First Citizens Investment Services Limited And Its Subsidiaries
(A Subsidiary of First Citizens Bank Limited)

Consolidated Financial Statements

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

First Citizens Investment Services Limited And Its Subsidiaries

Contents

First Citizens Investment Services Limited And Its Subsidiaries

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Investment Services Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Group keeps proper accounting records;

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

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

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

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

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

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

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

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

Sona Ragbir
General Manager
13 December 2018

Head of Finance
13 December 2018

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Independent Auditor's Report

To the shareholder of
First Citizens Investment Services Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of First Citizens Investment Services Limited (the Company) and its subsidiaries (together 'the Group') as at 30 September 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2018;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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.

Other information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

PricewaterhouseCoopers

17 December 2018
Port of Spain
Trinidad, West Indies

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 September 2018 $'000	2017 $'000
Assets			
Cash and due from other Banks	5	336,301	496,482
Financial assets			
- Fair value through other comprehensive income	6	2,855,144	3,831,364
- Amortised cost	7	3,795,721	2,489,422
- Fair value through profit or loss	8	13,852	655
Intangible assets	9	849	849
Property, plant and equipment	10	59,478	63,951
Other assets	11	136,507	30,632
Tax recoverable		16,504	18,629
Total assets		7,214,356	6,931,984
Liabilities			
Borrowings	12	1,450,738	1,112,329
Funds under management		25,429	25,440
Securities sold under repurchase agreements	13	4,112,559	4,052,703
Creditors and accrued expenses	14	179,386	171,707
Loan from parent company	15	335,243	169,321
Deferred income tax liability	16	17,555	63,741
Tax payable		1,886	4,861
Total liabilities		6,122,796	5,600,102
Shareholders' equity			
Share capital	17	637,697	637,697
Retained earnings		494,629	622,642
Fair value reserves	18	(40,766)	71,543
Total shareholders' equity		1,091,560	1,331,882
Total equity and liabilities		7,214,356	6,931,984

The notes on pages 9 to 85 are an integral part of these consolidated financial statements.

On 13 December 2018, the Board of Directors of First Citizens Investment Services Limited authorised these consolidated financial statements for issue.

Director:

Director: Arthur Isidore Stuart

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September 2018 $'000	2017 $'000
Interest income	19	310,175	278,013
Interest expense	20	(149,500)	(125,171)
Net interest income		160,675	152,842
Fees and commissions	21	25,498	20,747
Gain on financial assets	22	7,664	3,411
Foreign exchange (loss)/gain		(1,351)	4,090
Other income	23	31,877	10,790
Total net income		224,363	191,880
Impairment	24	(4,354)	(3,314)
Administrative expenses	25	(37,758)	(39,333)
Other operating expenses	26	(55,815)	(22,510)
Profit before taxation		126,436	126,723
Taxation charge	27	(27,058)	(30,414)
Profit for the year		99,378	96,309

The notes on pages 9 to 85 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Note	Year ended 30 September 2018 $'000	2017 $'000
Profit for the year		99,378	96,309
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment net of tax		(1,037)	--
		(1,037)	--
Items that may be reclassified to profit or loss			
Net gains on financial assets measured at amortised cost	18	(1,288)	(3,486)
Prior period change in effective tax rate of financial assets measured at amortised cost	18	--	(2,455)
Reclassified to amortised cost	18	(98)	--
Net gains on investments in debt instruments designated at FVOCI	18	(71,476)	11,810
Prior period change in effective tax rate of assets measured at FVOCI	18	--	(1,355)
Reclassified to FVOCI	18	98	--
Exchange difference on translation		--	(1,154)
		(72,764)	3,360
Total other comprehensive income for the year net of tax		(73,801)	3,360
Total comprehensive income for the year		25,577	99,669

The notes on pages 9 to 85 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Changes in Equity
(Expressed in Trinidad and Tobago Dollars)

	Share capital $'000	Retained earnings $'000	Fair-value reserves $'000	Total equity $'000
Balance at 1 October 2017	637,697	622,642	71,543	1,331,882
Change on initial application of IFRS 9	--	(174,421)	(38,508)	(212,929)
Restated balance as at 1 October 2017	637,697	448,221	33,035	1,118,953
Profit for the year	--	99,378	--	99,378
Other comprehensive income				
Net change in investments, net of tax not recognised in the statement of income	--	--	(73,801)	(73,801)
Total comprehensive income for the year	--	99,378	(73,801)	25,577
Transactions with owners				
Dividends	--	(52,970)	--	(52,970)
Total transactions with owners	--	(52,970)	--	(52,970)
Balance at 30 September 2018	637,697	494,629	(40,766)	1,091,560
Balance at 1 October 2016	637,697	580,727	68,183	1,286,607
Profit for the year	--	96,309	--	96,309
Other comprehensive income for the year				
Net change in investments, net of tax not recognised in the statement of income	--	--	3,360	3,360
Total comprehensive income for the year	--	96,309	3,360	99,669
Transactions with owners				
Dividends	--	(54,394)	--	(54,394)
Total transactions with owners	--	(54,394)	--	(54,394)
Balance at 30 September 2017	637,697	622,642	71,543	1,331,882

The notes on pages 9 to 85 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited and its Subsidiaries

Consolidated Statement of Cash Flows
30 September 2018
(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September 2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before taxation	126,436	126,723
Adjustments to reconcile profit to net cash from operating activities:		
IFRS 9 impairment	4,354	--
Interest income	(315,365)	(278,013)
Interest received	290,563	285,880
Interest expense	154,691	125,171
Interest paid	(140,413)	(119,233)
Depreciation	3,890	3,703
Amortisation	--	349
Loss on revaluation of property, plant and equipment	632	--
Loss on disposal of property, plant and equipment	521	130
Adjustment to amortisation of intangible assets	--	(7)
Tax impairment	10,614	3,314
Unrealised foreign exchange gain	(71)	(4,422)
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss	27	(68)
Gain on disposal of financial assets	(358)	--
Income taxes paid	(30,467)	(20,535)
	105,054	122,992
Cash flows from operating activities before changes in operating assets and liabilities	105,054	122,992
Net change in fair value through other comprehensive income financial assets	653,966	(794,968)
Net change in amortised cost financial assets	(1,355,481)	59,360
Net change in fair value through profit or loss	(13,413)	239,863
Net change in other assets	(100,355)	(12,715)
Net change in securities sold under repurchase agreements	375,021	(160,097)
Net change in creditors and accrued expenses	32,582	87,420
Net change in funds under management	(10)	(7,029)
Net change in borrowings	338,409	677,712
Net cash flows generated from operating activities	35,773	212,538
Cash flows from investing activities		
Acquisition of new subsidiary (FCPIMS) Bank account	23,267	--
Net change in short term investment	(1,715)	(48)
Purchase of financial assets	854	(496)
Purchase of property, plant and equipment	(1,183)	(2,056)
Net cash flows generated from/(used in) investing activities	21,223	(2,600)
Cash flows from financing activities		
Repayment of loan from parent company	(165,922)	95,925
Ordinary dividend paid	(52,970)	(54,394)
Net cash flows (used in)/generated from financing activities	(218,892)	41,531
Net (decrease)/increase in cash and cash equivalents	(161,896)	251,469
Cash and cash equivalents at beginning of year	492,766	241,297
Cash and cash equivalents at end of year	330,870	492,766

The notes on pages 9 to 85 are an integral part of these consolidated financial statements.

1 General information

First Citizens Investment Services Limited ("the Group") is incorporated in the Republic of Trinidad and Tobago. Effective 1 September 2018, the Group acquired 100% ownership of First Citizens Portfolio Investment and Management Services Limited (FCPIMS). The Group operates in Trinidad and Tobago as well as in St. Lucia and St. Vincent through branches. Its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 2 February 2009, First Citizens Bank Limited (the Bank) assumed control of the Group. The Bank formally acquired 100% ownership of the Company on 22 May 2009. The Bank is a subsidiary of First Citizens Holdings Limited (the Group), a company with a 64.43% 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 Group's registered office is 17 Wainwright Street, Port of Spain, Trinidad and Tobago.

The Group's wholly owned subsidiaries are:

- First Citizens Investment Services (Barbados) Limited;
- First Citizens Brokerage and Advisory Services Limited;
- Caribbean Money Market Brokers (Trincity) Limited; and
- FCIS Nominees Limited.
- First Citizens Portfolio Investment and Management Services Limited

2 Summary of significant accounting policies

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

a. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated 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 and financial assets designated at fair value through profit or loss.

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 Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(i) *Standards, amendment and interpretations which are effective and have been adopted by the Group in the current period:*

- IAS 7 - Disclosure Initiative (Amendments effective 1 January 2017.) Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

2 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

(i) *Standards, amendment and interpretations which are effective and have been adopted by the Group in the current period (continued)*

- IAS 12 Income taxes (Amendment effective 1 January 2017). Recognition of Deferred Tax Assets for Unrealised Losses. This amendments is to clarify the following aspects:
  - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or use.
  - The carrying amount of the asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax assets in combination with other deferred assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax assets in combination with other deferred tax assets of the same type.

- IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective 1 January 2018). IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The completed standard was issued in July 2014, with an effective date of 1 January 2018. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The additional amendments in July 2014 introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project and the Standard. The Group is currently assessing IFRS 9's full impact. See Note 2.1.

(ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:*

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2017 and have not been early adopted by the Group:

- 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.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

- 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 in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.

- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendments is to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

- IFRIC 22 - Foreign currency transactions and advances consideration (Effective 1 January 2018). This IFRIC addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provide guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- 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

The Group is in the process of assessing the impact of the new and revised standards not yet effective on the Financial Statements.

2 **Summary of significant accounting policies (continued)**

b. *Consolidation*

(i) *Principles of consolidation*

The consolidated financial statements include the accounts of the Group and its wholly owned subsidiaries as outlined in Note 1. The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous years'.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Investment in subsidiaries*

Subsidiaries are all entities, (including structured entities) over which the Group has control. First Citizens Investment Services (FCIS Group) controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 **Summary of significant accounting policies (continued)**

c. *Foreign currency translation*

(i) *Functional and presentation currency*

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

The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.6926 = US$1.00 (2017: TT$6.6926 = US$1.00), the TT dollar and the XCD dollar was TT$2.5190 = XC$1.00 (2017: TT$2.5190 = XC$1.00), and the TT dollar and the Barbados dollar was TT$3.4102 = BB$1.00 (2017: TT$3.4102 = BB$1.00), which represented the Group's cover 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. 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 consolidated 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 the 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.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement of income are translated at average cover exchange rates for the financial year, and
(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 **Summary of significant accounting policies (continued)**

d. *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. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

e. *Financial assets and financial liabilities*

(i) *Financial assets*

First Citizens Holdings (The Group) has early adopted IFRS 9 and classifies its financial assets in the following measurement categories:

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

Based on these factors, the Group 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 "Net Investment Income". 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 "Gains from investments securities" in the period in which it arises, unless it arises from debt instruments that were designated 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.

2 **Summary of significant accounting policies (continued)**

e. *Financial assets and financial liabilities*

(i) *Financial assets (continued)*

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as corporate bonds.

Classification and subsequent measurement of debt instruments depend on:
(i) The Group's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

Group's business model

The business model reflects how the Group 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 Group's objective is solely to collect the contractual cash flows from the assets or is 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.
- How managers are compensated for e.g. if compensation is based on fair value of assets managed or contractual cash flows collected.

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 Trinidad & Tobago (GOTT)	Eurobonds	USD Bonds including Sovereign and Corporate bonds
Non-Eurobonds maturing in greater than 3 years	Treasury Bills	Equity
Loans & receivables	Canadian Treasury Bills	
Securities sold under repurchase agreements to clients and brokers	Non-Eurobonds maturing in less than 3 years	
Long Term Borrowings from brokers in the form of Total Return Swaps	Cash	
Medium Term Notes		

Financial assets are classified on adoption of IFRS 9 based on the business model and at recognition of the financial asset going forward.

2 **Summary of significant accounting policies (continued)**

e. *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 Group assesses whether cash flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Group 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 Group 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 Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. 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.

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group 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.ii provides more detail of how the expected credit loss allowance is measured.

(ii) *Financial liabilities*

Classification and subsequent measurement

In both the current and prior period, 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. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments (see note 3.d.ii).

2 Summary of significant accounting policies (continued)

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

(b) *Financial liabilities (continued)*

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group 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.

f. *Impairment of non-financial assets*

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

g. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

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

Securities sold subject to sale and repurchase agreements (repos) are retained on the consolidated statement of financial position as investment securities and the counterparty liability is included in funds under management.

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

The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

2 Summary of significant accounting policies (continued)

i. *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 Group has substantially all the risk and rewards of ownership are classified as finance leases.

(i) *The Group as the lessee*

The Group has entered into operating leases where the total payments made under operating leases are charged to the consolidated 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 consolidated 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 consolidated 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.

(ii) *The Group as the lessor*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the remaining balance of the asset for each period.

2 **Summary of significant accounting policies (continued)**

j. *Property, plant and equipment*

Freehold premises are shown at fair value based on assessments performed by management or by independent valuators every three years, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset.

All other 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of freehold premises are credited to fair value reserves in shareholders' equity. Decreases that affect previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the consolidated statement of income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Depreciation and amortisation are computed on all assets except land.

The provision for depreciation and amortisation is computed using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:-

Buildings	50 years
Equipment and furniture	4- 5 years
Computer equipment and motor vehicles	3- 5 years
Leasehold improvements	Amortised over the life of the lease

The assets' useful lives are reviewed and adjusted if appropriate at 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 sell 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 consolidated statement of income. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

2 **Summary of significant accounting policies (continued)**

k. *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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 substantively enacted at the statement of financial position date in the countries where the Bank and its subsidiaries operate and generate taxable 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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a 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 substantively enacted by the statement of financial position date 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference 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.

2 **Summary of significant accounting policies (continued)**

l. *Employee benefits*

(i) *Pension plan – First Citizens 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 First Citizens Group, taking account of the recommendations of independent qualified actuaries.

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 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.

(ii) *Profit sharing and bonus plans*

The Group 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 Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee share ownership plan*

The First Citizens Group established a cash-settled based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the statement of income. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

2 Summary of significant accounting policies (continued)

m. *Cash and due from other Banks*

For purposes of the consolidated statement of cash flows, cash and due from other banks comprise 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".

n. *Net interest income and expense*

Interest income and interest expense are recognised in the consolidated statement of income 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 loan and receivable is impaired, the Group 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 method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cashflows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cashflows for the purpose of measuring the impairment loss.

o. *Fee and commission income*

Fees and commissions are recognised on an accrual basis, when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct cost) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained part at the same effective interest rate as the other participants. 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 on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportionate basis.

Asset management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales. 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.

2 **Summary of significant accounting policies (continued)**

p. *Dividend income*

Dividends are recognised in the consolidated statement of income when the entity's right to receive payment is established.

q. *Borrowings*

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between proceeds net of transactions costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

r. *Acceptances*

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-statement of financial position transactions and are disclosed as contingent liabilities and commitments.

t. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's Board of Directors. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note when applicable.

s. *Preference shares*

Preference shares are non-convertible and non-redeemable and are classified as equity.

t. *Provisions*

Provisions are recognised when the Group 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 obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

2 **Summary of significant accounting policies (continued)**

u. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Group chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

(i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) *Other Intangible assets*

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributes to the assets with flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flow.

2 **Summary of significant accounting policies (continued)**

u. *Intangible assets (continued)*

(iii) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets when the following criteria are met:-

- It is technically feasible to complete the software and use it
- Management intends to complete the software and use it
- There an ability to use the software
- Adequate technical, financial and other resources to complete the development and to use it
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over their useful lives but not exceeding a period of three years.

v. *Fiduciary activities*

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group (Note 3.d).

2 Summary of significant accounting policies (continued)

w. *Change in accounting policies*

The Group has adopted IFRS 9 as issued by the IASB in July 2014, with a date of transition of 1 October 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transitions were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeats those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "Financial Instruments: Disclosure".

The impact of the adoption of IFRS 9 on the Group is as follows:-

(i) *Classification and measurement of financial instruments*

	IAS 39		IFRS 9	
Financial assets	**Measurement**	**Carrying amount $'000**	**Measurement**	**Carrying amount $'000**
Cash and Due from other Banks	Amortised Cost	496,482	Amortised Cost	496,482
Available for Sale - debt	FVOCI	1,980,921	FVOCI	1,790,916
Available for Sale - debt	FVOCI	1,845,705	Amortised Cost	1,920,875
Available for Sale - equity	FVOCI	4,371	FVOCI	4,342
Available for Sale - equity	FVOCI	367	FVOCI	--
Held to Maturity	Amortised Cost	2,489,422	Amortised Cost	1,890,391
			FVOCI	485,308
FVPL	FVPL	655	FVPL	1,051

2 Summary of significant accounting policies (continued)

w. *Change in accounting policies (continued)*

(ii) *Reconciliation of consolidated statement of financial position from IAS 39 to IFRS 9*

The Group performed a detail analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amount of the financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 October 2017:-

Financial assets	IAS 39 carrying amount 30 September 2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1 October 2017
Amortised cost	**$000**	**$000**	**$000**	**$000**
Cash and due from banks:-				
Opening balance	496,482	--	--	496,482
Remeasurement				
Closing balance	496,482	--	--	496,482

2 **Summary of significant accounting policies (continued)**

w. *Change in accounting policies (continued)*

Financial assets Amortised cost	**IAS 39 carrying amount 30 September 2017 $000**	**Reclassifications $000**	**Remeasurements $000**	**IFRS 9 Carrying amount 1 October 2017 $000**
Available for sale - debt				
Opening balance	--	2,027,638	--	2,027,638
Remeasurement of ECL			(52,606)	(52,606)
Remeasurement of fair value	--	--	(54,157)	(54,157)
Closing balance	--	2,027,638	(106,763)	1,920,875
Held to maturity				
Opening balance	1,134,909	--	--	1,134,909
Remeasurement	--	--	(113,723)	(113,723)
Closing balance	1,134,909	--	(113,723)	1,021,186
Fair value through profit or loss				
Opening balance	--	--	--	--
Remeasurement	--	--	--	--
Closing balance	--	--	--	--
Other loans and receivable				
Opening balance	1,354,513	(485,308)	--	869,205
Remeasurement	--	--	--	--
Closing balance	1,354,513	(485,308)	--	869,205
Total amortised cost	2,489,422	1,542,330	(220,486)	3,811,266

2 Summary of significant accounting policies (continued)

w. *Change in accounting policies (continued)*

Financial assets	IAS 39 carrying amount 30 September 2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1 October 2017
Fair value through OCI	**$000**	**$000**	**$000**	**$000**
Available for sale – debt & equity				
Opening balance	3,826,626	(2,027,638)	--	1,798,988
Remeasurement of ECL	--	--	(8,072)	(8,072)
Closing balance	3,826,626	(2,027,638)	(6,509)	1,790,916
Held to maturity				
Opening balance	--	--	--	--
Remeasurement of ECL	--	--	--	--
Closing balance	--	--	--	--
Fair value through profit or loss				
Opening balance	--	--	--	--
Remeasurement of ECL	--	--	--	--
Closing balance			--	--
Other loans and receivable				
Opening balance	--	485,308	--	485,308
Remeasurement of ECL	--	--	--	--
Closing balance	--	485,308	--	485,308
Available for sale – equity				
Opening balance	4,738	(396)	--	4,342
Remeasurement of ECL	--	--	--	--
Closing balance	4,371	(29)	--	4,342
Total fair value through OCI	3,831,364	(1,542,726)	(8,072)	2,280,566

2 Summary of significant accounting policies (continued)

w. *Change in accounting policies (continued)*

Financial assets	**IAS 39 carrying amount 30 September 2017**	**Reclassifications**	**Remeasurements**	**IFRS 9 Carrying amount 1 October 2017**
Fair value through P&L	**$000**	**$000**	**$000**	**$000**
Available for sale - debt				
Opening balance	--	--	--	--
Remeasurement of ECL	--	--	--	--
Closing balance	--	--	--	--
Held to maturity				
Opening balance	--	--	--	--
Remeasurement of ECL	--	--	--	--
Closing balance	--	--	--	--
Fair Value through P&L				
Opening balance	655	396	--	1,051
Remeasurement of ECL	--	--	--	--
Closing balance	655	396	--	1,051
Other loans and receivable				
Opening balance	--	--	--	--
Remeasurement of ECL	--	--	--	--
Closing balance	--	--	--	--
Total fair value through P&L	655	396	--	1,051

2 **Summary of significant accounting policies (continued)**

w. *Change in accounting policies (continued)*

The following explains how applying the new classification requirements of IFRS9 led to changes in the classification of certain financials assets held by the Group as shown in the table above:-

(a) *Debt instruments previously classified as available for sale but fail the SPPI*

Financial debt instruments can fail to meet the "solely of principal and interest" (SPPI) requirements for amortised cost classification under IFRS 9. These instruments contain provisions that, in certain circumstances can allow the issuer to defer interest payments. This clause breaches the criterion that interest payments should only be consideration for credit risk and the time value of money on the principal. As at September 2018 and September 2017 there were no instruments which failed the SPPI test and was classified as FVPL.

(b) *Securities within the liquidity portfolio*

Based on the business model for securities within the Group's liquidity portfolio, the majority are held to collect the contractual cash flow and sell, and are therefore classified under the Fair Value through Other Comprehensive Income (FVOCI).

(c) *Investment in debt securities previously designated at fair value through profit or loss*

The Group can hold an investments portfolio of debt securities which had previously been designated at fair value through profit or loss as the debt securities were managed on a fair value basis. As part of the transition to IFRS 9, these securities are part of a business model and so would have been required to be classified as FVPL, instead of designated FVPL. As at September 2018 and September 2017 the Group did not hold any of these instruments.

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. The impact relates to the fair value reserve and retained earnings. There is no impact on other component of equity.

	$'000
Fair value reserve	
Closing Balance under IAS 39 as at 30 September 2017	71,543
Reclassification of investment securities (debt) from AFS to amortised cost	(38,508)
Opening balance under IFRS 9 (1 October 2017)	33,035
Retained earnings	
Closing balance under IAS 39 as at 30 September 2017	622,642
Foreign exchange loss	(20)
Recognition of expected credit losses under IFRS 9 (including loan commitments and financial guarantee contracts)	(174,401)
Opening Balance under IFRS 9 (1 October 2017)	448,221

3 Financial risk management

The Group'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 Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group'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 Group 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 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 Group Enterprise Risk Management Unit, headed by the Group 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 Group Operational Risk and Controls Unit, Group Credit Risk and Administration Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The 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 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 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.

3 Financial risk management (continued)

a. *Credit risk*

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

(i) *Credit risk management*

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Group Chief Risk Officer (GCRO), the Group 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 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 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.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(ii) *Expected credit loss measurement*

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarised 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 Company.
- 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 Company 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.iv for a description of how The Company 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.v for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- 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 Company 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 Group determines appropriate groupings when ECL is measured on a collective basis (refer to note 3.a.ix).

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

Stage 1	**Stage 2**	**Stage 3**
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3 Financial risk management (continued)

a. *Credit risk (continued)*

(iii) *Significant increase in credit risk (SICR)*

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

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	No credit stop loss breaches	No credit stop loss breaches

The Group has not used the low credit risk exemption for any financial instruments in the year ended 30 September 2018.

(iv) *Definition of default and credit-impaired assets*

The 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 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 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 Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

3 **Financial risk management (continued)**

a. *Credit risk (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 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 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 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 loans and investments. The Investments PDs are taken from the Standard & Poors (S&P) transition matrix, while the loans use the historical experience of the bank over a period, calculated using a vintage analysis methodology. 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.

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 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 sovereign, 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 and collateral valuations.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(vii) *Risk limit control and mitigation policies*

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and by country are approved annually by the Group's Board of Directors. Actual exposures against limits are monitored regularly and reported to the Company's Risk Management Committee and the Board of Directors.

(a) *Single investor or industry exposure limits*

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

(b) *Country exposure limits*

Exposure limits have been established for selected countries which are considered to be within the Group's off-shore target market. Five risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral to secure investments, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(vii) *Risk limit control and mitigation policies (continued)*

Liquidity support agreement

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. The Bank committed to reimburse FCIS for any losses incurred by FCIS against which the Bank has been indemnified.

Losses which are covered under the LSA include losses in respect of balances due from CL Financial and its affiliates accruing from the date that CMMB was acquired by the Bank to the greater of the maturity date of the obligation or 6 years from the date of completion of the share transfer of CMMB to the Bank.

The Ministry of Finance continues to recognize its commitment under the LSA agreement by way of granting consecutive extensions under the Liquidity Support Agreement for the periods: 16 May 2015 to 15 November 2016, 15 November 2016 to 14 November 2017, 15 November 2017 to 14 November 2018 and subsequently 15 November 2018 to 14 November 2019. Additionally, the Ministry of Finance has made good and settled in full subsequent claims#1 to 9 which was made for losses and expenses incurred resulting from obligations commensurate with the Liquidity Support Agreement. An amount of US$128,286.14 remains outstanding from the GORTT on claim #10 which was submitted to the MOF 29 June 2018.

The Ministry of Finance in its response in letter dated 17 September 2018 has agreed to another extension for a twelve month period effective from 15 November 2018 to 14 November 2019 commensurate under the Liquidity Support Agreement dated 15 May 2009, in which interest continues to accrue at 4% and 5% for the CL Financial USD PNOTE and the CL Financial TTD commercial paper respectively. As at the Statement of Financial position date, the amount of Promissory Notes due was US$97,773,305 and the amount of the Commercial Paper due TT$232,611,435. The liquidity support agreement extension was executed on 17 September 2018.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(viii) *Maximum exposure to credit risk before collateral held or other credit enhancement*

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

	Gross maximum exposure 2018 $'000	Gross maximum exposure 2017 $'000
Cash and due from other banks	336,301	496,482
Financial assets		
- Fair value through other comprehensive income	2,859,098	3,826,626
- Amortised cost	3,972,367	2,495,377
- Fair value through profit or loss	13,413	655
Other assets	130,232	23,666
	7,311,411	6,842,806

The above table represents a worst case scenario of credit risk exposure to the Group at 30 September 2018 and 30 September 2017, without taking account of any collateral held or other credit enhancements attached. For on-consolidated statement of financial position assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-consolidated statement of financial position items.

As shown above, 6.6% of the total maximum exposure is derived from cash and due from other banks and receivables (September 2017: 7.5%); while 93.4% represents investments in other debt securities (September 2017: 92.4%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its cash and due from other banks and assets held at amortised cost portfolio and its other debt securities based on the following:

- The Group has introduced a more stringent selection process for investing in securities with none of the impaired assets coming from new investments made in the current financial year.
- The collateral package or financial assurances in place in support of receivables minimises the probability of losses on this portfolio.
- For September 2018, more than 58% (September 2017: 57%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor's Ratings.
- As per Note 3.a.ix 'Risk limit control and mitigation policies- Liquidity Support Agreement', management is confident that given the agreement to transfer the benefits of such assurances by First Citizens Bank Limited to the Group, the Group would realise no losses on these assets. The amount outstanding to FCIS stood at TT$232,611,435.67 and US$97,773,305 at 30 September 2018 (30 September 2017: $224 million and US$94.7 million) and continues to accrue interest.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ix) *Financial assets*

Financial assets are summarised as follows:

30 September 2018	Fair value through other comprehensive income $000	Amortised cost $000	Fair value through profit and loss $000	Cash and due from other Banks $000
Neither past due nor impaired	2,859,098	2,590,140	13,413	336,301
Past due but not impaired	--	887,049	--	--
Impaired	--	495,178	--	--
Gross	2,859,098	3,972,367	13,413	336,301
less: IFRS 9 impairment	--	(109,462)	--	--
less: Provision for impairment	(8,062)	(61,230)	--	--
less: Provision for impairment other assets	--	(5,954)	--	--
Net	2,851,036	3,795,721	13,413	336,301

30 September 2017	Fair value through other comprehensive income $000	Amortised cost $000	Fair value through profit and loss $000	Cash and due for other Banks $000
Neither past due nor impaired	3,826,626	1,624,824	655	496,482
Past due but not impaired	--	857,731	--	--
Impaired	--	12,822	--	--
Gross	3,826,626	2,495,377	655	496,482
less: Provision for impairment	--	(5,955)	--	--
Net	3,826,626	2,489,422	655	496,482

(x) *Maximum exposure to credit risk - Financial instruments not subject to impairment*

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

Maximum exposure to credit risk-Financial Instruments not subject to impairment:

Trading assets	Maximum exposure 2018 $000	2017 $000
Cash and due from other Banks	336,301	496,482

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Company will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xi) *Financial assets (continued)*

Financial assets past due but not impaired

Included in amortised cost past due but not impaired are loans and receivables due from CL Financial and its affiliates of $887 million which matured but are indemnified under the Liquidity Support Agreement (LSA) (September 2017: $858 million). All principal and interest payments due on these advances are covered under the LSA as detailed in note 3.a.ix.

Furtherance, the material indemnified amount outstanding under the Liquidity Support Agreement represents certain Promissory Note and Commercial Paper obligations which were and are due and owing by CL Financial Limited to CMMB (now First Citizens Investment Services Limited ("FCIS"). The GORTT has since petitioned to the Court to wind up CL Financial on the basis that the Company was unable to pay its debts and or that it was just and equitable that the Company be wound up. On 25th July 2017, the Court of Appeal, ordered the appointment of a joint provisional liquidators over the assets of the Company pending the determination of the winding up petition.

It is against this background that management made a formal claim/demand by the submissions of (Claim #10) indicating the Bank's intention to claim the full settlement by September 30th 2018 in accordance with the Bank's right to be indemnified in respect of those obligations under the terms of the LSA.

The GORTT in its letter dated September 30th 2018 stated its execution of an extension of the LSA for the period November 15th 2018 to November 14th 2019.

As at the statement of financial position date, the amount of Promissory Notes due to was US$97,773,305.00 and the amount of the Commercial Paper due TT$232,611,435.67.

Financial assets individually impaired

The sum of individually impaired fair value through other comprehensive income financial assets before taking into consideration the cash flows from collateral held is nil (September 2017: nil). The sum of individually impaired financials assets measured at amortised cost before taking into consideration the cash flows from collateral held is $332.2 million (September 2017: $12.8 million). The breakdown of the gross amount of individually impaired receivables by class, along with the fair value of related collateral held by the Group as security, is as follows:

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xi) *Financial assets (continued)*

Financial assets individually impaired (continued)

30 September 2018	**Fair value through other comprehensive income $'000**	**Amortised cost $'000**	**Total $'000**
Individually impaired receivables	--	508,000	508,000
Fair value of collateral	--	(323,292)	(323,292)
Net	--	184,708	184,708
30 September 2017			
Individually impaired receivables	--	12,822	12,822
Fair value of collateral	--	(6,868)	(6,868)
Net	--	5,954	5,954

Repossessed collateral

During 2018, the Group did not take possession of collateral held as security (2017: nil).

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xii) *Debt and other investment securities*

The table below presents an analysis of debt and other investment securities by internal, external and equivalent rating agency designation.

30 September 2018

	Fair value through other comprehensive income-securities $'000	Amortised cost securities $'000	Fair value through profit and loss $'000	Total $'000
Investment grade	2,122,273	1,694,042	13,413	3,829,728
Speculative grade	736,825	1,783,150	--	2,519,975
Default	--	495,175	--	495,175
Total	2,859,098	3,972,367	13,413	6,844,878

30 September 2017

	Fair value through other comprehensive income-securities $'000	Amortised cost securities $'000	Fair value through profit and loss $'000	Total $'000
Investment grade	2,598,901	974,348	--	3,573,249
Speculative grade	1,227,725	1,508,206	--	2,735,931
Default	--	12,822	--	12,822
Total	3,826,626	2,495,376	--	6,322,002

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Other 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 30 September 2018			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Credit rating				
Investment grade	5,063,552	--	--	5,063,552
Non investment grade	1,267,228	23,030	--	1,290,258
Default	--	--	495,178	495,178
Gross investments	6,330,780	23,030	495,178	6,848,988
Loss allowance ECL	(16,667)	(2,395)	(159,692)	(178,754)
Loss allowance PNOTE	--	--	(5,954)	(5,954)
Carrying Balance	6,314,113	20,635	329,532	6,664,280

	Investments 30 September 2017			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Credit rating				
Investment grade	5,079,203	--	--	5,079,203
Non investment grade	1,227,649	7,066	--	1,234,715
Default	--	--	12,822	12,822
Gross investments	6,306,852	7,066	12,822	6,326,740
Loss allowance	--	--	(5,954)	(5,954)
Carrying balance	6,306,852	7,066	6,868	6,320,786

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xiv) *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 $'000	Sage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying Balance as at 1 October 2017	6,126,758	7,066	12,561	6,146,385
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(15,964)	15,964	--	--
Transfer from stage 1 to stage 3	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--
Transfer from stage 3 to stage 2	--	--	--	--
New financial assets originated	2,172,280	--	319,409	2,491,689
Change in PDS/LGDs/EADs	(5,474)	(2,395)	3,516	(4,353)
Disposal of investment	(1,941,978)	--	--	(1,941,978)
Unwind of discounts	--	--	--	--
FX and other movements	(21,509)		(5,954)	(27,463)
Total net P&L charge during the period	187,355	13,569	316,971	517,895
Other movement with no P&L impact	--	--	--	--
Financial assets derecognised during the period	--	--	--	--
Write-offs	--	--	--	--
Loss allowance as at 30 September 2018	6,314,113	20,635	329,532	6,664,280

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiv) *Write-off policy*

The Group 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 group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Group 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 $112.7 million. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xv) *Concentration of risks of financial assets with credit risk exposure – Geographical sectors*

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. The Group's investment portfolio comprising cash and cash equivalents, financial assets – receivables, fair value through other comprehensive income, amortised cost, held for trading and repurchase receivables is diversified across 28 countries. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into five regional sectors and the sector concentrations within the portfolio are as follows:

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2018						
Cash and due from other Banks	--	23,763	--	312,538	--	336,301
Financial assets:						
- FV through OCI	406,982	638,173	503,311	1,207,945	94,626	2,851,037
- FV through P&L	--	13,413	--	--	--	13,413
- Amortised cost	--	--	--	3,795,721	--	3,795,721
- Held for trading	--	--	--	--	--	--
Other assets	--	--	--	124,543	5,689	130,232
At 30 September 2018	406,982	675,349	503,311	5,440,747	100,315	7,126,704

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2017						
Cash and due from other Banks	--	167,820	--	328,662	--	496,482
Financial assets:						
- Available for sale	162,321	83,544	383,593	3,144,678	52,490	3,826,626
- Held to maturity	256,316	228,992	--	2,004,114	--	2,489,422
- Fair value through profit or loss	--	--	--	655	--	655
Other assets	--	--	--	23,666	--	23,666
At 30 September 2017	418,637	480,356	383,593	5,501,775	52,490	6,836,851

3 Financial risk management (continued)

b. *Market risk*

The Group 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 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 and equity prices.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk department who submit reports to the Senior Management Enterprise Risk Committee on a regular basis and also reports via the Enterprise Risk Unit to the Board Enterprise Risk Committee to enable Board oversight of market risk issues. Additionally, on a monthly basis, the 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 are those positions entered into primarily to take advantage of market movements to generate capital gains.

Non-trading portfolios primarily arise from investments held as collateral for repurchase agreements. Non-trading portfolios also entail foreign exchange and equity risks arising from the Group's amortised cost and fair value through other comprehensive income investments.

(i) *Market risk measurement techniques*

As part of the management of market risk, the Group 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 Group 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 Group's, trading and non-trading portfolios, which are monitored on a daily basis by 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, at a certain level of confidence (99%) under normal market conditions.

3 Financial risk management (continued)

b. *Market risk (continued)*

(i) *Market risk measurement techniques (continued)*

Value at risk (continued)

The Group 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. The Group applies a parametric approach to 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.

As VAR constitutes an integral part of the Group's market risk control regime, VAR limits are established by the Board annually for all trading and non-trading portfolio operations. 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 company 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.

If the Company were to stress the portfolio at 30 September 2018 based on a 100 basis point (1%) upward parallel shift in all yield curves, this would result in mark to market losses of $362 million (September 2017: $245 million).

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

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Market risk measurement techniques (continued)*

Currency risk sensitivity

Based on net foreign currency positions at 30 September 2018, the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

	US $'000	Euro $'000	EC $'000	Other $'000
At 30 September 2018				
Gain/(loss)	16,638	50,726	(5,126)	(634)
At 30 September 2017				
Gain/(loss)	39,296	51,714	(4,585)	3,313

Group VAR by portfolio

	30 September 2018			**30 September 2017**		
	Average $'000	**High $'000**	**Low $'000**	**Average $'000**	**High $'000**	**Low $'000**
Trading	6,638	11,926	4,782	5,274	11,642	3,413
Non-trading	10,773	11,488	9,921	7,774	8,016	7,262
Total VAR	17,411	23,414	14,703	13,048	19,658	10,675

3 Financial risk management (continued)

b. *Market risk (continued)*

(ii) *Foreign exchange risk*

The Group 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 Group not to engage in speculative foreign exchange activities, The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Group'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 Group does not currently engage in any hedging activities to mitigate currency risk.The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2018. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
At 30 September 2018						
Assets						
Cash and due from other Banks	101,833	78,800	2,114	101,525	52,029	336,301
Financial assets						
- Fair value through other comprehensive income	158,975	2,565,722	--	130,448	--	2,855,145
- Amortised cost	1,910,241	869,982	--	689,293	326,205	3,795,721
- Fair value through profit or loss	5	13,557	--	--	290	13,852
Other assets	100,899	24,346	--	4,147	840	130,232
Total assets	2,271,953	3,552,407	2,114	925,413	379,364	7,131,251
Liabilities						
Borrowings	198,458	1,252,280	--	--	--	1,450,738
Funds under management	5,981	502	85	16,901	1,960	25,429
Securities sold under repurchase agreements	1,311,609	1,358,609	--	1,041,485	400,856	4,112,559
Loan from parent company	50,099	272,544	--	12,600	--	335,243
Creditors and accrued expenses	115,070	2,964	--	59,451	1,901	179,386
Total liabilities	1,681,217	2,886,899	85	1,130,437	404,717	6,103,355
Net on-consolidated statement of financial position	590,736	665,508	2,029	(205,024)	(25,353)	1,027,896

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk (continued)*

	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
At 30 September 2017						
Assets						
Cash and due from other Banks	87,112	324,914	2,155	34,457	47,844	496,482
Financial assets						
- Fair value through other comprehensive income	1,436,424	1,631,136	--	571,924	191,880	3,831,364
- Amortised cost	715,086	1,128,407	--	195,915	450,014	2,489,422
- Fair value through profit or loss	545	110	--	--	--	655
Other assets	14,329	4,935	--	4,360	42	23,666
Total assets	2,253,496	3,089,502	2,155	806,656	689,780	6,841,589
Liabilities						
Borrowings	198,651	911,560	--	2,118	--	1,112,329
Funds under management	5,983	503	86	15,575	3,293	25,440
Securities sold under repurchase agreements	1,317,662	1,260,391	--	925,193	549,457	4,052,703
Loan from parent company	--	169,321	--	--	--	169,321
Creditors and accrued expenses	70,604	48,130	--	51,754	1,219	171,707
Total liabilities	1,592,900	2,389,905	86	994,640	553,969	5,531,500
Net on-consolidated statement of financial position	660,596	699,597	2,069	(187,984)	135,811	1,310,089

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Barbados and Yen. A 1% increase or decrease in any of these currencies would not significantly impact the Group's profit.

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would decrease by $16.6 million (2017: $39.3 million).

3 Financial risk management (continued)

b. *Market risk (continued)*

(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 re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. 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 Group's 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 Group's exposure to interest rate risks.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2018							
Assets							
Cash and due from other Banks	310,422	--	--	--	--	25,879	336,301
Financial assets							
- Fair value through other comprehensive income	30,986	53,127	66,250	564,950	2,135,725	--	2,851,038
- Amortised cost	--	893,191	24,157	968,926	1,909,447	--	3,795,721
- Fair value through profit or loss	--	--	--	--	13,413	--	13,413
Other assets	504	--	--	--	--	129,728	130,232
Total assets	341,912	946,318	90,407	1,533,876	4,058,585	155,607	7,126,705
Borrowings	--	1,016,075	1,719	432,944	--	--	1,450,738
Funds under management	25,429	--	--	--	--	--	25,429
Securities sold under repurchase agreements	118,788	768,177	2,806,399	419,195	--	--	4,112,559
Loan from parent company	62,696	--	272,547	--	--	--	335,243
Creditors and accrued expenses	9,873	--	--	228	--	169,285	179,386
Total liabilities	216,786	1,784,252	3,080,665	852,367	--	169,285	6,103,355
Interest sensitivity gap	125,126	(837,934)	(2,990,258)	681,509	4,058,585	(13,678)	1,023,350

3 Financial risk management (continued)

b. *Market risk (continued)*

(iii) *Interest rate risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2017							
Assets							
Cash and due from other Banks	496,014	--	--	--	--	468	496,482
Financial assets							
- Fair value through other comprehensive income	--	--	69,414	1,012,255	2,746,689	3,006	3,831,364
- Amortised cost	176	528,145	957,210	686,899	316,992	--	2,489,422
- Fair value through profit or loss	--	--	--	--	--	655	655
Other assets	5,175	--	--	--	--	18,491	23,666
Total assets	501,365	528,145	1,026,624	1,699,154	3,063,681	22,620	6,841,589
Liabilities							
Borrowings	2,389	676,450	1,616	431,874	--	--	1,112,329
Funds under management	25,440	--	--	--	--	--	25,440
Securities sold under repurchase agreements	538,581	837,828	2,285,692	390,602	--	--	4,052,703
Loan from parent company	--	--	169,321	--	--	--	169,321
Creditors and accrued expenses	7,599	--	--	--	--	164,108	171,707
Total liabilities	574,009	1,514,278	2,456,629	822,476	--	164,108	5,531,500
Interest sensitivity gap	(72,644)	(986,133)	(1,430,005)	876,678	3,063,681	(141,488)	1,310,089

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. If interest rates were to move by 1%, the impact on net interest income will be $12.6 million (2017: $9.2 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(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 Group 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.

c. *Liquidity risk*

The liquidity risk is the risk that the Group 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 fluctuation in cash flows. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and funds under management, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group 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 Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset/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 Group 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 Group 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 and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

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

3 Financial risk management (continued)

c. *Liquidity risk (continued)*

The table below analyses financial assets and liabilities of the Group by remaining contractual maturities at the consolidated statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2018						
Assets						
Cash and due from other Banks	336,301	--	--	--	--	336,301
Financial assets						
- Fair value through other comprehensive income	43,819	66,087	132,109	1,413,229	2,270,108	3,925,352
- Amortised cost	8,632	806,063	446,884	950,532	2,176,210	4,388,321
- Fair value through profit or loss	134	--	408	2,168	14,888	17,598
Other assets	130,232	--	--	--	--	130,232
Total assets	519,118	872,150	579,401	2,365,929	4,461,206	8,797,804
Liabilities						
Borrowings	--	1,019,320	15,628	445,085	--	1,480,033
Funds under management	25,429	--	--	--	--	25,429
Securities sold under repurchase agreements	119,494	770,736	2,858,374	435,720	--	4,184,324
Loan from parent company	77,591	--	278,791	--	--	356,382
Creditors and accrued expenses	179,047	46	185	108	--	179,386
Total liabilities	401,561	1,790,102	3,152,978	880,913	--	6,225,554
Net liquidity gap	117,557	(917,952)	(2,573,577)	1,485,016	4,461,206	2,572,250

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2017						
Assets						
Cash and due from other Banks	496,482	--	--	--	--	496,482
Financial assets						
- Fair value through other comprehensive income	66,072	149,550	289,996	1,654,184	2,897,647	5,057,449
- Amortised cost	540,206	30,132	1,191,205	675,559	378,782	2,815,884
- Fair value through profit or loss	655	--	--	--	--	655
Other assets	47,670	22	--	--	--	47,692
Total assets	1,151,085	179,704	1,481,201	2,329,743	3,276,429	8,418,162
Liabilities						
Borrowings	--	679,286	13,687	455,856	--	1,148,829
Funds under management	25,439	--	--	--	--	25,439
Securities sold under repurchase agreements	539,497	840,249	2,319,800	407,429	--	4,106,975
Loan from parent company	23,687	--	174,008	--	--	197,695
Creditors and accrued expenses	171,707	--	--	--	--	171,707
Total liabilities	760,330	1,519,535	2,507,495	863,285	--	5,650,645
Net liquidity gap	390,755	(1,339,831)	(1,026,294)	1,466,458	3,276,429	2,767,517

Assets available to meet all of the Group's liabilities include cash and due from other banks; receivables and liquid debt securities. In the normal course of business, a proportion of liabilities to customers under securities sold under repurchase agreements repayable within one year will be extended. The Group 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 and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(i) *Assets held for managing liquidity risk*

The Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash deposits at Bank
(b) Government bonds
(c) Secondary sources of liquidity in the form of liquid instruments in the Group's investment portfolios.

(ii) *Loan commitments*

As at 30 September 2018 the Group has no financial instruments that commit it to taking up new receivables or other debt securities (September 2017: nil).

(iii) *Operating lease commitments*

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases, are summarised in the table below. Included in operating expenses for the twelve months to 30 September 2018 is an amount of $1.6 million (September 2017: $1.6 million) representing payments under operating leases.

(iv) *Lease commitments*

The Group is committed to the following operating lease payments:

	30 September 2018 $'000	30 September 2017 $'000
Up to one year	1,493	1,610
One to five years	2,033	3,416

(v) *Capital commitments*

At 30 September 2018, the Group had capital commitments to the value of $679,930 (September 2017: $2,296,765).

e. *Fiduciary activities*

The Group provides custody, mutual funds and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

3 Financial risk management (continued)

f. *Fair value of financial assets and liabilities*

(i) *Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

	Carrying value		Fair value	
	September 2018 $'000	September 2017 $'000	September 2018 $'000	September 2017 $'000
Financial assets				
Cash and due from other Banks	336,301	496,482	336,301	496,482
Amortised cost	3,677,374	2,489,422	3,817,228	2,528,753
Other assets	130,232	23,666	130,232	23,666
Financial liabilities				
Short term borrowings and bank overdraft	1,450,738	1,112,329	2,005,574	1,112,329
Funds under management	25,429	25,440	25,429	25,440
Securities sold under repurchase agreement	4,112,559	4,052,703	4,465,924	4,971,422
Loan from parent company	335,243	169,321	333,225	167,638
Creditors and accrued expenses	179,386	171,707	179,386	171,707

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 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 represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3 **Financial risk management (continued)**

d. *Fair value of financial assets and liabilities (continued)*

(i) *Financial instruments not measured at fair value (continued)*

Amortised cost investments

Fair value for amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the amortised cost portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments.

Due to customers

Amounts due to customer include funds under management and securities sold under repurchase agreements. These have maturities ranging from 1 day to 5 years and are subject to interest reset on a regular basis. The fair value of those amounts with maturities of less than one year is approximately equal to their carrying value. For long term fixed rate liabilities, the fair value of these amounts is estimated using fair value of the underlying securities and accrued finance cost to date.

Loan from parent company

The fair value of this facility is calculated using discounted cash flow analysis of comparable GORTT borrowing rates for the term indicated.

(ii) *Financial instruments measured at fair value using a valuation technique*

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period Sept 2018: $nil (September 2017: $1.2 million).

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

3 Financial risk management (continued)

d. *Fair value of financial assets and liabilities (continued)*

(ii) *Financial instruments measured at fair value using a valuation technique (continued)*

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 September 2018				
Assets				
Fair value through other comprehensive income				
-Investment securities -debt	--	2,619,640	239,458	2,859,098
- Investment securities -equity	--	--	4,108	4,108
Total assets	--	2,619,640	243,566	2,863,206
As at 30 September 2017				
Assets				
Available-for-sale financial assets				
- investment securities - debt	--	2,542,053	1,284,573	3,826,626
- investment securities - equity	30	367	4,341	4,738
- fair value through profit or loss - debt	--	--	--	--
Total assets	30	2,542,420	1,288,914	3,831,364

Transfer of debt securities to level 3 were due to observable inputs being less readily available. There were no transfers between Level 1 and Level 2 during the year. Reconciliation of Level 3 items are as follows:-

Reconciliation of Level 3 items

	Equity $	Debt $	Total $
Balance as at 30 September 2017	4,341	1,284,573	1,288,914
Adjustments	--	(831,443)	(831,443)
Opening as at 1 October 2017	4,341	453,130	457,471
- Fair value through other comprehensive income	(233)	(76,591)	(76,824)
- Fair value through profit & loss	--	(180)	(180)
Additions	--	133,447	133,447
Transfer to amortised cost	--	(178,840)	(178,840)
Disposals	--	(92,458)	(92,458)
Accrued interest	--	(19)	(19)
Amortisation	--	969	969
Balance as at 30 September 2018	4,108	239,458	243,566

3 Financial risk management (continued)

e. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. The Group 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

f. *Capital management*

The Group'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 requirement set by the regulators under the Financial Institutions Act (2008);
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To ensure that the Group can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Group is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Commission), for supervisory purposes. The required information is filed with the Commission on a regular basis as required.

The Commission requires each securities company to hold the minimum paid up share capital of Five Million Trinidad and Tobago dollars. In addition to the minimum level of regulatory capital, the Group's management also monitors capital adequacy using relevant national and international benchmarks. Capital adequacy calculations are reported monthly to the Group's Risk and Portfolio Strategy Committee, the Risk Management Committee and the Board of Directors.

During the past two years, the Group complied with all of the externally imposed capital requirements to which it is subject.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

(i) *Financial assets at FVOCI*

The Group uses the discounted cash flow method to determine the fair value of fair value through other comprehensive income financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of fair value of fair value through other comprehensive income financial assets would decrease by $302.4million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2017 - $338.2million).

The Group's credit spread methodology utilises gradient tenors and currency specific spreads. The appropriate credit spread for the agency or corporate fixed income security is determined using a cubic spline interpolation of the appropriate currency and credit rating category in the credit spread matrix based on the remaining tenor of the facility. This singular credit spread is then added to the discount spot rates to value the facility using the discounted cashflow method. In June 2017 Group Market Risk revised this methodology to reflect the credit risk of the facility as the credit risk on a per cash flow basis, and no longer on the full maturity of the facility. This resulted in moving from applying a single credit spread based on term to maturity, to multiple credit spreads based on each cash flow's term to maturity.

There were no changes to the Credit Spread Methodology this year.

The models used to determine fair values are validated and periodically reviewed by experienced personnel at Group Market Risk

(ii) *Financial assets at fair value through profit or loss*

This category comprises two sub-categories: financial assets held for trading and financial assets designated by the Group as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading.

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 group, 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 utilised makes use of the quoted price even though the market is not active.

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

(iii) *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.vi, 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.

Valuation of stage 3 investments

These financial statements include estimates of fair values of Government of Barbados instruments issued on 1 October 2018 in exchange for previously defaulted instruments. The fair values were obtained by identifying the relevant cashflows on each new instrument and discounting them to present values using the term structure of the derived Barbados dollar yield curve.

The proposed cash flows were discounted using the BBD yield curve derived using the Group's Pricing Methodology for Non Eurobond Securities. The sum of these discounted cash flows represented the Fair Value (as given by the NPV) of the New Instrument. The Impairment was determined as the difference between the NPV of the restructured bonds and the book value of the existing Government of Barbados bonds.

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.

(iv) *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. 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 Group is subject to income tax in various jurisdictions. 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. In January 2017, the Corporation tax rate for Trinidad and Tobago was increased from 25% to 30%.

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

(v) *Retirement benefits*

The Group accounts for the liability of its retirement benefit in its consolidated statement of financial position. The Group determines the present value of the retirement benefit obligations which depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, The Group considers the interest rates of high-quality corporate bonds, and where no deep corporate market exist, the Government bonds are used, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. In determining the salary increases, The Group considered long-term salary inflation, age, merit and promotion (note 19.j for sensitivity).

(vi) *Fair valuation of properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making the judgement, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount.

The valuations are based on current market conditions and thus may change in the future.

(vii) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2 b (iii). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. If the discounted rate used in the value-in-use calculation was increased by 100 basis points from management's estimates, the value in use calculation will still exceed the fair value less cost to sell calculation, and there will be no impairment of goodwill

(viii) *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.

5 Cash and due from other Banks

	2018 $'000	2017 $'000
Cash and bank balances	330,173	492,077
Short-term investments	6,128	4,405
	336,301	496,482
Short-term investments:		
- Maturity within 3 months	698	689
- Maturity over 3 months	5,430	3,716
	6,128	4,405

The average effective interest rate on bank deposits was 0.16% (2017: .16%).

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flow:

	2018 $'000	2017 $'000
Cash balances	116,375	57,514
Short-term investments – maturity within 3 months	698	689
Due from other banks	213,797	434,563
	330,870	492,766

6 Financial assets – fair value through other comprehensive income

	2018 $	2017 $
Debt securities		
GORTT and state owned enterprises	509,144	1,430,067
Listed	2,110,496	1,111,985
Unlisted	239,458	1,284,574
	2,859,098	3,826,626
Less provision for impairment	(8,062)	--
	2,851,036	3,826,626
Equity securities		
Listed	--	397
Unlisted	4,108	4,341
Subtotal equities	4,108	4,738
	2,855,144	3,831,364

As at 30 September 2018 there were no securities pledged under the Company's bank overdraft and short term borrowings (2017: $nil). At the statement of financial position date all repurchase agreements were securitised by an underlying security.

Included in these are financial assets amounting to $113.6 million (2017: $210 million) where the title was transferred under securities sold under repurchase agreements.

Included in these are financial assets amounting to $6.1 billon (2017: $3.6 billion) that have been pledged to third parties under sale and repurchase agreement.

6 Financial assets – fair value through other comprehensive income (continued)

The movement in financial assets fair value through other comprehensive income may be summarised as follows:

	2018 $	2017 $
Opening position IAS 39	3,831,364	3,035,223
Adjustment for reclass	(1,542,726)	--
Adjustment for remeasurement	(8,072)	--
At start of year	2,280,566	3,035,223
Exchange difference	(8)	10,528
Additions	1,525,184	2,049,563
Disposals	(789,716)	(1,279,000)
(Losses)/gains from changes in fair value	(160,440)	15,050
Net movement in provisions	(442)	--
At end of year	2,855,144	3,831,364

7 Financial assets – amortised cost

	2018	2017
Debt securities		
GORTT & state owned enterprises	1,467,427	900,926
Listed	98,022	--
Unlisted	1,478,325	227,732
Corporate	914,457	1,352,221
Individuals	14,136	14,497
	3,972,367	2,495,376
Less impairment of GOB bonds	(156,584)	--
Less provision for impairment	(14,108)	--
Less PNOTE provision for impairment	(5,954)	(5,954)
	3,795,721	2,489,422

The movement for the year may be summarised as follows:

	2018	2017
Opening position IAS 39	2,489,422	2,548,847
Adjustment for reclass	1,542,330	--
Adjustment for remeasurement	(220,485)	--
At beginning of year	3,811,267	2,548,847
Exchange difference	(14)	7,368
Additions	981,671	315,487
Redemptions	(991,737)	(377,225)
Impairment on GOB bonds	1,355	--
Net amortisation of discounts	3,694	5,465
Amortisation of unrealised gains on reclassified assets	(3,088)	(8,835)
Movement of provision for impairment	(7,427)	(1,685)
At end of year	3,795,721	2,489,422

Included in these are financial assets amounting to $73 million (2017: $148 million) where title was transferred under securities sold under repurchase agreements.

8 Financial assets at fair value through profit or loss

	2018 $	2017 $
Bonds	13,413	655
Listed equity	439	--
	13,852	655

The movement for the year may be summarised as follows:

	2018	2017
Opening position	655	239,958
Adjustment for reclass	396	--
At start of year	1,051	239,958
Additions	13,462	559
Disposals	(618)	(229,327)
Losses from changes in fair value	(60)	(10,535)
Reclassification to fair value through profit or loss	17	--
	13,852	655

The above securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the Group's financial instruments is reported to management on that basis.

9 Intangible assets

This comprises an investment in computer software that was brought into use as at June 2018 and May 2012. Movements are as follows:

	2018	2017
At beginning of the year	849	1,190
Additions	--	8
Less amortisation	--	(349)
At end of year	849	849
Cost	28,385	28,385
Accumulated amortisation and impairment	(27,536)	(27,536)
Net book amount	849	849

Intangible assets whose useful life expired in the current year were written off through the consolidated statement of income. There were no reclassification in the current period (2017: nil).

10 Property and equipment

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2018							
Opening net book amount	56,337	3,068	1,999	1,831	244	472	63,951
Additions	--	79	59	871	174	--	1,183
Disposals	--	(7,885)	(46)	(1,741)	(121)	--	(9,793)
Revaluation	(1,245)	--	--	--	--	--	(1,245)
Transfers	--	--	--	--	472	(472)	--
Depreciation charge	(1,075)	(826)	(984)	(813)	(192)	--	(3,890)
Depreciation charge on disposal	--	7,885	46	1,245	96	--	9,272
Closing net book amount	54,017	2,321	1,074	1,393	673	--	59,478
At 30 September 2018							
Cost/Revaluation	59,423	5,893	14,156	3,124	2,656	--	85,252
Accumulated depreciation	(5,406)	(3,572)	(13,082)	(1,731)	(1,983)	--	(25,774)
Net book amount	54,017	2,321	1,074	1,393	673	--	59,478

Notes to the Consolidated Financial Statements (continued)
30 September 2018
(Expressed in Trinidad and Tobago Dollars)

10 **Property and equipment (continued)**

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2017							
Opening net book amount	57,102	3,812	2,646	1,657	511	--	65,728
Additions	69	66	190	1,087	131	513	2,056
Disposals	--	(21)	(823)	(392)	(532)	--	(1,768)
Revaluation	--	--	--	--	--	--	--
Transfers	(67)	1	288	--	(181)	(41)	--
Depreciation charge	(767)	(811)	(1,116)	(799)	(210)	--	(3,703)
Depreciation charge on disposal	--	21	814	278	525	--	1,638
Closing net book amount	56,337	3,068	1,999	1,831	244	472	63,951
At 30 September 2017							
Cost/Revaluation	60,668	13,699	14,143	3,994	2,131	513	95,148
Accumulated depreciation	(4,331)	(10,631)	(12,144)	(2,163)	(1,887)	(41)	(31,197)
Net book amount	56,337	3,068	1,999	1,831	244	472	63,951
At 30 September 2016							
Cost/Revaluation	60,668	14,032	13,957	3,296	2,785	--	94,738
Accumulated depreciation	(3,566)	(10,220)	(11,311)	(1,639)	(2,274)	--	(29,010)
Net book amount	57,102	3,812	2,646	1,657	511	--	65,728

10 Property, plant and equipment (continued)

a. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets carried at fair value into the three levels prescribed under the accounting standards.

	2018 $'000	2017 $'000
Level 3		
Building on lease land	26,800	28,784
Land and building	25,567	21,597
Freehold land	1,650	5,956
	54,017	56,337

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Note 10 – PPE: Land and Building includes leasehold land TTD$8.4 million.

(ii) *Valuation techniques used to determine level 2 and level 3 fair values*

The Group engages external, independent and qualified valuators to determine the fair value of the Group's land and buildings. The last valuations were performed in September 2018. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

The basis of valuation is the market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

At the end of each reporting period, management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, Management considers information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

10 Property, plant and equipment (continued)

a. *Recognised fair value measurements (continued)*

(iii) *Transfer between level 2 and 3 and change in valuation techniques*

There were no transfers between levels 2 and 3 for recurring fair value measurements nor change in the valuation technique during the financial year.

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

As at 30 September 2018, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income.

If freehold premises were stated on the historical cost basis, the amount would be as follows:

	2018 $'000	2017 $'000
Cost	50,432	50,639
Accumulated depreciation	(5,407)	(4,332)
Net book amount	45,025	46,307

11 Other assets

	2018 $'000	2017 $'000
Prepayments	6,275	6,966
Fee and coupon receivable	19,473	13,227
Due from parent company	896	680
Amounts due from brokers	456	592
Other receivables	109,407	9,167
	136,507	30,632

FCIS has not made any repayments to the GOTT for the year ended 30 September 2018 (2017: nil.). Included in Other debtors are amounts for equity and bond settlements of $107M.

12 Borrowings

	2018 $'000	2017 $'000
Medium term borrowings	434,663	433,490
Short term borrowings	1,016,075	678,839
	1,450,738	1,112,329

The Group has an undrawn operating bank overdraft facility denominated in Eastern Caribbean dollars which incurs interest at 9%, (2017: 9%).

Medium term borrowings represent unsecured borrowings of US$35.1 million, and TT$197.7 million (2017: US$34.9 million, and TT$197.7 million) from clients for a period of three years. These debt accrues on interest rates of 6 month LIBOR plus 2% and TTD at 3.5% (2017: 6 month LIBOR plus 2% and TTD at 3.5%). The average rate as at the end of September was 3.63% (2017: 3.5%).

Short term borrowings represent facilities via 3 financial institutions which are secured by the Group's investment securities held by the financial institutions:
(1) Principal US$40 million, 6 months maturity, 3.35% (2017: US$40 million)
(2) Principal US$60 million, 6 months maturity, 3.65% (2017: US$60 million)
(3) Principal US$50 million, 3 months maturity, 4% (2017: nil)

The market value of the investment securities held as collateral for this facility amounted to $1,016 million at 30 September 2018 (2017: $676 million).

13 Securities sold under repurchase agreements

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

	2018 $'000	2017 $'000
Invested principal	4,059,745	4,009,223
Accrued interest	52,814	43,480
	4,112,559	4,052,703
Public institutions	1,456,883	1,337,953
Private institutions	1,659,654	1,770,819
Consumer	996,022	943,931
	4,112,559	4,052,703
Current portion	3,693,768	3,662,102
Non-current portion	418,791	390,601
	4,112,559	4,052,703

Securities sold under repurchase agreements only include financial instruments classified as liabilities at amortised cost. These financial instruments accrue interest at rates between 0.20% and 6.48% (2017: 0.20% and 5.89%).

14 Creditors and accrued expenses

	2018 $'000	2017 $'000
Accrued expenses	12,438	8,356
Due to brokers	9,033	130,032
Other liabilities	91,359	3,784
Related parties	66,556	29,535
	179,386	171,707

Balances due to related parties include an amount of $22.4 million (2017: $25.7 million) owed to the Bank. This relates to an amount owing to GORTT by the Bank in respect of payments made on claims which were subsequently recovered pursuant to the Liquidity Support Agreement discussed in Note 3.a.ix. Other liabilities balance as at 30 September 2018 includes amounts due for Equity and Bond settlements $83.4 million (2017: $29.9 million).

15 Loan from parent company

	2018 $'000	2017 $'000
Loan from parent company	335,243	169,321

This comprises two loan facilities:

1) Unsecured Short Term US facility approved for US$40M, at a rate of 4%. Draw down balance as at Sept 2018 : US$40M (2017: US$25M at 4%), repayable April 2019
2) Line of Credit approved for US$20M. Drawn down balance as at Sept 2018: US$9M at 3 month libor plus 175 bps (2017: nil). This was repaid as at October 2018

16 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using tax rates of 30% and 12.5% (September 2017: 30%, 25%, 12.5%).

The movement on the deferred tax account is as follows:	2018 $'000	2017 $'000
At beginning of year	63,741	46,511
Fair value reserves (Note 18)	(50,099)	8,488
Statement of income charge (Note 27)	3,913	8,742
At end of year	17,555	63,741

16 Deferred tax (continued)

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

	Opening balance 2017 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Closing balance 2018 $'000
Financial assets at fair value through profit or loss	(214)	--	(8)	(222)
Provisions	(129)	--	--	(129)
Deferred tax asset	(343)	--	(8)	(351)
Fair value re-measurement	22,822	(49,622)	--	(26,800)
Amortisation	4,613	(476)	--	4,137
Unrealised exchange gains	6,162	--	45	6,207
Zero coupon instruments	29,886	--	3,722	33,608
Accelerated tax depreciation	601	--	154	755
Deferred tax liability	64,084	(50,098)	3,921	17,907
Net deferred tax liability	63,741	(50,098)	3,913	17,556

	Opening balance 2016 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Closing balance 2017 $'000
Financial assets at fair value through profit or loss	(191)	--	(23)	(214)
Provisions	(129)	--	--	(129)
Deferred tax asset	(320)	--	(23)	(343)
Fair value re-measurement	14,277	8,545	--	22,822
HTM amortisation	4,670	(57)	--	4,613
Unrealised exchange gains	4,844	--	1,318	6,162
Zero coupon instruments	21,713	--	8,173	29,886
Accelerated tax depreciation	1,327	--	(726)	601
Deferred tax liability	46,831	8,488	8,765	64,084
Net deferred tax liability	46,511	8,488	8,742	63,741

Deferred income tax assets and liabilities listed above relate to temporary difference relating to assets and liabilities which are taxable under Trinidad and Tobago tax rates.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

16 Deferred tax (continued)

The Group does not have any unrecognised losses as at 30 September 2018 (2017: nil). Deferred tax assets are expected to be recovered as follows:

	2018 $'000	2017 $'000
Within 12 months	--	343
After 12 months	27,192	--
	27,192	343

Deferred tax liabilities are expected to be realised as follows:

	2018 $'000	2017 $'000
Within 12 months	--	8,105
After 12 months	44,746	55,979
At end of year	44,746	64,084

17 Share capital

The total authorised number of shares are issued and fully paid. These shares are not traded in an open market and during the year there were no movements in each type and/or class of share.

	2018 $'000	2017 $'000
Authorised		
An unlimited number of shares at par value		
Issued and fully paid		
637,697,000 shares of no par value	637,697	637,697

18 Fair value reserves

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

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.

ii *Fair value reserve - Amortised cost*

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

iii *Fair value reserve - Land and buildings*

The fair value reserve comprises of the net fair value of the Group's land and building which are valued by an independent valuator every three years.

18 Fair value reserves (continued)

	2018 $'000	2017 $'000
Financial assets fair value through OCI	(62,790)	47,292
Financial assets amortised cost	10,494	11,684
Land and building	991	2,028
Foreign exchange	10,539	10,539
At end of year	(40,766)	71,543
Financial assets fair value through other comprehensive income		
Opening position IAS 39	47,292	37,937
Adjustment for reclass – Fair value	(54,157)	--
Adjustment for reclass – Deferred tax	15,649	--
At the beginning of year	8,784	37,937
Net (losses)/gains from changes in fair value	(105,425)	22,544
Deferred tax due to change in effective tax rate	2,308	(2,455)
Deferred tax credit (Note 16)	31,641	(6,090)
Reclassification to amortised cost	(98)	--
Exchange differences	--	(4,644)
At end of year	(62,790)	47,292
Financial assets amortised cost		
At beginning of year	11,684	16,525
Amortisation	(1,789)	(4,911)
Deferred tax due to change in effective tax rate	--	(1,355)
Deferred tax on amortisation (Note 16)	501	1,412
Reclassification to fair value	98	
Exchange differences	--	13
At end of year	10,494	11,684
Land and building		
At beginning of year	2,028	2,028
Net gains from changes in fair value	(1,037)	--
At end of year	991	2,028
Foreign exchange reserve		
At beginning of year	10,539	11,693
Exchange differences	--	(1,154)
At end of year	10,539	10,539

19 Interest income

	2018	2017
Fair value through other comprehensive income	167,086	173,157
Amortised cost	139,062	104,142
Fair value through profit and loss	111	--
Other	3,916	714
	310,175	278,013

20 Interest expense

	2018 $000	2017 $000
Securities sold under repurchase agreements	95,417	98,178
Borrowings	44,663	22,227
Loan from parent company	8,644	4,165
Other	776	601
	149,500	125,171

21 Fees and commissions

Capital Markets	11,817	9,524
Wealth Management	9,146	8,457
Structuring & Advisory	--	2,440
Pension Fund & Private Portfolio	4,254	--
Other	281	326
	25,498	20,747

22 Gain on financial assets

Net loss on fair value through profit and loss	309	(48)
Net realised gains on bonds and other trading	7,355	3,459
	7,664	3,411

23 Other income

Capital Market fee income	26,366	8,017
Fees and commission	4,023	1,249
Bank interest income	703	997
Other	524	152
Rental income	137	137
Dividend income	124	238
	31,877	10,790

24 Impairment

Statement of income

Increase in provisions for impairment	4,767	6,265
Net Writeback of Impairment on corporate bond	(413)	--
Recovery of previously incurred losses	--	(2,951)
	4,354	3,314
Balance as at 1 October	5,954	4,269
Increase in provisions for impairment	178,754	1,685
Balance as at 30 September	184,708	5,954

25 Administrative expenses

	2018 $000	2017 $000
Staff costs (Note 24.1)	33,868	35,281
Depreciation	3,890	3,703
Amortisation cost	--	349
	37,758	39,333

a. *Staff costs*

	2018 $000	2017 $000
Wages and salaries	22,723	24,022
Pension	1,888	1,849
National Insurance	1,217	1,354
Other	8,040	8,056
	33,868	35,281

26 Other operating expenses

	2018 $000	2017 $000
Information technology expenses	3,739	4,586
Office expenses	7,168	7,317
Capital market expenses	10,113	--
Consultancy & outside services	9,186	9,041
SLA Management charges	8,485	--
BBD Tax impairment	10,614	--
Other expenses	6,510	1,566
	55,815	22,510

27 Taxation

	2018 $000	2017 $000
Corporation tax	27,954	22,189
Prior year over provision	(4,809)	(517)
Deferred tax (Note 16)	3,913	8,742
	27,058	30,414

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

	2018 $000	2017 $000
Profit before tax	126,436	126,723
Tax calculated at tax rates applicable to profits in respective countries	2,845	36,893
Income exempt from tax	(15,925)	(18,362)
Expenses not deductible for tax purposes	45,076	8,747
Prior year over provision	(4,497)	(517)
Net effect of other charges and allowances	(441)	3,190
Effects of different tax rates	--	463
	27,058	30,414

28 Commitments

a. *Capital commitments*	2018 $'000	2017 $'000
Capital expenditure approved by the Directors but not provided for in these accounts	680	17,523
b. *Credit commitments*		
Commitments for loans approved not yet disbursed	--	614,583

29 Assets under management

Assets under management, which are not beneficially owned by the Group, but which are managed by the Group on behalf of investors are listed below at carrying amount.

	2018 $'000	2017 $'000
Off-consolidated statement of financial position investments	14,742,588	1,355,392

As at 1 September 2018 all Assets under management were transferred to First Citizens Portfolio & Investment Management Services Limited. First Citizens Portfolio Investment Management Services Limited (the "Company"), was incorporated in the Republic of Trinidad and Tobago and is engaged in the provision of financial management services as is authorised pursuant to its registration under Section 51 (1) of the Securities Act 2012 as an Investment Advisor. It was a wholly owned subsidiary of First Citizens Bank Limited until 31 August 2018.

Effective 1 September 2018, First Citizens Investment Services Limited (FCIS) acquired the Company at its net book value of TT$29 million. The ultimate parent company is First Citizens Holdings Limited, a company with a 64.43 % 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 17 Wainwright Street, St. Clair, Port of Spain.

30 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. At 30 September 2018 the Group was a 100% subsidiary of First Citizens Bank Limited, which in turn is a subsidiary of First Citizens Holdings Limited, a company owned by the Government of the Republic of Trinidad and Tobago (GORTT).

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

	2018 $'000	2017 $'000
a. *Directors and key management personnel*		
Statement of financial position		
Loan and receivable	19	93
Securities sold under repurchase agreements	(676)	(669)
	(657)	(576)
Statement of income		
Interest income	2	5
Interest expense	(14)	(4)
Salaries and other short-term employee benefits	(5,852)	(6,234)
	(5,864)	(6,233)

b. *Related companies*

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for 2018:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	819	--	47,947
Interest expense	(8,637)	(5,822)	--
	(7,818)	(5,822)	47,947
Statement of financial position			
Assets			
Cash and due from other Banks	206,334	--	--
Other assets	896	--	--
Financial assets	--	--	1,309,825
Liabilities			
Securities sold under repurchase agreements	--	(354,007)	--
Creditors and accrued expenses	(53,304)	(1,690)	--
Loan from parent company	(335,243)	--	--
	(181,317)	(355,697)	1,309,825

30 Related party transactions (continued)

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for 2017:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	574	--	45,115
Interest expense	(4,165)	(5,067)	--
	(3,591)	(5,067)	45,115
Statement of financial position			
Assets			
Cash and due from other Banks	283,780	--	--
Other assets	728	--	--
Financial assets	--	--	1,181,917
Liabilities			
Securities sold under repurchase agreements	--	(317,495)	--
Creditors and accrued expenses	(27,708)	(1,856)	--
Loan from parent company	(169,321)	--	--
	87,479	(319,351)	1,181,917

31 Contingent liabilities

At the consolidated statement of financial position date there were no contingent liabilities (2017: nil).

32 Subsequent events

First Citizens Investment Services Limited (FCIS) the parent company of First Citizens Investment Barbados Limited (FCISBL), took the decision to restructure FCISBL business operations from an entity to a branch, approval was granted by the Board April 17, 2018. The Branch's company registration with the Corporate Affairs and Intellectual Property Office (CAIPO) is completed. Consequently the branch's registration with the Regulator as a Securities Company/Underwriter/Dealer inclusive of individuals to be designated as Broker/Trader/Investment Advisor/Dealer is ongoing. The effective transition date of the branch is June 2019, pending the final approval of the Barbados regulators.

FCIS took the position to purchase a significant portion of the GOB debt at amortized cost from the FCISBL. Board approval was granted June 18th 2018 for FCIS to purchase the GOB bonds up to BB$93 million via a Promissory Note BB$92 million in order to sustain the subsidiary shareholders equity. As at September 30th 2018 FCISBL shareholder's equity was BB$22.9 million. The subsidiary remained solvent at the Statement of Financial Position date.

32 Subsequent events (continued)

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 BB$11 million. 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 a letter dated March 19th 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 BB$11 million. 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.

First Citizens Investment Services Limited And Its Subsidiaries
(A Subsidiary of First Citizens Bank Limited)

Consolidated Financial Statements

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

First Citizens Investment Services Limited And Its Subsidiaries

Contents

First Citizens Investment Services Limited And Its Subsidiaries

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Investment Services Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Group keeps proper accounting records;

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

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

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

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

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

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

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

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

Sana Ragbir

General Manager
26 November 2019

Head of Finance
26 November 2019

pwc

Independent Auditor's Report

To the shareholder of
First Citizens Investment Services Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of First Citizens Investment Services Limited (the Company) and its subsidiaries (together 'the Group') as at 30 September 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2018;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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.

Other information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

Independent Auditor's Report (Continued)

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
9 December 2019

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 September 2019 $'000	2018 $'000
Assets			
Cash and due from other Banks	5	225,842	336,301
Financial assets			
- Fair value through other comprehensive income	6	3,642,013	2,855,144
- Amortised cost	7	4,043,138	3,795,721
- Fair value through profit or loss	8	543	13,852
Intangible assets	9	2,116	849
Property, plant and equipment	10	57,832	59,478
Other assets	11	23,102	136,507
Tax recoverable		30,346	16,504
Total assets		8,024,932	7,214,356
Liabilities			
Borrowings	12	2,158,839	1,450,738
Funds under management		25,748	25,429
Securities sold under repurchase agreements	13	3,900,513	4,112,559
Creditors and accrued expenses	14	115,297	179,386
Loan from parent company	15	372,338	335,243
Deferred income tax liability	16	91,355	17,555
Tax payable		7,072	1,886
Total liabilities		6,671,162	6,122,796
Shareholders' equity			
Share capital	17	637,697	637,697
Retained earnings		603,867	494,629
Fair value reserves	18	112,206	(40,766)
Total shareholders' equity		1,353,770	1,091,560
Total equity and liabilities		8,024,932	7,214,356

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

On 26 November 2019, the Board of Directors of First Citizens Investment Services Limited authorised these consolidated financial statements for issue.

Director: Anthony Isidore Smart

Director: ______________________

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September 2019 $'000	2018 $'000
Interest income	19	337,258	310,175
Interest expense	20	(172,051)	(149,500)
Net interest income		165,207	160,675
Fees and commissions	21	87,543	55,887
Gain on financial assets	22	21,200	7,664
Foreign exchange loss		(1,800)	(1,351)
Other income	23	874	1,488
Total net income		273,024	224,363
Impairment gain/(loss) net of recoveries	24	10,574	(4,354)
Administrative expenses	25	(39,214)	(37,758)
Other operating expenses	26	(36,033)	(55,815)
Profit before taxation		208,351	126,436
Taxation charge	27	(44,455)	(27,058)
Profit for the year		163,896	99,378

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Note	Year ended 30 September 2019 $'000	2018 $'000
Profit for the year		163,896	99,378
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment net of tax		--	(1,037)
		--	(1,037)
Items that may be reclassified to profit or loss			
Net gains/(losses) on investments in debt instruments designated at FVOCI	18	166,850	(71,476)
Reclassified to amortised cost	18	--	(98)
Net losses on financial assets measured at amortised cost	18	(3,339)	(1,288)
Reclassified to FVOCI	18	--	98
Exchange difference on translation		(10,539)	--
		152,972	(72,764)
Total other comprehensive income/(loss) for the year net of tax		152,972	(73,801)
Total comprehensive income for the year		316,868	25,577

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Share capital $'000	Retained earnings $'000	Fair-value reserves $'000	Total equity $'000
Balance at 1 October 2018	637,697	494,629	(40,766)	1,091,560
Profit for the year	--	163,896	--	163,896
Other comprehensive income				
Net change in investments, net of tax not recognised in the statement of income	--	--	152,972	152,972
Total comprehensive income for the year	--	163,896	152,972	316,868
Transactions with owners				
Dividends	--	(54,658)	--	(54,658)
Total transactions with owners	--	(54,658)	--	(54,658)
Balance at 30 September 2019	637,697	603,867	112,206	1,353,770
Balance at 1 October 2017	637,697	622,642	71,543	1,331,882
Change on initial application of IFRS 9	--	(174,421)	(38,508)	(212,929)
Restated balance as at 1 October 2017	637,697	448,221	33,035	1,118,953
Profit for the year	--	99,378	--	99,378
Other comprehensive loss				
Net change in investments, net of tax not recognised in the statement of income	--	--	(73,801)	(73,801)
Total comprehensive income for the year	--	99,378	(73,801)	25,577
Transactions with owners				
Dividends	--	(52,970)	--	(52,970)
Total transactions with owners	--	(52,970)	--	(52,970)
Balance at 30 September 2018	637,697	494,629	(40,766)	1,091,560

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited and its Subsidiaries

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September 2019 $'000	2018 $'000
Cash flows from operating activities		
Profit before taxation	208,351	126,436
Adjustments to reconcile profit to net cash from operating activities:		
IFRS 9 impairment	(10,574)	4,354
Interest income	(337,258)	(315,365)
Interest received	353,795	290,563
Interest expense	172,051	154,691
Interest paid	(192,685)	(140,413)
Depreciation	3,357	3,890
Loss on revaluation of property, plant and equipment	--	632
Loss on disposal of property, plant and equipment	8	521
Tax impairment	--	10,614
Unrealised foreign exchange gain	(29)	(71)
Unrealised (gain)/loss on financial liabilities at fair value through profit or loss	(1)	27
(Gain)/loss on disposal of financial assets	(2)	(358)
Income taxes paid	(49,603)	(30,467)
Cash flows from operating activities before changes in operating assets and liabilities	147,410	105,054
Net change in fair value through other comprehensive Income financial assets	(621,855)	653,966
Net change in amortised cost financial assets	(365,612)	(1,355,481)
Net change in fair value through profit or loss	13,017	(13,413)
Net change in other assets	(239,380)	(100,355)
Net change in securities sold under repurchase agreements	(127,317)	375,021
Net change in creditors and accrued expenses	392,370	32,582
Net change in other funding instruments	2,278	(10)
Net change in borrowings	708,101	338,409
Net cash flows (used in)/generated from operating activities	(90,987)	35,773
Cash flows from investing activities		
Acquisition of new branch/subsidiary bank account	1,076	23,267
Net change in short term investment	(69)	(1,715)
Proceeds from disposal of financial assets	5	854
Purchase of intangible assets	(1,267)	--
Purchase of property, plant and equipment	(1,721)	(1,183)
Net cash flows (used in)/generated from investing activities	(1,976)	21,223
Cash flows from financing activities		
Receipt/(repayment) of loan from parent company	37,094	(165,922)
Ordinary dividend paid	(54,658)	(52,970)
Net cash flows used in financing activities	(17,564)	(218,892)
Net decrease in cash and cash equivalents	(110,527)	(161,896)
Cash and cash equivalents at beginning of year	330,870	492,766
Cash and cash equivalents at end of year	220,343	330,870

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

1 General information

First Citizens Investment Services Limited ("the Group") is incorporated in the Republic of Trinidad and Tobago. Effective 1 September 2018, the Group acquired 100% ownership of First Citizens Portfolio Investment and Management Services Limited (FCPIMS). The Group operates in Trinidad and Tobago as well as in St. Lucia, St. Vincent and Barbados through branches. Its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 2 February 2009, First Citizens Bank Limited (the Bank) assumed control of the Group. The Bank formally acquired 100% ownership of the Company on 22 May 2009. The Bank is a subsidiary of First Citizens Holdings Limited (the First Citizens Group), a company with a 64.43% 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 shares of First Citizens Investment Services (Barbados) Limited were fully redeemed by the Group on 30 June 2019. The operations of that company became a branch of First Citizens Investment Services Limited effective 1 July 2019. First Citizens Investment Services (Barbados) Limited is now a special entity.

The Group's registered office is 17 Wainwright Street, Port of Spain, Trinidad and Tobago.

The Group's wholly owned subsidiaries are:

- First Citizens Investment Services (Barbados) Limited;
- First Citizens Brokerage and Advisory Services Limited;
- Caribbean Money Market Brokers (Trincity) Limited; and
- FCIS Nominees Limited.
- First Citizens Portfolio Investment and Management Services Limited

2 Summary of significant accounting policies

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

a. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated 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 and financial assets designated at fair value through profit or loss.

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 Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(i) *Standards, amendment and interpretations which are effective and have been adopted by the Group in the current period (continued)*

- 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.

- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendments is to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

- 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:
  - o Whether tax treatments should be considered collectively
  - o Assumptions for taxation authorities' examinations
  - o The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - o The effect of changes in facts and circumstances

(ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:*

- 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 in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.

The Group 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.

2 Summary of significant accounting policies (continued)

b. *Consolidation*

(i) *Principles of consolidation*

The consolidated financial statements include the accounts of the Group and its wholly owned subsidiaries as outlined in Note 1. The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous years'.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Investment in subsidiaries*

Subsidiaries are all entities, (including structured entities) over which the Group has control. First Citizens Investment Services (FCIS Group) controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 **Summary of significant accounting policies (continued)**

c. *Foreign currency translation*

(i) *Functional and presentation currency*

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

The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.6926 = US$1.00 (2018: TT$6.6926 = US$1.00), the TT dollar and the XCD dollar was TT$2.5190 = XC$1.00 (2018: TT$2.5190 = XC$1.00), and the TT dollar and the Barbados dollar was TT$3.4102 = BB$1.00 (2018: TT$3.4102 = BB$1.00), which represented the Group's cover 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. 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 consolidated 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 the 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.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement of income are translated at average cover exchange rates for the financial year, and
(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

d. *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. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The First Citizens Group 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 Group 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 recognised in "Net Investment Income". The interest income from these financial assets is included in "interest Income' using the effective interest rate method.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

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 "Gains from investments securities" 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.

(a) *Group's business model*

The business model reflects how the Group 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 Group's objective is solely to collect the contractual cash flows from the assets or is 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 Trinidad & Tobago (GOTT)	Eurobonds	USD Bonds including Sovereign and Corporate bonds
Non-Eurobonds maturing in greater than 3 years	Treasury Bills	Equity
Loans & receivables	Canadian Treasury Bills	
Securities sold under repurchase agreements to clients and brokers	Non-Eurobonds maturing in less than 3 years	
Long Term Borrowings from brokers in the form of Total Return Swaps	Cash	
Medium Term Notes		

Financial assets are classified on recognition based on the business model for managing the contractual terms of the cash flows.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

(a) *Group's business model (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 Group assesses whether cash flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Group 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 Group 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 Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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 recognised 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.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

(a) *Group's business model (continued)*

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group 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.ii provides more detail of how the expected credit loss allowance is measured.

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).

2 **Summary of significant accounting policies (continued)**

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

(ii) *Financial liabilities*

Classification and subsequent measurement

In both the current and prior period, 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. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group 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.

f. *Impairment of non-financial assets*

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

g. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

2 Summary of significant accounting policies (continued)

h. *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 Group, 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 Group's internally developed model which is based on discounted cash flow analysis.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using input existing at the year end.

The Group uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value unlisted debt securities and other debt securities for which the market has become or is illiquid. Some of the inputs of this model may not be market observable and are therefore based on assumptions.

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

Securities sold subject to sale and repurchase agreements (repos) are retained on the consolidated statement of financial position as investment securities and the counterparty liability is included in Securities sold under repurchase agreement and borrowings.

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

The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

2 **Summary of significant accounting policies (continued)**

j. *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 Group has substantially all the risk and rewards of ownership are classified as finance leases.

(i) *The Group as the lessee*

The Group has entered into operating leases where the total payments made under operating leases are charged to the consolidated 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 consolidated 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 consolidated 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.

(ii) *The Group as the lessor*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the remaining balance of the asset for each period.

2 **Summary of significant accounting policies (continued)**

k. *Property, plant and equipment*

Freehold premises are shown at fair value based on assessments performed by management or by independent valuators every three years, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset.

All other 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of freehold premises are credited to fair value reserves in shareholders' equity. Decreases that affect previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the consolidated statement of income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Depreciation and amortisation are computed on all assets except land.

The provision for depreciation and amortisation is computed using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:-

Buildings	50 years
Equipment and furniture	4- 5 years
Computer equipment and motor vehicles	3- 5 years
Leasehold improvements	Amortised over the life of the lease

The assets' useful lives and residual values are reviewed and adjusted if appropriate at 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 consolidated statement of income. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

2 **Summary of significant accounting policies (continued)**

l. *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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 substantively enacted at the statement of financial position date in the countries where the Bank and its subsidiaries operate and generate taxable 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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a 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 substantively enacted by the statement of financial position date 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference 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.

2 **Summary of significant accounting policies (continued)**

m. *Employee benefits*

(i) *Pension plan – First Citizens 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 First Citizens Group, taking account of the recommendations of independent qualified actuaries.

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 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 Bank'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 Group recognises a cost equal to its contribution payable for its employees in its separate financial statements. Pension contributions for the year amounted to $2 million (September 2018: $1.9 million).

(ii) *Profit sharing and bonus plans*

The Group 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 Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee share ownership plan*

The First Citizens Group established a cash-settled based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the statement of income. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

n. *Cash and due from other Banks*

For purposes of the consolidated statement of cash flows, cash and due from other banks comprise 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".

2 **Summary of significant accounting policies (continued)**

o. *Net interest income and expense*

Interest income and interest expense are recognised in the consolidated statement of income 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, Promissory Notes (PNotes) and accrued discount and premium on treasury bills and other discounted instruments. When a financial asset is impaired, the Group 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.

p. *Dividend income*

Dividends are recognised in the consolidated statement of income when the entity's right to receive payment is established.

q. *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.

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

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.

2 **Summary of significant accounting policies (continued)**

q. *Fee and commission income (continued)*

Brokerage & Advisory fees are generally recognised 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. This also applies to asset management fees (pension fund and private portfolio) related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales These contracts 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 September 2019.

r. *Borrowings*

Borrowings are recognised initially at fair value. Subsequently, borrowings are stated at amortised cost and any difference between proceeds net of transactions costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

s. *Acceptances*

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-statement of financial position transactions and are disclosed as contingent liabilities and commitments.

t. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's Board of Directors. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note when applicable.

u. *Provisions*

Provisions are recognised when the Group 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 obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

v. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Group chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

2 **Summary of significant accounting policies (continued)**

v. *Intangible assets (continued)*

(i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) *Other Intangible assets*

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributes to the assets with flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flow.

(iii) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets when the following criteria are met:-

- It is technically feasible to complete the software and use it
- Management intends to complete the software and use it
- There an ability to use the software
- Adequate technical, financial and other resources to complete the development and to use it
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over their useful lives but not exceeding a period of three years.

w. *Fiduciary activities*

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group (Note 3.d).

3 **Financial risk management**

The Group'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 Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group'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 Group 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.

3 **Financial risk management (continued)**

a. *Credit risk*

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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Expected credit loss measurement*

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarised 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.v 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.v for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 3.a.vii 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.ix).

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

Stage 1	Stage 2	Stage 3
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(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 September 2019.

(iv) *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

(v) *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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(v) *Definition of default and credit-impaired assets (continued)*

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.

(vi) *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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(vi) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)*

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.

(vii) *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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(vii) *Forward-looking information incorporated in the ECL models (continued)*

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 and collateral valuations.

(viii) *Risk limit control and mitigation policies*

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, or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and by country are approved annually by the Group's Board of Directors. Actual exposures against limits are monitored regularly and reported to the Group's Risk Management Committee and 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 investee or industries. The ranking is guided by a model developed for the Group for this purpose. The model utilises a scale incorporating scores of 1 to 8 with 1 being the least risky. These have been considered into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a smaller limit being assigned to the more risky industries.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(viii) *Risk limit control and mitigation policies (continued)*

(b) *Country exposure limits*

Exposure limits have been established for selected countries which are considered to be within the Group's off-shore target market. Five risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral to secure investments, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Liquidity support agreement

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. The Bank committed to reimburse FCIS for any losses incurred by FCIS against which the Bank has been indemnified.

Losses which are covered under the LSA include losses in respect of balances due from CL Financial and its affiliates accruing from the date that CMMB was acquired by the Bank to the greater of the maturity date of the obligation or 6 years from the date of completion of the share transfer of CMMB to the Bank.

The Ministry of Finance continues to recognize its commitment under the LSA agreement by way of granting consecutive extensions under the Liquidity Support Agreement for the periods: 16 May 2015 to 15 November 2016, 15 November 2016 to 14 November 2017, 15 November 2017 to 14 November 2018 15 November 2018 to 14 November 2019and subsequently 15 November 2019 to 28 February 2021. Additionally, the Ministry of Finance has made good and settled in full subsequent claims#1 to 10 which was made for losses and expenses incurred resulting from obligations commensurate with the Liquidity Support Agreement.

The Ministry of Finance in its response in letter dated 3 September 2019 has agreed to another extension for a 28 month period effective from 15 November 2019 to 28 February 2021 commensurate under the Liquidity Support Agreement dated 15 May 2009, in which interest continues to accrue at 4% and 5% for the CL Financial USD PNOTE and the CL Financial TTD commercial paper respectively. As at the statement of financial position date, the amount of Promissory Notes due to was US$100,841,820 and the amount of the Commercial Paper due TT$241,239,771. The liquidity support agreement extension was executed on 3 September 2019. These are classified as amortised cost in the Statement of Financial Position as at September 2019.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ix) *Maximum exposure to credit risk before collateral held or other credit enhancement*

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

	Gross maximum exposure Sept 2019	Gross maximum exposure Sept 2018
		$'000
Cash and due from other banks	225,842	336,301
Financial assets		
- Fair value through other comprehensive income	3,638,256	2,859,098
- Amortised cost	4,066,250	3,972,367
- Fair value through profit or loss	--	13,413
Other assets	17,057	130,232
	7,947,405	7,311,411

The above table represents a worst case scenario of credit risk exposure to the Group at 30 30 September 2019 and 2018, without taking account of any collateral held or other credit enhancements attached. For on-consolidated statement of financial position assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-consolidated statement of financial position items.

As shown above, 3% of the total maximum exposure is derived from cash and due from other banks and receivables (September 2018: 6.6%); while 97% represents investments in other debt securities (September 2018: 93.4%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its cash and due from other banks and assets held at amortised cost portfolio and its other debt securities based on the following:

- The Group has introduced a more stringent selection process for investing in securities with none of the impaired assets coming from new investments made in the current financial year.
- The collateral package or financial assurances in place in support of receivables minimises the probability of losses on this portfolio.
- For September 2019, more than 56% (September 2018: 58%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor's Ratings.
- As per Note 3.a.vii 'Risk limit control and mitigation policies- Liquidity Support Agreement', management is confident that given the agreement to transfer the benefits of such assurances by First Citizens Bank Limited to the Group, the Group would realise no losses on these assets. The amount outstanding to FCIS stood at TT$241,239,771 and US$100,841,820 as at September 2019 (September 2018: TT$232 million and US$97.8 million) and continues to accrue interest.
- The Group's portfolio carries a significant concentration of credit risk to Government of Barbados securities from Barbados which at the Balance Sheet date accounted for 4% of the value of Investment Securities (September 2018: 4%).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(x) *Financial assets*

Included in amortised cost are amounts due from CL Financial and its affiliates of $916 million which matured but are indemnified under the Liquidity Support Agreement (LSA) (September 2018: $887 million). All principal and interest payments due on these advances are covered under the LSA as detailed in note 3.a.ix.

Furtherance, the material indemnified amount outstanding under the Liquidity Support Agreement represents certain Promissory Note and Commercial Paper obligations which were and are due and owing by CL Financial Limited to CMMB (now First Citizens Investment Services Limited ("FCIS"). The GORTT has since petitioned the Court to wind up CL Financial on the basis that the CL Financial Group was unable to pay its debts and or that it was just and equitable that the CL Financial Group be wound up. On 25 July 2017, the Court of Appeal, ordered the appointment of a joint provisional liquidator over the assets of CL Financial pending the determination of the winding up petition.

It is against this background that management made a formal claim/demand by the submissions of (Claim #11) indicating the Bank's intention to claim the full settlement by 30 September 2019 in accordance with the Bank's right to be indemnified in respect of those obligations under the terms of the LSA.

The GORTT in its letter dated 5 September 2019 stated its execution of an extension of the LSA for the period 15 November 2019 to 28 February 2021.

As at the statement of financial position date, the amount of Promissory Notes due was US$101,328,061 and the amount of the Commercial Paper due TT$250,905,604.

(xi) *Debt and other investment securities*

The table below presents an analysis of debt and other investment securities by internal, external and equivalent rating agency designation.

30 September 2019

	Fair value through other comprehensive income-securities $'000	Amortised cost securities $'000	Fair value through profit and loss $'000	Total $'000
Investment grade	2,570,168	1,602,170	--	4,172,338
Speculative grade	1,068,088	2,147,737	--	3,215,825
Default	--	316,343	--	316,343
Total	3,638,256	4,066,250	--	7,704,506

30 September 2018

	Fair value through other comprehensive income-securities $'000	Amortised cost securities $'000	Fair value through profit and loss $'000	Total $'000
Investment grade	2,122,273	1,694,042	13,413	3,829,728
Speculative grade	736,825	1,783,150	--	2,519,975
Default	--	495,175	--	495,175
Total	2,859,098	3,972,367	13,413	6,844,878

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *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 Group's maximum exposure to credit risk on these assets.

	Investments 30 September 2019				
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Credit rating					
Investment grade	4,215,119	--	--	--	4,215,119
Non investment grade	3,110,049	50,408	12,586	--	3,173,043
Default	--	--	--	316,343	316,343
Gross investments	7,325,168	50,408	12,586	316,343	7,704,505
Loss allowance -	(17,655)	(4,166)	(5,954)	--	(27,775)
Carrying balance	7,307,513	46,242	6,632	316,343	7,676,730

	Investments 30 September 2018				
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Credit rating					
Investment grade	5,063,552	--	--	--	5,063,552
Non investment grade	1,267,228	23,030	--	--	1,290,258
Default	--	--	495,178	--	495,178
Gross investments	6,330,780	23,030	495,178	--	6,848,988
Loss allowance	(16,667)	(2,395)	(165,646)	--	(184,708)
Carrying balance	6,314,113	20,635	329,532	--	6,664,280

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *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 .
- The Government of Barbados Series D bonds are recognised as at 1 October 2018 as Purchased or Originated Credit Impaired (POCI). These bonds originated at a deep discount that reflects incurred credit losses. An effective interest rate based in the expected cash flows net of expected credit losses is used. This is known as the Credit Adjusted Effective Interest Rate (CAEIR). The POCI value at 30 September 2019 was 69.76 with a face value of BBD131,997,672
- The total amount of undiscounted expected credit losses at initial recognition for Originated credit-impaired financial assets recognised during the period was BBD41,911,240 of total gross cash flows BBD309,678,913.29.

Investments

	Stage 1 12-month ECL $'000	Sage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Gross carrying balance as at 1 October 2018	6,326,669	23,030	495,178	--	6,844,877
Transfer from stage 1 to stage 2	(36,137)	36,137	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	8,223	(8,223)	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
New financial assets originated	732,752	--	--	293,257	1,026,009
Disposal/Maturities of investment	(514,954)	--	(477,441)		(992,395)
Unwind of discounts	808,612		1,779	23,086	833,477
FX and other movements	2	(536)	(6,929)		(7,463)
Gross carrying balance as at 30 September 2019	7,325,167	50,408	12,587	316,343	7,704,505

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

Investments

	Stage 1 12-month ECL $'000	Sage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Gross carrying balance as at 1 October 2017	5,774,839	461,233	12,822	--	6,248,894
Transfer from stage 1 to stage 2	(15,301)	15,301	--	--	--
Transfer from stage 1 to stage 3	(36,263)	--	36,263	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to stage 3	--	(454,167)	454,167	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	2,209,660	--	--	--	2,209,660
Disposals/Maturities of investment	(1,455,803)	--	--	--	(1,455,803)
Unwind of discounts	--	--	--	--	--
FX and other movements	(150,463)	664	(8,074)	--	(157,873)
Gross carrying balance as at 30 September 2018	6,326,669	23,031	495,178	--	6,844,878

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Loss allowance as at 1 October 2018	(16,920)	(2,395)	(165,393)	--	(184,708)
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	51	(51)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	(1,040)	1,040	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	(1,477)	--	--	--	(1,477)
Change in PDS/LGDs/EADs	1,144	(2,760)	4,092	--	2,476
Disposal of Investment	587	--	--	--	587
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements (Maturities/Sales)	--	--	--	--	--
Total net P&L charge during the period	(735)	(1,771)	4,092	--	1,586
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Financial assets derecognised during the period	--	--	155,347	--	155,347
Write-offs	--	--	--	--	--
Loss allowance as at 30 September 2019	(17,655)	(4,166)	(5,954)	--	(27,775)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Loss allowance as at 1 October 2017	(53,496)	(120,925)	(5,954)	--	(180,375)
Movement with P&L Impact					
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	34,119	--	(34,119)	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to 3	--	117,444	(117,444)	--	--
New financial assets originated	(347)	--	--	--	(347)
Change in PDS/LGDs/EADs	2,571	1,085	(8,128)	--	(4,472)
Disposal of Investment	486	--	--	--	486
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements (Maturities/Sales)	--	--	--	--	--
Total net P&L charge during the period	36,829	118,529	(159,691)	--	(4,333)
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Financial assets derecognised during the period	--	--	--	--	--
Write-offs	--	--	--	--	--
Loss allowance as at 30 September 2018	(16,667)	(2,396)	(165,645)	--	(184,708)

(xiv) *Write-off policy*

The Group 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 group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Group 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 2019 was nil (2018: $112.7 million). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xv) *Concentration of risks of financial assets with credit risk exposure – Geographical sectors*

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2019. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. The Group's investment portfolio comprising cash and cash equivalents, financial assets – receivables, fair value through other comprehensive income, amortised cost, held for trading and repurchase receivables is diversified across 28 countries. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into five regional sectors and the sector concentrations within the portfolio are as follows:

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2019						
Cash and due from other Banks	--	8,856	--	216,986	--	225,842
Financial assets:						
- FV through OCI	408,269	1,107,930	646,718	1,357,283	113,393	3,633,593
- Amortised cost	--	--	--	4,043,138	--	4,043,138
- FV through P&L	--	--	--	--	--	--
Other assets	--	--	--	17,057	--	17,057
At 30 September 2019	408,269	1,116,786	646,718	5,634,464	113,393	7,919,630

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2018						
Cash and due from other Banks	--	23,763	--	312,538	--	336,301
Financial assets:						
- FV through OCI	406,982	638,173	503,311	1,207,945	94,626	2,851,037
- Amortised cost	--	--	--	3,795,721	--	3,795,721
- FV through P&L	--	13,413	--	--	--	13,413
Other assets	--	--	--	124,543	5,689	130,232
At 30 September 2018	406,982	675,349	503,311	5,440,747	100,315	7,126,704

3 **Financial risk management (continued)**

b. *Market risk*

The Group 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 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 and equity prices.

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 Management Enterprise Risk Committee on a regular basis and also reports via the Enterprise Risk Unit to the Board Enterprise Risk 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 are those positions entered into primarily to take advantage of market movements to generate capital gains.

Non-trading portfolios primarily arise from investments held as collateral for repurchase agreements. Non-trading portfolios also entail foreign exchange and equity risks arising from the Group's amortised cost and fair value through other comprehensive income investments.

(i) *Market risk measurement techniques*

As part of the management of market risk, the Group 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 Group 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 Group's, trading and non-trading portfolios, 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 Group might lose, at a certain level of confidence (99%) under normal market conditions.

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.

If the Group were to stress the portfolio at 30 September 2019 based on a 100 basis point (1%) upward parallel shift in all yield curves, this would result in mark to market losses of $168 million (September 2018: $349 million).

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

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Market risk measurement techniques (continued)*

Currency risk sensitivity

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

	US $'000	Euro $'000	EC $'000	Other $'000
At 30 September 2019				
Gain/(loss)	25,490	--	(6,052)	(5,860)
At 30 September 2018				
Gain/(loss)	16,638	50,726	(5,126)	(634)

Group VAR by portfolio

	30 September 2019			30 September 2018		
	Average $'000	High $'000	Low $'000	Average $'000	High $'000	Low $'000
Trading	12,034	18,786	8,592	6,638	11,926	4,782
Non-trading	12,900	16,690	9,253	10,773	11,488	9,921
Total VAR	24,934	35,476	17,845	17,411	23,414	14,703

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk*

The Group 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 Group not to engage in speculative foreign exchange activities. The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Group'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 Group does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2019. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
At 30 September 2019						
Assets						
Cash and due from other Banks	101,206	59,310	80	55,433	9,813	225,842
Financial assets						
- Fair value through other comprehensive income	83,282	3,457,443	--	100,203	1,085	3,642,013
- Amortised cost	1,813,513	968,921	--	919,476	341,228	4,043,138
- Fair value through profit or loss	--	147	--	--	396	543
Other assets	10,476	2,605	--	2,489	1,486	17,056
Total assets	2,008,477	4,488,426	80	1,077,601	354,008	7,928,592
Liabilities						
Borrowings	198,477	1,960,362	--	--	--	2,158,839
Funds under management	4,803	487	80	19,002	1,376	25,748
Securities sold under repurchase agreements	1,173,226	1,105,737	--	1,259,402	362,148	3,900,513
Loan from parent company	--	372,338	--	--	--	372,338
Creditors and accrued expenses	49,029	4,907	--	12,707	48,654	115,297
Total liabilities	1,425,535	3,443,831	80	1,291,111	412,178	6,572,735
Net on-consolidated statement of financial position	582,942	1,044,595	--	(213,510)	(58,170)	1,355,857

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk (continued)*

At 30 September 2018	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
Assets						
Cash and due from other Banks	101,833	78,800	2,114	101,525	52,029	336,301
Financial assets						
- Fair value through other comprehensive income	158,974	2,565,722	--	130,448	--	2,855,144
- Amortised cost	1,910,241	869,982	--	689,293	326,205	3,795,721
- Fair value through profit or loss	5	13,557	--	--	290	13,852
Other assets	100,899	24,346	--	4,147	840	130,232
Total assets	2,271,952	3,552,407	2,114	925,413	379,364	7,131,250
Liabilities						
Borrowings	198,458	1,252,280	--	--	--	1,450,738
Funds under management	5,981	502	85	16,901	1,960	25,429
Securities sold under repurchase agreements	1,311,609	1,358,609	--	1,041,485	400,856	4,112,559
Loan from parent company	50,099	272,544	--	12,600	--	335,243
Creditors and accrued expenses	115,070	2,964	--	59,451	1,901	179,386
Total liabilities	1,681,217	2,886,899	85	1,130,437	404,717	6,103,355
Net on-consolidated statement of financial position	590,735	665,508	2,029	(205,024)	(25,353)	1,027,895

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Barbados and Yen. A 1% increase or decrease in any of these currencies would not significantly impact the Group's profit.

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would decrease by $23.9 million (September 2018: $16.6 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(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 re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. 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 Group's 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 Group's exposure to interest rate risks.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-Interest bearing $'000	Total $'000
At 30 September 2019							
Assets							
Cash and due from other Banks	193,670	--	6,206	--	--	25,966	225,842
Financial assets							
- Fair value through other comprehensive income	7,648	403,344	121,808	447,466	2,653,326	--	3,633,592
- Amortised cost	--	937,331	84,346	901,985	2,119,476	--	4,043,138
- Fair value through profit or loss	--	--	--	--	--	--	--
Other assets	404	--	--	--	--	16,653	17,057
Total assets	201,722	1,340,675	212,360	1,349,451	4,772,802	42,619	7,919,629
Borrowings	--	18,889	1,102,597	1,037,353	--	--	2,158,839
Funds under management	25,748	--	--	--	--	--	25,748
Securities sold under repurchase agreements	306,865	444,349	2,709,984	439,315	--	--	3,900,513
Loan from parent company	--	99,250	--	273,088	--	--	372,338
Creditors and accrued expenses	74,079	--	--	83	--	41,135	115,297
Total liabilities	406,692	562,488	3,812,581	1,749,839	--	41,135	6,572,735
Interest sensitivity gap	(204,970)	778,187	(3,600,221)	(400,388)	4,772,802	1,484	1,346,894

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2018							
Assets							
Cash and due from other Banks	310,422	--	--	--	--	25,879	336,301
Financial assets							
- Fair value through other comprehensive income	30,986	53,127	66,250	564,950	2,135,725	--	2,851,038
- Amortised cost	--	893,191	24,157	968,926	1,909,447	--	3,795,721
- Fair value through profit or loss	--	--	--	--	13,413	--	13,413
Other assets	504	--	--	--	--	129,728	130,232
Total assets	341,912	946,318	90,407	1,533,876	4,058,585	155,607	7,126,705
Borrowings	--	1,016,075	1,719	432,944	--	--	1,450,738
Funds under management	25,429	--	--	--	--	--	25,429
Securities sold under repurchase agreements	118,788	768,177	2,806,399	419,195	--	--	4,112,559
Loan from parent company	62,696	--	272,547	--	--	--	335,243
Creditors and accrued expenses	9,873	--	--	228	--	169,285	179,386
Total liabilities	216,786	1,784,252	3,080,665	852,367	--	169,285	6,103,355
Interest sensitivity gap	125,126	(837,934)	(2,990,258)	681,509	4,058,585	(13,678)	1,023,350

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. If interest rates were to move by 1%, the impact on net interest income will be $11.9 million (September 2018: $12.6 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(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 Group 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.

c. *Liquidity risk*

The liquidity risk is the risk that the Group 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 fluctuation in cash flows. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and funds under management, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group 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 First Citizens Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset/Liability Committee (ALCO). The First Citizens 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 Group 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 Group 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 and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

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

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

The table below analyses financial assets and liabilities of the Group by remaining contractual maturities at the consolidated statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2019						
Assets						
Cash and due from other Banks	225,842	--	--	--	--	225,842
Financial assets						
- Fair value through other comprehensive income	324,058	123,621	339,234	931,737	2,942,814	4,661,464
- Amortised cost	9,045	991,721	140,856	1,266,875	2,367,473	4,775,970
- Fair value through profit or loss	--	--	--	--	--	--
Other assets	17,057	--	--	--	--	17,057
Total assets	576,002	1,115,342	480,090	2,198,612	5,310,287	9,680,333
Liabilities						
Borrowings	--	20,398	1,120,833	1,037,353	--	2,178,584
Funds under management	25,748	--	--	--	--	25,748
Securities sold under repurchase agreements	307,206	883,032	2,316,388	468,135	--	3,974,761
Loan from parent company	--	99,899	--	299,323	--	399,222
Creditors and accrued expenses	115,297	--	--	--	--	115,297
Total liabilities	448,251	1,003,329	3,437,221	1,804,811	--	6,693,612
Net liquidity gap	127,751	112,013	(2,957,131)	393,801	5,310,287	2,986,721

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2018						
Assets						
Cash and due from other Banks	336,301	--	--	--	--	336,301
Financial assets						
- Fair value through other comprehensive income	43,819	66,087	132,109	1,413,229	2,270,108	3,925,352
- Amortised cost	8,632	806,063	446,884	950,532	2,176,210	4,388,321
- Fair value through profit or loss	134	--	408	2,168	14,888	17,598
Other assets	130,232	--	--	--	--	130,232
Total assets	519,118	872,150	579,401	2,365,929	4,461,206	8,797,804
Liabilities						
Borrowings	--	1,019,320	15,628	445,085	--	1,480,033
Funds under management	25,429	--	--	--	--	25,429
Securities sold under repurchase agreements	119,494	770,736	2,858,374	435,720	--	4,184,324
Loan from parent company	77,591	--	278,791	--	--	356,382
Creditors and accrued expenses	179,047	46	185	108	--	179,386
Total liabilities	401,561	1,790,102	3,152,978	880,913	--	6,225,554
Net liquidity gap	117,557	(917,952)	(2,573,577)	1,485,016	4,461,206	2,572,250

Assets available to meet all of the Group's liabilities include cash and due from other banks; receivables and liquid debt securities. In the normal course of business, a proportion of liabilities to customers under securities sold under repurchase agreements repayable within one year will be extended. The Group 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 and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(i) *Assets held for managing liquidity risk*

The Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash deposits at Bank
(b) Government bonds
(c) Secondary sources of liquidity in the form of liquid instruments in the Group's investment portfolios.

(ii) *Loan commitments*

As at 30 September 2019 the Group has no financial instruments that commit it to taking up new receivables or other debt securities (September 2018: nil).

(iii) *Operating lease commitments*

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases, are summarised in the table below. Included in operating expenses for the twelve months to 30 September 2019 is an amount of $964,804 (September 2018: $1.6 million) representing payments under operating leases.

(iv) *Lease commitments*

The Group is committed to the following operating lease payments:

	30 September 2019 $000	30 September 2018 $'000
Up to one year	1,422	1,493
One to five years	611	2,033

(v) *Capital commitments*

At 30 September 2019, the Group had capital commitments to the value of $9,612,854 (September 2018: $679,930).

d. *Fiduciary activities*

The Group provides custody, mutual funds and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

3 **Financial risk management (continued)**

e. *Fair value of financial assets and liabilities*

(i) *Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

	Carrying value		Fair value	
	Sept 2019 $000	**Sept 2018 $'000**	**Sept 2019 $000**	**Sept 2018 $'000**
Financial assets				
Cash and due from other Banks	225,842	336,301	225,842	336,301
Amortised cost	4,043,138	3,677,374	4,144,015	3,817,228
Other assets	17,057	130,232	17,057	130,232
Financial liabilities				
Short term borrowings and bank overdraft	2,158,839	1,450,738	2,233,619	2,005,574
Funds under management	25,748	25,429	25,748	25,429
Securities sold under repurchase agreement	3,900,513	4,112,559	4,001,867	4,465,924
Loan from parent company	372,338	335,243	374,825	333,225
Creditors and accrued expenses	115,297	179,386	115,297	179,386

The fair values of the Group's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS) 9 "Financial instruments: Recognition and Measurement". The fair value of the 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 represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3 **Financial risk management (continued)**

e. *Fair value of financial assets and liabilities (continued)*

(i) *Financial instruments not measured at fair value (continued)*

Amortised cost investments

Fair value for amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the amortised cost portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments.

Borrowings and Securities sold under Repurchase Agreements

Fair value of Repos is based on market value of underlying securities inclusive of interest not including ECL provisions. The Fair value for Borrowings is based on the market value of all other securities inclusive of interest excluding ECL provisions plus all cash borrowings held with brokers. This fair value is calculated for disclosure purposes only.

Due to customers

Amounts due to customer include funds under management and securities sold under repurchase agreements. These have maturities ranging from 1 day to 5 years and are subject to interest reset on a regular basis. The fair value of those amounts with maturities of less than one year is approximately equal to their carrying value. For long term fixed rate liabilities, the fair value of these amounts is estimated using fair value of the underlying securities and accrued finance cost to date.

Loan from parent company

The fair value of these facilities is calculated using discounted cash flow analysis of comparable GORTT borrowing rates for the term indicated, plus a spread consistent with the parent company credit rating September 2019 $374million (September 2018: $334.9million). These facilities accrues interest rates of 3 months LIBOR plus 1.75% and 4% respectively.

(ii) *Financial instruments measured at fair value using a valuation technique*

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period September 2019: $nil (September 2018: nil).

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

3 **Financial risk management (continued)**

e. *Fair value of financial assets and liabilities (continued)*

(ii) *Financial instruments measured at fair value using a valuation technique (continued)*

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 September 2019				
Fair value securities				
- Investment securities - debt	--	3,453,474	184,782	3,638,256
- Investment securities - equity	543	--	8,421	8,964
Total assets	543	3,453,474	193,203	3,647,220
As at 30 September 2018				
Fair value securities				
- Investment securities - debt	--	2,619,640	239,458	2,859,098
- Investment securities - equity	439	--	4,108	4,547
Total assets	439	2,619,640	243,566	2,863,645

Transfer of debt securities to level 3 were due to observable inputs being less readily available. There were no transfers between Level 1 and Level 2 during the year. Reconciliation of Level 3 items are as follows:-

Reconciliation of Level 3 items

	Equity $	Debt $	Total $
Balance as at 1 October 2018	4,108	239,458	243,566
- Fair value through other comprehensive income	3,227	--	3,227
- Fair value through profit & loss	--	798	798
Additions	1,086	3,230	4,316
Transfer to amortised cost	--	--	--
Disposals	--	(59,325)	(59,325)
Accrued interest	--	(361)	(361)
Amortisation	--	982	982
Balance as at 30 September 2019	8,421	184,782	193,203

3 **Financial risk management (continued)**

f. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. The Group 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

g. *Capital management*

The Group'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 requirement set by the regulators under the Financial Institutions Act (2008);
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To ensure that the Group can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Group is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Commission), for supervisory purposes. The required information is filed with the Commission on a regular basis as required.

The Commission requires each securities company to hold the minimum paid up share capital of Five Million Trinidad and Tobago dollars. In addition to the minimum level of regulatory capital, the Group's management also monitors capital adequacy using relevant national and international benchmarks. Capital adequacy calculations are reported monthly to the Group's Risk and Portfolio Strategy Committee, the Risk Management Committee and the Board of Directors.

During the past two years, the Group complied with all of the externally imposed capital requirements to which it is subject.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

(i) *Financial assets at FVOCI*

The Group uses the discounted cash flow method to determine the fair value of fair value through other comprehensive income financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of fair value of fair value through other comprehensive income financial assets would decrease by $203.47 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2018 - $302.41 million).

The Group's credit spread methodology utilises gradient tenors and currency specific spreads. The appropriate credit spread for the agency or corporate fixed income security is determined using a cubic spline interpolation of the appropriate currency and credit rating category in the credit spread matrix based on the remaining tenor of the facility. This singular credit spread is then added to the discount spot rates to value the facility using the discounted cashflow method. In June 2017 Group Market Risk revised this methodology to reflect the credit risk of the facility as the credit risk on a per cash flow basis, and no longer on the full maturity of the facility. This resulted in moving from applying a single credit spread based on term to maturity, to multiple credit spreads based on each cash flow's term to maturity.

There were no changes to the Credit Spread Methodology this year.

The models used to determine fair values are validated and periodically reviewed by experienced personnel at Group Market Risk.

(ii) *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.vi, 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.

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

(iii) *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 classified as POCI, which was valued 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.

(iv) *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.

(v) *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 reorganisation 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 Group received new GoB instruments in connection with an IMF supported debt restructure effective 1 October 2018. Under the terms of the restructure, the Group received new instruments with maturities ranging from fifteen to thirty-five years. The Group recorded an impairment of approximately BBD 47M on these instruments in the audited financial statements for 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.

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

(v) *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 recognised 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 September 2019 the CAEIR interest income on the cash flows represented an accretion value of BBD 4.18. The repayment of the cash flows amounted to BBD1.38 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 recognised change in the ECL stood at BB 2.33 as at September 2019. Therefore, the POCI value for the GoB Series D bonds was BBD 69.76 and the face value BBD 131,997,672 as at September 2019.

The impact to FCIS GoB bond exposure is reflected below:

FCIS SERIES D CONSOL POCI IMPACT	POCI value movements (rounded)	Face Values	CONSOL Sept	Statement of Financial Position Impact	Statement of Income Impact
1 October 2018 value	**64.63**	**131,997,672**	**BBD**	**TTD**	**TTD**
Investment accretion	4.18	131,997,672	5,522,286	18,832,101	18,832,101
Investment cash flows received	(1.38)	131,997,672	(1,814,968)	(6,189,404)	--
ECL remeasurement	2.33	131,997,672	3,062,346	10,443,212	10,443,212
30 September 2019	**69.76**		**6,769,664**	**23,085,909**	**29,275,313**

4 **Critical accounting estimates and judgments in applying accounting policies (continued)**

(vi) *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. 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 Group is subject to income tax in various jurisdictions. 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.

(vii) *Fair valuation of properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making the judgement, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount.
- The Group engaged external, independent and qualified valuators to determine the fair value of The Group's land and buildings. The valuations were performed in September 2018. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years (Note 10 a. ii)

The valuations are based on current market conditions and thus may change in the future.

(viii) *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.

4 **Critical accounting estimates and judgments in applying accounting policies (continued)**

(ix) *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 recognised at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time	No changes required
Wealth Management	Revenue are recognised at a point in time upon full completion of the scope of works to the contract	There is no 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 recognised at a point in time upon full completion of the scope of works to the contract, however, for Initial Public offerings the performance obligation maybe specific to stage of completion of the services delivered	The separation of the performance obligation would be specific to the engagement and agreement with the client	For IPO fees it would be based on separation of performance obligation as per the contact, this would be over time.	As at 30 September 2019 the impact on the adopting of IFRS15 would be Nil because there were no contract of that nature at the balance sheet date.
Pension Fund & Private Portfolio	Revenue are recognised in accordance with pre-approved fees as per the contract, over the period the service is provided	The separation of the performance obligation would be specific to the agreement with the client	Based on the separation of the performance obligation as per the contract, this would be overtime.	No changes required
Other	Revenue are recognised at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time	No changes required

The impact from the transition to IFRS 15 as at 30 September 2019 is Nil.

5 Cash and due from other Banks

	2019 $000	2018 $000
Cash and bank balances	219,636	330,173
Short-term investments	6,206	6,128
	225,842	336,301
Short-term investments:		
- Maturity within 3 months	707	698
- Maturity over 3 months	5,499	5,430
	6,206	6,128

The average effective interest rate on bank deposits was 0.24% (2018: 0.16%).
Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flow:

Cash balances	56,110	116,375
Short-term investments – maturity within 3 months	707	698
Due from other banks	163,526	213,797
	220,343	330,870

6 Financial assets – fair value through other comprehensive income

	2019 $'000	2018 $'000
Debt securities		
GORTT and state owned enterprises	519,959	509,144
Listed	2,580,808	2,110,496
Unlisted	537,488	239,458
	3,638,255	2,859,098
Less provision for impairment	(4,663)	(8,062)
	3,633,592	2,851,036
Equity securities		
Listed	--	--
Unlisted	8,421	4,108
Subtotal equities	8,421	4,108
	3,642,013	2,855,144

6 Financial assets – fair value through other comprehensive income (continued)

The movement in financial assets fair value through other comprehensive income may be summarised as follows:

	2019 $'000	2018 $'000
Opening position IAS 39	--	3,831,364
Adjustment for reclass	--	(1,542,726)
Adjustment for remeasurement	--	(8,072)
At start of year	2,855,144	2,280,566
Exchange difference	2	(8)
Additions	1,156,333	1,525,184
Disposals	(613,177)	(789,716)
Reclassification	--	--
Gains/(losses) from changes in fair value	240,312	(160,440)
Net movement in provisions	3,399	(442)
At end of year	3,642,013	2,855,144

As at 30 September 2019 there were no securities pledged under the Company's bank overdraft and short term borrowings (2018: nil). At the statement of financial position date all repurchase agreements were securitised by an underlying security.

Included in these are financial assets amounting to $3.58 billon (2018: $2.9 billion) that have been pledged to third parties under sale and repurchase agreement. These amounts do not include ECL provision and Fair Value Movements.

Included in these pledged assets, are financial assets amounting to $2.14 billion (2018: $2.3 billion) where the title was transferred under securities sold under repurchase agreements.

7 Financial assets – amortised cost

Debt securities	2019 $'000	2018 $'000
GORTT & state owned enterprises	1,237,531	1,467,427
Listed	87,662	98,022
Unlisted	1,779,111	1,478,325
Corporate	949,358	914,457
Individuals	12,587	14,136
	4,066,249	3,972,367
Less provision for impairment	(23,111)	(176,646)
	4,043,138	3,795,721

7 Financial assets – amortised cost (continued)

The movement for the year may be summarised as follows:

	2019 $'000	2018 $'000
Opening position IAS 39	--	2,489,422
Adjustment for reclass	--	1,542,330
Adjustment for remeasurement	--	(220,485)
At beginning of year	3,795,721	3,811,267
Exchange difference	18	(14)
Additions	1,260,379	981,671
Redemptions	(1,140,617)	(991,737)
Impairment on financial assets	109,462	1,355
Net amortisation of discounts	9,427	3,694
Amortisation of unrealised gains on reclassified assets	11,141	(3,088)
Movement of provision for impairment	(2,393)	(7,427)
At end of year	4,043,138	3,795,721

Included in these are financial assets amounting to $3.17 billion (2018: $2.76 billion) billion that have been pledged to third parties under sale and repurchase agreements. These amounts do not include ECL provision.

Included in these pledged assets, are financial assets amounting to $2.94 billion (2018: $2.5 billion) where title was transferred under securities sold under repurchase agreements.

8 Financial assets - fair value through profit or loss

	2019 $'000	2018 $'000
Bonds	--	13,413
Listed equity	543	439
	543	13,852

The movement for the year may be summarised as follows:

	2019	2018
Opening position	13,852	655
Adjustment for reclass	--	396
At start of year	13,852	1,051
Additions	109	13,462
Disposals	(13,465)	(618)
Gain/(loss) from changes in fair value	47	(60)
Reclassification to fair value through profit or loss	--	17
	543	13,852

The above securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the Group's financial instruments is reported to management on that basis.

9 Intangible assets

This comprises an investment in computer software that was brought into use as at June 2018 and May 2012. Movements are as follows:

	2019 $'000	2018 $'000
At beginning of the year	849	849
Additions	1,267	--
Less: Disposals	(1,883)	--
Disposal – Acc depreciation	1,883	--
At end of year	2,116	849
Cost	27,768	28,385
Accumulated amortisation and impairment	(25,652)	(27,536)
Net book amount	2,116	849

10 **Property and equipment**

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2019							
Opening net book amount	54,017	2,321	1,074	1,393	673	–	59,478
Additions	–	–	20	1,273	120	308	1,721
Disposals	–	–	–	–	(30)	–	(30)
Depreciation charge	(827)	(842)	(510)	(892)	(286)	–	(3,357)
Depreciation charge on disposal	–	–	–	–	20	–	20
Closing net book amount	53,190	1,479	584	1,774	497	308	57,832
At 30 September 2019							
Cost/revaluation	59,423	5,893	14,176	4,397	2,746	308	86,943
Accumulated depreciation	(6,233)	(4,414)	(13,592)	(2,623)	(2,249)	–	(29,111)
Net book amount	53,190	1,479	584	1,774	497	308	57,832

10 **Property and equipment (continued)**

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2018							
Opening net book amount	56,337	3,068	1,999	1,831	244	472	63,951
Additions	–	79	59	871	174	–	1,183
Disposals	–	(7,885)	(46)	(1,741)	(121)	–	(9,793)
Revaluation	(1,245)	–	–	–	–	–	(1,245)
Transfers	–	–	–	–	472	(472)	–
Depreciation charge	(1,075)	(826)	(984)	(813)	(192)	–	(3,890)
Depreciation charge on disposal	–	7,885	46	1,245	96	–	9,272
Closing net book amount	54,017	2,321	1,074	1,393	673	–	59,478
At 30 September 2018							
Cost/revaluation	59,423	5,893	14,156	3,124	2,656	–	85,252
Accumulated depreciation	(5,406)	(3,572)	(13,082)	(1,731)	(1,983)	–	(25,774)
Net book amount	54,017	2,321	1,074	1,393	673	–	59,478
At 30 September 2017							
Cost/revaluation	60,668	13,699	14,143	3,994	2,131	513	95,148
Accumulated depreciation	(4,331)	(10,631)	(12,144)	(2,163)	(1,887)	(41)	(31,197)
Net book amount	56,337	3,068	1,999	1,831	244	472	63,951

10 **Property, plant and equipment (continued)**

a. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets carried at fair value into the three levels prescribed under the accounting standards.

Level 3	**2019 $000**	**2018 $000**
Building on lease land	26,168	26,800
Land and building	17,371	25,567
Freehold land	1,650	1,650
	45,189	54,017

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Note 10 – PPE: Land and Building includes leasehold land TTD$8.4 million.

(ii) *Valuation techniques used to determine level 2 and level 3 fair values*

The Group engages external, independent and qualified valuators to determine the fair value of the Group's land and buildings. The last valuations were performed in September 2018. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

The basis of valuation is the market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

At the end of each reporting period, management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, Management considers information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

10 Property, plant and equipment (continued)

a. *Recognised fair value measurements (continued)*

(iii) *Transfer between level 2 and 3 and change in valuation techniques*

There were no transfers between levels 2 and 3 for recurring fair value measurements nor change in the valuation technique during the financial year.

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

As at 30 September 2019, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income.

If freehold premises were stated on the historical cost basis, the amount would be as follows:

	2019 $000	2018 $000
Cost	50,432	50,432
Accumulated depreciation	(6,233)	(5,407)
Net book amount	44,199	45,025

11 Other assets

	2019 $000	2018 $000
Prepayments	6,045	6,275
Fees and coupons receivable	15,710	19,473
Due from parent company	456	896
Amounts due from brokers	309	456
Other receivables	582	109,407
	23,102	136,507

Included in Other receivables to September 2018 are amounts for equity and bond settlements of $107M.

12 Borrowings

	2019 $000	2018 $000
Medium term borrowings	434,710	434,663
Short term borrowings	1,724,129	1,016,075
	2,158,839	1,450,738

Medium term borrowings represent unsecured borrowings of US$35.1 million, and TT$197.7 million from clients for a period of three years (2018: US$35.1 million and TT$197.7 million). These debt accrues on interest rates of 6 month LIBOR plus 2% and 3.5% on the USD, and on the TTD at 3.5% (2018: 6 month LIBOR plus 2% and 3.5% on the TTD notes). The average rate as at the end of September 2019 was 3.63% (2018: 3.63%).

Short term borrowings represent facilities via 4 financial institutions which are secured by the Group's investment securities held by the financial institutions:

(1) Principal US$40 million, 2.5 years maturity, 3.75% (2018: nil)
(2) Principal US$40 million, 9 months maturity, 3.15% (2018: US$40 million)
(3) Principal US$60 million, 6 months maturity, 3.65% (2018: US$60 million)
(4) Principal US$50 million, 1.5 years maturity, 4% (2018: US$50 million)
(5) Principal US$65 million, 3 years maturity, 2.95% (2018: nil)

The market value of the investment security held as collateral for these facilities amounted to $2,233 million at September 2019 (2018: $1,016 million) (Note 3e (i)).

13 Securities sold under repurchase agreements

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

	2019 $000	2018 $000
Invested principal	3,850,695	4,059,745
Accrued interest	49,818	52,814
	3,900,513	4,112,559
Public institutions	1,110,100	1,456,883
Private institutions	1,700,437	1,659,654
Consumer	1,089,976	996,022
	3,900,513	4,112,559
Current portion	3,356,386	3,693,768
Non-current portion	544,127	418,791
	3,900,513	4,112,559

Securities sold under repurchase agreements only include financial instruments classified as liabilities at amortised cost. These financial instruments accrue interest at rates between 0.2% and 5.89% (2018: 0.20% and 6.48%).

14 Creditors and accrued expenses

	2019 $000	2018 $000
Accrued expenses	8,000	12,438
Due to brokers	5,247	9,033
Other liabilities	73,855	91,359
Related parties	28,195	66,556
	115,297	179,386

Balances due to related parties include an amount of $23.2 million (2018: $22.4 million) owed to the Bank. This relates to an amount owing to GORTT by the Bank in respect of payments made on claims which were subsequently recovered pursuant to the Liquidity Support Agreement discussed in Note 3a(ii). Other liabilities balance as at 30 September 2019 includes amounts due for Equity and Bond settlements $45.2 million (September 2018: $83.4 million).

15 Loan from parent company

	2019 $000	2018 $000
Loan from parent company	372,338	335,243

This comprises two loan facilities:

1) Unsecured Short Term US facility approved for US$40M, at a rate of 4%. Draw down balance as at September 2019: US$40M (September 2018: US$40M at 4%), repayable Mar 2022
2) Line of Credit approved for US$20M. Drawn down balance as at September 2019: US$14.8M (September 2018: US $9M at 3 month libor plus 175 bps), repayable Dec 2019.

16 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using tax rates of 30% and 5.5% (2018: 30%, 25% and 12.5%).

The movement on the deferred tax account is as follows:

	2019 $000	2018 $000
At beginning of year	17,555	63,741
Fair value reserves (Note 18)	70,727	(50,099)
Statement of income charge (Note 27)	3,124	3,913
Adjustment for deferred tax on Barbados branch restructuring	(51)	--
	91,355	17,555

16 **Deferred tax (continued)**

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

	Opening balance Oct 2018 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Adjustment $'000	Closing balance Sept 2019 $'000
Financial assets at fair value through profit or loss	(222)	--	--	--	(222)
Provisions	(129)	--	--	--	(129)
Deferred tax asset	(351)	--	--	--	(351)
Fair value re-measurement	(26,800)	71,611	--	--	44,811
Amortisation	4,137	(884)	--	--	3,253
Unrealised exchange gains	6,206	--	7	--	6,213
Zero coupon instruments	33,608	--	2,318	--	35,926
Accelerated tax depreciation	755	--	799	--	1,554
Adjustment for Barbados branch restructuring	--	--	--	(51)	(51)
Deferred tax liability	17,906	70,727	3,124	(51)	91,706
Net deferred tax liability	17,555	70,727	3,124	(51)	91,355

	Opening balance Oct 2017 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Closing balance Sept 2018 $'000
Financial assets at fair value through profit or loss	(214)	--	(8)	(222)
Provisions	(129)	--	--	(129)
Deferred tax asset	(343)	--	(8)	(351)
Fair value re-measurement	22,822	(49,622)	--	(26,800)
Amortisation	4,613	(476)	--	4,137
Unrealised exchange gains	6,162	--	45	6,206
Zero coupon instruments	29,886	--	3,722	33,608
Accelerated tax depreciation	601	--	154	755
Deferred tax liability	64,084	(50,098)	3,921	17,906
Net deferred tax liability	63,741	(50,098)	3,913	17,555

Deferred income tax assets and liabilities listed above relate to temporary difference relating to assets and liabilities which are taxable under Trinidad and Tobago tax rates.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

16 Deferred tax (continued)

The Group does not have any unrecognised losses as at 30 September 2019 (30 September 2018: nil). Deferred tax assets are expected to be recovered as follows:

	2019 $000	2018 $000
Within 12 months	–	–
After 12 months	351	27,151
	351	27,151

Deferred tax liabilities are expected to be realised as follows:

	2019 $000	2018 $000
Within 12 months	7,716	6,961
After 12 months	83,990	37,785
At end of year	91,706	44,746

17 Share capital

The total authorised number of shares are issued and fully paid. These shares are not traded in an open market and during the year there were no movements in each type and/or class of share.

	2019 $'000	2018 $'000
Authorised		
An unlimited number of shares at par value		
Issued and fully paid		
637,697,000 ordinary shares of no par value	637,697	637,697

18 Fair value reserves

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 amortised cost financial assets, net deferred tax. These gains are being amortised during the life of the relevant instruments.

These related to instruments previously classified as AFS which were reclassified to HTM under the temporary guidance allowed under IAS 39 re reclassifications.

iii *Fair value reserve - Land and buildings*

The fair value reserve comprises of the net fair value of the Group's land and building which are valued by an independent valuator every three years.

18 Fair value reserves (continued)

	2019 $000	2018 $000
Financial assets fair value through OCI	104,060	(62,790)
Financial assets amortised cost	7,155	10,494
Land and building	991	991
Foreign exchange	--	10,539
At end of year	112,206	(40,766)

Financial assets fair value through other comprehensive income

	2019 $000	2018 $000
Opening position IAS 39	--	47,292
Adjustment for reclass – Fair value	--	(54,157)
Adjustment for reclass – Deferred tax	--	15,649
At the beginning of year	(62,790)	8,784
Adjustment for FV branch acquisition	266	--
Net gain/(losses) from changes in fair value	238,195	(105,425)
Deferred tax due to change in effective tax rate	--	2,308
Deferred tax (charge)/credit (Note 16)	(71,611)	31,641
Reclassification to amortised cost	--	(98)
At end of year	104,060	(62,790)

Financial assets amortised cost

	2019 $000	2018 $000
At beginning of year	10,494	11,684
Amortisation	(4,391)	(1,789)
Adjustment for FV branch acquisition	168	--
Deferred tax on amortisation (Note 16)	884	501
Reclassification to fair value	--	98
At end of year	7,155	10,494

Land and building

	2019 $000	2018 $000
At beginning of year	991	2,028
Net gains from changes in fair value	--	(1,037)
At end of year	991	991

Foreign exchange reserve

	2019 $000	2018 $000
At beginning of year	10,539	10,539
Exchange differences	(10,539)	--
At end of year	--	10,539

19 Interest income

	2019 $000	2018 $000
Fair value through other comprehensive income	201,972	167,086
Amortised cost	131,229	139,062
Fair value through profit and loss	16	111
Other	4,041	3,916
	337,258	310,175

20 Interest expense

	2019 $000	2018 $000
Securities sold under repurchase agreements	101,480	95,417
Borrowings	58,159	44,663
Loan from parent company	11,597	8,644
Other	815	776
	172,051	149,500

21 Fees and commissions

	2019 $000	2018 $000
Capital Markets - placement fees	10,959	11,817
Brokerage and Advisory- other	752	26,366
Wealth Management	4,165	6,775
Brokerage & Advisory-equity	1,716	6,394
Pension Fund & Private Portfolio	69,755	4,254
Other	196	281
	87,543	55,887

All fees and commissions are specific to the service contract and are recognised at a point in time, with the exception of Brokerage and Advisory - other and Pension and Private Portfolio which are recognised as per the performance obligation and the fees are recognised over time.

22 Gain on financial assets

	2019 $000	2018 $000
Net realised gain on fair value through profit and loss	746	309
Net realised gains on disposal of financial assets	20,454	7,355
	21,200	7,664

23 Other income

	2019 $000	2018 $000
Bank interest income	82	703
Other	220	524
Rental income	137	137
Dividend income	435	124
	874	1,488

24 Impairment

Statement of income

	2019 $000	2018 $000
Net increase in provisions for impairment	4,860	4,354
POCI Impairment Writeback	(10,443)	--
Direct (writeback)/write off to income	(5,348)	--
Provision for impairment – tax recoverable	357	--
	(10,574)	4,354

Statement of financial position

	2019 $000	2018 $000
Balance as at 1 October	184,708	5,954
Written off GoB provision (Note 4(iv))	(112,570)	--
Increase in provisions for impairment	8,106	178,754
Provisions written off	(53,126)	--
Transferred to parent	656	--
Balance as at 30 September	27,774	184,708

25 Administrative expenses

	2019 $000	2018 $000
Staff costs (Note 25.a)	35,857	33,868
Depreciation	3,357	3,890
Amortisation cost	--	--
	39,214	37,758

a. *Staff costs*

	2019 $000	2018 $000
Wages and salaries	24,575	22,723
Pension	2,078	1,888
National Insurance	1,223	1,217
Other	7,981	8,040
	35,857	33,868

26 Other operating expenses

	2019 $000	2018 $000
Information technology expenses	3,876	3,739
Office expenses	7,056	7,168
Capital market expenses	--	10,113
Consultancy & outside services	9,228	9,186
SLA Management charges	12,000	8,485
BBD Tax impairment	--	10,614
Other expenses	3,873	6,510
	36,033	55,815

27 Taxation

	2019 $000	2018 $000
Corporation tax	36,354	27,954
Prior year under/(over) provision	4,977	(4,809)
Deferred tax (Note 16)	3,124	3,913
	44,455	27,058

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

	2019 $000	2018 $000
Profit before tax	208,351	126,436
Tax calculated at tax rates applicable to profits in respective countries	70,238	2,845
Income exempt from tax	(31,777)	(15,925)
Expenses not deductible for tax purposes	12,066	45,076
Prior year under/(over) provision	4,594	(4,497)
Net effect of other charges and allowances	(12,176)	(441)
Effects of different tax rates	1,510	--
	44,455	27,058

28 Commitments

a. *Capital commitments*

	2019 $000	2018 $000
Capital expenditure approved by the Directors but not provided for in these accounts	9,613	680

b. *Credit commitments*

Commitments for loans approved not yet disbursed	--	--

29 Assets under management

Assets under management, which are not beneficially owned by the Group, but which are managed by the Group on behalf of investors are listed below at carrying amount.

	2019 $000	2018 $000
Off-consolidated statement of financial position investments	14,946,630	14,742,588

As at 1 September 2018 all Assets under management were transferred to First Citizens Portfolio & Investment Management Services Limited. First Citizens Portfolio Investment Management Services Limited (the "Company"), was incorporated in the Republic of Trinidad and Tobago and is engaged in the provision of financial management services as is authorised pursuant to its registration under Section 51 (1) of the Securities Act 2012 as an Investment Advisor. It was a wholly owned subsidiary of First Citizens Bank Limited until 31 August 2018.

Effective 1 September 2018, First Citizens Investment Services Limited (FCIS) acquired the Company at its net book value of TT$29 million. The ultimate parent company is First Citizens Holdings Limited, a company with a 64.43 % 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 17 Wainwright Street, St. Clair, Port of Spain.

30 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. At 30 September 2019 the Group was a 100% subsidiary of First Citizens Bank Limited, which in turn is a subsidiary of First Citizens Holdings Limited, a company owned by the Government of the Republic of Trinidad and Tobago (GORTT).

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

	2019 $'000	2018 $'000
a. *Directors and key management personnel*		
Statement of financial position		
Loan and receivable	--	19
Securities sold under repurchase agreements	(690)	(676)
	(690)	(657)
Statement of income		
Interest income	--	2
Interest expense	(11)	(14)
Salaries and other short-term employee benefits	(5,386)	(5,852)
	(5,397)	(5,864)

b. *Related companies*

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2019:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	161	--	51,238
Interest expense	(11,597)	(4,270)	--
	(11,436)	(4,270)	51,238
Statement of financial position			
Assets			
Cash and cash equivalents	132,503	8,574	--
Other assets	--	374	--
Financial assets	--	--	1,307,422
Liabilities			
Securities sold under repurchase agreements	--	(186,896)	--
Creditors and accrued expenses	(25,520)	(2,625)	--
Loan from parent company	(380,341)	--	--
	(273,358)	(180,573)	1,307,422

30 **Related party transactions (continued)**

b. *Related companies (continued)*

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2018:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	819	--	47,947
Interest expense	(8,637)	(5,822)	--
	(7,818)	(5,822)	47,947
Statement of financial position			
Assets			
Cash and due from other Banks	206,334	--	--
Other assets	896	--	--
Financial assets	--	--	1,309,825
Liabilities			
Securities sold under repurchase agreements	--	(354,007)	--
Creditors and accrued expenses	(53,304)	(1,690)	--
Loan from parent company	(335,243)	--	--
	(181,317)	(355,697)	1,309,825

31 **Contingent liabilities**

At the consolidated statement of financial position date there were no contingent liabilities (2018: nil).

32 **Subsequent events**

There were no 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.

First Citizens Investment Services Limited And Its Subsidiaries
(A Subsidiary of First Citizens Bank Limited)

Consolidated Financial Statements

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

First Citizens Investment Services Limited And Its Subsidiaries

Contents

First Citizens Investment Services Limited And Its Subsidiaries

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Investment Services Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Group keeps proper accounting records;

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

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

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

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

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

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

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

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

General Manager
2 December 2020

Head of Finance
2 December 2020

Independent Auditor's Report

To the shareholder of
First Citizens Investment Services Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of First Citizens Investment Services Limited (the Company) and its subsidiaries (together 'the Group') as at 30 September 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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.

Other information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
12 December 2020

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 September 2020 $'000	2019 $'000
Assets			
Cash and due from other Banks	5	476,786	225,842
Financial assets			
- Fair value through other comprehensive income	6	3,219,273	3,642,013
- Amortised cost	7	4,077,186	4,043,138
- Fair value through profit or loss	8	502	543
Intangible assets	9	6,430	2,116
Property, plant and equipment	10	56,251	57,832
Right of use assets	11	1,905	--
Other assets	12	18,295	23,102
Tax recoverable		27,830	30,346
Total assets		7,884,458	8,024,932
Liabilities			
Borrowings	13	1,963,306	2,158,839
Funds under management		28,240	25,748
Securities sold under repurchase agreements	14	3,897,075	3,900,513
Creditors and accrued expenses	15	99,921	115,297
Loan from parent company	16	268,445	372,338
Lease liabilities		1,905	--
Deferred income tax liability	17	120,387	91,355
Tax payable		8,292	7,072
Total liabilities		6,387,571	6,671,162
Shareholders' equity			
Share capital	18	637,697	637,697
Retained earnings		681,099	603,867
Fair value reserves	19	178,091	112,206
Total shareholders' equity		1,496,887	1,353,770
Total equity and liabilities		7,884,458	8,024,932

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

On 2 December 2020, the Board of Directors of First Citizens Investment Services Limited authorised these consolidated financial statements for issue.

Director: Anthony Isidore Smart

Director:

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Income
(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September 2020 $'000	2019 $'000
Interest income	20	344,702	337,258
Interest expense	21	(173,533)	(172,051)
Net interest income		171,169	165,207
Fees and commissions	22	77,799	87,543
Gain on financial assets	23	13,253	21,200
Foreign exchange gain/(loss)		991	(1,800)
Other income	24	1,550	874
Total net income		264,762	273,024
Impairment (loss)/gain net of recoveries	25	(2,026)	10,574
Administrative expenses	26	(35,997)	(39,214)
Other operating expenses	27	(37,355)	(36,033)
Profit before taxation		189,384	208,351
Taxation charge	28	(34,917)	(44,455)
Profit for the year		154,467	163,896

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Comprehensive Income
(Expressed in Trinidad and Tobago Dollars)

	Note	Year ended 30 September 2020 $'000	2019 $'000
Profit for the year		154,467	163,896
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Items reclassified to retained earnings		4,713	--
		4,713	--
Items that may be reclassified to profit or loss			
Adjustment for financial assets measured at amortised cost	19	(2,537)	--
Net gains on investments in debt instruments designated at FVOCI	19	70,305	166,850
Net losses on financial assets measured at amortised cost	19	(1,883)	(3,339)
Exchange difference on translation		--	(10,539)
		65,885	152,972
Total other comprehensive income for the year net of tax		70,598	152,972
Total comprehensive income for the year		225,065	316,868

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Share capital $'000	Retained earnings $'000	Fair-value reserves $'000	Total equity $'000
Balance at 1 October 2019	637,697	603,867	112,206	1,353,770
Profit for the year	--	154,467	--	154,467
Other comprehensive income				
Adjustment to retained earnings	--	4,713	--	4,713
Net change in investments, net of tax not recognised in the statement of income	--	--	65,885	65,885
Total comprehensive income for the year	--	159,180	65,885	225,065
Transactions with owners				
Dividends paid	--	(81,948)	--	(81,948)
Total transactions with owners	--	(81,948)	--	(81,948)
Balance at 30 September 2020	637,697	681,099	178,091	1,496,887
Balance at 1 October 2018	637,697	494,629	(40,766)	1,091,560
Profit for the year	--	163,896	--	163,896
Other comprehensive income				
Net change in investments, net of tax not recognised in the statement of income	--	--	152,972	152,972
Total comprehensive income for the year	--	163,896	152,972	316,868
Transactions with owners				
Dividends paid	--	(54,658)	--	(54,658)
Total transactions with owners	--	(54,658)	--	(54,658)
Balance at 30 September 2019	637,697	603,867	112,206	1,353,770

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

First Citizens Investment Services Limited and its Subsidiaries

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Note	Year ended 30 September 2020 $'000	2019 $'000
Cash flows from operating activities			
Profit before taxation		189,384	208,351
Adjustments to reconcile profit to net cash from operating activities:			
IFRS 9 impairment		2,026	(10,574)
Interest income		(344,702)	(337,258)
Interest received		342,962	353,795
Interest expense		173,533	172,051
Interest paid		(173,710)	(192,685)
Interest on right of use assets		109	--
Repayment of principal on right of use assets		(694)	--
Depreciation		3,054	3,357
Depreciation for right of use assets		694	--
Loss on disposal of property, plant and equipment		--	8
Unrealised foreign exchange gain		(861)	(29)
Unrealised loss/(gain) on financial liabilities at fair value through profit or loss		19	(1)
Gain on disposal of financial assets		--	(2)
Income taxes paid		(29,801)	(49,603)
Cash flows from operating activities before changes in operating assets and liabilities		162,013	147,410
Net change in fair value through other comprehensive income financial assets		507,347	(621,855)
Net change in amortised cost financial assets		(47,906)	(365,612)
Net change in fair value through profit or loss		22	13,017
Net change in other assets		83,946	(239,380)
Net change in securities sold under repurchase agreements		(4,637)	(127,317)
Net change in creditors and accrued expenses		(65,169)	392,371
Net change in other funding instruments		2,489	2,278
Net change in borrowings		(195,533)	708,101
Net cash flows generated from/(used in) operating activities		442,572	(90,987)
Cash flows from investing activities			
Acquisition of new branch/subsidiary bank account		--	1,076
Net change in short term investment		(94)	(69)
Proceeds from disposal of financial assets		329	5
Purchase of intangible assets		(4,314)	(1,267)
Purchase of property, plant and equipment		(1,803)	(1,721)
Net cash flows used in from investing activities		(5,882)	(1,976)
Cash flows from financing activities			
(Repayment)/receipt of loan from parent company		(103,892)	37,094
Ordinary dividend paid		(81,948)	(54,658)
Net cash flows used in financing activities		(185,840)	(17,564)
Net increase/(decrease) in cash and cash equivalents		250,850	(110,527)
Cash and cash equivalents at beginning of year		220,343	330,870
Cash and cash equivalents at end of year	5	471,193	220,343

The notes on pages 9 to 78 are an integral part of these consolidated financial statements.

1 General information

First Citizens Investment Services Limited ("the Group") is incorporated in the Republic of Trinidad and Tobago. Effective 1 September 2018, the Group acquired 100% ownership of First Citizens Portfolio Investment and Management Services Limited (FCPIMS). The Group operates in Trinidad and Tobago as well as in St. Lucia, St. Vincent and Barbados through branches. Its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 2 February 2009, First Citizens Bank Limited (the Bank) assumed control of the Group. The Bank formally acquired 100% ownership of the Company on 22 May 2009. The Bank is a subsidiary of First Citizens Holdings Limited (the First Citizens Group), a company with a 64.43% 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 shares of First Citizens Investment Services (Barbados) Limited were fully redeemed by the Group on 30 June 2019. The operations of that company became a branch of First Citizens Investment Services Limited effective 1 July 2019. First Citizens Investment Services (Barbados) Limited is now a special entity.

The Group's registered office is 17 Wainwright Street, Port of Spain, Trinidad and Tobago.

The Group's subsidiaries all wholly-owned are:

- First Citizens Investment Services (Barbados) Limited;
- First Citizens Brokerage and Advisory Services Limited;
- Caribbean Money Market Brokers (Trincity) Limited; and
- FCIS Nominees Limited
- First Citizens Portfolio Investment and Management Services Limited

2 Summary of significant accounting policies

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

a. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated 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 and financial assets classified at fair value through profit or loss.

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 Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

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

- 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 in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance (Note 2.1)
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2019). 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
- IFRS 9 Amendment- Prepayment Features with Negative Compensation (Effective 1 January 2019). This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- IAS 28 Amendments - Long-term Interests in Associates and Joint Ventures (Effective 1 January 2019). This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- IAS 19 Amendments - Plan Amendment, Curtailment or Settlement (effective 1 January 2019). The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:
  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

With reference to the above standards and interpretations which are effective, only IFRS 16 Leases has a financial impact to the Group.

(ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:*

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2020 and have not been early adopted by the Group:

- Amendments to IAS 1 and IAS 8 - Definition of Material (Effective 1 January 2020). The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued):*

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Effective 1 January 2020). The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- Amendment to IFRS 3 –Amendments in *Definition of a Business (Effective 1 January 2020). The amendments are changes to Appendix A Defined Terms, the application guidance, and illustrative examples of IFRS are:-*
  - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and substantive process that together significantly contribute to the ability to create outputs
  - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
  - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
  - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- Amendments to IFRS 16- *Covid-19-Related Rent Concessions (Effective 1 June 2020).* The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The Group 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.

b. *Consolidation*

(i) *Principles of consolidation*

The consolidated financial statements include the accounts of the Group and its wholly owned subsidiaries as outlined in Note 1. The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous years'.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Investment in subsidiaries*

Subsidiaries are all entities, (including structured entities) over which the Group has control. First Citizens Investment Services (the Group) controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 **Summary of significant accounting policies (continued)**

b. *Consolidation (continued)*

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

c. *Foreign currency translation*

(i) *Functional and presentation currency*

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

The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.7124 = US$1.00 (2019: TT$6.6926 = US$1.00), the TT dollar and the XCD dollar was TT$2.5265 = XC$1.00 (2019: TT$2.5190 = XC$1.00), and the TT dollar and the Barbados dollar was TT$3.4203 = BB$1.00 (2019: TT$3.4102 = BB$1.00), which represented the Group's cover 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. 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 consolidated 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 the 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.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement of income are translated at average cover exchange rates for the financial year, and
(c) all resulting exchange differences are recognised in other comprehensive income.

2 **Summary of significant accounting policies (continued)**

c. *Foreign currency translation (continued)*

(iii) *Group companies (continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

d. *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. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The First Citizens Group classifies its financial assets in the following business models:

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:
(i) the cash flow characteristics of the asset; and
(ii) the Group's business model for managing the asset.

Based on these factors, the Group 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 recognised in "Net Investment Income". The interest income from these financial assets is included in "interest Income' using the effective interest rate method.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

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 “Gains from investments securities” 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.

(a) *Group’s business model*

The business model reflects how the Group 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 Group’s objective is solely to collect the contractual cash flows from the assets or is 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 Trinidad & Tobago (GOTT)	Eurobonds	USD Bonds including Sovereign and Corporate bonds
Non-Eurobonds maturing in greater than 3 years	Treasury Bills	Equity
Loans & receivables	Canadian Treasury Bills	
Securities sold under repurchase agreements to clients and brokers	Non-Eurobonds maturing in less than 3 years	
Long Term Borrowings from brokers in the form of Total Return Swaps	Cash	
Medium Term Notes		

Financial assets are classified on recognition based on the business model for managing the contractual terms of the cash flows.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

(a) *Group's business model (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 Group assesses whether cash flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Group 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 Group 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 Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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 recognised in profit or loss as other income when the Group's right to receive payments is established.

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

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group 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.ii provides more detail of how the expected credit loss allowance is measured.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

(a) *Group's business model (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).

Classification and subsequent measurement

In both the current and prior period, 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. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments (see note 3 c ii).

2 **Summary of significant accounting policies (continued)**

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

(ii) *Financial liabilities*

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group 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.

f. *Impairment of non-financial assets*

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

g. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

h. *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 Group, 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 Group's internally developed model which is based on discounted cash flow analysis.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using input existing at the year end.

The Group uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value unlisted debt securities and other debt securities for which the market has become or is illiquid. Some of the inputs of this model may not be market observable and are therefore based on assumptions.

2 **Summary of significant accounting policies (continued)**

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

Securities sold subject to sale and repurchase agreements (repos) are retained on the consolidated statement of financial position as investment securities and the counterparty liability is included in Securities sold under repurchase agreement and borrowings.

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

The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

j. *Lease transactions*

Policies applicable on or after 1 October 2019

The Group has adopted IFRS 16 effective 1 October 2019, which replaces IAS 17 and IFRIC 4. The comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For all new contracts entered into on or after 1 October 2019, the Group assesses whether a contract is, or contains a lease. A lease is defined as "a contract that conveys the right-of-use an asset for a period of time in exchange for consideration". To assess whether a contract conveys the right-of-use of an asset, the Group assesses whether:

- the contract contains an identified assets, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all the economic benefits from use of the assets through the period of use
- the Group has the right to direct the use of the asset throughout the period of use. The Group has this right when it has the rights to direct "how and for what purpose" the asset is used.

(i) *The Group as the lessee*

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, the Group recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

The Group depreciates the right-of-use assets on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The Group also assess the right-of-use asset for impairment when such indicators exists.

The Group measures the lease liability at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate, which is the Repos rate. Lease liabilities include the net present value of the following lease payments:-

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the group is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the group is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the group exercising this option

2 **Summary of significant accounting policies (continued)**

j. *Lease transactions (continued)*

Policies applicable after 1 October 2019 (continued)

(i) *The Group as the lessee (continued)*

Payments associated with short-term leases and all low-value assets are recognised on a straight-line basis as an expenses in the statement of income. Short-term leases are leases with a term of twelve (12) months or less. Low-value assets comprise IT equipment and small items of office furniture.

Policies applicable prior to 1 October 2019

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 Group has substantially all the risk and rewards of ownership are classified as finance leases.

(i) *The Group as the lessee*

The Group has entered into operating leases where the total payments made under operating leases are charged to the consolidated 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 consolidated 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 consolidated 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.

(ii) *The Group as the lessor*

The Group’s accounting policy under IFRS 16 has not changed

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the remaining balance of the asset for each period.

2 **Summary of significant accounting policies (continued)**

k. *Property, plant and equipment*

Freehold premises are shown at fair value based on assessments performed by management or by independent valuators every three years, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset.

All other 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of freehold premises are credited to fair value reserves in shareholders' equity. Decreases that affect previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the consolidated statement of income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Depreciation and amortisation are computed on all assets except land.

The provision for depreciation and amortisation is computed using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:-

Buildings	50 years
Equipment and furniture	4- 5 years
Computer equipment and motor vehicles	3- 5 years
Leasehold improvements	Amortised over the life of the lease

The assets' useful lives and residual values are reviewed and adjusted if appropriate at 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 consolidated statement of income. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

The rights of use assets are depreciated over the term of the lease.

2 **Summary of significant accounting policies (continued)**

l. *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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 substantively enacted at the statement of financial position date in the countries where the Bank and its subsidiaries operate and generate taxable 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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a 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 substantively enacted by the statement of financial position date 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference 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.

2 **Summary of significant accounting policies (continued)**

m. *Employee benefits*

(i) *Pension plan – First Citizens 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 First Citizens Group, taking account of the recommendations of independent qualified actuaries.

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 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 Bank'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 Group recognises a cost equal to its contribution payable for its employees in its separate financial statements. Pension contributions for the year amounted to $2.3 million (Sept 2019: $2 million).

(ii) *Profit sharing and bonus plans*

The Group 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 Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee share ownership plan*

The First Citizens Group established a cash-settled based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the statement of income. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

n. *Cash and due from other Banks*

For purposes of the consolidated statement of cash flows, cash and due from other banks comprise 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”.

2 **Summary of significant accounting policies (continued)**

o. *Net interest income and expense*

Interest income and interest expense are recognised in the consolidated statement of income 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, Promissory Notes (PNotes) and accrued discount and premium on treasury bills and other discounted instruments. When a financial asset is impaired, the Group 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.

p. *Dividend income*

Dividends are recognised in the consolidated statement of income when the entity's right to receive payment is established.

q. *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.

IFRS 15 's core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of the transfer of goods and services to customers. The Group's performance obligations are very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

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. Portfolio and 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.

Asset management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales. 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.

2 **Summary of significant accounting policies (continued)**

q. *Fee and commission income (continued)*

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 may be 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 contracts would qualify for revenue recognition over time.

r. *Borrowings*

Borrowings are recognised initially at fair value. Subsequently, borrowings are stated at amortised cost and any difference between proceeds net of transactions costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

s. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's Board of Directors. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note when applicable.

t. *Provisions*

Provisions are recognised when the Group 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 obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

u. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Group chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

2 **Summary of significant accounting policies (continued)**

u. *Intangible assets (continued)*

(i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) *Other Intangible assets*

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributes to the assets with flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flow.

(iii) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets when the following criteria are met:-

- It is technically feasible to complete the software and use it
- Management intends to complete the software and use it
- There an ability to use the software
- Adequate technical, financial and other resources to complete the development and to use it
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over their useful lives but not exceeding a period of three years.

v. *Fiduciary activities*

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group (Note 3.d).

2.1 *Change in accounting policies*

The Group has adopted IFRS 16 as issued by the IASB in January 2016, with a date of transition of 1 October 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements.

2 **Summary of significant accounting policies (continued)**

2.1 *Change in accounting policies (continued)*

The Group has applied IFRS 16 using the modified retrospective approach which:-

- Requires the Group to recognise the cumulative effect initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application
- Does not permit restatement of the comparative, which continue to be presented under IAS 17 and IFIC 43

On adoption of IFRS 16, the Group recognised lease liabilities in relations to leases which had previously been classified as “operating leases”, under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 October 2019, as no implicit interest rate existed in the leases. The borrowing rate applied to the lease liabilities was 3%, being the Group’s average cost of borrowing.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before the transition, as the carrying amount of the right of use asset and the lease liability at the date of initial application.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:-

- application of a single discount rate to a portfolio of leases with similar characteristics
- relying on previous assessments on whether leases were onerous as an alternative to performing an impairment review- there were no onerous contracts as at 1 October 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019, as a short term leases
- excluding initial direct costs for the measurement of the right-of-use asset as the date on initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact of the adoption of IFRS 16 on the Group is as follows:-

On transition to IFRS 16, the Group recognised the following transactions on the Statement of financial position:-

		$’000
Right of use asset	Increase	1,905
Lease liability	Increase	(1,905)
Retained earnings	Decrease/increase	--

Measurement of lease liability

The following table shows the operating lease commitment disclosed applying IAS 17 as at 30 September2019, discounted using the borrowing rate at the date of the initial application and the lease liabilities recognised in the statement of financial position at the date of initial application:-

2 **Summary of significant accounting policies (continued)**

2.1 *Change in accounting policies (continued)*

Lease liabilities	**$000**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	--
One to five years	2,013
Total undiscounted lease liabilities as at 30 September 2020	2,013
Less: Discount	(108)
	1,9055

Measurement of Right-of-use asset

The associated right-of-use for property leases were measured on a retrospective basis as if the new rules had always been applied.

3 Financial risk management

The Group'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 Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group'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 Group 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 Management Committee and the Asset Liability Committee.

The First Citizens Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer (GCRO), 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, Group Credit Risk Management Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The First Citizens Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Management 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 First Citizens Group'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 Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has also established a Risk Management Committee (RMC) which oversees the risk management function of the Group.

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.

3 **Financial risk management (continued)**

a. *Credit risk*

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 Group 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 Group Chief Risk Officer (GCRO), 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Expected credit loss measurement*

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarised 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.v 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.v for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 3.a.vii 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.ix).

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

Stage 1	Stage 2	Stage 3
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(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 (investment securities rating scale)	One notch downgrade (investment securities 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 September 2020.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Significant decrease in credit risk (SDCR)*

The First Citizens Group considers a financial instrument to have experienced a significant decrease 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 – 12.5% or lower	PD - 25% or lower
AND	AND	AND
Relative Measure	Credit rating reverts to level just prior to the SICR	One notch upgrade (investment securities rating scale)
OR	OR	OR
Special Consideration	No credit stop loss breaches	No credit stop loss breaches

(v) *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 or restructure proceedings or an indication of the intention to restructure is initiated by the borrower.
- The obligation is classified doubtful or worse as per The First Citizens Group's classification process.
- A modification to terms and conditions of the original investment that would not normally be considered is executed and where the change in the present value of the cashflows of the new proposed investment versus the original exceed 10%.

The criteria above have been applied to all financial instruments held by the 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 Group 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(vi) *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 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. The PDs for sovereign and corporate investment securities are taken from Standard & Poors' (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.
- 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).
- Loss Given Default (LGD) represents The First Citizens Group's expectation of the extent of loss on a defaulted exposure and is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the investment. For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2019). Corporate investment securities LGDs are based on the standard terms for North American corporate entities CDS contracts, taken from Moody's Analytics' CDS-implied EDF™ Credit Measures and Fair-value Spreads.

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(vii) *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 country in which the Group has investment securities, management performs scenario analysis to determine the impact of future economic conditions on the PD in these countries. After testing multiple economic indicators, a main macro-economic variable (MEV) is determined, which is statistically linked to the credit risk of that sovereign. To increase the robustness of the model and in light of the shock from COVID-19, management adopted a bivariate model to determine two MEVs for key sovereigns. The statistical relationship is determined through regression analysis and an analysis of various measures of significance. The sign of the coefficients is also an important factor in determining the use of the two MEVs. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Three selected sovereign credit risk metrics were identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver, ordinary least squares (OLS) regression is conducted. To establish scenarios, the MEVs are '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. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 September, 2020 incorporate the impact of COVID-19, as such the forward looking scenarios factor in the economic shock of the Credit ratings were forecasted for the next three years using these macro-economic scenarios. The weightings applied to the forecasted ratings were 60% for year 1, 20% each for year 2 and 3. These weightings were determined based on management's judgment and experience.

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 Economic Research Unit 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(viii) *Risk limit control and mitigation policies*

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, or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and by country are approved annually by the Group's Board of Directors. Actual exposures against limits are monitored regularly and reported to the Group's Risk Management Committee and the Board of Directors.

(a) *Single investor or industry exposure limits*

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed by the Company for this purpose. The model utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established for the various country exposure categories based on the risk ranking.

(b) *Country exposure limits*

Exposure limits have been established for selected countries which are considered to be within the Group's target market. Three risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(c) *Collateral*

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral to secure investments. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(viii) *Risk limit control and mitigation policies (continued)*

(d) *Liquidity support agreement*

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. The Bank committed to reimburse FCIS for any losses incurred by FCIS against which the Bank has been indemnified.

Losses which are covered under the LSA include losses in respect of balances due from CL Financial and its affiliates accruing from the date that CMMB was acquired by the Bank to the greater of the maturity date of the obligation or 6 years from the date of completion of the share transfer of CMMB to the Bank.

The Ministry of Finance continues to recognize its commitment under the LSA agreement by way of granting consecutive extensions under the Liquidity Support Agreement for the periods: 16 May 2015 to 15 November 2016, 15 November 2016 to 14 November 2017, 15 November 2017 to 14 November 2018 15 November 2018 to 14 November 2019and subsequently 15 November 2019 to 28 February 2021. Additionally, the Ministry of Finance has made good and settled in full subsequent claims#1 to 10 which was made for losses and expenses incurred resulting from obligations commensurate with the Liquidity Support Agreement.

The Ministry of Finance in its response in letter dated 22 October 2020 has agreed to another extension for a 12 month period effective from 1 March 2021 to 28 February 2022 commensurate under the Liquidity Support Agreement dated 15 May 2009, in which interest continues to accrue at 4% and 5% for the CL Financial USD PNOTE and the CL Financial TTD commercial paper respectively. As at the statement of financial position date, the amount of Promissory Notes due was US$103,910,336 and the amount of the Commercial Paper due TT$249,868,106. The liquidity support agreement extension was executed on 22 October 2020 confirming the extension to the expiration of the Liquidity Support Agreement 28 February 2022. These are classified as amortised cost in the Statement of Financial Position.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(ix) *Maximum exposure to credit risk before collateral held or other credit enhancement*

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

	Gross maximum exposure Sept 2020 $'000	Gross maximum exposure Sept 2019 $'000
Cash and due from other banks	476,786	225,842
Financial assets		
- Fair value through other comprehensive income	2,967,316	3,638,256
- Amortised cost	4,115,715	4,066,250
Other assets	12,828	17,057
	7,572,645	7,947,405

The above table represents a worst case scenario of credit risk exposure to the Group at 30 September 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-consolidated statement of financial position assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-consolidated statement of financial position items.

As shown above, 6% of the total maximum exposure is derived from cash and due from other banks and receivables (Sept 2019: 3%); while 94% represents investments in other debt securities (Sept 2019: 97%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its cash and due from other banks and assets held at amortised cost portfolio and its other debt securities based on the following:

- The Group has maintained a more stringent selection process for investing in securities with none of the impaired assets coming from new investments made in the current financial year.
- The collateral package or financial assurances in place in support of receivables minimises the probability of losses on this portfolio.
- For September 2020, more than 57.1% (Sept 2019: 58.3%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor’s Ratings.
- As per Note 3.a.vii ‘Risk limit control and mitigation policies- Liquidity Support Agreement’, management is confident that given the agreement to transfer the benefits of such assurances by First Citizens Bank Limited to the Group, the Group would realise no losses on these assets. The amount outstanding to FCIS stood at TT$249.9m and US$103.9m as at 30 September 2020 (Sept 2019: TT$241.2 million and US$100.8 million) and continues to accrue interest.
- The Group’s portfolio carries exposure to the credit risk of the Government of Barbados securities from Barbados which at the Balance Sheet date accounted for 4.76% of the value of Investment Securities (Sept 2019: 4%).
- The Company exposure to the GORTT debt included in financial assets as at September 30 2020 TT$1.6B, 22.6% (2019: TT$1.7B, 22.4%).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(x) *Financial assets*

Included in amortised cost are amounts due from CL Financial and its affiliates of $947.3 million which matured but are indemnified under the Liquidity Support Agreement (LSA) (Sept 2019: $916 million). All principal and interest payments due on these advances are covered under the LSA as detailed in note 3.a.ix.

Furtherance, the material indemnified amount outstanding under the Liquidity Support Agreement represents certain Promissory Note and Commercial Paper obligations which were and are due and owing by CL Financial Limited to CMMB (now First Citizens Investment Services Limited ("FCIS"). The GORTT has since petitioned the Court to wind up CL Financial on the basis that the CL Financial Group was unable to pay its debts and or that it was just and equitable that the CL Financial Group be wound up. On 25 July 2017, the Court of Appeal, ordered the appointment of a joint provisional liquidator over the assets of CL Financial pending the determination of the winding up petition.

It is against this background that management made a formal claim/demand by the submissions of (Claim #12) indicating the Bank's intention to claim the full settlement by 30 September 2020 in accordance with the Bank's right to be indemnified in respect of those obligations under the terms of the LSA.

The GORTT in its letter dated 22 October 2020 stated its execution of an extension of the LSA for the period 1 March 2021 to 28 February 2022.

As at the Balance Sheet date, the amount of Promissory Notes due was US$103,910,336 and the amount of the Commercial Paper due TT$249,868,106.

(xi) *Debt and other investment securities*

The table below presents an analysis of debt and other investment securities by internal, external and equivalent rating agency designation.

30 September 2020

	Fair value through other comprehensive income securities $'000	Amortised cost securities $'000	Fair value through profit or loss securities $'000	Total $'000
Investment grade	2,170,648	1,901,705	--	4,072,353
Speculative grade	796,668	2,214,010	--	3,010,678
Total	2,967,316	4,115,715	--	7,083,031

30 September 2019

	Fair value through other comprehensive income securities $'000	Amortised cost securities $'000	Fair value through profit or loss securities $'000	Total $'000
Investment grade	2,570,168	1,918,512	--	4,488,680
Speculative grade	1,068,088	2,147,737	--	3,215,825
Total	3,638,256	4,066,249	--	7,704,505

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Other 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 Group's maximum exposure to credit risk on these assets.

			Investments 30 September 2020		
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**POCI $'000**	**Total $'000**
Credit rating					
Investment grade	3,806,647	--	--	347,181	4,153,828
Non-investment grade	2,849,772	66,908	12,523	--	2,929,203
Gross investments	6,656,419	66,908	12,523	347,181	7,083,031
Loss allowance - ECL	(24,899)	(12,499)	--	--	(37,398)
Loss allowance -PNOTES	--	--	(5,964)	--	(5,964)
Carrying balance	6,631,520	54,409	6,559	347,181	7,039,669

			Investments 30 September 2019		
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**POCI $'000**	**Total $'000**
Credit rating					
Investment grade	4,215,119	--	--	316,343	4,531,462
Non-investment grade	3,110,049	50,408	12,586	--	3,173,043
Gross investments	7,325,168	50,408	12,586	316,343	7,704,505
Loss allowance	(17,655)	(4,166)	--	--	(21,821)
Loss allowance -PNOTES	--	--	(5,954)	--	(5,954)
Carrying balance	7,307,513	46,242	6,632	316,343	7,676,730

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *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.
- The POCI value at 30 September 2020 was 75.72 (Sept 2019: 69.76) with a face value of BBD131,997,672 (Sept 2019: BBD131,997,672) (Refer to Note 4 d).

Investments

	Stage 1 12-month ECL $'000	Sage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Gross carrying balance as at 1 October 2019	7,325,167	50,408	12,587	316,343	7,704,505
Transfer from stage 1 to stage 2	(32,302)	32,302	--	--	--
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	1,053,416	--	4	2,933	1,056,353
Disposal/Maturities of investment	(1,712,289)	(16,280)	(76)	--	(1,728,645)
Unwind of discounts	8,669	317	--	26,967	35,953
FX and other movements	13,758	161	8	938	14,865
Gross carrying balance as at 30 September 2020	6,656,419	66,908	12,523	347,181	7,083,031

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

Investments

	Stage 1 12-month ECL $'000	Sage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Gross carrying balance as at 1 October 2018	6,326,669	23,030	495,178	--	6,844,877
Transfer from stage 1 to stage 2	(36,137)	36,137	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	8,223	(8,223)	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
New financial assets originated	732,752	--	--	293,257	1,026,009
Disposal/Maturities of investment	(514,954)	--	(477,441)		(992,395)
Unwind of discounts	808,612	--	1,779	23,086	833,477
FX and other movements	2	(536)	(6,929)	--	(7,463)
Gross carrying balance as at 30 September 2019	7,325,167	50,408	12,587	316,343	7,704,505

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Loss allowance as at 1 October 2019	(17,655)	(4,166)	(5,954)	--	(27,775)
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	2,424	(2,424)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	(1,093)	--	--	--	(1,093)
Change in PDS/LGDs/EADs	(9,558)	(6,807)	--	--	(16,365)
Disposal of Investment	1,027	911	--	--	1,938
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements (Maturities/Sales)	(44)	(13)	(10)	--	(67)
Total net P&L charge during the period	(7,244)	(8,333)	(10)	--	(15,587)
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Financial assets derecognised during the period	--	--	--	--	--
Write-offs	--	--	--	--	--
Loss allowance as at 30 September 2020	(24,899)	(12,499)	(5,964)	--	(43,362)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Loss allowance as at 1 October 2018	(16,920)	(2,395)	(165,393)	--	(184,708)
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	51	(51)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	(1,040)	1,040	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	(1,477)	--	--	--	(1,477)
Change in PDS/LGDs/EADs	1,144	(2,760)	4,092	--	2,476
Disposal of Investment	587	--	--	--	587
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements (Maturities/Sales)	--	--	--	--	--
Total net P&L charge during the period	(735)	(1,771)	4,092	--	1,586
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Financial assets derecognised during the period	--	--	155,347	--	155,347
Write-offs	--	--	--	--	--
Loss allowance as at 30 September 2019	(17,655)	(4,166)	(5,954)	--	(27,775)

(xiv) *Write-off policy*

The Group 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 group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Group 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 2020 was nil (2019: nil). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xv) *Concentration of risks of financial assets with credit risk exposure – Geographical sectors*

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2020. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. The Group's investment portfolio comprising cash and cash equivalents, financial assets – receivables, fair value through other comprehensive income, amortised cost, held for trading and repurchase receivables is diversified across 32 countries. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into five regional sectors and the sector concentrations within the portfolio are as follows:

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2020						
Cash and due from other Banks	--	3,740	--	473,046	--	476,786
Financial assets:						
- Fair value through other comprehensive income	119,234	674,654	433,997	1,659,146	75,452	2,962,483
- Amortised cost	--	--	--	4,077,186	--	4,077,186
Other assets	--	315	298	12,215	--	12,828
At 30 September 2020	119,234	678,709	434,295	6,221,593	75,452	7,529,283

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2019						
Cash and due from other Banks	--	8,856	--	216,986	--	225,842
Financial assets:						
- Fair value through other comprehensive income	408,269	1,107,930	646,718	1,357,283	113,393	3,633,593
- Amortised cost	--	--	--	4,043,138	--	4,043,138
Other assets	--	--	--	17,057	--	17,057
At 30 September 2019	408,269	1,116,786	646,718	5,634,464	113,393	7,919,630

3 **Financial risk management (continued)**

b. *Market risk*

The Group 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 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 and equity prices.

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 Management Enterprise Risk Management Committee on a regular basis and also reports via the First Citizens 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 Pricing 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 are those positions entered into primarily to take advantage of market movements to generate capital gains.

Non-trading portfolios primarily arise from investments held as collateral for repurchase agreements. Non-trading portfolios also entail foreign exchange and equity risks arising from the Group's amortised cost and fair value through other comprehensive income investments.

(i) *Market risk measurement techniques*

As part of the management of market risk, the Group 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 Group 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 Group's, trading and non-trading portfolios, which are monitored on a daily basis by First Citizens Group Market Risk Unit.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, at a certain level of confidence (99%) under normal market conditions.

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.

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Market risk measurement techniques (continued)*

Value at risk (continued)

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.

If the Group were to stress the portfolio at 30 September 2020 based on a 100 basis point (1%) upward parallel shift in all yield curves, this would result in mark to market losses of $31.68 million (Sept 2019: $168 million).

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

Based on net foreign currency positions at 30 September 2020, the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

	US $'000	**Euro $'000**	**EC $'000**	**Other $'000**
At 30 September 2020				
Gain/(loss)	17,140	--	(5,365)	6,370
At 30 September 2019				
Gain/(loss)	25,490	--	(6,052)	(5,860)

Group VAR by portfolio

	30 September 2020			**30 September 2019**		
	Average $'000	**High $'000**	**Low $'000**	**Average $'000**	**High $'000**	**Low $'000**
Trading	30,584	117,478	10,801	12,034	18,786	8,592
Non-trading	14,401	18,693	9,980	12,900	16,690	9,253
Total VAR	44,985	136,171	20,781	24,934	35,476	17,845

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk*

The Group 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 Group not to engage in speculative foreign exchange activities, The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Group'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 Group does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2020. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
At 30 September 2020						
Assets						
Cash and due from other Banks	132,243	282,878	86	55,696	5,883	476,786
Financial assets						
- Fair value through other comprehensive income	24,174	2,943,924	--	108	251,067	3,219,273
- Amortised cost	1,783,495	960,308	--	953,496	379,887	4,077,186
- Fair value through profit or loss	--	127	--	--	375	502
Other assets	8,347	2,926	--	974	581	12,828
Total assets	1,948,259	4,190,163	86	1,010,274	637,793	7,786,575
Liabilities						
Borrowings	200,741	1,762,565	--	--	--	1,963,306
Funds under management	4,803	488	86	21,638	1,225	28,240
Securities sold under repurchase agreements	1,193,520	1,150,708	--	1,179,889	372,958	3,897,075
Loan from parent company	--	268,445	--	--	--	268,445
Creditors and accrued expenses	48,618	16,450	--	28,702	6,151	99,921
Total liabilities	1,447,682	3,198,656	86	1,230,229	380,334	6,256,987
Net on-consolidated statement of financial position	500,577	991,507	--	(219,955)	257,459	1,529,588

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk (continued)*

	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
At 30 September 2019						
Assets						
Cash and due from other Banks	101,206	59,310	80	55,433	9,813	225,842
Financial assets						
- Fair value through other comprehensive income	83,282	3,457,443	--	100,203	1,085	3,642,013
- Amortised cost	1,813,513	968,921	--	919,476	341,228	4,043,138
- Fair value through profit or loss	--	147	--	--	396	543
Other assets	10,476	2,605	--	2,489	1,486	17,056
Total assets	2,008,477	4,488,426	80	1,077,601	354,008	7,928,592
Liabilities						
Borrowings	198,477	1,960,362	--	--	--	2,158,839
Funds under management	4,803	487	80	19,002	1,376	25,748
Securities sold under repurchase agreements	1,173,226	1,105,737	--	1,259,402	362,148	3,900,513
Loan from parent company	--	372,338	--	--	--	372,338
Creditors and accrued expenses	49,029	4,907	--	12,707	48,654	115,297
Total liabilities	1,425,535	3,443,831	80	1,291,111	412,178	6,572,735
Net on-consolidated statement of financial position	582,942	1,044,595	--	(213,510)	(58,170)	1,355,857

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Barbados and Yen. A 1% increase or decrease in any of these currencies would not significantly impact the Group's profit.

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would decrease by $17.1 million (September 2019: $25.5 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(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 re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. 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 Group's 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 Group's exposure to interest rate risks.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2020							
Assets							
Cash and due from other Banks	288,639	--	6,310	--	--	181,837	476,786
Financial assets							
- Fair value through other comprehensive income	617,606	246,079	23,940	299,769	1,775,089	--	2,962,483
- Amortised cost	131,726	1,033,385	240,104	1,090,906	1,581,065	--	4,077,186
Other assets	532	--	--	--	--	12,296	12,828
Total assets	1,038,503	1,279,464	270,354	1,390,675	3,356,154	194,133	7,529,283
Borrowings	9,382	1,092	974,698	978,134	--	--	1,963,306
Funds under management	28,240	--	--	--	--	--	28,240
Securities sold under repurchase agreements	545,682	798,750	2,031,448	521,195	--	--	3,897,075
Loan from parent company	--	--	--	268,445	--	--	268,445
Creditors and accrued expenses	4,345	--	--	--	--	95,576	99,921
Total liabilities	587,649	799,842	3,006,146	1,767,774	--	95,576	6,256,987
Interest sensitivity gap	450,854	479,622	(2,735,792)	(377,099)	3,356,154	98,557	1,272,296

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2019							
Assets							
Cash and due from other Banks	80,602	--	6,206	--	--	139,034	225,842
Financial assets							
- Fair value through other comprehensive income	7,648	403,344	121,808	447,466	2,653,326	--	3,633,592
- Amortised cost	--	937,331	84,346	901,985	2,119,476	--	4,043,138
Other assets	404	--	--	--	--	16,653	17,057
Total assets	88,654	1,340,675	212,360	1,349,451	4,772,802	155,687	7,919,629
Borrowings	--	18,889	1,102,597	1,037,353	--	--	2,158,839
Funds under management	25,748	--	--	--	--	--	25,748
Securities sold under repurchase agreements	306,865	444,349	2,709,984	439,315	--	--	3,900,513
Loan from parent company	--	99,250	--	273,088	--	--	372,338
Creditors and accrued expenses	74,079	--	--	83	--	41,135	115,297
Total liabilities	406,692	562,488	3,812,581	1,749,839	--	41,135	6,572,735
Interest sensitivity gap	(318,038)	778,187	(3,600,221)	(400,388)	4,772,802	114,552	1,346,894

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. If interest rates were to move by 1%, the impact on net interest income will be $13.7 million (Sept 2019: $11.9 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(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 Group 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.

c. *Liquidity risk*

The liquidity risk is the risk that the Group 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 fluctuation in cash flows. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and funds under management, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group 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 First Citizens Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset/Liability Committee (ALCO). The First Citizens 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 Group 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 Group 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 and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

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

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

The table below analyses financial assets and liabilities of the Group by remaining contractual maturities at the consolidated statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2020						
Assets						
Cash and due from other Banks	476,786	--	--	--	--	476,786
Financial assets						
- Fair value through other comprehensive income	626,992	9,654	115,048	709,092	2,277,959	3,738,745
- Amortised cost	141,133	1,099,108	403,096	1,601,127	2,004,138	5,248,602
Other assets	12,828	--	--	--	--	12,828
Total assets	1,257,739	1,108,762	518,144	2,310,219	4,282,097	9,476,961
Liabilities						
Borrowings	12,116	--	1,015,739	1,013,604	--	2,041,459
Funds under management	28,240	--	--	--	--	28,240
Securities sold under repurchase agreements	553,099	800,744	2,057,965	545,330	--	3,957,138
Loan from parent company	--	--	--	278,928	--	278,928
Creditors and accrued expenses	99,921	--	--	--	--	99,921
Total liabilities	693,376	800,744	3,073,704	1,837,862	--	6,405,686
Net liquidity gap	564,363	308,018	(2,555,560)	472,357	4,282,097	3,071,275

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2019						
Assets						
Cash and due from other Banks	225,842	--	--	--	--	225,842
Financial assets						
- Fair value through other comprehensive income	324,058	123,621	339,234	931,737	2,942,814	4,661,464
- Amortised cost	9,045	991,721	140,856	1,266,875	2,367,473	4,775,970
Other assets	17,057	--	--	--	--	17,057
Total assets	576,002	1,115,342	480,090	2,198,612	5,310,287	9,680,333
Liabilities						
Borrowings	--	20,398	1,120,833	1,037,353	--	2,178,584
Funds under management	25,748	--	--	--	--	25,748
Securities sold under repurchase agreements	307,206	883,032	2,316,388	468,135	--	3,974,761
Loan from parent company	--	99,899	--	299,323	--	399,222
Creditors and accrued expenses	115,297	--	--	--	--	115,297
Total liabilities	448,251	1,003,329	3,437,221	1,804,811	--	6,693,612
Net liquidity gap	127,751	112,013	(2,957,131)	393,801	5,310,287	2,986,721

Assets available to meet all of the Group's liabilities include cash and due from other banks; receivables and liquid debt securities. In the normal course of business, a proportion of liabilities to customers under securities sold under repurchase agreements repayable within one year will be extended. The Group 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 and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

(i) *Assets held for managing liquidity risk*

The Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash deposits at Bank
(b) Government bonds
(c) Secondary sources of liquidity in the form of liquid instruments in the Group's investment portfolios.

(ii) *Loan commitments*

As at 30 September 2020 the Group has no financial instruments that commit it to taking up new receivables or other debt securities (Sept 2019: nil).

(iii) *Capital commitments*

At 30 September 2020, the Group had capital commitments to the value of $7,174,643 (Sept 2019: $9,612,854).

3 **Financial risk management (continued)**

d. *Fiduciary activities*

The Group provides custody, mutual funds and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

e. *Fair value of financial assets and liabilities*

(i) *Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

	Carrying value		**Fair value**	
	Sept 2020 $000	**Sept 2019 $000**	**Sept 2020 $000**	**Sept 2019 $000**
Financial assets				
Cash and due from other Banks	476,786	225,842	476,786	225,842
Financial assets at amortised cost	4,077,186	4,043,138	4,204,031	4,144,015
Other assets	12,828	17,057	12,828	17,057
Financial liabilities				
Short term borrowings and bank overdraft	1,963,306	2,158,839	2,157,517	2,233,619
Funds under management	28,240	25,748	28,240	25,748
Securities sold under repurchase agreement	3,897,075	3,900,513	4,005,459	4,001,867
Loan from parent company	268,445	372,338	268,986	374,825
Creditors and accrued expenses	99,921	115,297	99,921	115,297

The fair values of the Group'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 and securities sold under repurchase agreements are based on the fair value of the financial assets of the underlying securities less the accrued interest.

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

Other assets

Other assets are net of provisions for impairment. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3 **Financial risk management (continued)**

e. *Fair value of financial assets and liabilities (continued)*

(i) *Financial instruments not measured at fair value (continued)*

Amortised cost investments

Fair value for amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the amortised cost portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments.

Borrowings and Securities sold under Repurchase Agreements

Fair value of Repos is based on market value of underlying securities inclusive of interest not including ECL provisions. The Fair value for Borrowings is based on the market value of all other securities inclusive of interest excluding ECL provisions plus all cash borrowings held with brokers. This fair value is calculated for disclosure purposes only.

Due to customers

Amounts due to customer include funds under management and securities sold under repurchase agreements. These have maturities ranging from 1 day to 5 years and are subject to interest reset on a regular basis. The fair value of those amounts with maturities of less than one year is approximately equal to their carrying value. For long term fixed rate liabilities, the fair value of these amounts is estimated using fair value of the underlying securities and accrued finance cost to date.

Loan from parent company

The fair value of these facilities is calculated using discounted cash flow analysis of comparable GORTT borrowing rates for the term indicated, plus a spread consistent with the parent company credit rating September 2020 $269.0million (Sept 2019: $374.8million). These facilities accrues interest rates of 3 months LIBOR plus 175 basis point and 4%.

(ii) *Financial instruments measured at fair value using a valuation technique*

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period September 2020: $nil (Sept 2019: nil).

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

3 **Financial risk management (continued)**

e. *Fair value of financial assets and liabilities (continued)*

(ii) *Financial instruments measured at fair value using a valuation technique (continued)*

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 September 2020				
Fair value securities				
- Investment securities - debt	--	2,900,886	66,430	2,967,316
- Investment securities - equity	246,644	--	10,648	257,292
Total assets	246,644	2,900,886	77,078	3,224,608
As at 30 September 2019				
Fair value securities				
- Investment securities - debt	--	3,453,474	184,782	3,638,256
- Investment securities - equity	543	--	8,421	8,964
Total assets	543	3,453,474	193,203	3,647,220

There were no transfers between Level 1 and Level 2 during the year.
Reconciliation of Level 3 items are as follows:-

Reconciliation of Level 3 items

	Equity $	Debt $	Total $
Balance as at 1 October 2019	8,421	184,782	193,203
Fair value movement	2,219	(1,326)	893
Additions	--	19,505	19,505
Exchange differences	8	--	8
Disposals	--	(135,645)	(135,645)
Accrued interest	--	(1,624)	(1,624)
Amortisation	--	738	738
Balance as at 30 September 2020	10,648	66,430	77,078

	Equity $	Debt $	Total $
Balance as at 1 October 2018	4,108	239,458	243,566
Fair value movement	3,227	--	3,227
Fair value through profit & loss	--	798	798
Additions	1,086	3,230	4,316
Disposals	--	(59,325)	(59,325)
Accrued interest	--	(361)	(361)
Amortisation	--	982	982
Balance as at 30 September 2019	8,421	184,782	193,203

3 **Financial risk management (continued)**

f. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. The Group 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

g. *Capital management*

The Group'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 requirement set by the regulators under the Financial Institutions Act (2008);
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To ensure that the Group can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Group is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Commission), for supervisory purposes. The required information is filed with the Commission on a regular basis as required.

The Commission requires each securities company to hold the minimum paid up share capital of Five Million Trinidad and Tobago dollars. In addition to the minimum level of regulatory capital, the Group's management also monitors capital adequacy using relevant national and international benchmarks. Capital adequacy calculations are reported monthly to the Group's Risk and Portfolio Strategy Committee, the Risk Management Committee and the Board of Directors.

The Group complied with all of the externally imposed capital requirements to which it is subject for the periods ending September 30, 2020 and September 30, 2019.

4 **Critical accounting estimates and judgements in applying accounting policies**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

a. *Financial assets at fair value through other comprehensive income*

The Group uses the discounted cash flow method to determine the fair value of fair value through other comprehensive income financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of fair value of fair value through other comprehensive income financial assets would decrease by $158.13 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2019 - $203.47 million).

The Group's credit spread methodology utilises gradient tenors and currency specific spreads. The appropriate credit spread for the agency or corporate fixed income security is determined using a cubic spline interpolation of the appropriate currency and credit rating category in the credit spread matrix based on the remaining tenor of the facility. This singular credit spread is then added to the discount spot rates to value the facility using the discounted cashflow method. In June 2017 Group Market Risk revised this methodology to reflect the credit risk of the facility as the credit risk on a per cash flow basis, and no longer on the full maturity of the facility. This resulted in moving from applying a single credit spread based on term to maturity, to multiple credit spreads based on each cash flow's term to maturity.

There were no changes to the Credit Spread Methodology this year.
The models used to determine fair values are validated and periodically reviewed by experienced personnel at Group Market Risk.

The Group recognises equity financial instruments in other comprehensive income to facilitate its business activities and for portfolio diversification. Equity financial instruments which are quoted was valued at $246.1M as at September 2020 (Sept 2019: nil). For other equities, due to the limited market information the average equity is used to determine the share price.

b. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured amortised cost and fair value through other comprehensive income 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.vi, 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 6models 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.

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 classified at initial recognition as POCI, for which the carrying value 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 fifteenth year point from FCIS Research and Analytics Department's market reads process. Due to the limitation of available data beyond the fifteenth year point, another sovereign of similar credit rating that underwent a restructure was combined through interpolation/extrapolation to produce a blended curve.

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

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 48% based on the average Loss Given Default rate on Sovereign bonds during the period 1983 to 2019 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 reorganisation 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.

The POCI instruments held are Government of Barbados (GoB) Series D bonds which were purchased in 2018. These bonds have a duration of 35 years which attract a coupon of 1.5%.

The GoB Series D bonds amortised price as at 1 October 2019 was 69.76 (1 October 2018: 64.63), the effective interest rate was determined at 7.56% for both 2018 and 2019 using an adjusted blended yield curve. However, because these bonds have been recognised 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). As at September 2020, the CAEIR is 6.55% (2019: 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 September 2020 the CAEIR interest income on the cash flows represented an accretion value of BBD 4.42 (Sept 2019: BBD 4.18). The repayment of the cash flows amounted to BBD 1.50 as per contractual terms (Sept 2019: BBD 1.38). 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 ECL unwound gain stood at BBD 3.04 as at September 2020 (Sept 2019: BB 2.32). Therefore, the POCI carrying value for the GoB Series D bonds was BBD 75.72 (Sept 2019: BBD 69.76) and the face value BBD 131,997,672 as at September 2020 (Sept 2019: BBD 131,997,672).

The impact to FCIS GoB bond exposure is reflected below:

FCIS SERIES D	POCI price movement	Sept 2020	Statement of Financial Position	Statement of Income
	BBD	BBD	TTD	TTD
FACE VALUE		**131,997,672**		
1 October 2019 price	**69.76**			
Interest accrued	4.42	5,835,316	19,899,594	19,899,594
Cash payments received	(1.50)	(1,979,965)	(6,752,077)	--
ECL Impairment unwinding	3.04	4,014,414	13,689,956	13,689,956
Reconciled September 2020 price	**75.72**	**7,869,765**	**26,837,473**	**33,589,550**

4 **Critical accounting estimates and judgments in applying accounting policies (continued)**

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

The impact to FCIS GoB bond exposure is reflected below:

FCIS SERIES D	POCI price movement	Sept 2020	Statement of Financial Position	Statement of Income
	BBD	BBD	TTD	TTD
FACE VALUE		**131,997,672**		
1 October 2018 price	**64.63**			
Interest accrued	4.18	5,522,286	18,832,101	18,832,101
Cash payments received	(1.38)	(1,814,968)	(6,189,404)	--
ECL Impairment unwinding	2.33	3,062,346	10,443,212	10,443,212
Reconciled September 2019 price	**69.76**	**6,769,664**	**23,085,909**	**29,275,313**

e. *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. 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 Group is subject to income tax in various jurisdictions. 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.

f. *Fair valuation of properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making the judgement, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount.
- The Group engaged external, independent and qualified valuators to determine the fair value of The Group's land and buildings. The valuations were performed in September 2018. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years (Note 10 b. ii)

4 **Critical accounting estimates and judgments in applying accounting policies (continued)**

g. *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
Capital markets	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time
Wealth Management	Revenue are recognized over a period of time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service over a period of time
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, however, for Initial Public offerings the performance obligation maybe specific to stage of completion of the services delivered	The separation of the performance obligation would be specific to the engagement and agreement with the client	For IPO fees it would be based on separation on the performance obligation as per the contact, this would be over time
Pension Fund & Private Portfolio	Revenue are recognized in accordance with pre-approved fees as per the contract, over the period the service is provided	The separation of the performance obligation would be specific to the agreement with the client	Based on the separation of the performance obligation as per the contract, this would be over time
Other	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time

h. *Leases*

The Group as the lessee

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, the Group recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

The Group depreciates the right-of-use assets on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The Group also assess the right-of-use asset for impairment when such indicators exists.

4 **Critical accounting estimates and judgments in applying accounting policies (continued)**

h. *Leases (continued)*

The Group measures the lease liability at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate, which is the Repo rate. Lease liabilities include the net present value of the following lease payments:-

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the group is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the group is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the group exercising this option

Payments associated with short-term leases and all low-value assets are recognised on a straight-line basis as an expenses in the statement of income. Short-term leases are leases with a term of twelve (12) months or less. Low-value assets comprise IT equipment and small items of office furniture.

5 **Cash and due from other Banks**

	2020 $000	**2019 $000**
Cash and bank balances	450,263	219,636
Short-term investments	26,523	6,206
	476,786	225,842
Short-term investments:		
- Maturity within 3 months	20,930	707
- Maturity over 3 months	5,593	5,499
	26,523	6,206

The average effective interest rate on bank deposits was 0.17% (2019: 0.24%).

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flow:

Cash balances	53,918	56,110
Short-term investments – maturity within 3 months	20,930	707
Due from other banks	396,345	163,526
	471,193	220,343

6 **Financial assets - fair value through other comprehensive income**

	2020 $'000	2019 $'000
Debt securities		
GORTT and state owned enterprises	417,707	519,959
Listed	2,237,037	2,580,808
Unlisted	312,572	537,488
	2,967,316	3,638,255
Less provision for impairment	(4,833)	(4,663)
	2,962,483	3,633,592
Equity securities		
Listed	246,142	--
Unlisted	10,648	8,421
Subtotal equities	256,790	8,421
	3,219,273	3,642,013

The movement in financial assets held at fair value through other comprehensive income may be summarised as follows:

	2020 $'000	2019 $'000
At start of year	3,642,013	2,855,144
Exchange difference	10,143	2
Additions	1,019,568	1,156,333
Disposals	(1,552,029)	(613,177)
Gains from changes in fair value	99,747	240,312
Net movement in provisions	(169)	3,399
At end of year	3,219,273	3,642,013

As at 30 September 2020 there were no securities pledged under the Company's bank overdraft and short term borrowings (2019: nil). At the statement of financial position date all repurchase agreements were securitised by an underlying security.

Included in these are financial assets amounting to $2.95 billon (2019: $3.58 billion) that have been pledged to third parties under sale and repurchase agreement. These amounts do not include ECL provision and Fair Value Movements.

Included in these pledged assets, are financial assets amounting to $1.59 billion (2019: $2.14 billion) where the title was transferred under securities sold under repurchase agreements.

7 Financial assets - amortised cost

Debt securities	**2020 $'000**	**2019 $'000**
GORTT & state owned enterprises	1,186,451	1,237,531
Listed	71,189	87,662
Unlisted	1,859,045	1,779,111
Corporate	986,507	949,358
Individuals	12,523	12,587
	4,115,715	4,066,249
Less provision for impairment	(38,529)	(23,111)
	4,077,186	4,043,138

The movement in financial assets held at amortised cost for the year may be summarised as follows:

	2020 $'000	**2019 $'000**
At beginning of year	4,043,138	3,795,721
Exchange differences	6,657	18
Additions	293,176	1,260,379
Redemptions	(290,740)	(1,140,617)
Impairment of financial assets	--	109,462
Net amortisation of discounts	42,117	9,427
Amortisation of unrealised gains on reclassified assets	(1,745)	11,141
Movement of provision for impairment	(15,417)	(2,393)
At end of year	4,077,186	4,043,138

Included in these are financial assets amounting to $3.29 billion (2019: $3.17 billion) that have been pledged to third parties under sale and repurchase agreements. These amounts do not include ECL provision.

Included in these pledged assets, are financial assets amounting to $2.83 billion (2019: $2.94 billion) where title was transferred under securities sold under repurchase agreements.

8 Financial assets - fair value through profit or loss

	2020 $'000	2019 $'000
Bonds	--	--
Listed equity	502	543
	502	543

The movement for the year may be summarised as follows:

At start of year	543	13,852
Additions	--	109
Disposals	(19)	(13,465)
(Loss)/gain from changes in fair value	(23)	47
Exchange differences	1	--
	502	543

The above securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the Group's financial instruments is reported to management on that basis.

9 Intangible assets

This comprises an investment in computer software that was brought into use as at June 2018 and May 2012. Movements are as follows:

	2020 $'000	2019 $'000
At beginning of the year	2,116	849
Additions	--	1,267
Less: Disposals	--	(1,883)
Disposal – Acc depreciation	--	1,883
Work in progress	4,314	--
At end of year	6,430	2,116
Cost	32,082	27,768
Accumulated amortisation and impairment	(25,652)	(25,652)
Net book amount	6,430	2,116

10 **Property and equipment**

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2020							
Opening net book amount	53,190	1,479	584	1,774	497	308	57,832
Additions	216	--	257	932	81	155	1,641
Disposals	--	--	(115)	(2,195)	(64)	--	(2,374)
Transfer	--	331	289	--	--	(463)	157
Depreciation charge	(829)	(954)	(236)	(768)	(267)	--	(3,054)
Depreciation charge on disposal	--	--	115	1,865	64	--	2,044
Exchange difference	--	5	--	--	--	--	5
Closing net book amount	52,577	861	894	1,608	311	--	56,251
At 30 September 2020							
Cost/revaluation	59,639	6,237	14,459	3,135	2,764	--	86,234
Accumulated depreciation	(7,062)	(5,376)	(13,565)	(1,527)	(2,453)	--	(29,983)
Net book amount	52,577	861	894	1,608	311	--	56,251

10 **Property and equipment (continued)**

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2019							
Opening net book amount	54,017	2,321	1,074	1,393	673	--	59,478
Additions	--	--	20	1,273	120	308	1,721
Disposals	--	--	--	--	(30)	--	(30)
Depreciation charge	(827)	(842)	(510)	(892)	(286)	--	(3,357)
Depreciation charge on disposal	--	--	--	--	20	--	20
Closing net book amount	53,190	1,479	584	1,774	497	308	57,832
At 30 September 2019							
Cost/revaluation	59,423	5,893	14,176	4,397	2,746	308	86,943
Accumulated depreciation	(6,233)	(4,414)	(13,592)	(2,623)	(2,249)	--	(29,111)
Net book amount	53,190	1,479	584	1,774	497	308	57,832
At 30 September 2018							
Cost/revaluation	59,423	5,893	14,156	3,124	2,656	--	85,252
Accumulated depreciation	(5,406)	(3,572)	(13,082)	(1,731)	(1,983)	--	(25,774)
Net book amount	54,017	2,321	1,074	1,393	673	--	59,478

10 **Property, plant and equipment (continued)**

a. *Recognition of right of use asset*

Opening right of use assets

Year ended 30 September 2020	**$000**
Opening net book amount	2,707
Additions	--
Depreciation	(802)
Closing net book amount	**1,905**

The statement of income reflects the following amount relating to leases:-

Interest Expenses (included in finance cost)	694
Expenses related short term leases (included in rent paid)	4
	698

b. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets carried at fair value into the three levels prescribed under the accounting standards.

Level 3	**2020 $000**	**2019 $000**
Building on lease land	17,177	26,168
Land and building	25,750	17,371
Freehold land	1,650	1,650
	44,577	45,189

The Group’s policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Note 10 – PPE: Land and Building includes leasehold land TTD$8.45 million.

(ii) *Valuation techniques used to determine level 2 and level 3 fair values*

The Group engages external, independent and qualified valuators to determine the fair value of the Group’s land and buildings. The last valuations were performed in September 2018. The Group’s policy is to obtain independent valuations for its freehold land and buildings at least every three years.

The basis of valuation is the market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

At the end of each reporting period, management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property’s value within a range of reasonable fair value estimates.

10 **Property, plant and equipment (continued)**

b. *Recognised fair value measurements (continued)*

(ii) *Valuation techniques used to determine level 2 and level 3 fair values (continued)*

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, Management considers information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

(iii) *Transfer between level 2 and 3 and change in valuation techniques*

There were no transfers between levels 2 and 3 for recurring fair value measurements nor change in the valuation technique during the financial year.

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

As at 30 September 2020, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income.

If freehold premises were stated on the historical cost basis, the amount would be as follows:

	2020 $000	2019 $000
Cost	50,648	50,432
Accumulated depreciation	(7,062)	(6,233)
Net book amount	43,586	44,199

11 **Lease liability**

	2020 $000	2019 $000
As at 30 September 2019		
Operating lease commitment as at 30 September 2019	2,013	--
Discounted using the average cost of funding	1,905	--
Lease liability	1,905	--
Current lease liability	729	--
Non-current lease liability	1,176	--
	1,905	--

12 Other assets

	2020 $000	2019 $000
Prepayments	5,467	6,045
Fees and coupons receivable	11,864	15,710
Due from parent company	12	456
Amounts due from brokers	518	309
Other receivables	434	582
	18,295	23,102

13 Borrowings

	2020 $000	2019 $000
Medium term borrowings	443,258	434,710
Short term borrowings	1,520,048	1,724,129
	1,963,306	2,158,839

Medium term borrowings represent unsecured borrowings of US$36.09 million, and TT$200 million from clients for a period of one to three years (2019: US$35.1 million and TT$197.7 million). These debt accrues on interest rates of 2.15%, 2.5% and 3.25% on the USD, and on the TTD at 3.3% (2019: 6 month LIBOR plus 2% and 3.5% on the TTD). The average rate as at the end of September 2020 was 2.80% (2019: 3.63%).

Short term borrowings represent facilities via 3 financial institutions which are secured by the Group's investment securities held by the financial institutions:
(1) Principal US$40 million, 1.6 years maturity, 3.75% (2019: US$40 million)
(2) Principal US$120 million, 6.5 months maturity, 2.9% (2019: US$50 million)
(3) Principal US$65 million, 2 years maturity, 2.95% (2019: US$65 million)
(4) Nil (2019: US$60 million)
(5) Nil (2019: US$50 million)

The market value of the investment security held as collateral for these facilities amounted to $2,250 million at September 2020 (2019: $2,233 million) (Note 3e (i)).

14 Securities sold under repurchase agreements

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

	2020 $000	2019 $000
Invested principal	3,846,564	3,850,695
Accrued interest	50,511	49,818
	3,897,075	3,900,513
Public institutions	1,593,927	1,110,100
Private institutions	1,224,238	1,700,437
Consumer	1,078,910	1,089,976
	3,897,075	3,900,513
Current portion	3,375,879	3,356,386
Non-current portion	521,196	544,127
	3,897,075	3,900,513

Securities sold under repurchase agreements only include financial instruments classified as liabilities at amortised cost. These financial instruments accrue interest at rates between 0.1% and 4% (2019: 0.20% and 5.89%).

15 Creditors and accrued expenses

	2020 $000	2019 $000
Accrued expenses	8,600	8,000
Due to brokers	3,927	5,247
Other liabilities	62,620	73,855
Related parties	24,774	28,195
	99,921	115,297

Balances due to related parties include an amount of $22.9 million (2019: $23.2 million) owed to the Bank. This relates to an amount owing to GORTT by the Bank in respect of payments made on claims which were subsequently recovered pursuant to the Liquidity Support Agreement discussed in Note 3a(ii). Other liabilities balance as at 30 September 2020 includes amounts due for Equity and Bond settlements $47.4 million (Sept 2019: $45.2 million).

16 Loan from parent company

	2020 $000	2019 $000
Loan from parent company	268,445	372,338

This comprises two loan facilities:

1) Unsecured Medium Term US facility approved for US$40M, at a rate of 4%. Draw down balance as at September 2020: US$39.2M (Sept 2019: US$40M at 4%), repayable Mar 2022.

2) Line of credit approved for US$25M. Drawn down balance as at September 2020: nil (Sept 2019: US$14.8M).

17 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using tax rates of 30% for Trinidad and 5.5% for Barbados (2019: 30% and 5.5%).

	2020 $000	2019 $000
The movement on the deferred tax account is as follows:		
At beginning of year	91,355	17,555
Fair value reserves (Note 18)	27,670	70,727
Statement of income charge (Note 27)	1,362	3,124
Adjustment for deferred tax on Barbados branch restructuring	--	(51)
	120,387	91,355

17 **Deferred tax (continued)**

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

	Opening balance Sept 2019 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Closing balance Sept 2020 $'000
Financial assets at fair value through profit or loss	(222)	--	(9)	(231)
Provisions	(129)	--	--	(129)
Deferred tax asset	(351)	--	(9)	(360)
Fair value re-measurement	44,811	29,564	(266)	74,109
Amortisation	3,253	(1,894)	--	1,359
Unrealised exchange gains	6,213	--	188	6,401
Adjustment to zero coupon maturity	--	--	(1,466)	(1,466)
Zero coupon instruments	35,926	--	1,020	36,946
Accelerated tax depreciation	1,554	--	1,844	3,398
Adjustment for Barbados branch restructuring	(51)	--	51	--
Deferred tax liability	91,706	27,670	1,371	120,747
Net deferred tax liability	91,355	27,670	1,362	120,387

	Opening balance Sept 2018 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Adjustment $'000	Closing balance Sept 2019 $'000
Financial assets at fair value through profit or loss	(222)	--	--	--	(222)
Provisions	(129)	--	--	--	(129)
Deferred tax asset	(351)	--	--	--	(351)
Fair value re-measurement	(26,800)	71,611	--	--	44,811
Amortisation	4,137	(884)	--	--	3,253
Unrealised exchange gains	6,206	--	7	--	6,213
Zero coupon instruments	33,608	--	2,318	--	35,926
Accelerated tax depreciation	755	--	799	--	1,554
Adjustment for Barbados branch restructuring	--	--	--	(51)	(51)
Deferred tax liability	17,906	70,727	3,124	(51)	91,706
Net deferred tax liability	17,555	70,727	3,124	(51)	91,355

Deferred income tax assets and liabilities listed above relate to temporary difference relating to assets and liabilities which are taxable under Trinidad and Tobago tax rates.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

17 **Deferred tax (continued)**

The Group does not have any unrecognised losses as at September 2020 (Sept 2019: nil). Deferred tax assets are expected to be recovered as follows:

	2020 $000	2019 $000
Within 12 months	--	--
After 12 months	360	351
	360	351

Deferred tax liabilities are expected to be realised as follows:

Within 12 months	9,799	7,767
After 12 months	110,588	83,588
At end of year	120,387	91,355

18 **Share capital**

The total authorised number of shares are issued and fully paid. These shares are not traded in an open market and during the year there were no movements in each type and/or class of share.

	2020 $'000	2019 $'000
Authorised		
An unlimited number of shares at par value		
Issued and fully paid		
637,697,000 ordinary shares of no par value	637,697	637,697

19 **Fair value reserves**

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 other 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 amortised cost financial assets, net deferred tax. These gains are being amortised during the life of the relevant instruments. These related to instruments previously classified as AFS which were reclassified to HTM under the temporary guidance allowed under IAS 39 re reclassifications.

iii *Fair value reserve - Land and buildings*

The fair value reserve comprises of the net fair value of the Group's land and building which are valued by an independent valuator every three years.

19 **Fair value reserves (continued)**

	2020 $000	2019 $000
Financial assets - fair value through other comprehensive income	174,365	104,060
Financial assets - amortised cost	2,735	7,155
Land and building	991	991
Foreign exchange	--	--
At end of year	178,091	112,206

Financial assets - fair value through other comprehensive income

	2020 $000	2019 $000
At the beginning of year	104,060	(62,790)
Adjustment for FV branch acquisition	--	266
Net gain from changes in fair value	99,864	238,195
Deferred tax charge (Note 16)	(29,564)	(71,611)
Exchange differences	5	--
At end of year	174,365	104,060

Financial assets - amortised cost
These financial instruments refer to reclassification from AFS assets to HTM under IAS 39 requirement

	2020 $000	2019 $000
At beginning of year	7,155	10,494
Adjustment for FV branch acquisition	--	168
Adjustment	(3,624)	--
Adjustment to deferred tax	1,087	
Amortisation	(2,691)	(4,391)
Deferred tax on amortisation (Note 16)	808	884
At end of year	2,735	7,155

Land and building

	2020 $000	2019 $000
At beginning of year	991	991
Net gains from changes in fair value	--	--
At end of year	991	991

Foreign exchange reserve

	2020 $000	2019 $000
At beginning of year	--	10,539
Exchange differences	--	(10,539)
At end of year	--	--

20 **Interest income**

	2020 $000	2019 $000
Amortised cost	209,114	201,972
Fair value through other comprehensive income	131,165	131,229
Fair value through profit or loss	--	16
Other	4,423	4,041
	344,702	337,258

21 Interest expense

	2020 $000	2019 $000
Securities sold under repurchase agreements	89,791	101,480
Borrowings	70,488	58,159
Loan from parent company	12,238	11,597
Other	1,016	815
	173,533	172,051

22 Fees and commissions

Capital Markets - placement fees	7,368	10,959
Brokerage and Advisory - other	903	752
Wealth Management	5,221	4,165
Brokerage & Advisory - equity	3,182	1,716
Pension Fund & Private Portfolio	61,026	69,755
Other	99	196
	77,799	87,543

All fees and commissions are specific to the service contract and are recognised at a point in time, except for Brokerage and Advisory services for initial public offering (IPO) which are recognised over time. Pension and Private Portfolio, Wealth Management and Other fees and commissions are recognised as per the performance obligation and the fees are recognised over time.

23 Gain on financial assets

Net realised (loss)/gain on fair value through profit or loss	(42)	746
Net realised gains on bonds and other trading	13,295	20,454
	13,253	21,200

24 Other income

Bank interest income	80	82
Other	911	220
Rental income	262	137
Dividend income	297	435
	1,550	874

25 Impairment

Statement of income		
Increase in provisions for impairment	20,186	4,860
Increase in general provision	287	--
POCI impairment write back	(13,890)	(10,443)
Direct write offs to income	(4,557)	(5,348)
Provision for impairment – tax recoverable	--	357
	2,026	(10,574)
Statement of financial position		
Balance as at 1 October	27,774	184,708
Written off GoB provision (Note 4(iv))	--	(112,570)
Increase in provisions for impairment	20,243	8,106
Provisions written off	(4,723)	(53,126)
Transferred to parent	--	656
Exchange differences	67	--
Balance as at 30 September	43,361	27,774

26 Administrative expenses

	2020 $000	2019 $000
Staff costs (Note 26.a)	32,943	35,857
Depreciation	3,054	3,357
	35,997	39,214

a. *Staff costs*

	2020 $000	2019 $000
Wages and salaries	22,888	24,575
Pension	2,261	2,078
National insurance	1,027	1,223
Other	6,767	7,981
	32,943	35,857

27 Other operating expenses

	2020 $000	2019 $000
Information technology expenses	3,426	3,876
Office expenses	6,552	7,056
Consultancy & outside services	9,780	9,228
SLA Management charges	12,000	12,000
Other expenses	5,597	3,873
	37,355	36,033

28 Taxation

	2020 $000	2019 $000
Corporation tax	34,805	36,354
Prior year (over)/under provision	(1,250)	4,977
Deferred tax (Note 16)	1,362	3,124
	34,917	44,455

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

	2020 $000	2019 $000
Profit before tax	189,384	208,351
Tax calculated at tax rates applicable to profits in respective countries	55,941	70,238
Income exempt from tax	(30,727)	(31,777)
Expenses not deductible for tax purposes	16,736	12,066
Under provision prior year	(1,250)	4,594
Net effect of other charges and allowances	(5,852)	(12,176)
Effects of different tax rates	69	1,510
	34,917	44,455

29 Assets under management

Assets under management, which are not beneficially owned by the Group, but which are managed by the Group on behalf of investors are listed below at carrying amount.

	2020 $000	2019 $000
Off-consolidated statement of financial position investments	15,618,590	14,946,630

As at 1 September 2018 all Assets under management were transferred to First Citizens Portfolio & Investment Management Services Limited. First Citizens Portfolio Investment Management Services Limited (the "Company"), was incorporated in the Republic of Trinidad and Tobago and is engaged in the provision of financial management services as is authorised pursuant to its registration under Section 51 (1) of the Securities Act 2012 as an Investment Advisor. It was a wholly owned subsidiary of First Citizens Bank Limited until 31 August 2018.

Effective 1 September 2018, First Citizens Investment Services Limited (FCIS) acquired the Company at its net book value of TT$29 million. The ultimate parent company is First Citizens Holdings Limited, a company with a 64.43 % 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 17 Wainwright Street, St. Clair, Port of Spain.

30 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. At 30 September 2019 the Group was a 100% subsidiary of First Citizens Bank Limited, which in turn is a subsidiary of First Citizens Holdings Limited, a company owned by the Government of the Republic of Trinidad and Tobago (GORTT).

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

	2020 $'000	2019 $'000
a. *Directors and key management personnel*		
Statement of financial position		
Loan and receivable	--	--
Securities sold under repurchase agreements	(707)	(690)
	(707)	(690)
Statement of income		
Interest income	--	--
Interest expense	(13)	(11)
Salaries and other short-term employee benefits	(6,308)	(5,386)
	(6,321)	(5,397)

30 **Related party transactions (continued)**

b. *Related companies*

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2020:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	108	7	57,895
Interest expense	(12,238)	(5,634)	--
	(12,130)	(5,627)	57,895
Statement of financial position			
Assets			
Cash and cash equivalents	353,650	20,780	--
Other assets	--	12	--
Financial assets	--	--	1,353,705
Liabilities			
Securities sold under repurchase agreements	--	(339,041)	--
Creditors and accrued expenses	(23,066)	(1,554)	--
Loan from parent company	(268,445)	--	--
	62,139	(319,803)	1,353,705

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2019:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	161	--	51,238
Interest expense	(11,597)	(4,270)	--
	(11,436)	(4,270)	51,238
Statement of financial position			
Assets			
Cash and cash equivalents	132,503	8,574	--
Other assets	--	374	--
Financial assets	--	--	1,307,422
Liabilities			
Securities sold under repurchase agreements	--	(186,896)	--
Creditors and accrued expenses	(25,520)	(2,625)	--
Loan from parent company	(372,338)	--	--
	(265,355)	(180,573)	1,307,422

31 **Contingent liabilities**

At the consolidated statement of financial position date there were no contingent liabilities (2019: nil).

32 **Subsequent events**

There were no 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.