Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

Annual Report | 2012

CHANGE IS BEAUTIFUL

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.

CORPORATE INFORMATION

CORPORATE OFFICE

Head Office and Main Customer Service Centre
Albion Court
61 Dundonald Street
P.O. Box 1096
Port of Spain
Trinidad W.I.
Tel: (868) 623-TTMF or 625-TTMF (8863)
Fax: (868) 624-3262
E-mail: info@ttmf-mortgages.com
Website: www.ttmf-mortgages.com

BOARD OF DIRECTORS

Chairman
Albert T. Vincent

Deputy Chairman
Feroze Khan

Managing Director/Chief Executive Officer
Ingrid L-A. Lashley

Directors
Sharda Baksh
Terrance Bhagwatsingh
Ann Chan Chow
Lorna Charles
Maureen Munro-Legge

Secretary/Chief Operating Officer
Robert C. Green

BRANCHES

Arima

32 Sanchez Street
Arima, Trinidad W.I.
Tel: (868) 667-2TMF (2863)
Fax: (868) 667-0732

Chaguanas

9 Southern Main Road
Chaguanas, Trinidad W.I.
Tel: (868) 672-5246
Fax: (868) 671-6648

San Fernando

Cor. Mucurapo and Coffee Streets
San Fernando, Trinidad W.I.
Tel: (868) 652-1151
Fax: (868) 652-6543

Tobago

Shell 6, Level 2, Block B, NIB Mall
Scarborough, Tobago W.I.
Tel: (868) 639-1540
Fax: (868) 639-2366

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

Ernst & Young
5-7 Sweet Briar Road
St. Clair
Port of Spain
Trinidad W.I.

Home is...

where our Heart Is

From the hummingbird building a nest to start a family, to the crab creating a safe haven, we all experience that primal urge to create a space uniquely our own. But, like so many other things, for human beings it can be a little more complicated and intimidating.

At TTMF, in expanding our mandate, we do not finance houses. We provide homes, we ensure new wealth and offer security and stability to our 'families'. After more than 45 years in this business, we remain committed to making the process of buying or constructing a home, of financing the children's education, of providing for the cost of repairs and renovations and if necessary, refinancing your obligations, simple and natural.

Whether you are evolving like the butterfly or established like the goldfish, we are here to make the mortgage experience joyful and fulfilling and welcome you, as part of our TTMF family.

From Here….to home.

For us, it comes naturally.

TABLE OF CONTENTS

8 Chairman's Review

10 Board of Directors

12 Managing Director/Chief Executive Officer's Report

16 Management Team

18 Financial Statements

20 Auditors' Report

21 Consolidated Statement of Financial Position

22 Consolidated Statement of Comprehensive Income

22 Consolidated Statement of Changes in Equity

23 Consolidated Statement of Cash Flow

24 Notes to the Consolidated Financial Statements

CHAIRMAN'S REPORT

In 2012 Trinidad and Tobago Mortgage Finance Company Limited (TTMF) faced an increasingly competitive environment amidst a fragile global and domestic economic climate. Against this background TTMF still recorded a solid performance with total assets increasing by 2.7% from $3.39 billion in 2011 to $3.48 billion in 2012. After tax profits did not maintain the momentum of the previous three (3) years falling by 7.6% from $68.11 million in 2011 to $62.97 million in 2012. A major contributor to TTMF's fall in profitability in 2012 was the action by the company to reduce by 1.0% the interest rate on all its existing mortgages consistent with Government' national housing policy annunciated in the 2011/2012 budget statement.

The Economy

The sovereign debt crisis in Europe exerted a pervasive negative impact on the recovery of the global economy. While emerging market economies continued to outperform the industrialized economies the former did not escape contagion as evidenced in the slowdown of economic activity in China, India and Russia.

As reported in the Central Bank's January 2013 Economic Bulletin the Trinidad and Tobago economy grew by 1.5% (year on year) in the third quarter of 2012. This growth in the economy reflected improved performance of the non-energy sector which grew over the period by 2.2% attributable largely to stronger activity in the finance sector and the distribution sector which grew respectively at 2.4% and 4.0%. The unemployment rate for the first quarter of 2012 increased to 5.4% from 4.2% at the end of 2011. Inflationary pressures eased during the second half of 2012 with headline inflation declining from 12.6% (year on year) in May 2012 to 7.2% in December.

In its continued policy focus to facilitate economic growth, the Central Bank maintained its accommodative monetary stance reducing the repo rate by 25 basis points to 2.75% in September 2012 after holding it at 3.0% since July 2011. Consequently the basic prime lending rate declined to 7.50% in December 2012 from 7.75% in October 2012.

The Housing Market

The low interest rate environment has provided some stimulus to credit expansion in the residential mortgage market as evidenced by a 11.4% increase in real estate mortgage loans during the year. It is notable that residential real estate construction activity remained strong notwithstanding the negative impacts of a strike in the cement industry which lasted several months.

During 2012 we witnessed the full adoption in the residential mortgage market of the mortgage market reference rate (MMRR) which is referenced by commercial banks in the pricing of residential mortgages. The MMRR is computed by the Central Bank based on information on commercial banks' funding costs and yields on ten year treasury bonds. Commercial banks' mortgage rates are therefore based on the MMRR plus a margin to be negotiated between the lender and the borrower.

In order to maintain competitiveness in a low interest rate environment and implement the across the board 1% reduction in interest rates for all its existing mortgagors, TTMF in 2012 embarked on a liability management strategy through refinancing of its existing borrowings with lower cost debt issues. Given TTMF's decision to initiate the interest rate reductions in favour of its customers in advance of the completion of the reduction in funding costs exercise, the company chose to forego appreciable savings in interest costs and profitability in 2012 which should be recoverable in 2013.

Outlook for 2013

The Central Bank expects that real GDP growth in 2013 will strengthen to 2.5%, but cautions that this is heavily dependent on an improvement in the global economy, which, if not realized, could constrain our exports and weaken economic confidence. We are confident that the stimulants announced by the Minister of Finance and the Economy in the national budget for the same period will provide some impetus for growth as they target labour intensive public construction projects.

In the open market segment of its mortgage portfolio TTMF will continue to face intense competition from commercial banks with access to lower cost funding driven by the prevailing excess liquidity in the financial system. TTMF must therefore adopt appropriate strategies in the short run to ensure new business growth as well as protect its existing clientele from any predatory refinancing action by its competitors.

It is envisaged that in 2013 further concrete steps will be taken towards the creation of Trinidad and Tobago Mortgage Bank (TTMB), the proposed merger of the TTMF and the Home Mortgage Bank. This is by far the most revolutionary change in housing finance since the introduction of the 'approved mortgage company' for affordable housing. It is envisaged that TTMB will increase the flow of long term funding to a more diverse mortgage market in a manner which will accelerate growth of the housing sector and deepen the country's capital market in terms of both the IPO itself and the ensuing sustained and increased activity in the domestic bond market.

Conclusion

In 2012 TTMF received an issuer rating of CariAA- from Caribbean Information and Credit Rating Services Limited (CariCRIS). In its Rating Rationale document CariCRIS stated as follows: "The ratings of TTMF reflect the company's strong market position in the residential mortgage market in Trinidad and Tobago as well as its highly efficient operations. The relatively healthy financial performance, relatively good asset quality and strong provisioning also support the ratings"

On behalf of the Board of Directors I wish to thank the management and staff for a creditable performance in 2012. We have made several changes during this year which have reflected positively on efficiency, customer service and the opportunity for long-term profitability - change is indeed beautiful. We are encouraged by this performance and look forward to a successful and productive 2013.

Albert T. Vincent
Chairman

BOARD OF DIRECTORS

Feroze Khan - Deputy Chairman

Feroze Khan is a registered professional Engineer and brings with him over 20 years of experience, having held senior positions at Methanex. Mr. Khan holds a Bsc. in Electrical and Computer Engineering from the University of the West Indies and an EMBA from Arthur Lok Jack Graduate School of Business.

Ingrid L-A. Lashley - Managing Director/Chief Executive Officer

Our Managing Director/Chief Executive Officer has performed in the financial services sector for more than twenty years. An accountant by profession with a Masters Degree in Business Administration from McGill University, Montreal, Canada, Ms. Lashley has held senior and executive management positions in an international commercial bank. Ms. Lashley joined the TTMF team in 2004. Under her leadership, the company has extended its product line, expanded its branch network and transformed its operating systems to allow for growth in assets in excess of 100%. Ms. Lashley has served on the boards of private, public and charitable organisations.

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.

Albert T. Vincent - Chairman

Mr. Albert T. Vincent is a financial economist who holds the Chartered Financial Analyst (CFA) designation and has been involved in the financial services sector for over twenty five years as a senior executive and consultant. He provides consulting services in various areas including, investment management, strategic planning and corporate financial planning. He has served as a member of the National Economic Advisory Council of the Government of Trinidad and Tobago and currently serves as a member of the Board of Directors of the National Insurance Board.

Terrance Bhagwatsingh - Director
Mr. Terrance Bhagwatsingh has a strong accounting background and currently holds the position of Investment Analyst in the Ministry of Finance, where he manages the portfolio of State Enterprises on issues of governance, accountability and reporting. Mr. Bhagwatsingh has valuable years of experience in Project Management, Control and Finance gained from his experience in Export, Petrochemical, Shipping, Beverage and Construction industries. An Economist by profession, Mr. Bhagwatsingh also holds a Masters in Business Administration with specialization in International Finance from the Arthur Lok Jack Graduate School of Business.

Sharda Baksh - Director
A graduate from the University of the West Indies and the holder of an EMBA from Arthur Lok Jack Graduate School of Business, Ms Sharda Baksh has over 15 years experience in General Management, including Quality, Health, Safety and Environmental Management Systems where she chairs Management Review Meetings. She has led several successful projects with the local Caterpillar (CAT) dealer and is presently leading one in the region for the subsidiary of a conglomerate. She holds memberships in the American Society for Quality (ASQ) and AMCHAM- HSE Sub-Committee

Lorna Charles - Director
Lorna Charles was formerly the Executive Director at The National Insurance Board. With over twenty years of strategic thinking, leadership and cross functional collaboration, her prior experience included the positions of Consultant Analyst and Project Manager at Ernst & Young. Ms. Charles is a member of several cabinet appointed committees on Social Security, National Pension Reform and National Health Services.

Maureen Munro-Legge - Director
Maureen Munro-Legge holds a Bachelor degree in Architecture from the Mackintosh School of Architecture, University of Glasgow. She has worked with Home Construction Group establishing the Architectural and Interior Design Department. She has also worked in London on several housing projects in inner city London. She is currently involved in the design of high end luxury residences, multifamily dwellings and resort architecture locally.

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REPORT

A competitive environment marked by significant liquidity, relatively low commercial loan demand and a new approach to the pricing of residential mortgage financing, made for a challenging year of operation. Interest rates were at an all-time low, and market flexibility and the many options available to customers, made for a keen awareness of the need for efficiency, effectiveness and outreach.

Against this backdrop is the recognition that the financial volatility of the last five years or so will continue before fiscal stability is apparent. The change is permanent. Surely, while change will continue and is likely to do so at an accelerated level, we are not likely to go back to the level of pricing that we had seen a decade ago. This demanded that we restructure our operations appropriately in order to maintain our market position and ultimately for the benefit of those we serve.

Financial Review 2012

Profit after tax for the fiscal year ended December 31, 2012 amounted to TT$62.9 million. This represents a decline of TT$5.1 million or 7.6% over the previous year. This arose largely from the decision to reduce lending rates by 1% across the board while implementing a liability management strategy that allowed for gradual decrease in borrowing costs over a period of time going into the following fiscal year.

This strategic approach to long-term profit management was taken in recognition that, in general, our customer base did not have access to the savings afforded those who borrowed on the basis of the Mortgage Market Reference Rate (MMRR). In order to ensure that they were afforded the same level of savings, there was need for us to sacrifice some portion of our short-term return in the interest of the long-term results.

Thus, net interest income increased marginally by TT$1.8 million or 2.5% as the increase in volume was partially offset by the decrease in pricing on our major asset. In so far as the cost of new borrowings has fallen, we anticipate that, going forward, with improvement in our margins and increase in new business, we will experience recovery over the next fiscal year.

Other avenues of income remained relatively stable year over year, increasing almost TT$1 million or 1%. Having changed our arrangements to administer a mortgage portfolio for the Trinidad and Tobago Housing Development Corporation (HDC), we sacrificed non-interest income and gained loan growth which we anticipate will accelerate over the next fiscal year.

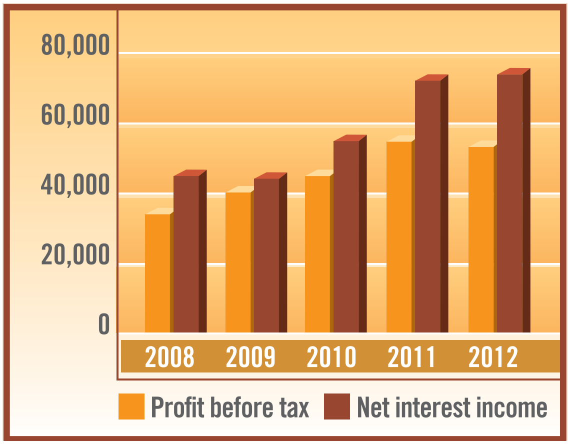
In spite of effective cost control and persistent delinquency management, expenses increased by almost TT$4 million or 8.6% year over year owing largely to a combination of increased staff and finance costs, offset by a decrease in the provision for loan impairment.

Total assets stood at $3.48 billion, $92 million or 2.7% higher than that of the previous year reflective of the lag in price adjustment of our own book vis-à-vis that of our major competitors. The mortgage market has gained the interest of the entire financial services sector and therefore, while we claim the greatest product focus, product packaging is still heavily skewed towards pricing as opposed to payment flexibility and low closing charges.

Mortgage Services

Review of our performance over the last five years shows steady growth in our portfolio as we expand our product and market base in keeping with our public policy mandate.

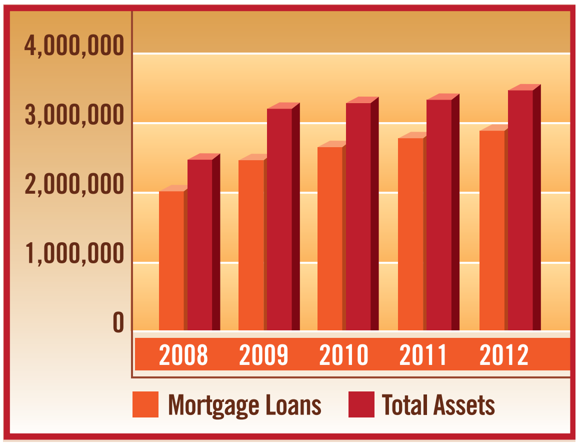
The rapid expansion in the residential mortgage market over the past 5 years is being fuelled by the introduction of the MMRR mentioned previously, the fall-off in demand for consumer loans, a high level of liquidity in the system and heightened demand for home ownership.



Our mortgage interest rate was reduced by 1% effective October 1, 2012 (certain conditions applied). Not only was this necessary to ensure that our customers were privy to the same pricing range as those funded through the banking sector, but it also served to effect the mandate given to us by the Honourable Minister of Finance and the Economy in his Budget Presentation of 2011 to vary our rates from 6% to 8% per annum to 5% to 7% per annum. We will continue to expand our capital market thrust in order to reduce our funding costs so that we may pass these savings on to the citizens of Trinidad & Tobago.

We continue to work closely with the Trinidad and Tobago Housing Development Corporation (HDC) and the Tobago House of Assembly (THA) to provide mortgages to persons who have acquired properties through these avenues. While the mortgagors have the opportunity to lodge their business with any financial institution, our ongoing partnership with these organizations has resulted in a referral process that serves the best interest of all stakeholders. In order to strengthen our relationship and provide support to the HDC we have shared staff across our corporate boundaries to the mutual satisfaction of customers and the officers who have served.

In 2012, we increased our customer interaction with the "We make House Calls" campaign which ran from March to June but applied to transactions closed by December 31, 2012. The programme was designed to increase our customer reach – both physically and psychologically. We visited customers at their convenience, waived acceptance fees, and included Saturday openings. Our feedback was very positive and we continue to expand our base and educate our market in respect of the variety of loan options that we can offer using residential property as the preferred collateral. We are no longer confined to the first-time homeowner. We will carry our customer through their entire life cycle and support their funding needs using their major investment in housing to build their wealth.



CariCRIS Rating AA-

We are indeed proud that, in our first evaluation of our corporate well being, we were afforded an AA- rating by Caribbean Information and Credit Rating Services Limited (CariCRIS). Our funding for the granting of mortgages comes from borrowing and, the sourcing of competitively priced funding that would allow for positive interest spreads is integral to our success. This rating will serve well in building our reputation and investment appeal.

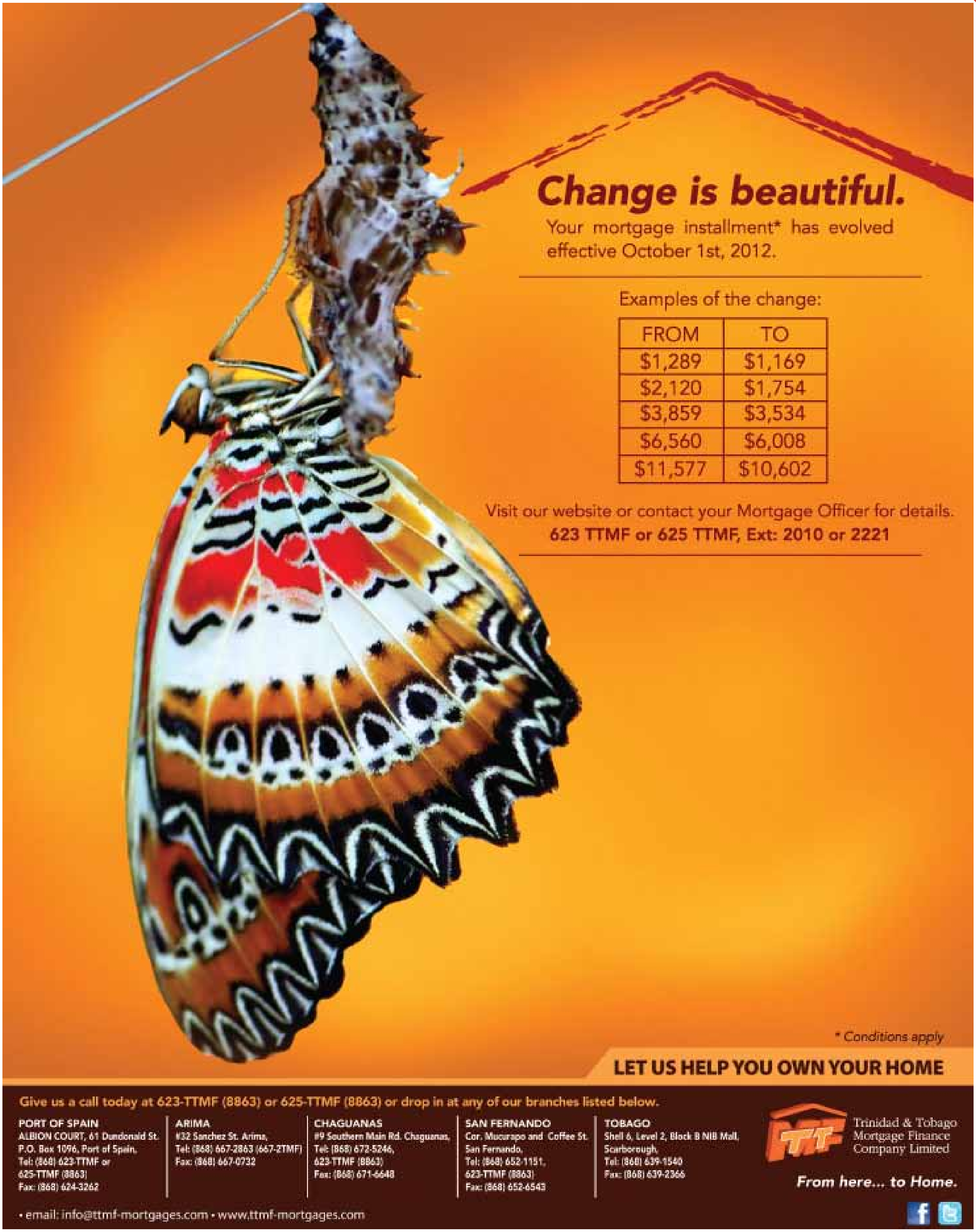
Conclusion

Growth in the economy is anticipated in 2013 and as such we expect that the demand for mortgages will continue to increase. We will continue to strengthen our resources to participate accordingly. We will explore all viable avenues to achieve affordable financing for the citizens of Trinidad and Tobago. Our new technological platform, implemented in 2012, provides the means to become more customer focused and to better be able to provide the customer with real time data. As we move towards being the "lender of choice for residential mortgages in Trinidad and Tobago" we will make every effort to "make home ownership an easy and rewarding experience".

We continue in our collaboration with the Government of Trinidad and Tobago, the National Insurance Board, Home Mortgage Bank and other stakeholders, towards the formation of Trinidad and Tobago Mortgage Bank (TTMB). The Government has proceeded with initiatives in this regard and we are supportive of this venture that will ultimately provide a self-sustaining platform for the expansion of the housing sector.

On behalf of Team TTMF, I thank our Directors for their on-going support and commitment. We, the staff of TTMF are privileged that you share our passion and drive to serve.

Ingrid L-A. Lashley
Managing Director/
Chief Executive Officer



Change is beautiful.
Your mortgage installment* has evolved effective October 1st, 2012.
Examples of the change:
FROM | TO
$1,289 | $1,169
$2,120 | $1,754
$3,859 | $3,534
$6,560 | $6,008
$11,577 | $10,602
Visit our website or contact your Mortgage Officer for details.
623 TTMF or 625 TTMF, Ext: 2010 or 2221
* Conditions apply
LET US HELP YOU OWN YOUR HOME
Give us a call today at 623-TTMF (8863) or 625-TTMF (8863) or drop in at any of our branches listed below.
PORT OF SPAIN
ALBION COURT, 61 Dundonald St.
P.O. Box 1096, Port of Spain,
Tel: (868) 623-TTMF or 625-TTMF (8863)
Fax: (868) 624-3262
ARIMA
#32 Sanchez St. Arima,
Tel: (868) 667-2863 (667-2TMF)
Fax: (868) 667-0732
CHAGUANAS
#9 Southern Main Rd. Chaguanas,
Tel: (868) 672-5246, 623-TTMF (8863)
Fax: (868) 671-6648
SAN FERNANDO
Cor. Mucurapo and Coffee St. San Fernando,
Tel: (868) 652-1151, 623-TTMF (8863)
Fax: (868) 652-6543
TOBAGO
Shell 6, Level 2, Block B NIB Mall, Scarborough,
Tel: (868) 639-1540
Fax: (868) 639-2366
Trinidad & Tobago Mortgage Finance Company Limited
From here... to Home.
• email: info@ttmf-mortgages.com • www.ttmf-mortgages.com

MANAGEMENT TEAM

Miguel Awai
Manager, Mortgage Administration

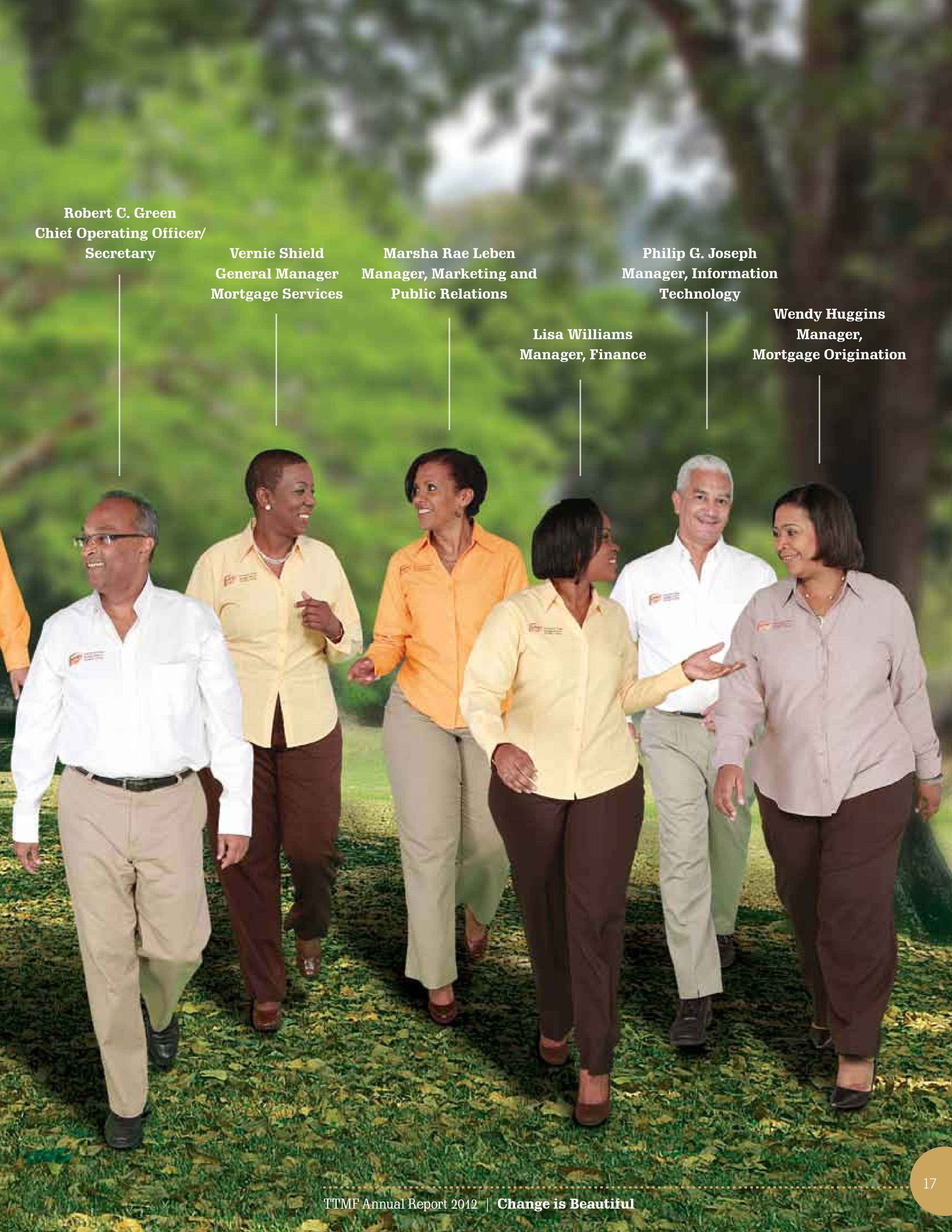
Nicole Hospedales
Manager, Corporate Services

Brent Mc Fee
Chief Financial Officer/ Assistant Secretary

Myrtle Harris
Manager, Branch Operations

Ingrid L-A. Lashley
Managing Director/ Chief Executive Officer

Cherrie Caracciolo
Manager, Human Resources



Robert C. Green
Chief Operating Officer/ Secretary

Vernie Shield
General Manager Mortgage Services

Marsha Rae Leben
Manager, Marketing and Public Relations

Lisa Williams
Manager, Finance

Philip G. Joseph
Manager, Information Technology

Wendy Huggins
Manager, Mortgage Origination

Trinidad & Tobago
Mortgage Finance
Company Limited

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

We have audited the accompanying financial statements of Trinidad and Tobago Mortgage Finance Company Limited which comprise the statement of financial position as at 31 December 2012, and the related 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD
22 March 2013

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2012	2011
ASSETS			
Cash and cash equivalents	4	11,970	5,120
Debtors and prepayments	5	20,366	15,912
Investment securities	6	251,328	251,094
Mortgage loans	7	2,990,341	2,924,942
Property and equipment	8	31,026	29,244
Pension asset	9	2,305	2,334
Deferred tax asset	10	172,978	161,031
TOTAL ASSETS		3,480,314	3,389,677
LIABILITIES AND EQUITY			
LIABILITIES			
Bank overdraft		–	36,737
Prepayments by mortgagors		34,013	26,889
Amount due under IDB loan programme	11	1,458	1,576
Amount due to HDC	12	16,027	178,262
Taxation payable		976	989
Sundry creditors and accruals	13	48,561	41,131
Short-term debt	14	958,763	883,763
Interest payable on debt		17,456	12,965
Long-term debt	15	1,555,519	1,382,490
Subsidy 2% mortgage programme	16	129,652	147,306
Deferred tax liability	10	403	583
TOTAL LIABILITIES		2,762,828	2,712,691
EQUITY			
Share capital	18	12,408	12,408
Retained earnings		705,078	664,578
TOTAL EQUITY		717,486	676,986
TOTAL EQUITY AND LIABILITIES		3,480,314	3,389,677

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

On 22 March 2013, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these financial statements for issue.

: Director

Feroze Khan : Director

: Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2012	Restated 2011
Income			
Mortgage interest		213,583	208,622
Interest expense (net)	19	(140,449)	(137,249)
Net interest income		73,134	71,373
Investment income	20	21,643	20,765
Rental income		632	661
Other income	21	7,611	9,248
		103,020	102,047
Expenses			
Administration	22	(44,191)	(37,639)
Building		(4,691)	(4,432)
Loan impairment expense	7	(970)	(3,803)
		(49,852)	(45,874)
Profit before tax		53,168	56,173
Taxation	24	9,801	11,939
Profit after tax and comprehensive income for the year		62,969	68,112

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

	Share capital	**Retained earnings**	**Total**
Balance at 31 December 2010	12,408	611,904	624,312
Dividend 2010	–	(15,438)	(15,438)
Comprehensive income for the year	–	68,112	68,112
Balance as at 31 December 2011	12,408	664,578	676,986
Dividend 2011	–	(22,469)	(22,469)
Comprehensive income for the year	–	62,969	62,969
Balance at 31 December 2012	12,408	705,078	717,486

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

	2012	2011
Cash flows from operating activities		
Profit before tax	53,168	56,173
Adjustments for		
Depreciation	2,584	3,796
Loss on sale of fixed assets	25	972
Interest capitalized	(234)	(272)
(Discount)/premium amortised	(232)	311
Amortised subsidy 2% mortgage programme	(17,654)	(18,572)
Decrease in pension asset	28	–
Surplus before working capital changes	37,685	42,919
Increase in debtors and prepayments	(4,454)	(350)
Increase in mortgages	(65,399)	(121,304)
Increase/(decrease) in prepayment by mortgagors	7,124	(1,553)
(Decrease)/increase in amount due under IDB loan programme	(118)	63
(Decrease)/increase in amount due to HDC	(162,235)	12,537
Increase in sundry creditors and accruals	7,417	6,306
Increase/(decrease) in interest payable on debt	4,491	(2,572)
Taxes paid	(2,021)	(1,309)
Net cash used in operating activities	(177,510)	(65,263)
Cash flows from investing activities		
Purchase of fixed assets	(4,393)	(4,241)
Proceeds from sale of fixed assets	1	700
Net cash used in investing activities	(4,392)	(3,541)
Cash flows from financing activities		
Proceeds from debt	425,000	–
Repayments on debt	(177,042)	(75,427)
Dividends paid	(22,469)	(15,438)
Net cash generated from/(used in) financing activities	225,489	(90,865)
Net increase/(decrease) in cash and cash equivalents	43,587	(159,669)
Cash and cash equivalents at the beginning of year	(31,617)	128,052
Cash and cash equivalents at the end of year	11,970	(31,617)
Represented by:		
Cash at bank and in hand	11,970	5,120
Bank overdraft	–	(36,737)
	11,970	(31,617)
Supplemental information		
Interest received	234,117	216,295
Interest paid	135,958	147,309

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

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited (TTMF, 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 which is a statutory board under the National Insurance Act.

Effective May 29, 2012 the amalgamation of Trinidad and Tobago Mortgage Finance Company Limited (TTMF) and the Trinidad and Tobago Mortgage Agency Limited (TRINMAC) was completed. As a result TRINMAC was de-registered under the Companies Act of 1995.

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 presentation

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.

b) Changes in accounting policy

i) New standards and amendments/revisions to published standards and interpretations effective in 2012

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2012:

IFRS 7 Financial Instruments: Disclosures (Amendment)
The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
Financial assets are not derecognised in their entirety

The amendment promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

The adoption of this standard had no effect on the financial position or performance of the Company.

ii) New standards and amendments / revisions to published standards and interpretations effective in 2012 but not applicable to the Company

The Company has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued as these standards/interpretations do not apply to the activities of the Company:

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

ii) **New standards and amendments / revisions to published standards and interpretations effective in 2012 but not applicable to the Company**

IFRS 1 - First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Effective July 1 2011
IAS 12 - Income taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets – Effective January 1, 2012

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

The Company has not early adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued but are not yet effective. The Company is currently assessing the impact of these standards and interpretations.

IFRS 1 - Government Loans - Amendments to IFRS 1 - Effective 1 January 2013
IFRS 7 - Offsetting Financial Assets and Financial Liabilities - Disclosures Amendments to IFRS 7 - (Effective 1 January 2013)
IFRS 10 - Consolidated Financial Statements, IAS 27 Separate Financial Statements (Effective 1 January 2013)
IFRS 11 - Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures (Effective 1 January 2013)
IFRS 12 - Consolidated Financial Statements, IAS 27 Separate Financial Statements (Effective 1 January 2013)
IFRS 13 - Fair Value Measurement (Effective 1 January 2013)
IAS 1 - Presentation of Items of Other Comprehensive Income - Amendments to IAS 1- Effective 1 July 2012
IAS 19 - Employee Benefits (Revised) (Effective 1 January 2013)
IFRS 9 - Classification and Measurement - Effective 1 January 2015
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine - Effective 1 January 2013.
IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 - Effective 1 January 2014

Annual Improvements to IFRSs 2009 - 2011 cycle - Effective 1 January 2013:

IFRS 1 - First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 and borrowing costs
IAS 1 - Presentation of Financial Statements - Clarification of requirements for comparative information
IAS 16 - Property Plant and Equipment - Classification of servicing equipment
IAS 32 - Financial Instruments, Presentation - Tax effect of distributions to holders of equity instruments
IAS 34 - Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities

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.

2. Significant accounting policies (continued)

c) Financial instruments (continued)

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.

d) Investment securities

The Company classifies 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 are 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.

e) Repurchase and reverse repurchase agreements

Securities purchased under an agreement to resell ('reverse repo') are recorded as cash and cash equivalents when the term to maturity is less than 90 days. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield.

f) 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 provision for impairment.

g) Impairment of financial assets

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 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 statement of comprehensive income.

h) Property and equipment

All property, plant 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.

2. Significant accounting policies (continued)

h) Property and equipment (continued)

Land is not depreciated as it is deemed to have an infinite life. 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 331/3%
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.

i) 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.

j) 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.

k) Employee benefits

Pension obligations

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 account of 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.

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 statement of comprehensive income so as to spread the regular cost over the service lives of the employees.

2. Significant accounting policies (continued)

k) Employee benefits (continued)

Pension obligations

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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

l) Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

m) Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The 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.

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.

n) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on 31 December 2012. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

2. Significant accounting policies (continued)

o) Revenue recognition

Mortgage loans

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

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. Investment income also includes dividends.

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 accruals basis.

p) 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 $290.7 million (2011: $358.0 million) and is not reflected in these financial statements.

q) 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.

r) 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 15).

s) Comparative information

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year.

(Expressed in Thousands of Trinidad and Tobago dollars)

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.

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations that management has made in the process of applying the entity'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.

b) *Impairment of financial assets*

Management makes 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.

c) *Net pension asset/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 9 – Pension and other post-employment benefits.

4. Cash and cash equivalents

	2012	2011
Cash in hand	7	7
Cash at bank	5,113	128,045
	5,120	128,052

The average effective interest rate on cash and cash equivalents for the current year is 0.03% (2011: 0.01%).

The Parent Company has overdraft facilities with Republic Bank Limited secured by a $50 million Government Guaranteed Trinidad and Tobago Housing Development Corporation Fixed Rate Bond.

(Expressed in Thousands of Trinidad and Tobago dollars)

5. Debtors and prepayments

Interest receivable on investments	4,567	4,567
Interest subsidy receivable	2,813	3,007
Mortgage interest receivable	6,773	5,661
Insurance receivable	4,387	734
IDB service fee	405	456
Staff debtors	540	588
Sundry debtors	264	311
Other	617	588
	20,366	15,912

6. Investment securities

	2012	2011
Securities held-to-maturity		
HDC Fixed Rate 8.5% Bond	224,975	224,721
NIPDEC 6.55% Bond	26,186	26,209
First Caribbean International Bank Investment	167	164
	251,328	251,094

The average effective interest rate on held-to-maturity securities for the current year is 8.60% (2011: 8.26%).

As at the year end the fair value of investment securities classified as held to maturity amounted to $318,137 (2011: $311,640)

7. Mortgage loans

		2012	2011
a)	Gross mortgages	3,000,524	2,934,155
	Less: Impairment provision (7b)	(10,183)	(9,213)
	Net balance	2,990,341	2,924,942
b)	Impairment provision:		
	Balance at beginning	9,213	5,410
	Loan loss recovered	–	–
	Impairment expense for the year	970	3,803
	Balance at end	10,183	9,213
	Individual impairment	5,201	4,617
	Inherent risk impairment	4,982	4,596
		10,183	9,213

The average effective interest rate on the mortgage loan portfolio for the current year is 7.22% (2011: 7.28%).

(Expressed in Thousands of Trinidad and Tobago dollars)

8. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	2012	2011
Cost						
At beginning of the period	33,969	1,383	5,167	14,591	55,110	52,797
Additions	1,848	–	644	1,901	4,393	4,241
Disposals	(519)	–	(631)	(9,987)	(11,137)	(1,928)
At end of period	35,298	1,383	5,180	6,505	48,366	55,110
Accumulated depreciation						
At beginning of the period	12,028	489	2,933	10,416	25,866	22,323
Current depreciation	757	346	605	876	2,584	3,796
Depreciation on disposals	(517)	–	(607)	(9,986)	(11,110)	(253)
At end of period	12,268	835	2,931	1,306	17,340	25,866
Net book value	23,030	548	2,249	5,199	31,026	29,244

Included in land and buildings is a residential property at St. Andrews Terrace, Maraval which is subject to a lease of 199 years from May 1956.

9. Pension and other post-employment benefits

	2012	2011
a) Amounts recognised in the statement of financial position:		
Defined benefit obligations	40,331	32,963
Fair value of plan assets	(36,770)	(32,297)
Unrecognised actuarial losses	(5,866)	(3,000)
Net defined benefit asset	(2,305)	(2,334)
b) Amounts recognised in the statement of comprehensive income:		
Current service cost	1,707	2,005
Interest costs	2,176	2,002
Expected return on plan assets	(1,842)	(1,596)
Net actuarial loss recognised in the year	–	174
Net benefit cost	2,041	2,585
c) Actual return on plan assets:		
Expected return on plan assets	1,842	1,596
Experience adjustments on plan assets – gain/ (loss)	1,314	(295)
Actual return on plan assets	3,156	1,301

(Expressed in Thousands of Trinidad and Tobago dollars)

9. Pension and other post employment benefits (continues)

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

	2012	2011
Opening defined benefit obligation	32,963	32,533
Current service cost	1,707	2,005
Interest costs	2,176	2,002
Members' contributions	688	696
Actuarial losses/ (gains)	4,180	(3,254)
Benefits paid	(1,383)	(1,019)
Closing defined benefit obligation	40,331	32,963

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

	2012	2011
Opening fair value of plan assets	32,297	29,245
Expected return	1,842	1,596
Employer contributions	2,012	2,074
Members' contributions	688	696
Actuarial gain/ (loss) on plan assets	1,314	(295)
Benefits paid	(1,383)	(1,019)
Closing fair value of plan assets	36,770	32,297

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

	2012	2011
Deposit administration contracts	72%	75%
Individual annuity contracts	28%	25%
	100%	100%

Summary of principal actuarial assumptions

	2012	2011
Discount rate	5.0%	6.5%
Salary increases	3.0%	5.0%
Expected return on plan assets	5.0%	5.3%

(Expressed in Thousands of Trinidad and Tobago dollars)

9. Pension and other post employment benefits (continued)

h) The Company is expected to contribute $2,110 (2011: $2,145) to its defined benefit plan in 2013.

10. Deferred tax assets and liabilities

	2012	2011
Components of deferred tax asset and liabilities		
(a) Deferred tax assets		
Taxation losses	167,637	155,555
Loan fees	3,725	3,684
Other	1,616	1,792
	172,978	161,031
(b) Deferred tax liability - Pension asset	403	583

11. Amount due under IDB loan programme

The Company has been appointed agents by the Government of Trinidad and Tobago 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.

12. Amount due to HDC

This balance relates to the liability due to HDC from the GOTT's decision to rescind the administered portfolio arrangement with TTMF. The movement in the balance relates to substantial repayments made during the year.

13. Sundry creditors and accruals

	2012	2011
Unearned loan fees	14,898	14,735
Home Mortgage Bank	7,156	5,114
Provision for staff bonus and unpaid leave	6,920	3,217
Advance - Beneficiary Owned Land Subsidy	2,826	3,454
Mortgage clearing accounts	11,498	10,336
Other	5,263	4,275
	48,561	41,131

14. Short-term debt

This represents short-term advances by the major shareholder and commercial paper from First Citizens Bank Limited to assist in the granting of mortgages and operational expenses. The average effective interest rate on short-term debt for the current year is 6.79% (2011:7.50%).

Short term debt	2012	2011
National Insurance Board	783,763	883,763
First Citizens Bank Limited	175,000	–
	958,763	883,763

The company is currently implementing a liability management strategy which will liquidate its short term debt with long term debt.

(Expressed in Thousands of Trinidad and Tobago dollars)

15. Long term debt

	2012	2011
Government of Trinidad and Tobago loans		
- 7.00% debentures 1999/2018	14,706	16,620
- 7.50% debentures 1999/2018	7,024	7,921
- 5.00% debentures 1999/2018	37,441	42,673
- 5.00% debentures 2018	127,490	127,490
	186,661	194,704
National Insurance Board loans		
- 5.00% debentures 1999/2018	6,779	7,726
- 5.00% debentures 1999/2018	46,654	53,173
	53,433	60,899
Mortgage backed Loans		
- 3.75% debentures 2012/2017	108,000	–
- 4.00% debentures 2012/2019	51,750	–
- 4.95% debentures 2012/2022	90,250	–
	250,000	–
Bonds		
5.5%/6.5%/7% 2004 Bond Issue	225,000	225,000
6.0% 2005 Bond Issue	100,500	134,000
2.375% 1994 Bond Issue 2019	17,500	20,000
2.25% 1995 Bond Issue 2020	33,032	37,161
9.475/10.45% 1998 Bond 2023	100,000	100,000
10.0% 2000 Bond Issue 2020	80,000	90,000
7%/6% 2009 Bond Issue	500,000	500,000
8.5% 2009 HMB Loan	13,434	21,485
	1,069,466	1,127,646
	1,559,560	1,383,249
Less: unamortised transaction cost	(4,041)	(759)
	1,555,519	1,382,490

Loans amounting to $53.4 million (2011: $60.9 million) are fully secured by Government guarantee, whilst loans amounting to $1,075.5 million (2011: $859 million) are fully secured by the Company's mortgage assets.

The average effective interest rate on long-term debt for the current year is 6.30% (2011: 6.51%).

(Expressed in Thousands of Trinidad and Tobago dollars)

16. Subsidy 2% mortgage programme

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.

A subsidy of TTD$200M was received from the GOTT in June 2007 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.

	2012	2011
Grant balance brought forward	147,306	165,878
Less amounts released:		
Interest expense (Note 19)	(14,785)	(15,712)
Other income	(2,869)	(2,860)
Balance deferred	129,652	147,306

17. Subsidy – Government $100M & $200M Bond

The subsidy received from the GOTT 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 accruals basis and is net off against interest expense in the statement of comprehensive income.

The total subsidy net off against interest expenses during the current year was $5.573 million (2011: $5.939 million). Refer to Note 19.

18. Share capital

	2012	2011
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

19. Interest expense

	2012	2011
Gross interest expense	160,807	158,900
Less Government subsidy:		
Bonds (Note 17)	(5,573)	(5,939)
2% Mortgage Program (Note 16)	(14,785)	(15,712)
Net interest expense	140,449	137,249

20. Investment income

	2012	2011
Amortization of discount/(premium) on		
Held-to-maturity investment	232	(311)
Interest on call deposits and bank account	239	–
Interest on investments	21,172	21,076
	21,643	20,765

(Expressed in Thousands of Trinidad and Tobago dollars)

21. Other income

	2012	2011
Loan fees	1,037	1,550
IDB income	729	838
Home Mortgage Bank service and origination fee	2,674	3,165
Subsidy 2% mortgage programme-Administration fees	2,983	2,979
Other	188	716
	7,611	9,248

22. Administration expenses

	2012	2011
Included therein are the following items:		
Staff costs (Note 23)	28,605	24,387
Depreciation	2,584	3,796
Legal and professional fees	2,120	3,046
Advertising and public relations	2,168	2,190
Bank interest and charges	1,047	167
Capital Issue Costs	1,354	165
Other	6,313	3,888
	44,191	37,639

23. Staff costs

	2012	2011
Wages, salaries and other benefits	25,583	20,874
National insurance	981	927
Pension costs – defined benefit plan	2,041	2,586
	28,605	24,387

24. Taxation

a) Components of tax income

	2012	2011
Deferred tax	(11,766)	(13,925)
Current tax - current year	1,965	1,986
	(9,801)	(11,939)

b) Reconciliation of accounting to tax profit:

	2012	2011
Accounting profit	53,168	56,173
Tax at applicable statutory rate (25%)	13,292	14,043
Tax effect of items that are adjustable in determining taxable profit:		
Provision for Green Fund Levy and other taxes	–	492
Tax exempt income	(18,683)	(21,088)
Other	(4,410)	(5,386)
Tax income	(9,801)	(11,939)

(Expressed in Thousands of Trinidad and Tobago dollars)

25. Mortgage commitments

At 31 December 2012 the Company had outstanding commitments totalling $92 million (2011: $341 million), to intending mortgagors.

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.

	2012	2011
Mortgage loans		
Key management personnel (including Directors)	5,517	5,768
Borrowings and other liabilities		
National Insurance Board		
Short-term debt	783,763	883,763
Interest payable on debt	4,082	4,589
Borrowings	378,933	419,899
Home Mortgage Bank		
Other liabilities	7,156	5,114
Borrowings	13,432	21,485
Interest and other income		
Key management personnel	330	326
Borrowings interest and other expense		
National Insurance Board	90,449	94,009
Home Mortgage Bank	1,517	2,171
Key management compensation		
Short-term benefits	1,943	1,928
Post-employment benefits	295	248
Directors' remuneration	464	464

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 2012, 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 increased by $40.5 million to $717 million during the year under review.

The Company reviews its capital adequacy annually at the Asset/Liability Risk Management committee and Board Level. 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 minimize 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 function, 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.

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

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

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

Details	Maximum exposure	
	2012	2011
Financial assets		
Mortgage loans	3,000,524	2,934,155
Investment securities	251,328	251,094
Other receivables	11,340	10,222
Cash at bank and cash equivalents	11,970	5,120
Total gross financial assets	3,275,162	3,200,591
Mortgage commitments	92,033	341,000
Total credit risk exposure	3,367,195	3,541,591

Of the Investment securities which the Company holds, $50M was pledged as security for overdraft facilities at Republic Bank Limited (see Note 4).

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.

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

	2012		2011	
MORTGAGE LOANS	**$**	**%**	**$**	**%**
ARIMA BOROUGH COUNCIL	397,078	12.13%	391,388	12.20%
CHAGUANAS BOROUGH COUNCIL	426,173	13.01%	431,248	13.50%
COUVA/TABAQUITE/TALPARO REG.	334,293	10.21%	317,211	10.00%
D/MARTIN REGIONAL CORPORATION	247,716	7.56%	244,968	7.70%
LAVENTILLE/SAN JUAN REGIONAL CORPORATION	206,575	6.31%	201,563	6.30%
MAYARO/RIO CLARO REGIONAL CORPORATION	14,990	0.46%	17,541	0.50%
POS CITY COUNCIL	153,526	4.69%	152,789	4.80%
PENAL/DEBE REGIONAL CORPORATION	59,995	1.83%	58,325	1.90%
POINT FORTIN BOROUGH COUNCIL	34,497	1.05%	32,690	1.00%
PRINCESS TOWN REGIONAL CORPORATION	67,117	2.05%	63,703	2.00%
SAN FERNANDO CITY COUNCIL	268,558	8.20%	268,583	8.40%
SANGRE GRANDE REGIONAL CORPORATION	83,666	2.55%	78,307	2.00%
SCARBOROUGH	21,073	0.64%	13,243	0.50%
SIPARIA REGIONAL CORPORATION	65,895	2.01%	64,582	2.00%
TOBAGO EAST	35,615	1.09%	28,688	1.00%
TOBAGO WEST	31,741	0.97%	29,618	1.00%
TUNAPUNA/PIARCO REGIONAL CORPORATION	552,016	16.85%	539,708	16.90%
TOTAL MORTGAGE LOANS	3,000,524	91.61%	2,934,155	91.70%
OTHER FINANCIAL ASSETS	274,638	8.39%	266,436	8.30%
TOTAL	3,275,162	100.00%	3,200,591	100.00%

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

Mortgage loans are classified based on the arrears position at the end of the financial year in addition to other factors that may threaten the quality of the portfolio.

High grade mortgages are defined as those where loan payments are up to date. Standard grade mortgages are those where loan payments are no more than six months in arrears and sub-standard mortgages are those mortgages over six months in arrears. Individually impaired mortgages are mortgages that are not being serviced, legal action is being taken against the mortgages and specific provisions are made for the impaired portion.

The tables below show the credit quality of mortgage loans as at 31 December:

Mortgage loans	**High grade**	**Standard grade**	**Sub-standard grade**	**Individually impaired**	**Total**
2012					
Balance	2,441,066	420,756	100,304	38,398	3,000,524
	82%	14%	3%	1%	100%
2011					
Balance	2,282,990	506,287	104,962	39,916	2,934,155
	78%	17%	4%	1%	100%

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

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.

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

Investment securities	High grade	Standard grade	Sub-standard grade	Individually impaired	Total
2012					
Held to maturity	251,161	167	–	–	251,328
	99.94%	0.06%	–	–	100%
2011					
Held to maturity	250,930	164	–	–	251,094
	99.94%	0.06%	–	–	100%

The credit quality of cash and cash equivalents as at 31 December 2012 and 31 December 2011 has been assessed as standard grade.

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:

At 31 December 2012 mortgage loans which represent the largest portion of the Company's financial assets (91%), are backed by collateral. The comparative figure is 83%.
1% of the mortgage loans portfolio is impaired (2011: 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.

Individually assessed allowances

The Company determines the allowances appropriate for each significant mortgage loan on an individual basis. 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;
Initiation of bankruptcy proceedings.

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

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Individually assessed allowances (continued)

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 sum. If monies are recovered, these are offset against bad debt expense.

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

Mortgage loans - individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $38.398 million (2011: $39.916 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:

	2012	2011
Mortgage loans - individually impaired		
Total	38,398	39,916
Fair value of collateral (before factoring in time to sell)	45,440	43,442

Collectively assessed allowances

Allowances are assessed collectively for losses on mortgage loans that are not individually significant and for individually significant loans where there is not yet objective evidence of individual impairment.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment assessment are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Collectively assessed allowances (continued)

Following is a reconciliation of the movement in the impairment provision:

Impairment Provision Details	Individual	Collective	2012 Total	Individual	Collective	2011 Total
Beginning balance	4,617	4,596	9,213	3,346	2,064	5,410
Recoveries/write-backs	–	–	–	–	–	–
Provision for the year	584	386	970	1,271	2,532	3,803
Balance at year end	5,201	4,982	10,183	4,617	4,596	9,213

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 at 31 December 2012 is $39.021 million (2011: $37,829 million).

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 fixed interest rates where movements in market rates will not affect the statement of income.

i. Financial assets

a) Mortgage loans

Mortgage loans account for 86% (2011: 86%) of the Company's total assets. A Ministerial decree is required by the Company for any changes in mortgage interest rates. These interest rates have been changed during 2012 from 6-8% to 5-7%.

b) Investment securities

Investments securities account for 7.3% (2011: 7.4%) of the Company's total assets. These are held-to-maturity financial assets comprising of fixed rate bonds.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Interest rate risk (continued)

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

ii. Financial liabilities

Long-term and short-term debt accounts for 97% (2011: 97%) of the Company's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2012	**%**	**2011**	**%**
Short-term debt				
Fixed	958,763	100	883,763	100
Long-term debt				
Fixed	1,414,337	91	1,224,679	89
Floating	141,182	9	157,811	11
	1,555,519	100	1,382,490	100
Total debt	2,514,282		2,266,253	

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.

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
31 December 2012		
Profit before tax	(1,411)	1,411
Tax impact 25%	353	(353)
Profit after tax	(1,058)	1,058
31 December 2011		
Profit before tax	(1,578)	1,578
Tax impact 25%	394	(394)
Profit after tax	(1,184)	1,184

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Liquidity risk (continued)

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.

Liquidity risk management process

The Group'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 repayment obligations.

2012	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	–	–	–	–
Amounts due under IDB loan programme	1,458	–	–	1,458
Short-term debt	958,763	–	–	958,763
Interest payable on debt	17,456	–	–	17,456
Sundry creditors and accruals	47,103	–	–	47,103
Long-term debt	75,248	1,032,241	448,030	1,555,519
Total undiscounted financial liabilities	1,100,028	1,032,241	448,030	2,580,299

2011	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	36,737	–	–	36,737
Amounts due under IDB loan programme	1,576	–	–	1,576
Short-term debt	883,763	–	–	883,763
Interest payable on debt	12,965	–	–	12,965
Sundry creditors and accruals	41,131	–	–	41,131
Long-term debt	138,968	1,008,753	912,963	2,060,684
Total undiscounted financial liabilities	1,115,140	1,008,753	912,963	3,036,856

29. Risk management (continued)

Liquidity risk management process (continued)

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. At 31 December, 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.

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 2012 there was no transfer of assets among any level.

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.

NOTES

NOTES

Trinidad & Tobago Mortgage Finance Company Limited

Head Office and Main Customer Service Centre
Albion Court, 61 Dundonald Street
P.O. Box 1096, Port of Spain
Trinidad W.I.
Tel: (868) 623-TTMF or 625-TTMF (8863)
Fax: (868) 624-3262
E-mail: info@ttmf-mortgages.com
Website: www.ttmf-mortgages.com