in the same geographic region that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular geographic location.

29. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on a diversified portfolio.

Some specific risk control and mitigation measures are outlined below:

(1) Collateral

The Company employs various policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type for mortgage loans is charges over residential properties.

Management monitors the market value of collateral at the point of granting the mortgage commitment and during its review of the adequacy of the allowance for impairment losses.

The Company's policy is to dispose of repossessed properties in a structured manner. The proceeds from the sale are used to repay the outstanding amounts. In general, the Company does not occupy repossessed properties for business use.

(2) Lending

The Company lends up to a maximum of 90% of the property value and 100% under a special programme for projects of The Trinidad and Tobago Housing Development Corporation.

In measuring credit risk of mortgage loans, the Company assesses the probability of default by a counter party on its contractual obligation and the possibility of recovery on defaulted obligations.

29. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

(2) Lending (continued)

The Company assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These rating tools combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data.

(3) Geographical concentrations

The Company monitors the financial assets credit risk by geographical concentration to prevent over exposure in any area or any residential housing development. The Company manages its investment portfolio by focusing on maintaining a diversified portfolio and concentration percentages. Identified concentrations of credit risks are controlled and managed accordingly.

The table below breaks down mortgage loans, which are the Company's principal financial asset, by region, based upon where the land and building taxes are paid.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. **Risk management** (continued)

Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

Details	2018 $	%	2017 $	%
Mortgage loans				
Arima Borough Council	419,658	10.59	476,912	11.38
Chaguanas Borough Council	684,856	17.28	658,027	15.7
Couva/Tabaquite/Talparo Reg.	279,584	7.05	326,328	7.78
D/Martin Regional Corporation	147,479	3.72	227,490	5.43
Laventille/San Juan Regional Corporation	170,698	4.30	207,293	4.95
Mayaro/Rio Claro Regional Corporation	15,561	0.39	14,116	0.34
POS City Council	109,055	2.75	123,054	2.94
Penal/Debe Regional Corporation	65,003	1.64	73,650	1.76
Point Fortin Borough Council	31,236	0.79	39,230	0.94
Princess Town Regional Corporation	198,435	5.00	177,689	4.24
San Fernando City Council	389,005	9.81	354,088	8.45
Sangre Grande Regional Corporation	100,950	2.55	108,606	2.59
Scarborough	19,136	0.48	25,517	0.61
Siparia Regional Corporation	43,114	1.09	61,596	1.47
Tobago East	46,909	1.18	47,721	1.14
Tobago West	85,071	2.15	95,565	2.28
Tunapuna/Piarco Regional Corporation	399,440	10.08	544,576	12.96
Total mortgage loans	3,205,190	80.85	3,561,458	84.96
Other financial assets	757,914	19.15	630,300	15.04
Total	3,963,104	100.00	4,191,758	100.00

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Company has determined that credit risk exposure arises from the following statement of financial position lines:

- Mortgage loans
- Investment securities
- Cash and cash equivalents

2018	**Stage 1**	**Stage 2**	**Stage 3**	**Total $'000**
Mortgage Loans				
Gross Balance	3,004,532	92,375	117,447	3,214,354
Allowances for ECL	(6,218)	(362)	(14,617)	(21,197)
Net Advances	2,998,314	92,013	102,830	3,193,157
ECL/Gross Mortgage Loans %	**0.2%**	**0.4%**	**12.4%**	**0.7%**
2017				
Mortgage Loans				
Gross Balance	3,391,899	67,768	106,263	3,565,930
Allowances for ECL	(7,012)	(134)	(12,058)	(19,204)
Net Advances	3,384,887	67,634	94,205	3,546,726
ECL/Gross Mortgage Loans %	**0.2%**	**0.2%**	**11.3%**	**0.5%**

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Management is confident in its ability to continue to ensure minimal exposure of credit risk to the Company resulting from its mortgage loans portfolio and investment securities based on the following:

- As at 31 December 2018, mortgage loans which represent the largest portion of the Company's financial assets (81%) are backed by collateral. The comparative figure is 85%.
- 1% of the mortgage loans portfolio is impaired (2017: 1%). The fair value of collateral supporting these impaired mortgage loans generally exceeds the outstanding balances. Where shortfalls in security values are noted, adequate provisions have been established.

Impairment assessment

The main considerations for the mortgage loans impairment assessment include whether any payments of principal or interest are overdue by more than 180 days or whether there are any known difficulties in the cash flows of mortgagors or infringement of the original term of the contract. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines. The Group's impairment assessment and measurement approach is set out below.

Grouping financial assets measured on a collective basis

Dependant on the factors below, the Company calculates ECLs either on a collective or an individual basis. The Company calculates ECL on an individual basis for all Stage 3 assets. The Company calculates ECL on a collective basis for all Stage 1 and Stage 2 assets.

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Individually assessed allowances

The Company determines the allowances appropriate for each significant mortgage loan on an individual basis for Stage 3 loans. Items considered when determining allowance amounts include the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy proceedings.

The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

The fair value of individually impaired loans is determined by reference to external valuations or valuations updated by Management based on their knowledge of recent comparable transactions. No interest is accrued on individually impaired mortgage loans.

Where it is determined that the realizable value of collateral is insufficient to offset the balance of an impaired loan, the allowance account is offset against the receivable and the remaining balance is written off.

Legal action may be initiated against the mortgagor for the outstanding balance. If monies are recovered, these are offset against bad debt expense.

The carrying amounts of impaired financial assets are not otherwise directly reduced.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans - individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $49 million (2017: $43 million). The breakdown of the gross amount of individually impaired loans and advances, along with the fair value of the related collateral held by the Company as security, are as follows:

Mortgage loans – individually impaired	**2018**	**2017**
Total	48,733	43,016
Fair value of collateral (before factoring in time to sell)	46,861	43,307

Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The fair value (after factoring in time to sell) of repossessed properties as at 31 December 2018 is $55.8 million (2017: $53.1 million).

Investment securities and cash and cash equivalents are classified as 'high grade' where the instruments were issued by the Government or government related organizations. Standard grade assets consist of instruments issued by other reputable financial institutions.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Repossessed collateral (continued)

The table below shows the credit quality of investments securities as at December 31:

Investment securities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2018				
Amortised cost	253,043	–	–	253,043
%	100%	–	–	100%
2017				
Amortised cost	252,656	–	–	252,656
%	100%	–	–	100%

The credit quality of cash and cash equivalents as at 31 December 2018 and 31 December 2017 has been assessed as standard grade.

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. Market risk comprises of interest rate risk, currency risk and other price risk. The Company has no significant exposure to currency risk and other price risk.

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. This exposure is concentrated in the Company's financial liabilities, because the majority of the Company's financial assets carry stable interest rates where movements in market rates will not affect the statement of income.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Interest rate risk (continued)

i. Financial assets

a) Mortgage loans

Mortgage loans account for 77% (2017: 81%) of the Company's total assets. Board approval is required by the Company for any changes in mortgage interest rates.

b) Investment securities

Investments securities account for 6% (2017: 6%) of the Company's total assets. These are amortised cost financial assets comprising of fixed rate bonds.

ii. Financial liabilities

Long-term and short-term debt accounts for 97% (2017: 97%) of the Company's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2018	%	2017	%
Short-term debt				
Fixed	–	–	400,000	100
Long-term debt				
Fixed	2,867,401	99	2,651,962	98
Floating	30,758	1	47,387	2
	2,898,159	100	2,699,349	100
Total debt	2,898,159		3,099,349	

Long-term and short-term debt is mainly fixed. However, we have assessed the impact of a 100 basis points change in interest rates on the long-term floating debt. Such movement is believed by management to represent those variable changes which are reasonably possible as at the balance sheet date.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Interest rate risk (continued)

ii. Financial liabilities (continued)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Company's income. This change in interest rates does not give rise to changes in equity.

Effect on profit after tax of a 100 basis points change in interest rates	**100 Basis points**	
	Increase	**Decrease**
December 31 2018		
Profit before tax	1,518	(1,518)
Tax impact - 30%	(455)	455
Profit after tax	1,063	(1,063)
December 31 2017		
Profit before tax	1,148	(1,148)
Tax impact - 30%	(344)	344
Profit after tax	804	(804)

Interest rate risk is further mitigated by the subsidies received from the Government in support of granting subsidized mortgages. These subsidies serve to reduce borrowing cost.

Liquidity risk

Liquidity risk is financial risk due to uncertain liquidity. It is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Company might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with the Company. The consequence may be the failure to meet obligations to repay debts and fulfil commitments to lend.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Liquidity risk management process

The Company's liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Diversification of its funding base through access to an expanded range in terms of the number of financial institutions and longer term financing tenure;
- Monitoring balance sheet liquidity ratios against internal requirements; and
- Managing the concentration and profile of debt maturities.

The Company also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted cash flow repayment obligations.

Liquidity risk management process

2018	**Up to 1 year $'000**	**One to five years $'000**	**Over 5 years $'000**	**Total $'000**
Liabilities				
Amounts due under IDB loan programme	169	–	–	169
Interest payable on debt	31,587	–	–	31,587
Sundry creditors and accruals	80,487	–	–	80,487
Long-term debt	276,356	2,270,166	351,637	2,898,159
Total undiscounted financial liabilities	388,599	2,270,166	351,637	3,010,402

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Liquidity risk management process (continued)

2017	**Up to 1 year $'000**	**One to five years $'000**	**Over 5 years $'000**	**Total $'000**
Liabilities				
Amounts due under IDB loan programme	331	–	–	331
Short-term debt	400,000	–	–	400,000
Interest payable on debt	35,364	–	–	35,364
Sundry creditors and accruals	63,670	–	–	63,670
Long-term debt	336,720	1,868,745	493,884	2,699,349
Total undiscounted financial liabilities	836,085	1,868,745	493,884	3,198,714

Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification by provider and term.

Fair value of financial assets and liabilities

The Company computes the estimated fair value of all financial instruments held at the statement of financial position date and separately discloses information where the fair values are different from the carrying values. As at 31 December 2018, carrying values approximated their fair values for all classes of financial instruments as follows:

Financial instruments where the carrying values are assumed to approximate to their fair values, due to their short-term to maturity include cash and cash equivalents, debtors and prepayments, short-term debt and sundry creditors and accruals.

29. Risk management (continued)

Fair value of financial assets and liabilities (continued)

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The carrying value of Investment securities and floating long term debt approximate their fair values as market rates are comparable with the instruments' actual interest rates.

The Company's loan portfolio is net of specific provisions for impairment and a general provision. The fair value of performing mortgages approximates the present value of the estimated future cash flows discounted at the current market rate of return having factored in the subsidies received from the Government.

The Company's assets are all classified as Level 2. Included in the Level 2 category are financial assets that are measured using valuation techniques based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets valued using the Company's own models whereby the majority of assumptions is market observable.

For the year ended 31 December 2018 there were no transfers of assets among any level (2017: no transfers).

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 Company cannot expect to eliminate all operational risks, but through a controlled framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include a periodically reviewed disaster recovery plan and business continuity plan, effective segregation of duties, access, authorization and reconciliation procedures, staff training and development and assessment processes.

(Expressed in Thousands of Trinidad and Tobago dollars)

30. Maturity analysis of assets and liabilities

The table below analyses the assets and liabilities on the remaining period at 31 December 2018 to the contractual maturity date. See Note 29 – 'Risk management: Liquidity risk management process' for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2018	Up to 1 year $'000	Over 1 years $'000	Total $'000
Assets			
Cash and cash equivalents	427,191	–	427,191
GORTT Subsidy Receivable	73,113	–	73,113
Debtors and pre-payments	6,241	–	6,241
Investment securities	–	253,043	253,043
Mortgage loans	226,614	3,003,843	3,230,457
Property and equipment	–	42,357	42,357
Deferred tax asset	–	163,448	163,448
Total assets	733,159	3,462,691	4,195,850
Liabilities			
Prepayments by mortgagors	88,771	–	88,771
Amounts due under IDB loan programme	169	–	169
Amount due to HDC	858	–	858
Sundry creditors and accruals	80,487	–	80,487
Interest payable on debt	31,587	–	31,587
Long-term debt	276,356	2,621,803	2,898,159
Pension plan liability	–	14,046	14,046
Total liabilities	478,228	2,635,849	3,114,077

(Expressed in Thousands of Trinidad and Tobago dollars)

30. Maturity analysis of assets and liabilities (continued)

2017	Up to 1 year $'000	Over 1 years $'000	Total $'000
Assets			
Cash and cash equivalents	345,020	–	345,020
GORTT Subsidy Receivable	28,057	–	28,057
Debtors and pre-payments	7,227	–	7,227
Investment securities	–	252,656	252,656
Mortgage loans	173,548	3,373,178	3,546,726
Property and equipment	–	42,644	42,644
Deferred tax asset	–	180,033	180,033
Total assets	553,852	3,848,511	4,402,363
Liabilities			
Prepayments by mortgagors	193,452	–	193,452
Amounts due under IDB loan programme	331	–	331
Amount due to HDC	858	–	858
Sundry creditors and accruals	63,670	–	63,670
Short-term debt	400,000	–	400,000
Interest payable on debt	35,364	–	35,364
Long-term debt	336,720	2,362,629	2,699,349
Pension plan liability	–	16,554	16,554
Total liabilities	1,030,395	2,379,183	3,409,578

31. Dividends paid

	2018	2017
Dividends paid are analysed as follows:		
Final dividend – $16.20 per share (2017: $15.59 per share)	(41,880)	(40,291)

32. Events after the reporting period

There were no material events after the statement of financial position date which requires adjustment or disclosure in the financial statements as at 26 March 2019.