

**First Citizens Investment Services (Barbados) Limited
(A Subsidiary of First Citizens Investment Services Limited)**

Financial Statements
9 months

30 June 2019

(Expressed in Barbados dollars)

First Citizens Investment Services (Barbados) Limited

Contents	Page
Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Income	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 68



Independent Auditor's Report

To the Shareholder of First Citizens Investment Services (Barbados) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Citizens Investment Services (Barbados) Limited (the Company) as at June 30, 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at June 30, 2019;
- the statement of income for the period then ended;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 Bank'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.



We communicate with those charged with governance 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.

Other Matter

This report is made solely to the company's shareholder, as a body corporate, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body corporate, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SA

Bridgetown, Barbados
December 18, 2019

First Citizens Investment Services (Barbados) Limited

Statement of Financial Position

(Expressed in Barbados dollars)

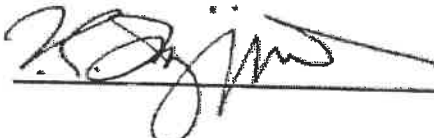
	Notes	30 June 2019 \$	As at 30 September 2018 \$
Assets			
Cash and due from other banks	5	9,260,019	15,455,861
Financial assets at:			
- Amortised cost	6	126,730,659	127,413,790
- Fair value through profit or loss	6	117,058	84,982
Other assets	7	6,029,581	266,759
Property, plant and equipment	9	495,603	683,663
Tax recoverable		384,168	442,449
Total assets		143,017,088	144,347,504
Liabilities			
Funds under management	16	412,129	574,820
Securities sold under repurchase agreements	11	112,160,415	116,249,218
Accrued expenses and other liabilities	12	503,208	557,880
Deferred income tax liability	10	261,222	198,369
Amount due to related parties	8	4,876,934	4,304,255
Total liabilities		118,213,908	121,884,542
Equity			
Share capital	13	25,833,333	25,833,333
Retained earnings		(1,030,153)	(3,744,659)
Fair value reserve	14	--	374,288
Total equity		24,803,180	22,462,962
Total equity and liabilities		143,017,088	144,347,504

The notes on pages 9 to 68 are an integral part of these financial statements.

On December 6th 2019, the Board of Directors of First Citizens Investment Services (Barbados) Limited authorised these financial statements for issue.



Director



Director

First Citizens Investment Services (Barbados) Limited

Statement of Income

(Expressed in Barbados dollars)

	Notes	9 months ended 30 June 2019 \$	Year ended 30 September 2018 \$
Interest income	17	6,452,324	9,943,125
Interest expense		<u>(1,715,298)</u>	<u>(3,545,362)</u>
Net interest income		4,737,026	6,397,763
Fee and commission income		4,402	6,135
Gain on sale of financial assets		--	355,719
Foreign exchange gain		1,355	1,135
Other operating income		<u>45,372</u>	<u>297,733</u>
Total net income		4,788,155	7,058,485
Impairment gain	19	99,578	34,040,717
Operating expenses	18	<u>(1,891,797)</u>	<u>(5,673,344)</u>
Profit before taxation		2,995,936	35,425,858
Taxation	20	<u>(281,430)</u>	<u>(917,443)</u>
Profit for the year		<u>2,714,506</u>	<u>34,508,415</u>

The notes on pages 9 to 68 are an integral part of these financial statements.

First Citizens Investment Services (Barbados) Limited

Statement of Comprehensive Income

(Expressed in Barbados dollars)

	Notes	9 months ended 30 June 2019 \$	Year ended 30 September 2018 \$
Profit for the year		2,714,506	34,508,415
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Net loss on financial assets measured at FVOCI	14	--	(95,018)
Net loss on investments in debt instruments measured at FVOCI	14	<u>(374,288)</u>	<u>(22,805)</u>
Total other comprehensive income for the year, net of tax		<u>(374,288)</u>	<u>(117,823)</u>
Total comprehensive income for the year		<u>2,340,218</u>	<u>34,390,592</u>

The notes on pages 9 to 68 are an integral part of these financial statements.

First Citizens Investment Services (Barbados) Limited

Statement of Changes in Equity

(Expressed in Barbados dollars)

	Share capital \$	Retained earnings \$	Fair value reserve \$	Total equity \$
Balance at 30 September 2018	25,833,333	(3,744,659)	374,288	22,462,962
Profit for the year	--	2,714,506	--	2,714,506
Other comprehensive loss:				
Net change in financial assets, net of tax	--	--	(374,288)	(374,288)
Total comprehensive income for the year	--	2,714,506	(374,288)	2,340,218
Balance at 30 June 2019	25,833,333	(1,030,153)	--	24,803,180
Balance at 30 September 2017	25,833,333	9,605,574	1,285,761	36,724,668
Change on initial application of IFRS 9	--	(47,858,648)	(793,650)	(48,652,298)
Restated balance as at 1 October 2017	25,833,333	(38,253,074)	492,111	(11,927,630)
Profit for the year	--	34,508,415	--	34,508,415
Other comprehensive loss:				
Net change in financial assets, net of tax	--	--	(117,823)	(117,823)
Total comprehensive income for the year	--	34,508,415	(117,823)	34,390,592
Balance at 30 September 2018	25,833,333	(3,744,659)	374,288	22,462,962

The notes on pages 9 to 68 are an integral part of these financial statements.

First Citizens Investment Services (Barbados) Limited

Statement of Cash Flows

(Expressed in Barbados dollars)

	9 months ended 30 June 2019 \$	Year ended 30 September 2018 \$
Profit before tax	2,995,936	35,425,858
Adjustments to reconcile profit to net cash from operating activities:		
Impairment gain	(99,578)	(34,040,717)
Depreciation	188,060	253,284
Impairment on tax recoverable	--	3,112,438
Interest income	(6,452,324)	(9,943,125)
Interest received	4,477,813	8,512,478
Interest expense	1,715,298	3,545,362
Interest paid	(2,808,549)	(4,036,007)
Income taxes paid net of refunds	(111,064)	(1,197,400)
Cash flows from operating activities before changes in operating assets and liabilities	(94,408)	1,632,171
Net changes in operating assets and liabilities:		
Net change in financial assets	2,301,626	47,299,235
Net change in other assets	(5,762,822)	(214,114)
Net change in securities sold under repurchase agreements	(2,995,552)	(44,517,478)
Net change in funds under management	(162,691)	(390,559)
Net change in other liabilities	(54,674)	200,978
Net change in amount due to related party	572,679	78,549
Net cash flow (used in)/generated from operating activities	(6,195,842)	4,088,782
Purchase of property and equipment	--	(23,118)
Net cash used in from Investing activities	--	(23,118)
Preference dividends paid	--	(1,435,000)
Ordinary dividends paid	--	(1,272,306)
Net cash used in financing activities	--	(2,707,306)
Net (decrease)/increase in cash and cash equivalents	(6,195,842)	1,358,358
Cash and cash equivalents - beginning of year	15,455,861	14,097,503
Cash and cash equivalents - end of year	9,260,019	15,455,861

The notes on pages 9 to 68 are an integral part of these financial statements.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

1 General information

First Citizens Investment Services (Barbados) Limited (the "Company") is incorporated in Barbados and its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Act 2001-13 of Barbados. The Company is a wholly owned subsidiary of First Citizens Investment Services Limited (FCIS), incorporated in the Republic of Trinidad and Tobago. The ultimate parent of the Company is First Citizens Holdings Limited (First Citizens Group), also incorporated in Trinidad and Tobago. First Citizens Holdings Limited is a company with a 77.2 % controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Company's registered office is One Welches, St Thomas, Barbados.

The company will be deregistered from the Barbados Financial Services Commissions, effective 1 July 2019. This decision was approved by the Board in October 2018 resulting from the Government of Barbados (GoB) restructuring of the Barbados Bonds and the default of the GoB. The net assets of the subsidiary will be transferred to the parent FCIS whereby the parent will in effect redeem its shares at incorporation of the subsidiary. The subsidiary would remain operational with a bank account and a receivable tax position.

2 Summary of 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

This Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, fair value through other comprehensive income financial assets, amortised cost, financial assets at fair value through profit and loss, financial liabilities at fair value through profit and loss and derivative financial instruments.

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 4.

(i) *Standards, amendments and interpretations which are effective and have been adopted by the company in the current period*

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contracts
 - Recognise revenue when (or as) the entity satisfies a performance obligation.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

- (i) *Standards, amendments and interpretations which are effective and have been adopted by the company in the current period (continued)*
 - IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2018). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - The effect of changes in facts and circumstances
- (ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have been early adopted by the company:*
 - IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance.

The Company is in the process of assessing the impact of the new and revised standards not yet effective on the Financial Statements; we do not anticipate any material impact.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The financial statements are presented in Barbados dollars, which is the Company's functional and presentation currency.

The exchange rate between the US dollar and the BB dollar was US\$0.5095 = BB\$1.00 (2018: US\$0.5095 = BB\$1.00), which represent the Company's mid-rate.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in the amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income financial assets are included in other comprehensive income.

c. Derivative financial instruments

Derivative financial instruments including swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The carrying values of the interest rate swap, which will vary in response to changes in market conditions, are recorded as assets or liabilities with the corresponding resultant charge or credit in the statement of income.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities

(i) Financial assets

The Company classifies its financial assets in the following business models:

- Hold for trading
- Hold to collect and sell or
- Hold to collect

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.a. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represents solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognized in "Gain on sale of financial assets". The interest income from these financial assets is included in "Interest Income" using the effective interest rate method.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the Statement of Income within "Gain on sale of financial assets" in the period in which it arises, unless it arises from debt instruments that were classified at fair value or which are not held for trading, in which case they are presented in Investment Interest Income. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Business model

The business model reflects how the Company manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Company's objective is solely to collect the contractual cash flows from the assets or it to collect both the contractual cash flows and cash flows arising from the sale of the assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Managements identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- Management considers, in classifying its assets, the level of historical sales and forecasted liquidity requirements.

Arising out of the assessment the portfolios were deemed to have the business models identified as follows:

Hold to Collect	Hold to Collect & Sell	Hold for Trading
Bonds issued by or guaranteed by Government of Barbados (GoB)	Treasury Bills	Equity
Non-Eurobonds maturing in greater than 3 years at recognition	Bonds issued by or guaranteed by Government of Barbados (GoB)	
Loans & receivables	Cash	
Securities sold under repurchase agreements to clients and brokers		

Financial assets are classified on recognition based on the business model for managing the contractual term of the cashflows.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Gain and losses on equity investments classified as FVPL are included in the Statement of Income.

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
- Note 3.a.iv provides more detail of how the expected credit loss allowance is measured.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Modification of Financial Assets

The Issuer of Financial Assets sometimes renegotiates or otherwise modifies the contractual cash flows of an instrument. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the borrower being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(ii) Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer and the company has retained control. In subsequent periods, the Company recognises any expense incurred on the financial liability.

Recognition and de-recognition of financial instruments

The Company uses trade date accounting for regular way contracts when recording financial assets transactions. Financial assets that are transferred to third parties but do not qualify for derecognition are presented as assets pledged as collateral if the transferee has the right to sell or re-pledge them.

Financial assets are derecognised when the contractual right to receive the cashflows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

d. *Financial assets and financial liabilities (continued)*

(ii) *Financial liabilities (continued)*

Determination of fair value

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or regulatory agency, and these prices represent actual and regular occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. When a market becomes inactive, the valuation technique is the Company's internally developed model which is based on discounted cashflow analysis.

e. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f. *Sale and repurchase agreements and lending of securities*

Securities sold subject to repurchase agreements (repos) are retained in the statement of financial position as financial assets. The corresponding liability is stated as security sold under repurchase agreement. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest yield method.

Securities purchased under agreements to resell (reverse repos) are recorded as loans to other banks or customers as appropriate.

g. *Funds under management*

Funds under administration consist of Money Market Accounts (MMA's). MMA's are deposits tailored specifically for clients to earn competitive rates of return. The investments are short term and allows the client to withdraw money at any point in time. The investment does not have any collateral and there are no specific underlying security attached. Interest on MMAs are compounded daily.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

h. Lease transactions

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

Leases in which a significant portion of the risks and methods of ownership are retained by another party, the lessor, are classified as operating leases. Leases of assets where the Company has substantially all the risk and rewards of ownership are classified as finance leases.

The Company as the lessee

The Company has entered into operating leases where the total payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the period has expired, any penalty payment made to the lessor is recognised as an expense in the period in which termination takes place.

When assets are held subject to a finance lease, an asset and liability is recognised in the statement of financial position at amounts equal at inception to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

i. *Property, plant and equipment*

All property, plant and equipment are stated at historical cost less depreciation. The valuation of freehold premises is reviewed annually to ensure it approximately equates to fair value. The valuations of freehold premises are re-assessed when circumstances indicate there may be a material change in value.

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 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 the statement of income during the financial period in which they are incurred.

Leasehold improvements and equipment are recorded at cost less accumulated depreciation.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	-	Amortised over the term of the lease
Office equipment and furniture	-	4 years
Motor vehicles	-	4 years
Computer equipment	-	3 years

The assets' useful lives and residual values are reviewed and adjusted if appropriate at the end of each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to dispose and value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised within the statement of income. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

j. *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the country where the Company operates and generated income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

j. *Income tax (continued)*

Deferred income tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by at the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

k. *Employee benefits*

(i) *Pension plans – First Citizens Group defined pension plan*

The First Citizens Group operates a defined benefit plan, which is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. This pension plan is funded by payments from employees and by the The First Citizens Group, taking account of the recommendations of independent qualified actuaries. The subsidiary was admitted in 2017.

Typically defined benefit plans define 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 liability recognised in the First Citizens Group's statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated based on cash outflows allocated to current or prior periods 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 to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The First Citizens Group's defined benefit plan operates as a plan which shares risks among subsidiaries of the First Citizens Group which are under common control. The Bank's policy is to recognise the net defined benefit cost of the plan in the separate financial statements of First Citizens Bank Limited, the entity which is legally considered the sponsoring employer of the plan. The First Citizens Group recognises a cost equal to its contribution payable for its employees in its separate financial statements. Pension contributions for the year amounted to \$14k (September 2018: \$19.7k).

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

k. *Employee benefits (continued)*

(ii) *Profit sharing and bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the First Citizens Group's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

l. *Cash and due from other banks*

For purposes of the statement of cash flows, cash and due from other banks of cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased net of balances "due to other banks".

m. *Net interest income and expense*

Interest income and interest expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments, loans and accrued discount and premium on treasury bills and other discounted instruments. When a financial asset is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and include transaction cost, premium, discounts and fees and point paid or received that are integral to the effective interest rate, such as origination fees.

For financial assets that are credit impaired (stage 3), interest income is calculated by applying the effective interest rate to the carrying value net of the expected credit loss provision.

For financial assets classified as Purchased or Originated Credit Impaired (POCI), interest income is calculated by applying a credit-adjusted EIR (based on an initial expectation of further credit losses) to the amortised cost of these POCI assets. The Credit-Adjusted Effective Interest Rate (CAEIR) is lower than the effective interest rate as the cash flows of the instruments are adjusted downwards for the impact of expected credit losses.

n. *Fee and commission income*

IFRS15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

2 Summary of significant accounting policies (continued)

n. *Fee and commission income (continued)*

IFRS15 core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The Company's performance obligations are very contract specific for the various services: wealth managed client accounts, private placements and commissions.

Fees and commissions are recognised at a point in time when the service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised at a point in time on completion of the underlying transaction. Other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis, which is normally on a monthly billing cycle at a point in time.

The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled at a point in time.

Brokerage & Advisory fees are generally recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public Offerings and services of that nature the performance obligation maybe specific to the stage of completion of the services performance obligation. In addition some contracts may require variation to the performance obligation based on the client specifications. These contract would qualify for revenue recognition over time.

No changes were required as a result of the impact from the transition to IFRS 15 as at 1 October 2018 and 30 June 2019.

o. *Dividends distribution*

Dividends are recognised as a liability in the company's financial statements in the period in which they are approved by the company's shareholders. Dividends for the year, which are declared after the statement of financial position date, are disclosed in the subsequent events note.

p. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the Provisions are measured at the present value of the expenditure 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. The increase in the provision due to the passage of time is recognised as interest expense.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks and those activities involve the 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, to 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, products and emerging best practice.

Risk management framework

The Board of Directors of First Citizens Bank Limited has overall responsibility for the establishment and oversight of the First Citizens Group risk management framework. To assist the Board of Directors in fulfilling its duties, two Board sub-committees were established to monitor and report to the Board of Directors of the parent on the overall risks within the First Citizens Group - the First Citizens Group Enterprise Risk Management Committee and the Corporate Credit Committee; and two Senior Management Committees- the Senior Management Enterprise Risk Committee and the Asset/Liability Committee.

The First Citizens Group Enterprise Risk Management Unit, headed by the Chief Risk Officer (CRO), reports to both Sub-Committees of the Board of Directors through the Senior Management Committees. This unit is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the First Citizens Group through the First Citizens Group: Operational Risk and Controls Unit, Credit Risk and Administration Unit, Market Risk Unit and Business Continuity Planning Unit. The First Citizens Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

The Asset/Liability Committee (ALCO) was established to manage and monitor the policies and procedures that address financial risks associated with changing interest rates, foreign exchange rates and other factors that can affect the Group's liquidity. The ALCO seeks to limit risk to acceptable levels by monitoring and anticipating possible pricing differences between assets and liabilities across the Bank and the Group's various companies via the Treasury and International Trade Centre. The Treasury and International Trade Centre's primary role and responsibility is to actively manage the First Citizens Group's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Bank's Market Risk Committee.

As part of its mandate, the Board establishes written principles for overall risk management, as well as ensuring that policies are in place covering specific areas of risk, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the First Citizens Group Internal Audit Department is responsible for the independent review of risk management and the control environment, and reports its findings and recommendation to the Board Audit Committee. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

Credit risk is the single largest risk for the First Citizens Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a First Citizens Group Credit Risk Management team which reports regularly to the Chief Risk Officer and the Board Credit Committee.

i. Credit risk management

In its management of credit risks, the First Citizens Group has established an organisational structure which supports the lending philosophy of the First Citizens Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Chief Risk Officer (CRO), the Credit Risk Management Unit and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the First Citizens Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management. The SMERC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of the Credit Risk Management Unit is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the First Citizens Group's written Credit Policy Manual. This document sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Major areas of focus are General Credit Policy Guidelines, Exercise of Lending Authority, Credit Review Process, Credit Risk Rating and Classification System, among others.

ii. Expected credit loss measurement

IFRS9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the First Citizens Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.a.iii for a description of how the First Citizens Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.a.vi for a description of how the First Citizens Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.a.vii for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

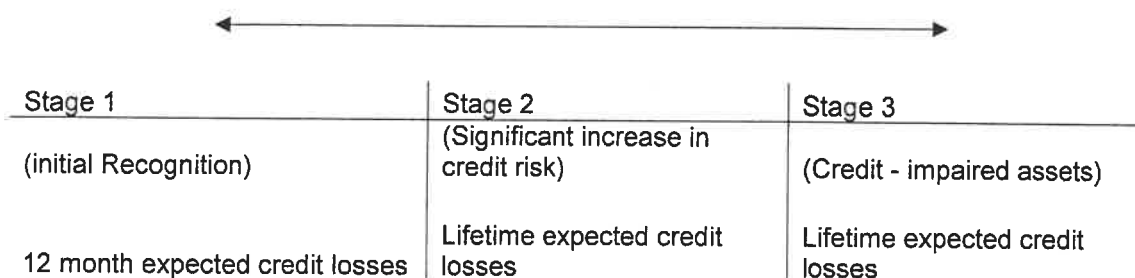
ii. Expected credit loss measurement (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 3.a.vi includes an explanation of how the First Citizens Group has incorporated this in its ECL models
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the First Citizens Group determines appropriate groupings when ECL is measured on a collective basis (refer to note 3.a.iv).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition



iii) Significant increase in credit risk (SICR)

The First Citizens Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD- 15% or higher	PD -25% or higher
AND	AND	AND
Relative Measure	One Notch downgrade (internal rating scale)	One Notch downgrade (internal rating scale)
OR	OR	OR
Special Consideration	Eurobonds with Trigger 3 Breaches	Eurobonds with Trigger 3 Breaches

The First Citizens Group has not used the low credit risk exemption for any financial instruments in the year ended 30 June 2019.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iii) Significant decrease in credit risk (SDCR)

The table below shows the indicators for a significant decrease in credit risk:

Criteria	Investment Grade Portfolio	Single "B" or High Yield Portfolio
Relative Measure	Credit rating reverts to level just prior to the SICR	One Notch upgrade (investment securities rating scale)
Absolute Measure	PD - 12.5% or lower	PD - 25% or lower
Special Consideration	No Credit Stop loss Breaches	No Credit Stop loss Breaches

vi. Definition of default and credit-impaired assets:

The First Citizens Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified Doubtful or worse as per the First Citizens Group's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).

The criteria above have been applied to all financial instruments held by The First Citizens Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD), throughout The First Citizens Group's expected loss calculations.

An investment instrument is considered to no longer be in default (i.e. to have cured) when it has been restructured. An exception exists for credit impaired facilities at origination.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

v. *Measuring ECL - Explanation of inputs, assumptions and estimation techniques*

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per Definition of default and credit-impaired above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts The Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, The First Citizens Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents The First Citizens Group's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and product type, while the availability of collateral is factored before LGD is considered. A robust system for recovering on all delinquent facilities managed by specialized units ensures that early measures are taken to contain loss. The recovery on the various products managed by The First Citizens Group are recorded and this historical information is used to determine LGD. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the original effective interest rate.

The lifetime and 12-month PDs are determined differently for investments. The Investments PDs are taken from the Standard & Poor's (S&P) transition matrix. The EAD is considered as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is calculated by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two year period.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type and are influenced by the collection strategies of the specialist units managing the process.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

vi. Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The First Citizens Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Determination of Macroeconomic Scenarios and Probabilities

For each economic territory, management determines a macroeconomic driver, which is statistically linked to the credit risk of that sovereign. Once this lead indicator is established, correlation analysis is conducted between this macroeconomic indicator and key sovereign credit risk metrics, where the sign and strength of correlation coefficients determine which are most significant. These (three) selected sovereign credit risk metrics are determined based on their importance as key sovereign credit rating drivers and are comprised of both fiscal and debt indicators as well as measures of external liquidity. To quantify the impact of the lead macroeconomic driver on each of the credit risk metric, OLS regression is conducted.

To establish the alternative scenarios required by IFRS 9, the lead macroeconomic driver is 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. Once these new values are derived, they are inputted into the OLS regression equation for each of the key sovereign credit risk metric to quantify how credit risk changes in the alternative scenarios. These data points are used in the determination of a credit rating for the sovereign in each of the different scenarios for the forecasted period. To assign probabilities, we adopt the Standard and Poor's Transition Matrix, which is computed by comparing the issuer ratings at the beginning of a period with the ratings at the end of the period. This essentially provides us with a probability of moving from the current credit rating to the forecasted rating.

Investments

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Research & Analytics team on a periodic basis and provide the best estimate view of the economy over the next three years.

After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base case scenario the Research & Analytics team also provided other possible scenarios along with scenario weightings. The number of other scenarios used was set with the only exception being the addition of a fourth scenario if the base and current differed. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance for Corporate/Commercial portfolios is: GDP - given the significant impact on companies' performance.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. *Credit risk (continued)*

vi. *Risk limit control and mitigation policy*

The First Citizens Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, industry and country segments. The Company monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Company. These limits are implemented and monitored by the Credit Risk Management Unit via the stipulations of the Company's Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Company would seek approval on an exception basis for variation to its standard approved limits from the Board of Directors.

(a) *Single investee or industry exposure limits*

These limits have been established based on a ranking of the riskiness of various investees or industries. The ranking is guided by a model developed for the Company for this purpose. The model utilises a scale incorporating scores of 1 to 8 with 1 being the least risky. These have been consolidated into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a relatively smaller limit being assigned to the more risky industries.

(b) *Maximum exposure to credit risk before collateral held or other credit enhancements*

Credit risk exposures relating to on-statement of financial position assets are as follows:

	Maximum exposure	
	30 June 2019	30 September 2018
	\$	\$
Cash and due from other Banks	9,260,019	15,455,861
Financial Assets:		
- Amortised cost	126,730,659	127,413,790
- Fair value through profit or loss	117,058	84,982
Other assets (excluding prepayments)	5,944,506	184,375
	<u>142,052,242</u>	<u>143,139,008</u>

The above table represents a worse case scenario of credit risk exposure to the company at 30 June 2019 and 30 September 2018, without taking account any other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. *Credit risk (continued)*

(c) *Debt securities, receivables and other bills*

The table below presents an analysis of amortised cost financial assets by the Company's internal rating scale:

	Amortised cost \$	Total \$
30 June 2019		
Investment	91,927,999	91,927,999
Speculative	34,994,946	34,994,946
Total	<u>126,922,945</u>	<u>126,922,945</u>
30 September 2018		
Investment	93,450,326	93,450,326
Default	47,781,394	47,781,394
Total	<u>141,231,720</u>	<u>141,231,720</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(d) Financial assets

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

	Investments				Total
	June 2019				
	Stage 1	Stage 2	Stage 3	POCI	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$	\$	\$	\$	\$
Credit rating					
Investment grade	99,587,815	--	--	--	99,587,815
Non-investment grade	--	--	--	27,335,130	27,335,130
Default	--	--	--	--	--
Gross investments	99,587,815	--	--	27,335,130	126,922,945
Loss allowance ECL	(192,286)	--	--	--	(192,286)
Carrying balance	99,395,529	--	--	27,335,130	126,730,659

	Investments				Total
	September 2018				
	Stage 1	Stage 2	Stage 3	POCI	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$	\$	\$	\$	\$
Credit rating					
Investment grade	101,391,201	--	--	--	101,391,201
Non-investment grade	--	--	--	--	--
Default	--	--	39,840,519	--	39,840,519
Gross investments	101,391,201	--	39,840,519	--	141,231,720
Loss allowance	(74,141)	--	(13,743,789)	--	(13,817,930)
Carrying balance	101,317,060	--	26,096,730	--	127,413,790

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(e) Loss Allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 3.1.5).

Investments

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	POCI \$	Total \$
Gross carrying amount as at 1 October 2018	101,391,201	--	39,840,519	--	141,231,720
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
New financial assets originated	--	--	--	25,799,383	25,799,383
Disposals/Maturities of investment	--	--	(39,840,519)	--	(39,840,519)
Unwind of discounts FX and other movements	(1,803,386)	--	--	1,535,747	1,535,747 (1,803,386)
Gross carrying amount as at 30 June 2019	99,587,815	--	--	27,335,130	126,922,945

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(e) Loss Allowance (continued)

Investments

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	POCI \$	Total \$
Gross carrying amount as at 1 October 2017	53,673,655	133,539,272	--	--	187,212,927
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to stage 3	--	(40,133,131)	40,133,131	--	--
New financial assets originated	95,989,701	--	--	--	95,989,701
Disposals/Maturities of investment	(48,272,155)	(93,406,141)	--	--	
Unwind of discounts	--	--	--	--	(141,678,296)
FX and other movements	--	--	(292,612)	--	(292,612)
Gross carrying amount as at 30 September 2018	101,391,201	--	39,840,519	--	141,231,720

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(e) Loss Allowance (continued)

Expected Credit Losses	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$	\$	\$	\$	\$
Loss allowance as at 1 October 2018	(74,141)	--	(13,743,789)	--	(13,817,930)
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 3 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Transfer from stage 3 to stage 2	--	--	--	--	--
New financial assets originated	--	--	--	--	--
Change in PDS/LGDs/EADs	(118,145)	--	--	--	(118,145)
disposal of investment	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements	--	--	--	--	--
Total net P&L charge during the period	(118,145)	--	--	--	(118,145)
Other movement with no P&L impact	--	--	--	--	--
Financial assets derecognised during the period	--	--	13,743,789	--	(13,743,790)
Write-offs	--	--	--	--	--
Loss allowance as at 30 June 2019	(192,286)	--	--	--	(192,286)

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(e) Loss Allowance (continued)

Expected Credit Losses	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	POCI \$	Total \$
Loss allowance as at 1 October 2017	(12,878,996)	(34,979,652)	--	--	(47,858,648)
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Transfer from stage 2 to stage 3	--	10,840,296	(10,840,296)	--	--
New financial assets originated	(57,052)	--	--	--	(57,052)
Change in PDS/LGDs/EADs	--	--	(2,903,493)	--	(2,903,494)
disposal of investment	11,046,215	24,139,356	--	--	35,185,571
Unwind of discounts	--	--	--	--	--
FX and other movements	--	--	--	--	--
Total net P&L charge during the period	10,989,163	34,979,652	(13,743,789)	--	32,225,026
Other movement with no P&L impact	--	--	--	--	--
Financial assets derecognised during the period	--	--	--	--	--
Write-offs	1,815,692	--	--	--	1,815,692
Loss allowance as at 30 September 2018	(74,141)	--	(13,743,789)	--	(13,817,930)

3.1.5 Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2018 was Nil. The Company would still seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

vii. Concentration of risks of financial assets with credit risk exposure – Geographical sectors

The following table breaks down the Company main credit exposure at their carrying amounts, as categorised by geographical region as of 30 June 2019 and 30 September 2018. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

	Caribbean \$'000	Total \$'000
At 30 June 2019		
Cash and due from other Banks	9,260,019	9,260,019
Financial assets		
- Amortised cost	126,730,659	126,619,115
- Fair value through profit or loss	117,058	117,058
Other assets (excluding prepayments)	5,944,506	5,944,783
As at 30 June 2019	142,052,242	141,940,975
	Caribbean \$'000	Total \$'000
At 30 September 2018		
Cash and cash equivalents	15,455,861	15,455,861
Financial assets		
- Amortised cost	127,413,790	127,413,790
- Fair value through profit or loss	84,982	84,982
Other assets (excluding prepayments)	184,375	184,375
As at 30 September 2018	143,139,008	143,139,008

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b) Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency, commodity and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodity prices and equity prices. The Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the First Citizens Group Market Risk department who submit reports to the Senior Risk Management Committee on a regular basis and also reports via the Group Enterprise Risk Management Unit to the Board Enterprise Risk Management Committee to enable Board oversight of market risk issues. Additionally, on a monthly basis, the First Citizens Group's Market Risk Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Group ALCO. This Committee also provides for the consideration of the Group ALCO technical information that may be relevant to current and developing market conditions from time to time.

Trading portfolios include those portfolios arising from market-making transactions where the Company acts as a principal with clients or with the market. Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains.

Non-trading portfolios primarily arise from the interest rate management of the Company's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Company's financial assets fair value through other comprehensive income.

(i) Market risk measurement techniques

As part of the management of market risk, the Company uses duration management and other portfolio strategies to manage market risk. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

The Company applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. VAR measurements capture potential losses arising from changes in interest rates and foreign exchange rates. The Board sets limits on the value of risk that may be accepted for the Company, trading and non-trading separately, which are monitored on a daily basis by First Citizens Group Market Risk.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Company might lose, but only to a certain level of confidence (99%).

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Market risk measurement techniques (continued)

Value at risk (continued)

The First Citizens Group Market Risk calculates VAR using a 99% confidence level therefore there is a 1% probability that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days for Eurobonds and 30 days for other securities). For comparability purposes the 1-day VAR for the portfolio segments are disclosed in the following section. A parametric approach is used in calculating VAR which uses the volatility, correlation and relative weights of the securities in the portfolio. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Actual exposure against limits is monitored by Risk Management on a daily basis. There are Board approved limits set on the portfolio VAR. A breach in these limits would trigger actions by the management of the Group to reduce risk on the portfolio. These actions can include hedging of the portfolio or specific positions or sale of securities to bring the portfolio back within limit.

The quality of the VAR model is continuously monitored by back-testing the VAR results. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management include interest rate stress testing where movements in the yield curve are applied to each investment, exclusive of amortised cost financial investments.

If the company were to stress the portfolio at 30 June 2019 based on a 100 basis point (1%) upward parallel shift in the Barbados yield curve, this would result in mark to market losses of \$12.63 million (September 2018: \$3.4 million).

The results of the stress tests are reviewed by senior management in each business unit, the Risk Management Committee and by the Board of Directors.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Market risk measurement techniques (continued)

Currency risk sensitivity

Based on net foreign currency positions at 30 June 2019, the effect of a 2.5% depreciation in the Barbados dollar against the respective currencies is as follows:

	US
	\$
At 30 June 2019	(3,477)
Gain/(loss)	
At 30 September 2018	(3,477)
Gain/(loss)	

(iii) Interest rate risk

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the repricing between interest rate sensitive assets and liabilities.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in market interest rates. Cashflow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise

The Company objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate.

The table below summarises the Company's exposure to interest rate risk. The assets and liabilities are categorised by the earlier of the repricing date and the maturity date.

First Citizens Investment Services (Barbados) Limited

Notes To Financial Statements (continued) 9 months ended 30 June 2019 (Expressed in Barbados dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk (continued)

Interest sensitivity of assets, liabilities and off statement of financial position items - repricing analysis

	Up to 1 month \$	1 - 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Interest rate maturities							
At 30 June 2019							
Financial Assets							
Cash and due from other Banks	9,122,935	--	--	--	--	137,084	9,260,019
Financial Assets:							
- Amortised cost	91,927,999	--	--	--	34,802,660	--	126,730,659
- Fair value through other comprehensive income	--	--	--	--	--	--	--
- Fair value through profit and loss	--	--	--	--	--	--	--
Other assets (excluding prepayments)	--	--	--	--	--	5,944,506	5,944,506
Total financial assets	101,050,934	--	--	--	34,802,660	6,081,590	141,935,184
Financial Liabilities							
Funds under management	412,129	--	--	--	--	--	412,129
Securities sold under repurchase	93,666,066	12,247,699	6,246,650	--	--	--	112,160,415
Accrued expenses and other liabilities	--	--	--	--	--	503,208	503,208
Due to related parties	--	--	--	--	--	4,876,934	4,876,934
Total financial liabilities	94,078,195	12,247,699	6,246,650	--	--	5,380,142	117,952,686
Interest repricing gap	6,972,739	(12,247,699)	(6,246,650)	--	34,802,660	701,448	23,982,498

First Citizens Investment Services (Barbados) Limited

Notes To Financial Statements (continued) 9 months ended 30 June 2019 (Expressed in Barbados dollars)

3 Financial risk management (continued)

- b. Market risk (continued)
(ii) Interest rate risk (continued)

Interest sensitivity of assets, liabilities and off statement of financial position items - repricing analysis (continued)

	Up to 1 month \$	1 - 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Interest rate maturities							
At 30 September 2018							
Financial Assets							
Cash and due from other Banks	15,318,777	--	--	--	--	137,084	15,455,861
Financial Assets:							
- Amortised cost	--	--	93,187,427	--	34,226,363	--	127,413,790
- Fair Value through Other comprehensive income	--	--	--	--	--	--	--
- Fair Value through Profit & loss	--	--	--	--	--	--	--
Other assets (excluding prepayments)	--	--	--	--	--	184,375	184,375
Total financial assets	15,318,777	--	93,187,427	--	34,226,363	321,459	143,054,026
Financial Liabilities							
Funds under management	574,820	--	--	--	--	--	574,820
Securities sold under repurchase	11,280,418	19,243,161	85,725,639	--	--	--	116,249,218
Accrued expenses and other liabilities	--	--	--	--	--	557,880	557,880
Due to related parties	--	--	--	--	--	4,304,255	4,304,255
Total financial liabilities	11,855,238	19,243,161	85,725,639	--	--	4,862,135	121,686,173
Interest repricing gap	3,463,539	(19,243,161)	7,461,788	--	34,226,363	(4,540,677)	21,367,853

First Citizens Investment Services (Barbados) Limited

Notes To Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(iii) Currency risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Company not to engage in speculative foreign exchange activities, since its primary focus is to supply foreign currency to customers at a profit with the US dollar dominating trading. However, as supply usually lags behind customer demand, the Company may find itself in an overbought or oversold position.

The Company's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Company does not currently engage in any hedging activities to mitigate currency risk.

	US \$	BB \$	Total \$
At 30 June 2019			
Financial Assets			
Cash and due from other Banks	135,592	9,124,427	9,260,019
Financial Assets:			
- Amortised cost	--	126,730,659	126,730,659
- Fair Value through Other comprehensive Income	--	--	--
- Fair Value through Profit & loss	--	--	--
Other assets (excluding prepayments)	--	5,944,506	5,944,506
Total financial assets	135,592	141,799,592	141,935,184
Financial Liabilities			
Funds under management	--	412,129	412,129
Securities sold under repurchase agreements	--	112,160,415	112,160,415
Accrued expenses and other liabilities	--	503,208	503,208
Amount due to related parties	--	4,876,934	4,876,934
Total financial liabilities	--	117,952,686	117,952,686
Liquidity Gap	135,592	23,846,906	23,982,498

First Citizens Investment Services (Barbados) Limited

Notes To Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(iii) Currency risk (continued)

	US \$	BB \$	Total \$
At 30 September 2018			
Financial Assets			
Cash and due from other Banks	135,592	15,320,269	15,455,861
Financial Assets:			
- Amortised cost	--	127,413,790	127,413,790
- Fair Value through Other comprehensive Income	--	--	--
- Fair Value through Profit & loss	--	--	--
Other assets (excluding prepayments)	--	184,375	184,375
Total financial assets	135,592	142,918,434	143,054,026
Financial Liabilities			
Funds under management	--	574,820	574,820
Securities sold under repurchase agreements	--	116,249,218	116,249,218
Accrued expenses and other liabilities	--	557,880	557,880
Amount due to related parties	--	4,304,255	4,304,255
Total financial liabilities	--	121,686,173	121,686,173
	135,592	21,232,260	21,367,853

(iv) Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is affected by changing prices of equity instruments mainly classified as fair value through other comprehensive income securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as fair value through other comprehensive income is immaterial at the end of both periods reported.

First Citizens Investment Services (Barbados) Limited

Notes To Financial Statements (continued)

9 months ended 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b. *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuations in cash flows. The Company is exposed to daily calls on its available cash resources from other funding instruments. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk management process

The Company's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset and Liability Committee (ALCO). The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on- statement of financial position or off- statement of financial position liabilities. The Company relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised. The Company manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers, by maintaining ongoing access to wholesale funding and by maintaining a liquid pool of marketable securities dedicated to mitigating liquidity risk as a contingency measure. Fallback techniques include access to the local interbank and institutional markets and stand-by lines of credit with external parties and the ability to close out or liquidate market positions.

Compliance with liquidity policies and risk limits is tracked by First Citizens Group Market Risk and reported into the Senior Risk Management Committee and via the Group Enterprise Risk Management Unit to the Board Enterprise Risk Management Committee.

Assets held for managing liquidity risk

The Company holds a diversified portfolio of cash and securities to support payment obligations and contingent funding in a stressed market environment.

The Company's assets held for managing liquidity risk comprise:

- Cash and balances;
- Government bonds and other securities that are readily acceptable in repurchase agreements.
- Secondary sources of liquidity in the form of highly liquid investment in the Company's investment portfolio.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b. Liquidity risk (continued)

The table below analyses financial assets and liabilities of the Company into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month \$	1 - 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total \$
At 30 June 2019						
Financial Assets						
Cash and due from other Banks	9,260,019	--	--	--	--	9,260,019
Financial Assets: - Amortised cost	91,927,998	234,813	--	5,247,880	51,163,970	148,574,661
-Fair value through profit or loss	--	--	--	--	--	--
Other assets (excluding prepayments)	5,944,506	--	--	--	--	5,944,506
Total financial assets	107,132,523	234,813	--	5,247,880	51,163,970	163,779,186
Financial Liabilities						
Funds under management	412,129	--	--	--	--	412,129
Securities sold under repurchase agreements	93,735,684	12,356,231	6,331,646	--	--	112,423,561
Accrued expenses and other liabilities	503,208	--	--	--	--	503,208
Due to parent	4,876,934	--	--	--	--	4,876,934
Total financial liabilities	99,527,955	12,356,231	6,331,646	--	--	118,215,832
Liquidity gap	7,604,568	(12,121,418)	(6,331,646)	5,247,880	51,163,970	45,563,354

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

b) Liquidity risk (continued)

	Up to 1 month \$	1 - 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total \$
At 30 September 2018						
Financial Assets						
Cash and due from other Banks	15,455,861	--	--	--	--	15,455,861
Financial Assets:						
- Amortised cost	310,000	432,188	99,661,183	12,764,375	60,110,938	173,278,684
-Fair value through profit or loss	--	--	--	--	--	--
Other assets (excluding prepayments)	184,375	--	--	--	--	184,375
Total financial assets	15,950,236	432,188	99,661,183	12,764,375	60,110,938	188,918,920
Financial Liabilities						
Funds under management	574,820	--	--	--	--	574,820
Securities sold under repurchase agreements	11,403,560	19,328,532	86,924,925	--	--	117,657,017
Accrued expenses and other liabilities	557,880	--	--	--	--	557,880
Due to parent	4,304,255	--	--	--	--	4,304,255
Total financial liabilities	16,840,515	19,328,532	86,924,925	--	--	123,093,972
Liquidity gap	(890,279)	(18,896,344)	12,736,258	12,764,375	60,110,938	65,824,948

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

Off- statement of financial position items - Commitments and contingencies

a. Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under operating leases, are summarised in the table below.

	No later than 1 year \$	1 - 5 years \$	Over 5 years \$	Total \$
At 30 June 2019				
Operating lease Commitments	260,733	239,005	--	499,738
Total	<u>260,733</u>	<u>239,005</u>	<u>--</u>	<u>499,738</u>
At 30 September 2018				
Operating lease Commitments	260,733	434,554	--	695,287
Total	<u>260,733</u>	<u>434,554</u>	<u>--</u>	<u>695,287</u>

b. Capital commitments

At 30 June 2019, the Company had no capital commitments (2018: Nil) in respect of leasehold improvements.

c. Fair value of financial assets and liabilities

The following table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's Statement of financial position at their fair value:

	Carrying value		Fair value	
	June 2019 \$	Sept 2018 \$	June 2019 \$	Sept 2018 \$
Financial assets				
Financial Assets:				
- Amortised cost	126,730,659	127,413,790	121,229,370	139,188,281
Total financial assets	<u>126,730,659</u>	<u>127,413,790</u>	<u>121,229,370</u>	<u>139,188,281</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

c. Fair value of financial assets and liabilities (continued)

	Carrying value		Fair value	
	June 2019	Sept 2018	June 2019	Sept 2018
	\$	\$	\$	\$
Financial liabilities				
Funds under management	412,129	574,820	412,129	574,820
Securities sold under repurchase agreements	112,160,415	116,249,218	111,851,976	114,846,749
Total financial liabilities	112,572,544	116,824,038	112,264,105	115,421,569

The fair values of the Company's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS) 9 "Financial instruments: Recognition and Measurement". The fair value of the borrowings securities sold under repurchase agreements are based on the fair value of the financial assets of the underlying securities less the accrued interest. The fair value above was determined using level 3 inputs.

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values. Financial instruments where carrying value is approximately equal to fair value include cash and due from other banks.

Cash and due from other banks

This amount represents short term deposits and other bank balances. The fair value of these short term deposits is approximately equal to their carrying amount.

Receivables

Receivables are net of provisions for impairment. The estimated fair value of receivables represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at the current market rates to determine fair value. Receivables are generally for a period of less than one year.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:-

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

c. Fair value of financial assets and liabilities (continued)

Fair value hierarchy (continued)

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

	Level 1 \$	Level 2 \$	Level 3 \$	Total balance \$
As at 30 June 2019				
Financial Assets				
Fair value through profit and loss				
- Equity securities	117,058	--	--	117,058
- Debt investments	--	--	--	--
Total financial assets	117,058	--	--	117,058
As at 30 September 2018				
Financial Assets				
Fair value through profit and loss				
- Equity securities	84,982	--	--	84,982
- Debt investments	--	--	--	--
Total financial assets	84,982	--	--	84,982

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments included in level 2 comprise Barbados Stock Exchange listed equity investments classified as fair value through profit and loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

c. Fair value of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Specific valuation techniques used to value financial instruments include:

- The fair value of fair value through other comprehensive income debt securities is calculated as the present value of the estimated future cash flows based on yield curves.

There were no changes in Level 3 instruments for the 9 months ended 30 June 2019. The fair value through other comprehensive income as at 30 June 2019 was nil (September 2018: nil).

Operational risk

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. The Company manages this risk by developing standards and guidelines in the following areas:-

- Appropriate segregation of duties and access
- Reconciling and monitoring of transactions
- Documentation of controls and procedures
- Training and development of staff
- Reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Information security
- Assessments of the processes
- Business continuity planning

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

3 Financial risk management (continued)

Capital management

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

- to comply with the capital requirements set by the regulator of the Securities market where the Company operates,
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to ensure that the Company can remain solvent during periods of adverse earnings or economic decline; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management. The Financial Services Commission, (the FSC) requires the Company to hold a minimum level of the regulatory capital of BD\$5 million. Regulatory capital is the BD\$5 million free capital that the Company is required to hold on deposit or in the form of securities to satisfy the requirements of the Securities Act. The required information is filed with the FSC on an annual basis.

The table below summarises the composition of regulatory capital of the Company for the 9 months ended 30 June 2019 and year ended 30 September 2018. During the 9 months, the Company complied with all of the externally imposed capital requirements to which it is subject.

	30 June 2019 \$	30 September 2018 \$
Regulatory capital		
Share capital	25,833,333	25,833,333
Fair value reserves	--	374,288
Retained earnings	<u>(1,030,153)</u>	<u>(3,744,659)</u>
Total regulatory capital	<u>24,803,180</u>	<u>22,462,962</u>

The company will be deregistered from the Barbados Financial Services Commissions, effective 1 July 2019. This decision was approved by the Board in October 2018 resulting from the GoB restructuring of the Barbados Bonds and the default of the GoB. The net assets of the subsidiary will be transferred to the parent FCIS whereby the parent will in effect redeem its shares at incorporation of the subsidiary. The subsidiary will remain operational with a bank account and a receivable tax position.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

4 Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

a. *Income/deferred taxes*

The Company is subject to income taxes. Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain.

The Company recognises where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Company is subject to income tax in the jurisdiction it operates. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change. Effective January 2019, the Corporation tax rate for Barbados has a sliding scale. Profits less than \$1M are subject to 5.5%, profits between \$1m and \$20M at 3%, profits between \$20M and \$30M at 2.5% and profits greater than \$30M at 1% corporation tax. The withholding tax rate was 12.5% as at 30 June 2019.

b. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

b. *Measurement of the expected credit loss allowance (continued)*

Valuation of Government of Barbados (GoB) Series D Instruments

As at 1 October 2018, the Government of Barbados instruments received in the debt exchange, were priced at initial recognition POCI, which was determined by discounting the expected cashflows using a suitable yield curve. The curve utilized was constructed using a methodology that captured a market participant's perspective. This took into consideration the risk appetite, and compensations thereof, of investors who participated in similar restructures of sovereign debt and the resulting observations of their yield curves, post-restructure. The curve was constructed using the inputs obtained up to the fifteen year point from FCIS Research and Analytics Department's market reads process. Due to the limitation of available data beyond the fifteen year point, another sovereign of similar credit rating that underwent a restructure was combined through interpolation/extrapolation to produce a blended curve.

c. *Loss Given Default*

The Loss Given Default rate on corporate senior unsecured bonds is estimated to be 60% based on the International Swaps and Derivatives Association standard Credit Default Swap contract specification for North American corporate issuers. The Loss Given Default rate on sovereign senior unsecured bonds is estimated to be 46% based on the average Loss Given Default rate on Sovereign bonds during the period 1983 to 2016 as reported by Moody's Investors Service.

d. *Purchase Originated Credit-Impaired (POCI)*

POCI financial assets are those for which one or more events that have a detrimental impact on the estimated future cash flows have already occurred. Indicators include:

- Borrower or issuer is experiencing significant financial difficulty;
- A breach of contract, such as a default or past due event;
- The granting of an uncustomary concession(s) by the lender(s) as a result of the borrower's financial difficulty;
- A high likelihood of bankruptcy or other financial reorganization by the borrower;
- The loss of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In June 2018, the Government of Barbados (GoB) selectively defaulted on both its local and foreign currency denominated debt. The Company received new GoB instruments in connection with an IMF supported debt restructure effective 1 October 2018. Under the terms of the restructure, the Company received new instruments with maturity of thirty-five years. The Company recorded an impairment of approximately \$13.7M on these instruments in the audited financial statements for the year ended 30 September 2018.

Due to the variation of the cashflows from the old instruments, the debt exchange effectively resulted in a haircut for the holders of these instruments; hence an impairment was recorded at the financial year-end. The impairment was derived by comparing fair values of the new instruments to the face values of the original instruments. The determination of fair value was obtained by discounting the proposed cash flows using a BBD term-structure yield curve. The yield curve was established using the Group's Pricing Methodology for Non Eurobond Securities.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

d. Purchase Originated Credit-Impaired (POCI) (continued)

The GoB Series D bonds value as at 1 October 2018 was \$64.63, the effective interest rate was determined at 7.56% using an adjusted blended yield curve. However, because these bonds have been recognized as POCI, the effective interest rate needed to be adjusted to reflect the *expected* cash flows- net of expected credit losses. Lifetime expected credit losses were used in the estimated cash flows for the purposes of calculating the effective interest rate- resulting in a Credit-Adjusted Effective Interest Rate (CAEIR) of 6.55%.

Interest revenue was calculated on the net carrying amount at the credit-adjusted effective interest rate i.e. including expected credit losses. At June 2019 the CAEIR interest income on the cash flows represented an accretion value of \$3.10. The repayment of the cash flows amounted to \$1.00 as per contractual terms. The Expected Credit Losses which are implicit in the CAEIR needed to be adjusted based on the repayments and changes to the expected cash flow projections due to changes in Probability of Default Assumptions/Macro-economic overlay scenarios (see Note 3.a.v). The recognized change in the ECL stood at \$1.74 as at June 2019. Therefore, the POCI carrying value for the GoB Series D bonds was \$68.47 and the face value \$39,920,208 as at 30 June 2019.

The impact to FCIS GoB bond exposure is reflected below:

FCIS SERIES D CONSOL POCI IMPACT	POCI Value movements (rounded)	Face Values	Statement of Financial Position Impact	Statement of Income Impact
			\$	\$
1 October 2018 Value	64.63	39,920,208		
Interest income	3.10		1,240,337	1,240,337
Investment cash flows received	(1.00)		(399,202)	(399,202)
ECL remeasurement	1.74		694,612	694,612
30 June 2019	68.47		1,535,747	1,535,747

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

e. Fees and commissions

The standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers. IFRS 15 does not distinguish between revenue from sales of goods and services or construction contracts. Instead, it defines transactions based on performance obligations satisfied over time or at a point in time. The core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services.

Revenue type	Identification of performance obligation	Satisfaction of performance obligation	Timing of revenue recognition	Impact from adopting IFRS15
Capital markets	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is not separation of performance obligation	Completion of full service at a point in time	No changes required
Wealth Management	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is not separation of performance obligation	Completion of full service at a point in time	No changes required
Brokerage & Advisory	For general Brokerage and Advisory revenues are recognized at a point in time upon full completion of the scope of works to the contract.	The separation of the performance obligation would be specific to the engagement and agreement with the client	Completion of full service at a point in time	No changes required
Other	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is not separation of performance obligation	Completion of full service at a point in time	No changes required

No changes are required as a result of the impact from the transition to IFRS 15 as at 1 October 2018 and 30 June, 2019.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

5 Cash and due from other banks

	June 2019 \$'000	Sept 2018 \$'000
Cash and due from other Bank balances	9,260,019	15,455,861
	<u>9,260,019</u>	<u>15,455,861</u>

The average effective interest rate on short-term bank deposits was 0.6% (2018: 1.0%); these deposits have an average maturity of 90 days (2018: 90 days).

6 Financial assets

The Company's investment securities comprise both listed equity securities and unlisted debt instruments. The movement in investment securities may be summarised as follows:

	Amortised Cost \$	Fair Value through Other Comprehensive Income \$	Fair Value through Profit & Loss \$	Totals \$
At 30 September 2018	127,413,790	--	84,982	127,498,772
Additions	39,925,188	--	--	39,925,188
Accrued interest	(1,974,511)	--	--	(1,974,511)
Disposals/redemptions	(39,312,500)	--	--	(39,312,500)
Impairment write back/(provision)	(192,286)	--	--	(192,286)
Amortisation	870,978	--	--	870,978
Fair value adjustment	--	--	32,076	32,076
At 30 June 2019	<u>126,730,659</u>	<u>--</u>	<u>117,058</u>	<u>126,847,717</u>
At 30 September 2017	131,961,194	56,266,399	--	188,227,593
Reclassification	53,349,749	(53,457,387)	107,638	--
Impairment 1 Oct 2017	(47,225,069)	(633,579)	--	(47,858,648)
Remeasurement	(907,029)	--	--	(907,029)
Opening 1 October 2017	<u>137,178,845</u>	<u>2,175,433</u>	<u>107,638</u>	<u>139,461,916</u>
Additions	94,427,998	--	--	94,427,998
Accrued interest	(1,407,246)	(28,320)	--	(1,435,566)
Disposals/redemptions	(136,435,681)	(2,700,000)	(27,000)	(139,162,681)
Impairment	33,407,138	633,579	--	34,040,717
Amortisation	242,736	--	--	242,736
Fair value adjustment	--	(80,692)	4,344	(76,348)
At 30 September 2018	<u>127,413,790</u>	<u>--</u>	<u>84,982</u>	<u>127,498,772</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

6 Financial assets (continued)

	June 2019 \$	September 2018 \$
Amortised cost		
Unlisted debt securities	128,705,170	126,006,544
Accrued interest	(1,974,511)	1,407,246
	<u>126,730,659</u>	<u>127,413,790</u>
Fair value through other comprehensive income		
Listed equity securities	--	--
Unlisted debt securities	--	109,012
Accrued interest	--	(28,320)
Fair value adjustment	--	(80,692)
	<u>--</u>	<u>--</u>
Fair value through Profit & loss		
Listed equity securities	117,058	84,982
Unlisted debt securities	--	--
	<u>117,058</u>	<u>84,982</u>
Current	92,045,056	79,454,480
Non-current	34,802,661	48,044,292
	<u>126,847,717</u>	<u>127,498,772</u>

Financial assets measured at amortised cost with a carrying value of \$33,371,653 (2018: \$41,212,940) were held by third parties as collateral for securities held under repurchase agreements.

Financial assets measured at fair value through profit and loss are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the Company's financial instruments is reported to management on that basis.

	Carrying value		Fair value	
	June 2019 \$	Sept 2018 \$	June 2019 \$	Sept 2018 \$
Government debt securities	27,339,634	26,098,230	21,401,372	39,360,283
Corporate debt securities	99,391,025	101,315,560	99,827,998	101,116,473
	<u>126,730,659</u>	<u>127,413,790</u>	<u>121,229,370</u>	<u>140,476,756</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

7 Other assets

	30 June 2019 \$	30 September 2018 \$
Prepayments	85,075	82,384
Coupon receivable	5,943,922	184,375
Other receivables	584	--
	<u>6,029,581</u>	<u>266,759</u>
Current	6,029,581	266,759
Non-current	--	--
	<u>6,029,581</u>	<u>266,759</u>

Coupon receivables represent outstanding coupon payments (this includes coupon receivable from the Promissory Note \$5.9million (see note 8a and 8b).

8 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The Company's only shareholder at 30 June 2019 was FCIS Limited. The Company was a member of the First Citizens Group as at 30 June 2019. At 30 June 2019 the ultimate parent was First Citizens Holdings Limited.

A number of transactions are entered into with related parties in the normal course of business. These include purchase of investment securities and the sale and repurchase of investment securities.

The following related party transactions are included in the statement of income:

	30 June 2019 \$	30 September 2018 \$
Key management compensation		
Staff costs	39,323	52,431
Director fees	9,481	10,093
	<u>48,804</u>	<u>62,524</u>
Related Party		
Interest Income	82,412	168,954
	<u>82,412</u>	<u>168,954</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

8 Related party transactions (continued)

The following related party balances are included in the Statement of financial position:

	30 June 2019 \$	30 September 2018 \$
<i>a. Assets: Amount due from related parties</i>		
Cash in hand and at bank	9,258,527	15,454,369
Promissory Note from FCIS Limited	97,868,386	93,450,326
	<u>107,126,913</u>	<u>108,904,695</u>
<i>b. Liabilities: Amount due to related parties</i>		
	30 June 2019 \$	30 September 2018 \$
Due to FCIS Limited	4,909,310	4,366,930
Due from First Citizens Bank Limited	(28,533)	(58,708)
Due from First Citizens Brokerage & Advisory	(240)	(920)
Due from First Citizens Bank Barbados Limited	(3,603)	(3,047)
	<u>4,876,934</u>	<u>4,304,255</u>

Amounts due from related parties are unsecured and have no fixed repayment terms with the exception of the Promissory Note of BBD \$91.9M with a maturity date of 30 June 2019 at a rate of 6.48%.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

9 Property, plant and equipment

	Leasehold improvements \$	Office equipment and furniture \$	Motor vehicle \$	Computer equipment \$	Total \$
9 months ended 30 June 2019					
Opening net book amount	677,660	1,945	--	4,058	683,663
Depreciation charge	(183,947)	(815)	--	(3,298)	(188,060)
Closing net book amount	493,713	1,130	--	760	495,603
At 30 June 2019					
Cost	1,211,905	921,665	67,644	119,762	2,320,976
Accumulated depreciation	(718,192)	(920,535)	(67,644)	(119,002)	(1,825,373)
Net book amount	493,713	1,130	--	760	495,603
Year ended 30 September 2018					
Opening net book amount	895,403	4,752	--	13,674	913,829
Additions	23,118	--	--	--	23,118
Depreciation charge	(240,861)	(2,807)	--	(9,616)	(253,284)
Closing net book amount	677,660	1,945	--	4,058	683,663
At 30 September 2018					
Cost	1,211,905	921,665	67,644	119,762	2,320,976
Accumulated depreciation	(534,245)	(919,720)	(67,644)	(115,704)	(1,637,313)
Net book amount	677,660	1,945	--	4,058	683,663
At 30 September 2017					
Cost	1,188,787	921,665	67,644	119,762	2,297,859
Accumulated depreciation	(293,384)	(916,913)	(67,644)	(106,088)	(1,384,030)
Net book amount	895,403	4,752	--	13,674	913,829

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

10 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using principal tax rates of 25%, 12.5% or 5% (2018: 25% or 12.5%).

The movement on the deferred tax account is as follows:

	30 June 2019 \$	30 September 2018 \$
At beginning of year	198,369	225,060
Financial assets – fair value through other comprehensive income	--	--
HTM Amortisation adjustment	(49,232)	--
Financial assets – amortised cost	--	(130,831)
Accelerated depreciation	112,085	104,140
Deferred tax liability	<u>261,222</u>	<u>198,369</u>

Deferred tax assets and liabilities and the deferred tax charge in the statement of income and fair value reserve are attributable to the following items:

	Opening balance September 2018 \$	Fair value Reserve \$	Profit and loss \$	Closing balance June 2019 \$
Deferred tax liability:				
Fair value re-measurement	77,974	--	--	77,974
HTM Amortisation adjustment		(49,232)		(49,232)
Accelerated depreciation	120,395	--	112,085	232,480
Deferred tax liability	<u>198,369</u>	<u>(49,232)</u>	<u>112,085</u>	<u>261,222</u>

The Company does not have any unrecognised losses. Deferred tax asset is expected to be recovered as follows:

	June 2019 \$'000	Sept 2018 \$'000
Within 12 months - FVPL	--	--
After 12 months	--	--
	<u>--</u>	<u>--</u>
Deferred tax liability is expected to be recovered as follows:		
Within 12 months	--	--
After 12 months	261,222	198,369
	<u>261,222</u>	<u>198,369</u>
At end of year	<u>261,222</u>	<u>198,369</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

11 Securities sold under repurchase agreements

Securities sold under repurchase agreements are analysed by sector as follows:

	June 2019 \$	September 2018 \$
Invested principal	111,851,976	114,847,529
Accrued interest	308,439	1,401,689
	<u>112,160,415</u>	<u>116,249,218</u>
Public institutions	21,591,355	29,015,364
Private institutions	65,086,100	60,144,272
Consumer	25,482,960	27,089,582
	<u>112,160,415</u>	<u>116,249,218</u>
Current	112,160,415	116,249,218
Non current	--	--
	<u>112,160,415</u>	<u>116,249,218</u>

12 Accrued expenses and other liabilities

	30 June 2019 \$	30 September 2018 \$
Accruals and payables	434,643	476,452
Statutory deductions payable	68,565	81,428
	<u>503,208</u>	<u>557,880</u>
Current	503,208	557,880
Non-current	--	--
	<u>503,208</u>	<u>557,880</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

13 Share capital

Authorised

An unlimited number of common shares of no par value

Issued and fully paid

10,333 shares (2018: 10,333)

25,833,333	25,833,333
<u>25,833,833</u>	<u>25,833,833</u>

As at 30 September 2010 the Company issued 954,000 Series "A" Convertible Preference shares at BDS \$100.00 per share to its parent company – First Citizens Investment Services Limited. These shares have a one for one conversion feature to common shares at the option of the holder. The redemption of these shares is at the option of the company. Dividends are non-cumulative at an annual rate of 5% of the original purchase price per annum, payable when, as and if declared by the Board of Directors. All preference shares were redeemed on 30 September 2017.

As at 30 September 2012 the Company repurchased 60,000 of the Series "A" Convertible Preference shares at BS\$100.00 per share from its parent company.

As at 30 September 2013 the Company repurchased 120,000 of the Series "A" Convertible Preference shares at BS\$100.00 per share from its parent company.

As at 30 September 2014 the Company repurchased 200,000 of the Series "A" Convertible Preference shares at BS\$100.00 per share from its parent company.

As at 30 September 2015 the Company repurchased 247,000 of the Series "A" Convertible Preference shares at BS\$100.00 per share from its parent company.

As at 30 September 2016 the Company repurchased 220,000 of the Series "A" Convertible Preference shares at BS\$100.00 per share from its parent company.

As at 30 September 2017 the Company repurchased 107,000 of the Series "A" Convertible Preference shares at BS\$100.00 per share from its parent company.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

14 Fair value reserves

	30 June 2019 \$	30 September 2018 \$
Balance at beginning of year – fair value through other comprehensive income	--	888,668
Reclass	--	(907,029)
Deferred tax on Reclass	--	113,379
Opening position 1 October 2018	--	95,018
Net gains from changes in fair value	--	(76,349)
Deferred tax charge	--	10,087
Reclass to Amortised Cost	--	(28,756)
At end of year	--	--
Reclass to Amortised Cost	--	(28,756)
At end of year	--	--
Balance at beginning of year – amortised cost	374,288	397,093
Amortisation	(423,520)	(58,927)
Deferred tax charge	49,232	7,366
Reclass to Fair Value through other comprehensive Income	--	28,756
At end of year	--	374,288
Fair value - other comprehensive income	--	--
Fair value - amortised cost	--	374,288
	--	374,288

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

15 Other reserve

i *Fair value reserve – Fair value through other comprehensive income*

For debt financial assets the fair value reserve comprises the cumulative net change in the fair value of the fair value through comprehensive income financial assets, net deferred tax, until the assets are derecognised or impaired. For equity financial assets, any movement in fair value is recognised through other comprehensive income and are not recycled to the Statement of Income.

ii *Fair value reserve - Amortised cost*

The fair value reserve comprises the cumulative gains on held to maturity financial assets, net deferred tax. These gains are being amortised during the life of the relevant instruments.

iii *Translation reserve*

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations, as well as in a separate component in equity in the financial statements.

16 Funds under management

At the Board of Directors meeting held on 23 November 2015, a decision was taken to restructure the MMA portfolio to offer Repurchase agreements as a short term investment product. Clients were advised by February 2016 and the MMA product was discontinued in May 2016. \$15,216,123 has been either remitted to clients or converted to repurchase agreements since then, \$162,691 during the financial year to 30 September 2018. At 30 June 2019, \$412,129 remains due to clients and are held at 0% interest (2018: \$574,820).

17 Interest income

	30 June 2019 \$	30 September 2018 \$
Fair value through other comprehensive income	--	3,823,441
Amortised cost	6,369,912	6,119,684
Other – bank interest	82,412	--
	<u>6,452,324</u>	<u>9,943,125</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

18 Operating expenses

	30 June 2019 \$	30 September 2018 \$
The following items are included in operating expenses:		
Staff costs (Note 18a.)	822,102	1,222,296
Office expenses	460,646	604,275
Marketing costs	1,126	40,670
Consultancy and outside services	194,417	482,234
Depreciation	188,060	253,284
Travel expenses	9,453	14,371
Information technology expenses	169,060	196,148
Impairment of tax recoverable	--	3,112,438
Other expenses	46,933	(252,372)
	<u>1,891,797</u>	<u>5,673,344</u>
a. <i>Staff costs</i>		
Wages and salaries	592,650	803,666
National Insurance	49,038	65,157
Other	180,414	353,473
	<u>822,102</u>	<u>1,222,296</u>

19 Impairment gain

Statement of Income

	June 2019	Sept 2018
Increase in provisions for impairment	971,327	1,144,853
Direct write backs to income	(1,070,905)	(35,185,570)
	<u>(99,578)</u>	<u>(34,040,717)</u>

Statement of financial position

Opening balance as at 1 October	13,817,930	47,858,648
Increase in provisions for impairment	--	(34,040,717)
Provisions written off	(14,010,216)	--
Exchange difference	--	--
Ending balance	<u>(192,286)</u>	<u>13,817,930</u>

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

20 Tax

	June 2019	Sept 2018
Current tax	169,345	813,303
Deferred tax	112,085	104,140
	<u>281,430</u>	<u>917,443</u>

The tax on profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows:

Profit before tax	<u>2,995,936</u>	<u>35,425,858</u>
Tax calculated at effective tax rate	164,776	813,303
Expenses not deductible for tax purposes	(35,310)	38,582
Net effect of changes to allowances	(290,488)	91,301
Changes in tax rate	442,693	--
Income exempt from tax	(241)	(25,743)
	<u>281,430</u>	<u>917,443</u>

21 Commitments

The Company has no further commitments for the restoration of its Leasehold Premises as at 30 June 2019 (2018: Nil). There were no capital commitments as at 30 June 2019 (2018: \$Nil).

22 Contingent liabilities

The Company is not involved in claims and counterclaims arising from the conduct of its business.

23 Dividends

No dividend has been approved from profits for the year ended 30 September 2018 as a result of the Branch restructure effective 1 July 2019.

First Citizens Investment Services (Barbados) Limited

Notes to the Financial Statements (continued)

9 months to 30 June 2019

(Expressed in Barbados dollars)

24 Equity interest in New Life Investment Incorporated

FCISBL as part of the First Citizens Group was covered under the Liquidity Support Agreement issued by the Government of the Republic of Trinidad and Tobago (GORTT). The terms of the Liquidity Support Agreement (LSA) under which First Citizens Bank Limited (the Bank) acquired Caribbean Money Market Brokers Limited (CMMB), now First Citizens Investment Services Limited (FCIS), outlined certain financial assurances given by the Government of Republic of Trinidad and Tobago (GORTT) to the Bank, that provided for the indemnification of the Bank against various claims, losses or liabilities if incurred by FCIS within a stipulated period of time after the date of acquisition in relation to obligations existing or default on assets owned by FCIS at the date of the acquisition.

The LSA dated 15 May 2009 and made between the GORTT, the Central Bank of Trinidad and Tobago (CBTT) and the Bank provided that all reasonable claims by the Bank in respect of such losses were expected to be settled, once the Bank had made all reasonable efforts to recover or resist such claims, losses or liabilities.

Losses which are covered under the LSA include losses in respect of balances due from CL Financial and its affiliates have been fully indemnified and settled by the GORTT BBD11M. Commensurate with the LSA the Bank has an obligation to pursue any possible recoveries of defaulted assets on behalf of the GORTT. Therefore, in the event funds or assets are recovered the amounts would be recognized as a refundable amount to the GORTT.

In letter dated 19 March 2018 FCIS was informed that the New Life Investment Company Incorporated and registered in Barbados was formed. The Incorporated Company constituted all of the unimpaired asset and liabilities of the failed CLICO International Life Insurance Limited (CIL) operations in Barbados. The New Life Investment Company has since indicated to FCIS that it has an issued share holding of 2,337 redeemable convertible preference shares in the company representing the exchange value for the outstanding liability from CLICO BBD11M. These shares however, do not have an issued nominal value and New Life Investment Company have further indicated that audited financial statements are not available. Therefore, at this stage there is no reliable information to determine the value of FCIS's shareholding in the company and consequently, FCIS cannot recognize a refundable position to the GORTT at the date of the Statement of Financial Position.

As at the date of these financial statements, no further update is available.

25 Subsequent events

The company was deregistered from the Barbados Financial Services Commissions, effective 1 July 2019. This decision was approved by the Board in October 2018 resulting from the Government of Barbados (GoB) restructuring of the Barbados Bonds and the default of the GoB. The net assets of the subsidiary were transferred to the parent FCIS whereby the parent will in effect redeem its shares at incorporation of the subsidiary. The subsidiary will remain operational with a bank account and a receivable tax position. The Promissory note and all related interest will be cancelled on conversion of the subsidiary.

There were no other events after the financial position date which were material to the financial statements and should have resulted in adjustment to the financial statement or disclosures when the financial statements were authorised for issue.