First Citizens

2020 ANNUAL REPORT



COMMITMENT TO OUR

CUSTOMERS





VISION

To be our stakeholders' preferred financial partner through excellence, care and integrity.

MISSION

We build rewarding and sustainable relationships through a highly engaged team, versatile and secure technology, and innovative financial services.



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“Quality in a service or product is not what you put into it. It is what the customer gets out of it.” —Peter Drucker

CORPORATE INFORMATION

AND PROFILE OF SUBSIDIARIES

FIRST CITIZENS BANK LIMITED

Board of Directors
Anthony Isidore Smart – Chairman
Courtenay Williams – Deputy Chairman
Franka Costelloe
Ryan Proudfoot
Savitree Seepersad
Jayselle McFarlane
Troy Garcia
Idrees Omardeen
David Inglefield
Ingrid Melville

**Ian Narine resigned as a Director effective March 6, 2020.*

Group Corporate Secretary
Lindi Ballah-Tull
Bachelor of Laws (LLB)
Legal Education Certificate (LEC)

Registered Office
9 Queen's Park East,
Port of Spain, Trinidad, W.I.
Tel: (868) 624-3178
Fax: (868) 624-5981
firstcitizenstt.com

Auditor
PricewaterhouseCoopers
11-13 Victoria Avenue,
Port of Spain, Trinidad, W.I.

FIRST CITIZENS DEPOSITORY SERVICES LIMITED

Board of Directors
Courtenay Williams – Chairman
Jayselle McFarlane – Deputy Chairman
Troy Garcia
Idrees Omardeen
Jason Julien
Robin Lewis

Registered Office
50 St. Vincent Street,
Port of Spain, Trinidad, W.I.
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(868) 625-8115-8
Fax: (868) 625-2349
(868) 624-8937
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FIRST CITIZENS TRUSTEE SERVICES LIMITED

Board of Directors
Franka Costelloe – Chairman
Courtenay Williams
Ingrid Melville
David Inglefield
Sterling Frost
Brian Woo
**Idrees Omardeen

**Ian Narine resigned as a Director effective March 6, 2020.*
**Richard Look Kin resigned as a Director effective September 30, 2020.*

***Idrees Omardeen was appointed as a Director with effect from March 20, 2020*

Registered Office
45 Abercromby Street,
Port of Spain, Trinidad, W.I.
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FIRST CITIZENS PORTFOLIO & INVESTMENT MANAGEMENT SERVICES LIMITED

Board of Directors
Anthony Isidore Smart – Chairman
Ryan Proudfoot
Karen Darbasie
Shiva Manraj

**Ian Narine resigned as a Director effective March 6, 2020.*

Registered Office
17 Wainwright Street,
St. Clair, Trinidad, W.I.
Tel: (868) 622-3247
Fax: (868) 627-5496
firstcitizensinvestment.com

FIRST CITIZENS FINANCIAL SERVICES (ST. LUCIA) LIMITED

Board of Directors
Courtenay Williams – Chairman
Dunstan Duboulay
Karen Darbasie
Shiva Manraj

**Sana Ragbir resigned as a director effective September 30, 2020.*

Registered Office
Noble House, 6 Brazil Street,
Castries, St. Lucia, W.I.
Tel: (758) 452-5111-3
Fax: (758) 452-5114

FIRST CITIZENS INVESTMENT SERVICES LIMITED

Board of Directors
Anthony Isidore Smart – Chairman
Ryan Proudfoot
Troy Garcia
Idrees Omardeen
Jayselle McFarlane
David Inglefield
Karen Darbasie
Sterling Frost

**Ian Narine resigned as a Director effective March 6, 2020.*
**Nicole De Freitas resigned as a Director effective July 3, 2020.*

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FIRST CITIZENS BROKERAGE & ADVISORY SERVICES

Board of Directors
Ryan Proudfoot – Chairman
Idrees Omardeen
Jason Julien
Robin Lewis

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FIRST CITIZENS INVESTMENT SERVICES (BARBADOS) LIMITED

(ceased operations on July 1, 2019 – operations converted from a Company to a Branch of FCIS with effect from July 1, 2019)

Board of Directors
Jason Julien – Chairman
Sterling Frost

**Ryan Proudfoot resigned as Chairman with effect from December 31, 2019 due to change from a Company to a Branch of FCIS.*
**Sir Trevor A Carmichael resigned as a Director with effect from December 31, 2019 due to change from a Company to a Branch of FCIS.*
**David Inglefield resigned as a Director with effect from December 31, 2019 due to change from a Company to a Branch of FCIS.*
**Franka Costelloe resigned as a Director with effect from December 31, 2019 due to change from a Company to a Branch of FCIS.*

Registered Office
One Welches,
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FIRST CITIZENS BANK (BARBADOS) LIMITED

Board of Directors
Anthony Isidore Smart – Chairman
Sir Trevor Carmichael
Peter Williams
Ryan Proudfoot
Jon Martineau
David Inglefield
Franka Costelloe
Wayne Kirton
Gregory Hinkson
Karen Darbasie
Jason Julien

Registered Office
4th Floor, No. 2 Broad Street,
Bridgetown, Barbados, W.I.
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firstcitizensbb.com

FCCR – FIRST CITIZENS COSTA RICA S.A.

Board of Directors
Anthony Isidore Smart – President
Lindi Ballah-Tull
Ingrid Melville
**Troy Garcia
**Shiva Manraj

**Kurt Valley resigned as a Director effective December 12, 2019.*
**Ian Narine resigned as a Director effective March 6, 2020.*

***Troy Garcia became a Director effective April 8, 2020.*
***Shiva Manraj became a Director effective April 8, 2020.*

Registered Office
Oficentro Eurocenter 1,
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Chairman's Report





“With their dedication to the First Citizens brand and their commitment to our customers, the Group remains a beacon in the financial sector.”

GROUP PERFORMANCE

I am pleased to announce that the First Citizens Group recorded a profit after tax of $606.9 million. While this represents a 19.3% decline as compared to 2019, we recognize this as an achievement within the context of the worldwide economic impact of COVID-19. The global pandemic has negatively affected all of our markets and all our customers, regardless of industry. Ultimately, the impact of the pandemic on clients’ business contributed to a significant increase in Expected Credit Losses; this expense being a major contributor to our results.

Total assets as at September 2020 amounted to $47.4 billion, an increase of 9.4% when compared to September 2019. Even though our Loan portfolio experienced COVID-19 related setbacks, Advances nevertheless grew by 3.3% while Investments grew by 3.7%. Also noteworthy is an increase in Customer Deposits by 11.9% or $3.1 billion, to $28.9 billion.

As a result of these financial achievements and our deliberations to remain balanced in our approach, the Board has declared a final dividend of $0.45 per ordinary share. This brings the total dividend for the fiscal year to $1.37, a decline of 19.4% when compared to 2019 ($1.70). This final dividend will be paid on January 7th 2021 to all shareholders on record as at December 23rd 2020.

The Coronavirus has created substantial uncertainties, unfortunate circumstances and economic challenges worldwide. Be that as it may, First Citizens remains steadfast in our commitment to maintain organizational sustainability while securing the interests of all our stakeholders. We will continue to work with our customers and support our communities through this challenging period.

INTERNATIONAL OVERVIEW AND OUTLOOK

The global economy is facing an unprecedented shock stemming from the spread of the global pandemic which has sharply reversed economic prospects for 2020. In its October 2020 World Economic Report, the International Monetary Fund (IMF) estimated a contraction in global growth of 4.4% for 2020 as a result of the closure of non-essential businesses, social distancing measures and lockdowns, border closures globally and the unrelenting waves of COVID-19 infection. There were unprecedented fiscal and monetary policy responses to the pandemic, which resulted in burgeoning fiscal imbalances and growing indebtedness worldwide as spending on healthcare and social support rose to safeguard lives and employment.

In 2019, the United States (US) economy grew by 2.3% due to strong activity in the construction, housing and manufacturing sectors. However, the spread of the global pandemic is likely to lead to a severe economic contraction of 5% in 2020 due to pandemic-related lockdowns in the US as well as among its major trading partner countries. Around 22 million jobs were lost during March and April 2020 due to the pandemic, as the unemployment rate peaked at 14.7% in April. As at the end of October, about 12 million jobs have been recovered with the unemployment rate falling to 6.9% from its April peak. The jobless rate was 3.5% before the pandemic in March. In 2021, the US economy is projected to rebound to growth of 5.2%, recovering much of its lost output in 2020. The recovery in economic growth depends heavily on the rebound in global growth, which is projected at 5.2% in 2021, following the contraction of 4.4% in 2020. An improvement in labour conditions is expected as US states ease pandemic-related restrictions.

The economy of the EU is projected to contract by 7.8% in 2020 due to the economic fallout stemming from the pandemic, but should rebound to grow by 5.5% in 2021 as European nations ease lockdown measures. The main contributor to the 2020 contraction was depressed business activity due to the restrictions in place. Despite significant reductions in cash flows and business activity, the EU and its member states' prompt fiscal and monetary policy responses were successful in protecting jobs. The unemployment rate rose slowly to 7.3% in April up from 7.2% in February owing to the use of short-time work schemes. The EU's 2021 rebound in economic growth will be driven mainly by the recovery in growth from larger member states such as Germany, Spain and France. The easing of lockdowns will aid in improving economic conditions in the medium term as member states benefit heavily from highly integrated supply chains and distribution networks throughout the EU. The services sector is expected to restore growth despite being the hardest hit sector in the EU. In 2022, economic growth will slow to 3.2% and inflation is expected to remain benign, projected at 0.3%, 1.0% and 1.3% in 2020, 2021 and 2022 respectively. Given the ECB's inflation target range of 2.0% (+/- 1.0%); policy interest rates are expected to remain unchanged in the short term.

After a severe blow to economic activity during the first quarter of this year from the imposition of stringent social distancing measures to contain the spread of the coronavirus, China's economy is now staging a remarkable recovery. Fitch forecasts real GDP growth of 2.7% in 2020 revised from 1.2%, but remains well below China's five-year historical trend of 6.7%. Fitch's baseline assumes growth will temporarily accelerate to 7.5% in 2021, before returning to an estimated trend rate of 5.5% in 2022.

The fallout between OPEC and non-OPEC members during the first half of the year led to a collapse in energy prices. WTI oil prices fell into historic negative territory, closing at -USD37.63 per barrel on April 20, 2020. Prices have since stabilized as at September 30, 2020, with WTI prices closing at USD40.22 per barrel and Brent prices at USD40.95 per barrel. Henry Hub Natural gas prices closed September 2020 at USD1.63 per MMBtu. According to the World Bank, crude oil prices are forecasted at USD44 per barrel in 2021 as world real GDP grows by 5.2%. The medium-term outlook for the energy market will depend heavily on economic growth prospects of both advanced and emerging markets and developing economies.

REGIONAL

The Caribbean region incurred significant economic declines in 2020 due to the onset of the pandemic. Trade and travel-related restrictions resulted in major stoppages in the tourism sectors of many tourism-dependent nations. The IMF initially predicted contractions in economies such as The Bahamas (-8.3%), Barbados (-7.6%), Jamaica (-5.6%), Suriname (-4.9%) and Trinidad and Tobago (-4.5%) in its World Economic Outlook (WEO) April 2020 report. However, in its WEO October 2020 update, projected real GDP contractions deepened for these countries: The Bahamas (-14.8%), Barbados (-11.6%), Jamaica (-8.6%), Suriname (-13.1%) and Trinidad and Tobago (-5.6%). In 2021, the economic recovery will depend heavily on the global economic rebound which will impact the region's tourism sector and the prioritization of public investment to spur economic activity in these nations. In 2021, the IMF projects an economic recovery for the Caribbean with growth of 3.6% driven by a rebound in countries such as The Bahamas (4.6%), Barbados (7.4%), Jamaica (3.6%), Suriname (1.5%) and Trinidad and Tobago (2.6%).

BARBADOS ECONOMIC OVERVIEW AND OUTLOOK

According to the Central Bank of Barbados, the Barbadian economy contracted by 27% in the second quarter of 2020 and resulted in an overall contraction of 15% in the first half of 2020 due to the spread of COVID-19 across the landscape. The slump in economic activity during the second quarter was broad-based with significant contractions in tourism, construction, manufacturing and other business service industries. Most significant was the contraction in tourism as output declined by more than 50% for the first half of the year with long stay visitor arrivals declining by an estimated 54% and cruise passengers by 34%. GDP growth is projected to decrease from -0.1% in 2019 to an estimated -12% due to a large negative shock to tourism demand, in turn due to the COVID-19 pandemic. Growth is expected to recover slowly, stabilizing to its long-term average of around 1.8% in 2022-24.

The primary balance for the the second quarter of 2020 weakened but a stronger than forecasted revenue outturn resulted in a primary surplus of 1.6% of GDP. Given the effects of COVID-19, the government was able to renegotiate with the IMF. The Government has lowered its primary balance target to -1% of GDP for fiscal year 2020/21 to fight the coronavirus pandemic from an initial target of a surplus of 6% of GDP. This accommodation will be compensated by higher primary surpluses in the medium term to ensure that the debt target of 60% of GDP in fiscal year 2033/34 is reached. S&P forecasts net general government debt will rise to 138% of GDP in 2020 from 109% in 2019, partially due to the strong contraction in the economy, before falling to 113% by 2023.

As at the end of September 2020, all quantitative targets under the Extended Fund Facility (EFF)

with the IMF were met. Barbados has managed to surpass its Net International Reserves (NIR) target by a wide margin, with NIR now in excess of USD1 billion from a low of USD220 million which represented just about 5-6 weeks of import cover back in May 2018.

EASTERN CARIBBEAN OVERVIEW AND OUTLOOK

In 2020 the Eastern Caribbean (EC) region suffered very large losses to economic activity due to the global pandemic and the resulting sudden halt to tourism activity in March 2020. The EC region is projected to contract by 16.18% in 2020 according to the Eastern Caribbean Central Bank (ECCB) as all Member States are projected to contract. The backing ratio set forth by the Eastern Caribbean Currency Union (ECCU) remains strong at around 98% in July 2020. The backing ratio refers to the common currency's (XCD) peg to the US dollar at an exchange of XCD2.7 to USD1. This exchange rate is backed by a series of financial assets held by the ECCB and has been held at that rate since its inception on 7 July 1976. The stability of the XCD allowed EC Member States to benefit from a relatively low and stable inflation rate. The ECCB is currently projecting economic growth of 5.05% in 2021 for the region, slightly above the ECCB's target growth rate of 5.0%. Over the medium-term, growth will depend on the pace of recovery in the tourism sector and the continuation of public sector investment projects.

COSTA RICA ECONOMIC OVERVIEW AND OUTLOOK

Costa Rica has been hit hard by COVID-19, owing to its highly open economy that has large exposures to trade, tourism, foreign direct investment and global supply chains. Tourism exports, which account for over 6% of GDP and 19% of exports, have collapsed with border closures, while other exports have also slowed due to the economic contraction in the US and global trading partners. The pandemic is expected to reduce Costa Rica's real GDP growth rate to -4% in 2020, however, it is expected that economy will return to positive growth in 2021 at 3.1%. The possibility of a second wave of COVID-19 in Costa Rica, or a prolonged recession in the US pose downside risks to the nation's recovery.

Tourism receipts have collapsed from March 2020, owing to border closures and restricted travel. Recessions and travel restrictions in the main source countries have sharply reduced tourism demand, with a projected 60% drop for 2020. According to S&P, Costa Rica's current account deficit is expected to average 3.5% of GDP in 2020-2023, partly reflecting the higher income deficit following projected increases in interest payments on external debt.

TRINIDAD AND TOBAGO ECONOMIC OVERVIEW AND OUTLOOK

During the first quarter of 2020, economic activity declined by 1.9%, but as borders and non-essential businesses closed towards the end of March, second quarter GDP was more severely affected, plummeting by 10%. Overall for the first half of 2020, economic activity fell by 5.9% and a decline of 6.8% is projected for full year 2020. The fiscal performance has deteriorated markedly in the context of considerably lower revenue due to subdued economic activity in both the energy and non-energy sectors.

The country's financial buffers remain fairly sound, even though withdrawals from the Heritage and Stabilization Fund (HSF) were made to supplement funding required for support programmes to weather the COVID-19 pandemic effects. As at the end of September 2020, the net present value of the HSF was USD5.7 billion and foreign exchange reserves stood at USD7.3 billion.

The government implemented several measures estimated at around TTD6 billion at the start of the pandemic to mitigate the economic impact. These measures included increased expenditure to boost support to households through grants and transfers to individuals that had been retrenched, or incomes affected, and increased spending on healthcare as well as loan guarantee and grants for MSME business segments. For FY 2020, current revenue declined 27%, driven largely by a 51% reduction in energy revenue, while current expenditure fell by 0.5%. As a result, the current account balance ended with massive shortfall of TTD13.4 billion, relative to a deficit of TTD1.2 billion in FY 2019. The overall fiscal balance rose sharply to TTD16.8 billion – the equivalent of 11% of GDP. Consequently, net public sector debt rose by 17% in FY 2020, increasing the debt to GDP ratio to 80% from 65% in FY 2019. Debt is projected to decline to 65% of GDP by 2023 or 2024 due to the government's focus on lowering future budget deficits to 2% of GDP by 2023 as well as rebound in GDP growth. The government's interest costs are estimated at around 10.3% of total revenues and are projected to remain near this level through to 2023 declining moderately to 10.2%.

The Central Bank of Trinidad and Tobago eased monetary conditions by reducing the reserve requirement for commercial banks to 14% from 17% and lowered the repo rate to 3.5% from 5%. This led to a substantial increase in financial system liquidity to around TTD12 billion at the end of September.

On October 5, 2020 the Minister of Finance

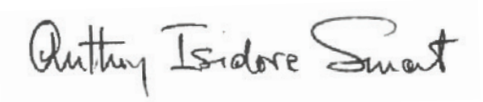
presented the fiscal 2021 budget statement placing heavy emphasis on improving the nation's ICT and agriculture infrastructure through increased budgetary allocations and projects over the medium term. Major construction projects planned by the government will increase the nation's growth prospects over the medium term with real GDP growth of 1.6% by 2023. In 2021, Trinidad and Tobago's economy will rebound slowly, with growth projected at a modest 0.7% according to S&P driven by a pickup in energy commodity prices. Per capita income is projected to grow to USD17,450 by 2022, moderately higher than its pre-pandemic level in 2019. Total revenue is estimated at TTD41.364 billion and expenditure at TTD49.573 billion with oil price assumptions of USD45/bbl and gas prices of USD3/MMBtu in 2021. The fiscal deficit is projected to decline to 5.6% of GDP in 2021 from 11% of GDP in 2020 as the government commits to attaining a primary fiscal balance over the medium term.

On March 26, 2020 S&P lowered its long-term foreign and local currency sovereign currency rating on Trinidad and Tobago to BBB- from BBB and placed the outlook at stable, while on May 22, 2020 Moody's changed the outlook on Trinidad and Tobago's rating to negative from stable and affirmed the long-term issuer debt ratings at Ba1.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to congratulate all management and staff of First Citizens on their achievements this year. With their dedication to the First Citizens brand and their commitment to our customers, the Group remains a beacon in the financial sector.

I also wish to express my sincere gratitude to the customers, investors, shareholders, fellow directors and all other stakeholders for their invaluable contributions toward the continuing growth and success of the First Citizens Group.



Anthony Isidore Smart
Chairman

Group Chief Executive Officer's Report





"As the way we do business evolves, the Group is progressively delivering digitized products, services and access through alternative channels for our customers."

OVERVIEW

The sudden and prolonged effects of COVID-19 felt from circa March 2020, directly affected all economies; influencing most, if not all, business decisions and operations in 2020. Along with all business segments which implemented measures to deal with the impact, First Citizens likewise, was faced with the dual struggle of maintaining business operations and assisting our customers in their efforts to survive the disruption. Foremost in all of this though, is the keen awareness of the need for self-preservation and keeping safe.

First Citizens worked with customers and communities to provide relief and support in as many ways possible. These came in the form of loan payment deferrals, fee waivers, reduction in rates, customized solutions and flexible payment plans. Use of our online channels was encouraged both for business and retail customers. Our in-person service delivery was prioritized for senior citizens and the differently-abled. We partnered with civil society groups to deliver personal protective equipment to front-line medical personnel, and digital devices to children to facilitate online learning. There was also an internal food drive, largely funded by our employees; distributing hundreds of food hampers to members of the public.

We are also extremely proud to have assisted the Government in delivering their nationwide, social relief, food support programme. Our technology allowed for this to be done efficiently and safely for thousands of grant recipients. First Citizens also worked with the Government of Trinidad and Tobago to structure the end-to-end process for access to the Government's SME stimulus package; a funding mechanism through which Small and Medium Enterprises affected by the Coronavirus, were able to access some financial relief. We continue to work with the Government, as a key financial services provider, to operationalize the stated goal to deploy technology to deliver more government services.

As the way we do business evolves, the Group is progressively delivering digitized products, services and access through alternative channels for our customers. We are also deploying the technology internally to keep our employees safe and comfortable in this new environment. Other COVID-19 safety protocols instituted for the well-being of our employees include installation of acrylic safety shields, sanitation stations, temperature measuring devices, physical distancing guidelines and provision of personal protective equipment. Many of our employees have benefited from, and continue to benefit from, flexible work arrangements.

Despite the negative impact on our economy and communities, First Citizens' commitment towards maintaining the interests of all our stakeholders for our mutual sustainability, has kept us on our medium and long-term vision. While the Coronavirus pandemic has altered our timeline, our strengths in governance and business strategy remain consistent. This approach has been recognized in The Banker, Top Caricom Banks (June 2020); placing us 3rd overall. LatinFinance named First Citizens as Bank of the Year Caribbean 2020. These achievements are a substantial demonstration of our endurance and strength.

FINANCIAL PERFORMANCE

For the financial year ended September 30, 2020, profit before tax amounted to $831.6 million; as well as profit after tax, to $606.9 million. Our efficiency ratio improved slightly from 54.8% to 54.1%. The Group's total assets amounted to $47.4 billion, a 9.4% increase compared to fiscal 2019. The gross loan portfolio increased

by 3.3% from $18.9 billion to $19.5 billion, and the investments portfolio also increased by 3.7% to $16.5 billion from $15.9 billion. The Group's funding base increased by 9.1% to $35.2 billion. Our capital base grew by 3.8%, moving from $7.2 billion to $7.4 billion. Qualifying capital to risk adjusted assets stood at 39.4%.

The Group's subsidiaries performed admirably. The First Citizens Depository Services Limited realized a profit before tax of $60.0 million. Our Trustee Company contributed a profit before tax of $30.6 million, while our First Citizens Investment Services Group contributed $189.4 million.

BUSINESS OPERATIONS

Our Operating Segments were consistent in their contributions for 2020. Our first fiscal quarter to December 2019 provided a strong buffer for consumer lending prior to the onset of the pandemic. This was attributed to our annual "More the Merrier®" campaign which always has a competitive advantage with low rates, attractive loan offers, and incentives. During this period, our retail network also succeeded in meeting the challenges of the accelerated nationwide transition to the new polymer $100 note.

The brokerage arm of the Group, First Citizens Brokerage and Advisory Services (FCBAS), brokered the IPO and subsequent Rights Issue of the first Alternative Energy company on the Trinidad and Tobago Stock Exchange (TTSE) – MPC Caribbean Energy – providing investors in Trinidad and Tobago, and Jamaica, access to US$ denominated investments in "green energy", and revitalizing the dormant US$ Security market of the TTSE. This was valued at US$6.74 million. In December 2019, FCBAS was part of the cross jurisdictional brokerage team which successfully effected a client's acquisition of a regional insurance institution in a transaction valued at over US$536 million. Our Barbados operations continue to support clients as the local economy presses forward with recovery strategies.

Support services this year were admittedly propelled into bringing forward many of our digital and information technology (IT) transformation projects. Advances in our IT infrastructure and governance afforded us significant advantage, allowing us to reduce our time-to-market for digital solutions. Customers will now benefit from faster access to products and services, as well as, improved response times. A prime example is the launch of our SME microsite. The full implementation of our HRIS platform was completed this year. A complete suite of HR modules and functions are now being fully deployed. On the Electronic Banking services front, First Citizens remains ahead of the industry with the only mobile app in the country that has real-time credit card payments and balances. Also, this past year we introduced contact-less card technology, the EMV debit card, enhanced our real-time notifications and introduced a self-service Visa loyalty mobile app, an improved travel reward program and expanded contact centre services.

Social Distancing and other COVID-19 health regulations affected the delivery of our Corporate and Social Responsibility programmes. While we continue to support causes financially, the social impact of a physical presence and community participation was undoubtedly missed. Nevertheless, where possible, we used the available technology to deliver webinars, conferences, television programmes and social media events. We are committed to remaining engaged, and working with our local and regional communities throughout the global crisis.

OUTLOOK

It is expected that the fallout from the Coronavirus pandemic will continue well into the next fiscal year. As a result of limited growth and lower hydrocarbon prices, Standard and Poor's downgraded the sovereign rating. The knock on effect was a downgrade of the Bank's rating to an investment grade rating BBB-/A-3. Even though the bank is not heavily dependent on the energy sector, lower oil prices is expected to limit the growth of the economy in the short term. The operating environment is projected to show signs of growth only in the medium term, as the Government's stimulus programmes and projects attempt to provide impetus in that direction. To counteract the downturn in the economy, the First Citizens Group continues to actively re-examine our strategies and change priorities to match the circumstances. However, we expect that our tradition of sound corporate governance and risk management will guide us through this economic crisis.

ACKNOWLEDGEMENTS

In closing, I take this opportunity to express my sincere appreciation to the Board, our employees, customers and all other stakeholders. Together, the First Citizens family will embrace these uncertain times and new challenges with business acumen and top of the line technology. We will continue to make strides; utilizing creative solutions and our indomitable strength to remain a competitive driving force in the banking community.



Karen Darbasie
Group Chief Executive Officer

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

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

- Ensuring that the 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 company operational efficiencies;

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

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act and the Financial Institution Act (FIA) 2008; and

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

In preparing these audited consolidated financial statements, management utilized 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 authorized for issue, if later.

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



Karen Darbasie
Group Chief Executive Officer
December 10, 2020



Shiva Manraj
Group Chief Financial Officer
December 10, 2020

TEN-YEAR SUMMARY OF SELECTED FINANCIAL DATA

TT$ Million

As at September 30	2020	2019	2018	2017	2016	Restated 2015	2014	Restated 2013	Restated 2012	2011
Total Assets	47,446	43,382	42,045	38,958	38,850	37,538	34,858	36,086	33,804	31,160
Total Funding	38,780	35,159	34,264	31,212	31,371	27,872	27,727	28,157	27,445	25,706
Shareholders' Equity	7,421	7,152	6,622	6,752	6,679	6,326	6,241	5,965	5,471	5,146
Total Loans	19,040	18,624	16,015	14,435	13,332	13,831	11,154	11,517	10,322	9,020
Investments	16,464	15,876	15,128	15,690	12,967	12,294	10,442	10,305	10,852	10,611
Profit Before Tax	832	1,063	1,010	876	817	791	773	745	714	688
Profit After Tax	607	752	674	642	637	630	627	609	446	718
Non-Performing Loans /Total Loans (%)	3.36%	2.46%	3.33%	2.70%	3.89%	3.39%	4.54%	4.25%	4.56%	4.55%
Efficiency Ratio (%)	54.10%	54.81%	47.23%	53.16%	55.51%	55.80%	54.31%	53.99%	49.53%	46.74%
Capital/Asset (%)	15.6%	16.5%	15.7%	17.3%	17.2%	16.9%	17.9%	16.5%	16.2%	16.5%
ROAA	1.34%	1.76%	1.66%	1.65%	1.67%	1.74%	1.77%	1.74%	1.37%	2.37%
ROAE	8.33%	10.92%	10.08%	9.56%	9.80%	10.03%	10.27%	10.65%	8.40%	14.29%
Effective Tax Rate	27.02%	29.26%	33.27%	26.71%	22.03%	20.30%	18.94%	18.26%	37.54%	(4.36)%
Marginal (Decrease) /Increase In Tax	(2.23)%	(4.01)%	6.55%	4.68%	1.73%	1.35%	0.69%	(19.28)%	41.90%	(10.92)%

DIRECTORS' REPORT

Statement of the Board of Directors of First Citizens Bank Limited in accordance with Section 37(1) (b) of the Financial Institutions Act, Chapter 79:09 of the Revised Laws of the Republic of Trinidad and Tobago

THE DIRECTORS PRESENT HEREWITH THE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020.

PRINCIPAL ACTIVITIES

The First Citizens Group – defined as First Citizens Bank Limited (the "Bank") and its subsidiaries, conducts a broad range of banking and financial services activities including retail banking, corporate and commercial banking, investment banking, trusteeship and asset and wealth management. The Bank, a publicly listed company, is a subsidiary of First Citizens Holdings Limited, a company which is beneficially owned by the Government of the Republic of Trinidad and Tobago.

REGULATION

The Bank is licensed under the Financial Institutions Act, Chapter 79:09 of the Revised Laws of the Republic of Trinidad and Tobago and is regulated under the laws and regulations of the Central Bank of Trinidad and Tobago, the Trinidad and Tobago Securities and Exchange Commission, the Trinidad and Tobago Stock Exchange and other applicable rules, laws and regulations.

FUTURE DEVELOPMENTS

The First Citizens Group will continue to focus on its core range of services over the next financial year. We intend to strengthen our brand by enhancing the customer experience.

The Bank has undertaken a number of initiatives in keeping with the Principles and Recommendations of the Corporate Governance Code (CG) 2013 and these are set in the Governance section of this report.

ACHIEVEMENTS

The Group's total assets stood at $47.4 billion as at the end of September 2020. Profit before tax decreased by 21.7% to $831.6 million in 2020 as compared to $1,062.8 million in the previous year. The profit after tax amounted to $606.9 million, as compared to $751.7 million in 2019. Total Shareholders' Equity recorded was $7.42 billion.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge and belief:

a) In the preparation of the Annual Financial Statements, the applicable International Financial Reporting Standards have been followed and there have been no material departures from these standards.
b) That the risk management systems and internal controls are adequate for managing the company's risk and are being properly applied.
c) The annual financial statements have been prepared on a going concern basis.

DIRECTORS, SENIOR OFFICERS AND SUBSTANTIAL INTEREST

Below are the details of shareholdings of Directors and Senior Officers with an interest in the Bank as at September 30, 2020, together with the shareholdings of their connected parties and our ten (10) largest shareholders.

Director/Senior Officer	Ordinary Shareholdings	Connected Parties
Troy Garcia	2,373	
Franka Costelloe	390	
Karen Darbasie	4,735	
Jason Julien	5,000	
Sterling Frost	1,000	
Lindi Joy Ballah-Tull	500	
Richard Look Kin	1,228	1,153
Shiva Manraj	25,000	
Anthony St. Clair	5,000	
Robin Lewis	23,228	
Sana Ragbir	7,000	664

THE TEN (10) LARGEST SHAREHOLDERS

Shareholder	Ordinary Shares	Percentage
First Citizens Holdings Limited	161,946,890	64.43%
National Insurance Board of Trinidad and Tobago	20,285,431	8.07%
T&T Unit Trust Corporation / FUS	8,504,464	3.38%
First Citizens Employee Share Ownership Plan	5,773,061	2.30%
Guardian Life of the Caribbean Limited	2,646,418	1.05%
RBTT Trust Limited – T964	1,597,576	0.64%
National Enterprises Limited	1,592,395	0.63%
Republic Bank Limited – 1162	1,513,707	0.60%
Republic Bank Limited A/C 3243 01	1,326,486	0.53%
Tatil Life Assurance Limited	1,175,731	0.47%

DIRECTORS' REPORT

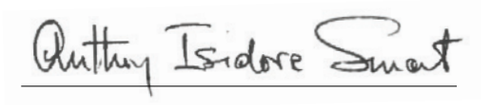
ACKNOWLEDGEMENT

The Board of Directors take this opportunity to express our sincere appreciation for the excellent support and co-operation received from all its subsidiaries and the continued enthusiasm, dedication and efforts of the employees of the Group. We are also deeply grateful for the continued confidence and faith reposed in us by our stakeholders.

By order of the Board



Lindi Ballah-Tull
Corporate Secretary



Anthony Isidore Smart
Chairman







"Be genuine. Be remarkable. Be worth connecting with." *—Seth Godin*

BOARD OF DIRECTORS





Board of Directors

Standing (l to r): Savitree Seepersad, Jayselle McFarlane, Franka Costelloe, Ryan Proudfoot, Idrees Omardeen and Troy Garcia
Sitting (l to r): David Inglefield, Anthony Isidore Smart – Chairman, Courtenay Williams – Deputy Chairman and Ingrid Melville

The Board Profile



Mr. Anthony Isidore Smart
Chairman

Anthony Isidore Smart graduated from the University of Toronto, Canada with a Bachelor of Arts Degree (General), majoring in Economics.

He is an Attorney-at-Law who has been in private practice for 48 years, for 30 of which he led the law firm of Gittens, Smart & Company. He was an elected member of the House of Representatives of the Parliament of Trinidad and Tobago from December 1986 to November 1991.

At various times between January 1987 and February 1989 he was the Deputy Speaker of the House of Representatives, Minister in the Office of the Attorney General, Minister in the Office of the Prime Minister, and Chief Whip in the House of Representatives. He was Attorney General of Trinidad and Tobago from March 1989 to November 1991.

Mr. Smart was a tutor in Family Law at the Hugh Wooding Law School in the 1970s and was personally responsible for drafting the Code of Ethics for Ministers and Members of Parliament which was laid in the House of Representatives in 1988.

Mr. Smart was appointed as Chairman of the Board of First Citizens Bank Limited on June 17, 2014 and subsequently as Chairman of First Citizens Investment Services Limited, First Citizens Bank (Barbados) Limited, First Citizens Costa Rica S.A., First Citizens Holdings Limited and First Citizens Portfolio and Investment Management Services Limited.

He also served as Executive Chairman of First Citizens Bank Limited from December 4, 2014 to April 7, 2015. He was inducted into the Fatima College Hall of Achievement for Public Service in 2015.

THE BOARD PROFILE



Mr. Courtenay Williams
Deputy Chairman

Courtenay Williams is an Attorney-at-Law who has been in practice for 33 years, most of which have been spent at the private bar, specializing in banking, privatization, commercial, intellectual property, project financing, capital market and debt restructuring transactions. Mr. Williams graduated from The University of the West Indies with a Bachelor of Laws Degree (Honours). He also obtained a Legal Education Certificate from the Hugh Wooding Law School in 1987.

Mr. Williams is a tutor at the Hugh Wooding Law School in the Law of Remedies and has previously also tutored in areas such as Landlord and Tenant, Conveyancing and Registration of Title, Ethics Rights and Obligations of the Legal Profession and Succession.

He was appointed to the Board of First Citizens Bank Limited on June 17, 2014 and subsequently as Deputy Chairman of First Citizens Bank Limited, Chairman of the Boards of First Citizens Depository Services Limited and First Citizens Financial Services (St. Lucia) Limited and a Director on the Boards of First Citizens Holdings Limited and First Citizens Trustee Services Limited.

Mr. Williams, a certified mediator, is currently a Senior Ordinary Member of the Law Association of Trinidad and Tobago and a member of the Disciplinary Committee of the Law Association of Trinidad and Tobago. He is also a Commissioner of the Public Services Commission.

Mr. Williams is a past President of the Art Society of Trinidad and Tobago and Deputy Chairman of the Trinidad and Tobago Film Company Limited and Chairman of the Legislative Committee of the American Chamber of Commerce of Trinidad and Tobago.

He currently sits on the Boards of the Bocas Literary Festival, Trincity College Limited and Electrical Industries Group Limited, and is a Consultant with Lex Caribbean, Attorneys-at-Law and Notaries Public.

THE BOARD PROFILE



Franka Costelloe holds an MSc in Building and Construction Management (with distinction), an (MBOS) Associate Degree in Project Management and BSc in Business Administration with a Major in Human Resources and a Certificate in Corporate Governance from the Caribbean Corporate Governance Institute.

Ms. Costelloe is a Director of Lifetime Roofing Limited, a manufacturer, distributor and contractor specialized in metal and flat roof waterproofing. She has experience in various departments including: Human Resources, Project Management, Contracts, Budget Planning and Administration, Sales and Marketing.

She sits as the Chairman of First Citizens Trustee Services Limited and is a Director on the Boards of First Citizens Bank Limited and First Citizens Bank (Barbados) Limited.

Ms. Costelloe currently also sits on the Trinidad and Tobago Manufacturers' Association Board and is the President.

Ms. Franka Costelloe

THE BOARD PROFILE



Mr. Ryan Proudfoot

Ryan Proudfoot holds a Bachelor of Arts Degree (with Honours) in Accounting from the University of Kent at Canterbury, UK and a Masters of Business Administration in International Management from the University of Exeter, UK.

Mr. Proudfoot is the majority shareholder of Total Office, a Trinidad & Tobago headquartered group that helps Architects, Designers and Corporate Clients create great spaces throughout the English-speaking Caribbean. From Jamaica in the north to Guyana in the south and another ten countries in between, the Total Office Group serves a population of six and a half million people.

Prior to this, Mr. Proudfoot had a highly successful career in banking, holding the positions of General Manager, BNB Finance & Trust Corporation and General Manager, BNB Treasury with Barbados National Bank Inc. (renamed Republic Bank (Barbados) Limited; and a subsidiary of Republic Bank Limited).
Mr. Proudfoot joined BNB after serving as Business Head and Vice President, Citicorp Merchant Bank Limited (Barbados Branch) where he was responsible for the re-establishment of Citibank in Barbados.

Mr. Proudfoot started his career at Citibank Trinidad as a Relationship Manager in Corporate Banking where he served for five years before moving to Barbados.

He was appointed to the Board of First Citizens Bank Limited on July 3, 2014 and subsequently as Chairman of the Board of First Citizens Investment Services (Barbados) Limited and First Citizens Brokerage and Advisory Services Limited, and a Director on the Boards of First Citizens Investment Services Limited, First Citizens Bank (Barbados) Limited and First Citizens Portfolio and Investment Management Services Limited.

THE BOARD PROFILE



Ms. Jayselle McFarlane

Jayselle McFarlane is a member of the Association of Certified Chartered Accountants (ACCA), holds an MBA and has experience in various sectors such as financial services, construction, hospitality and manufacturing. Her career as a Consultant emanated from over 23 years of diverse experience; with her functioning in leading roles at various international/multinational companies. As a Chartered Accountant, she was able to hold the offices of Finance Analyst, Financial Controller and Corporate Secretary in these international/ multinational companies.

Ms. McFarlane is currently pursuing the Forensic Certified Public Accountant Qualification at Caribbean Institute of Forensic Accounting [CFA].

She was appointed to the Board of First Citizens Bank Limited as a Director on June 16, 2016 and subsequently as Deputy Chairman on the Board of First Citizens Depository Services Limited and as a Director on the Boards of First Citizens Holdings Limited and First Citizens Investment Services Limited.

THE BOARD PROFILE



Ms. Ingrid Melville

Ingrid Melville is an Attorney-at-Law who has been in practice for 25 years, leading the law firm Ingrid Melville & Company since 2012. She graduated from The University of the West Indies with a Bachelor of Laws Degree in 1993 and obtained a Legal Education Certificate from the Hugh Wooding Law School in 1995. Ms. Melville is also the Managing Director of Caribbean People Centred Development Institute and SAFA Holdings (PTY) Ltd., Botswana.

A true pioneer of human rights issues, Ms. Melville has presented at several key seminars in Botswana, South Africa, Zimbabwe and Egypt, and has published research papers and other publications on topics such as human dignity, volunteerism and HIV in the workplace.

Ms. Melville has made many meaningful collaborations with respect to human rights and youth issues from early on in her life (being a member of the Tobago Youth Council from 1985 to 1990) and has been actively involved in youth development and human rights issues ever since.

Ms. Melville was appointed as a Director on the Board of First Citizens Bank Limited on February 16, 2017 and subsequently as a Director of First Citizens Trustee Services Limited and First Citizens Costa Rica S.A.

THE BOARD PROFILE



Mrs. Savitree Seepersad

Savitree Seepersad FCCA is a Member of the Association of Certified Chartered Accountants (ACCA).

Mrs. Seepersad is currently the Deputy Permanent Secretary, Ministry of Finance. She entered into the Public Service 36 years ago where she served in various positions in the Ministry of Finance including Treasury Accountant, Senior Treasury Accountant, Treasury Director and Comptroller of Accounts.

She is a member of the National Anti-Money Laundering and Counter Financing of Terrorism Committee (NAMLC) and Co-Chair of the Human Resource Committee of the Caribbean Financial Action Task Force (CFATF). She is a member of the Permanent Double Taxation Treaty team of Trinidad and Tobago and is also responsible for coordinating all activities with respect to Trinidad and Tobago's tax transparency obligations to the Organization for Economic Cooperation and Development's (OECD) Global Forum and Base Erosion and Profit Shifting Inclusive Framework (BEPSIF) and the European Union. She also serves as a member on other Committees as a Ministry of Finance representative.

Mrs. Seepersad was appointed to the Board of First Citizens Bank as a Director on April 14, 2016.

THE BOARD PROFILE



Mr. Troy Garcia

Troy Garcia holds a Bachelor's Degree in Business Administration from Stetson University, Florida, USA.

With over 24 years of experience and success in the fields of business and entrepreneurship, he is the Chief Executive Officer of Parts World Limited and Managing Director of High Performance Coatings and Honorary Consul General of Finland for Trinidad and Tobago.

Mr. Garcia was appointed to the Board of First Citizens Bank Limited on June 16, 2016 and subsequently to the Boards of First Citizens Investment Services Limited and First Citizens Depository Services Limited.

THE BOARD PROFILE



Mr. Idrees Omardeen

Idrees Omardeen became a member of the Association of Chartered Certified Accountants (ACCA) in 2004, five years after which, his expertise in the field granted him Fellow Membership status within the Association. With a keen eye for management, Mr. Omardeen operates the Omardeen School of Accountancy Limited, a family-owned business.

At the school, Mr. Omardeen lectured all levels of accounting–from entry level to professional level. He also works in his family's accounting practice and manages the property rentals as well as events and the family's auditorium. Mr. Omardeen has recently started a new venture, or as he puts it – adventure, in the making of the finest blends of coffee for export and local consumption.

Mr. Omardeen was appointed as a Director of First Citizens Bank Limited on June 17, 2016 and subsequently as a Director on the Boards of First Citizens Investment Services Limited, First Citizens Depository Services Limited and First Citizens Brokerage and Advisory Services Limited.

THE BOARD PROFILE



Mr. David Inglefield

Mr. David G Inglefield's business career has spanned 48 years in Trinidad and Tobago, Suriname, Guyana, Barbados and the USA.

Beginning in 1969 at Trinity Advertising Limited, he became Managing Director in 1978 and in 1981 acquired and merged the business with Corbin Compton Caribbean and was appointed CEO in 1982 where he remained until he resigned in 1993 and founded Inglefield, Ogilvy & Mather Caribbean Limited. During this period, he taught the third-year advertising and communications course at The UWI.

Recognized as one of the leaders in the Caribbean on Strategic Business and Brand Development, in October 2003, he brought his considerable knowledge and experience to the ANSA McAL Group as a Parent Board Director and member of the Group's Executive Committee. As Group Marketing Director, he played a decisive role in the acquisition of the Bryden's Business Group in Barbados and its successful integration into the Group's distribution business in Barbados.

During the period 2005 to 2015, Mr. Inglefield served in various capacities within the ANSA McAL Group including Group's Distribution Sector Head. In 2007 he was appointed President/CEO of ANSA McAL (Barbados) Limited with responsibility for approximately $2 billion of assets under management. Returning to T&T in 2011, he took up the position of Sector Head Executive Chairman of Guardian Media Limited as well as Chairman of the four operating companies in the ANSA McAL Group's Services and Retail Sectors.

Mr. Inglefield retired from the ANSA McAL Group in June 2015 and is now an active business consultant to major businesses in the State and private sector, including the 'heavy' manufacturing and petrochemical sectors. He also retains a consultancy role in the ANSA McAL Group.

He was appointed a Director of the Board of Trinidad Cement Limited (Cemex) and a member of the Board Audit and Governance Committees in 2016. Mr. Inglefield was appointed Chairman of the TCL Group in October 2019.

He also serves as a Board member of First Citizens Bank Limited, a Director of First Citizens Trustee Services Limited, First Citizens Investment Services Limited and First Citizens Bank (Barbados) Limited; and serves on the First Citizens Group HR and Audit Committees.





"Building a good customer experience does not happen by accident. It happens by design."
—Clare Muscutt

Executive Management Team



Ms. Karen Darbasie

Group Chief Executive Officer

Karen Darbasie is an accomplished senior executive with over three (3) decades of experience in the financial services and telecommunications industries with a progressive leadership style underscored by excellence and vision.

Prior to her appointment at First Citizens in April 2015 as Group Chief Executive Officer, Ms. Darbasie held several senior positions at a global financial institution based in Trinidad and Tobago, including Managing Director of the Merchant Bank, Country Treasurer and Markets Head.

Her local and international qualifications, which include a Bachelor of Science (BSc) degree in Electrical Engineering with First Class Honours from The University of the West Indies, a Master of Business Administration (MBA) with distinction from the University of Warwick and a Master of Science (MSc) with distinction from the University of Essex, allow her to draw from an extensive academic background, bolstered by an innate technical business acumen.

Ms. Darbasie serves as a Director on several Subsidiary Boards within the First Citizens Group. A former Director of the Board of the American Chamber of Commerce of Trinidad and Tobago (AMCHAM), Energy Chamber of Trinidad and Tobago and St. Lucia Electricity Services Limited (LUCILEC), she currently serves as President of the Bankers Association of Trinidad and Tobago and Chairman of Trinidad Nitrogen Company Limited.





Mr. Jason Julien, CFA

Deputy Chief Executive Officer – Business Generation

Jason Julien is a Chartered Financial Analyst with over 20 years of experience in the financial services industry. He is the holder of a BSc in Management Studies with honours from The University of the West Indies (The UWI), an MBA from Edinburgh Business School, as well as top honours in IABF's 2018 Professional Certificate for Financial Advisors Programme (Cert. FA) in the Banking specialization. He is currently enrolled in the Stonier Graduate School of Banking and his career has covered consultancy with PricewaterhouseCoopers and management positions at an international bank. He was also employed with one of the largest financial services conglomerates in the Caribbean, where he managed over $8 billion in assets.

He is a member of the Finance Faculty at the Arthur Lok Jack Global School of Business, and is a commentator on economic, investment and financial matters. Mr. Julien was also honoured as one of the Distinguished Alumni of The UWI, St. Augustine. Mr. Julien is a Past President of the CFA Society of Trinidad and Tobago and has served on the Boards of the Mutual Fund Association of Trinidad and Tobago and the Securities Dealers Association of Trinidad and Tobago. He has also served as the Vice-Chairman of the Capital Markets Development Committee of the Central Bank of Trinidad and Tobago, and as Chairman of the Airports Authority of Trinidad and Tobago. He is currently a member of the Board of Directors of the Trinidad and Tobago Chamber of Industry and Commerce and the NextGen Board of the Inter-American Development Bank.

Mr. Julien is also a Director on the boards of several subsidiaries within the First Citizens Group.



Dr. Sterling K. Frost

Deputy Chief Executive Officer – Operations and Administration

Dr. Sterling Frost has three decades of global corporate career experience in North America, Latin America and the Caribbean region. He is an International Management Executive who has held senior positions in the financial services sector in a range of areas including Retail and Commercial Banking, Operations Management, Public Affairs and Human Resource Management.

Before joining the First Citizens Group in 2016 as Deputy Chief Executive Officer – Operations and Administration, he served as Director of Human Resources at the Miami-based Citibank Latin America Head Office. There, he had oversight of 12,000 employees across 13 countries in the Central American and Caribbean region, serving 1.2 million clients. His past directorships include financial institutions across Trinidad and Tobago, Panama, Nicaragua and Honduras. He currently serves on the Boards of several subsidiaries within the First Citizens Group.

Dr. Frost has a Master's degree and a Doctorate in Business Administration from The University of the West Indies (The UWI). In February 2019, he was appointed Professor of Practice: Management Studies at The UWI, St. Augustine, in recognition of his professional competence, distinguished practice, notable teaching and service contributions. He is the recipient of The UWI Inaugural Distinguished Alumni Award conferred in 2011 on high-performing individuals who consistently operate at world-class levels. Dr. Frost is also a University of California Berkeley certified Executive Coach, which has conferred the critical soft skills leaders require today.

Dr. Frost has consistently been committed to the transfer of knowledge and strategies for change that builds efficiencies across several sectors through his post graduate teaching contributions at The UWI since 2004 to present. He is First Examiner and Adjunct Lecturer at The UWI for several courses in both undergraduate and postgraduate programmes. He specializes in the areas of Organizational Behaviour and Development, Human Resource Management, Cross-Cultural Management, Strategic Planning and Strategic Leadership and Change Management.

He is committed to advancing optimal national development for all sectors through his contribution to various government, academic and civil society organizations as reflected in his Chairmanship of The Lydian Singers, as Chair of The UWI Faculty of Social Sciences Advisory Board, Chair of The UWI Institute for Gender and Development Studies External Advisory Board and Deputy Chair of the Public Service Commission. He also serves as Director of the Board of the Foundation for Enhancement and Enrichment of Life (FEEL) and Director of The UWI Development and Endowment Fund.





"The key is to set realistic customer expectations, and then not to just meet them, but to exceed them—preferably in unexpected and helpful ways."
—Richard Branson

SENIOR MANAGEMENT TEAM

SENIOR MANAGEMENT TEAM



From left to right:

Christopher Sandy
General Manager — Trustee Services

Neela Moonilal-Kissoon
General Manager — Operations (Acting)

Larry Olton
Head — Brand and Marketing

Missing:

Kirlyn Archie Lewis
General Manager — Human Resources (Acting)



From left to right:

Sana Ragbir
Group Chief Risk Officer

Akhenaton Marcano
Assistant General Manager — Group Operational Risk and Controls

Brian Woo
General Manager — Corporate and Investment Banking



From left to right:

Keshwar Khodai
Assistant General Manager — Group Treasury and International Trade

Kurt Headley
Head — Retail Banking

Richard Look Kin
General Manager — First Citizens Investment Services



From left to right:

Robin Lewis
General Manager — Retail and Commercial Banking

Avril Edwards
Assistant General Manager — Electronic Banking

Ishwarlal Mongru
Head — Commercial Banking



From left to right:

Felipe Castro
Regional Manager — Central America, First Citizens Costa Rica S.A.

Nesha Ramkhalawan
Assistant General Manager — Group Credit Risk Management

Carole Eleuthere-Jn Marie
Chief Executive Officer — First Citizens Bank (Barbados) Limited



From left to right:

Anthony St. Clair
Chief Internal Auditor

Shiva Manraj
Group Chief Financial Officer

Lindi Ballah-Tull
Head — Legal, Compliance and Governance (Group Corporate Secretary)

Tariq Alli
Assistant General Manager — Corporate and Investment Banking

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The following discussion aims to offer Management's perspective on the Group's financial statements and its general operations for the year ended September 30, 2020.

The Group, defined as First Citizens Bank Limited (the "Bank") and its subsidiaries, conducts a broad range of banking and financial services activities including corporate, retail, electronic and investment banking, brokerage, asset and wealth management services. The Bank is a subsidiary of First Citizens Holdings Limited ("Holdings"), a company owned by the Government of Trinidad and Tobago.

This analysis should be read in conjunction with the consolidated financial statements. The information is provided to assist readers in understanding the Group's financial performance during the specified period and significant trends that may impact the future performance of the Group.

The Group measures performance using a Balanced Scorecard concept, focusing on monitoring and measuring strategic objective benchmarks to meet financial, customer, internal business processes and employee development.

All amounts are stated in Trinidad & Tobago dollars unless otherwise stated.

Significant Accounting Policies

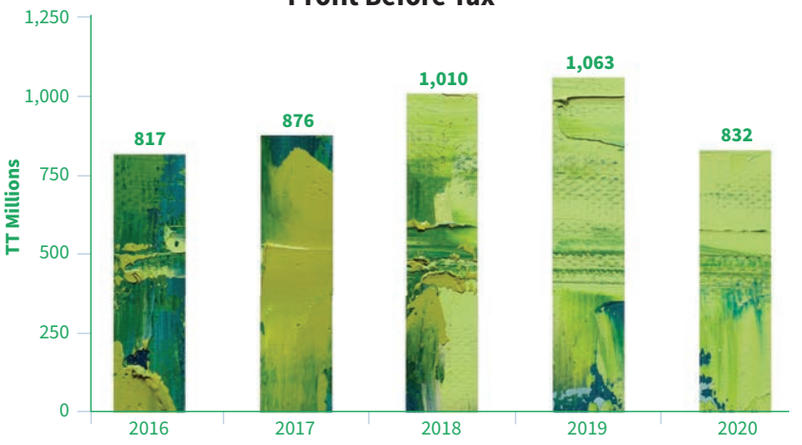
The accounting and reporting policies of the Group conform to International Financial Reporting Standards (IFRS). Developments related to these standards are actively monitored and disclosure is provided in accordance with global industry best practice.

Summary of Operations

At the end of the financial year ended September 30, 2020, First Citizens Group reported a profit before tax of $831.6 million. This profit represented $231.1 million or 21.7% decline over the $1,062.8 million earned in the year ended September 30, 2019. Total net income decreased by 1.8% to approximately $2.235 billion whereas operating or core profit decreased by $230.6 million to $812.3 million (2019: $1,042.9 million). Profit after tax amounted to $606.9 million as compared to $751.7 million in 2019, a decrease of 19.3%.

Overall, total assets increased by 9.4% to $47.4 billion in 2020. The Group's funding base increased from $35.2 billion to $38.8 billion. The Group reflected growth in customers' loans and advances of 3.3%, moving from $18.9 billion to $19.5 billion and investments increased from $15.9 billion to $16.5 billion.

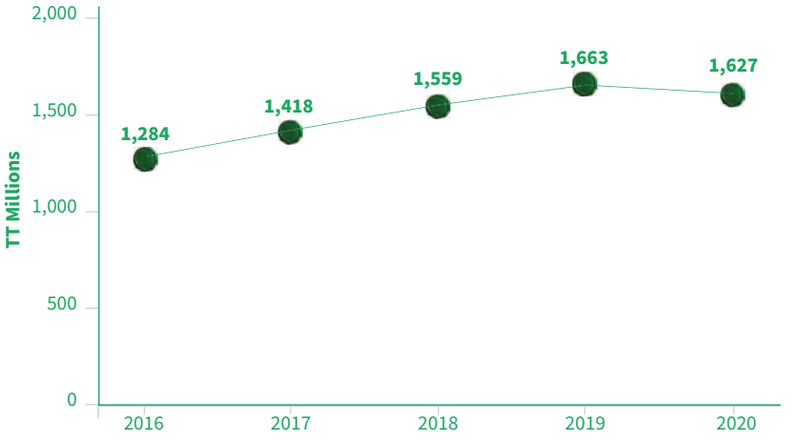
Profit Before Tax



Net Interest Income

Net interest income has remained flat with 2019 at $1.63 billion. Net interest income continues to be the most significant contributor to the Group's net income, accounting for 72.8% (2019: 71.8%) of the Group's total income.

Net Interest Income



Over the financial year ended September 30, 2020, interest income increased by $13 million or 0.6% to $2,047.3 million, the major contributors being loan interest income which accounted for $40.5 million or 3.3% increase. This was partly offset by decreases in investment interest income which decreased by $19.1 million or 2.4% and loan note interest income by $8.4 million.

The increase in the loan interest income was due to an increase in the average portfolio balance of $1.7 billion, while we recorded lower yields on the loans portfolio moving from 6.75% in 2019 to 6.36% in 2020. The investment interest income decrease was mainly due to lower yields on the investments which moved from 5.05% in 2019 to 4.48%, while the average portfolio balance increased by $1.5 billion.

Interest expense increased by $19.5 million or 4.9% to $420.5 million. This increase was mainly due to an increase in bond payables interest expense by $18.5 million, owing to an increase in the average portfolio of $0.5 billion, with slightly lower cost of funding on the bond portfolio which moved from 4.19% in 2019 to 4.15% in 2020.

The deposits interest expenses marginally decreased by $0.2 million, due mainly to lower cost of funding moving from 0.43% in 2019 to 0.4%, while the average portfolio increased by $2.2 billion. The other funding (repo) interest expenses increased by $0.8 million; with the cost of funding moving from 2.64% in 2019 to 2.66%.

The following table sets forth a summary of changes in interest income and interest expense resulting from changes in volumes (average balances) and changes in rates:

	Year Ended September 30, 2019 vs September 30, 2020				Year Ended September 30, 2018 vs September 30, 2019			
	Changes in Volume	Changes in Rate	Changes in Rate /Volume	Total Increase/ (Decrease)	Changes in Volume	Changes in Rate	Changes in Rate /Volume	Total Increase/ (Decrease)
Interest Income Attributable to:								
Investment Securities	33,842	(50,787)	(2,188)	(19,133)	4,614	19,397	118	24,129
Loans to customers	112,171	(65,660)	(6,051)	40,460	144,687	(11,553)	(1,540)	131,594
Loan Notes	(9,072)	975	(279)	(8,376)	(8,945)	572	(127)	(8,500)
Total Increase in Interest Income	136,941	(115,472)	(8,518)	12,951	140,356	8,416	(1,549)	147,223
Interest Expense Attributable to:								
Customers' Deposits	7,379	(7,099)	(472)	(192)	3,350	18,394	697	22,441
Other funding instruments	(2,108)	2,408	(45)	255	(1,889)	8,722	(156)	6,677
Due to other banks	7,738	(5,955)	(800)	983	10,382	1,997	463	12,842
Debt securities in issue	15,772	2,415	316	18,503	32,051	(833)	(299)	30,919
Total increase in Interest Expense	28,781	(8,231)	(1,001)	19,549	43,894	28,280	705	72,879
Increase/(decrease) in Net Interest Income	108,160	(107,241)	(7,517)	(6,598)	96,462	(19,864)	(2,254)	74,344

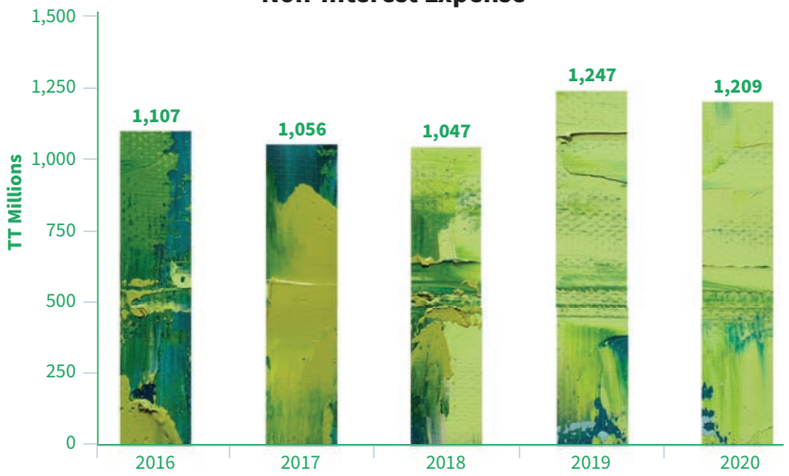
Non-Interest Income

In the year 2020, non-interest income decreased by 5.4% to $608.0 million, accounting for 27.2% of total revenues (2019: 28.2%). The major contributors to this decrease were as a result of the Group waiving some fees and commissions to soften the financial impact on customers by COVID-19. We also experienced decreased gains from disposals of investments ($5.4 million). These were offset by increases in foreign exchange income.

Non-Interest Expense

Within this period, we experienced a decrease in non-interest expenses of $38.4 million or 3.1%, amounting to $1,209.0 million as at the end of September 2020. Property expenses decreased by $25.8 million due to the adoption of IFRS16, however, there was a corresponding increase in depreciation.

Non-Interest Expense

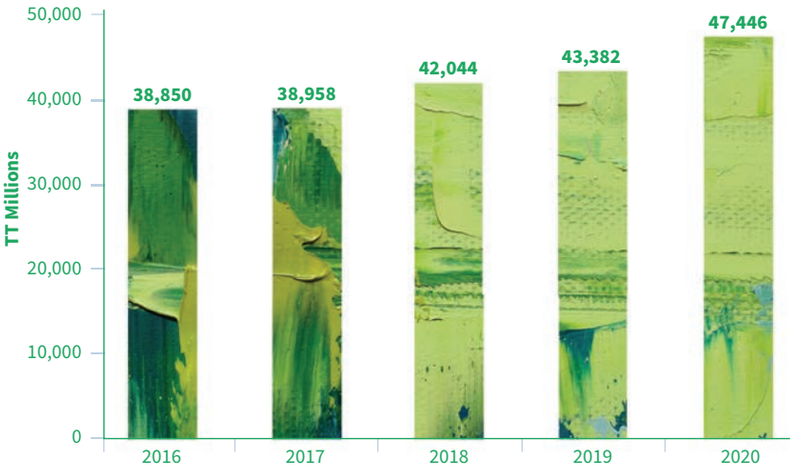


The Group's efficiency ratio, the ratio of non-interest expenses (excluding impairment provision) to total income, stood at 54.1% in 2020. The Group continues to renew its commitment towards improving the efficiency of utilization of resources and controlling its expense levels, while delivering superior customer service.

Assets and Liabilities

Total Assets were $47.4 billion as at the end of September 2020. Growth was shown in loans to customers, investments and the Group's CBTT deposits and cash position. Growth in loan and investment portfolios were stymied by the economic disruption from the COVID-19 pandemic.

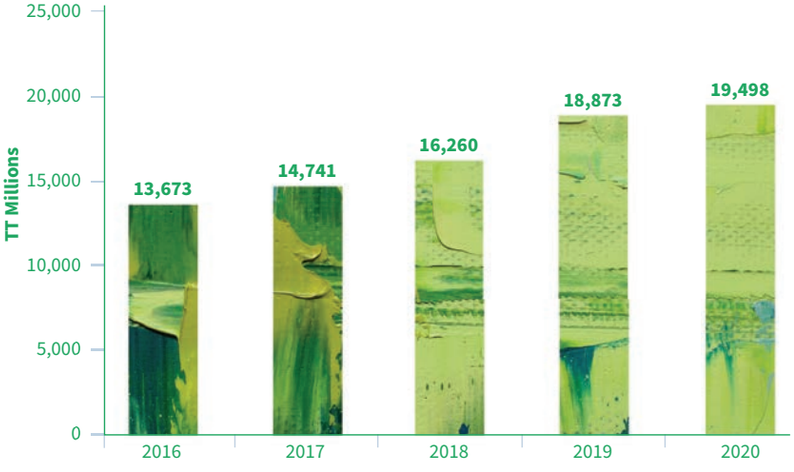
Asset Growth – Total Assets



The Loan to Customers Portfolio

As at September 30, 2020, the gross loan portfolio increased by $0.6 billion to $19.5 billion. Loans increased within four major sectors led by finance & insurance ($350.4 million), consumers ($245.7 million), other business ($236.0 million) and hotels & guest houses ($181.8 million). This was partly offset by a decrease in petroleum ($182.2 million), mortgages ($87.8 million), construction ($74.5 million) and agriculture ($74.6 million).

Gross Loans to Customers



Non-performing loans as a percentage of total gross loans stood at 3.36% at the close of 2020 compared to 2.46% in 2019. The credit risk department and business units continue to effectively manage our delinquency, asset quality and credit exposure by setting and ensuring compliance with our credit limits.

Loan Loss Allowance

The Group accounts for the credit risk associated with lending activities through its allowance for bad and doubtful debts. This allowance, as determined through the application of the Group's expected credit loss model, is an expense recognized in the income statement. Total allowance for the Group at the end of September 2020 amounted to $457.8 million, which represents 2.35% of total loans and 0.69 times coverage on the value of total non-performing loans. The increase in the allowance is due to the increase in credit risk, resulting from the anticipated impact of COVID-19.

The Group continues to demonstrate a prudent risk management approach in the current economic conditions.

Investment Portfolio

Investments, fair valued through other comprehensive income, increased during the year to $11.4 billion from $10.9 billion, an increase of 4.8%; and the investments in the amortized cost category increased to $5.0 billion from $4.9 billion, an increase of 1.2%.

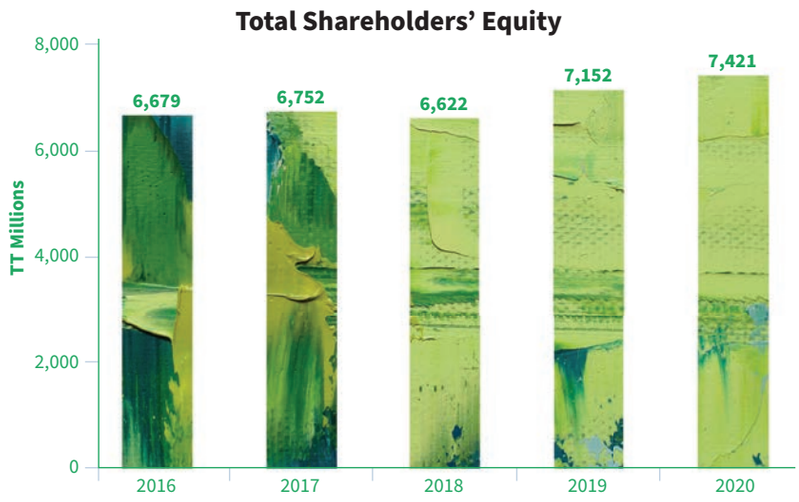
Provision for Taxation

The Group recorded a taxation charge for the year of $224.8 million compared to $311.0 million in 2019, representing a decrease in the effective taxation rate to 27.0% (2019: 29.3%). This decrease was as a result of a reversal of a prior year overprovision and increased exempt income.

Shareholders' Equity

Total shareholders' equity increased by $269.4 million over the last financial year to $7.42 billion. The increase in the Group's capital base was mainly due to the net profit for the year of $606.9 million, offset by a dividend of $349.2 million paid to shareholders.

The Group and its subsidiaries are subject to various capital requirements administered by banking regulators. Such regulators require that the Bank maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulation) to risk weighted assets (as defined). This standard corresponds with International Basel standards wherein there is a minimum capital adequacy ratio of 8%. This is a risk-based capital measure which recognizes the inherent credit risk in off-balance transactions. As at the year's end, the Group was well capitalized with a capital adequacy ratio of 39.44% (2019: 40.63%).



Risk Management

The Group has recognized the need to place emphasis on creating a strong risk management culture in order to understand, manage and evaluate risks versus the rewards being earned. The Enterprise Risk function currently encompasses three main risk monitoring areas: Credit, Market and Operational Risk.

The Enterprise Risk Management framework integrates all aspects of risks across the Group and supports the various business units within the Group in the effective management of risks. It has been developed in accordance with:

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Enterprise Risk Management (ERM) Integrated Framework, as its core methodology for managing risk on an enterprise-wide basis;
- The requirements of the Basel Capital Accord as applied in the jurisdictions in which the Group operates; and
- Other local and international best practices in risk management.

The Group has enhanced the integration of the COSO ERM framework and the Balanced Scorecard methodology into its strategic planning process, thus strengthening the control framework within the Group's operations.

The Group recognizes that training is an integral part of building a stronger risk culture. To this end, training in Anti-Money Laundering for the entire Group is done annually while training on Ethics in Banking and the preparation of risk assessments is done as required at this time.

An integral part of any control framework is monitoring and assessing its effectiveness over time. The First Citizens Board acknowledges and understands that it has ultimate responsibility for ensuring and providing oversight for the effectiveness of the overall risk management and control framework and policies for the First Citizens Group.

Credit Risk Management

The Credit Risk Management function is responsible for the development of credit policy as well as the fostering of a credit culture that is aligned to the Group's strategic objectives and its overall risk appetite. The team critically evaluates individual facilities on a regular basis to determine their quality and the extent of any reserve or write-off that may be needed.

The Group provides comprehensive training programmes, which enforce the need for prudence, detailed analysis and quality loan administration without diminishing creativity, flexibility and excellence in customer service.

Specific lending authorities are delegated based on the experience and training of personnel as well as the size of the portfolio. The lending process and the quality of the loan portfolio are reviewed via a credit-monitoring process utilizing a Risk-Rating and Classification System which ensures that timely action is taken to avoid degradation of the portfolio.

Loans are immediately placed on a non-accrual basis if principal or interest is more than three months in arrears. This process can be initiated earlier if the loan is deemed uncollectable in accordance with the terms of the facility.

Market Risk Management

Market risk is the potential impact on earnings and capital due to unfavourable changes in market factors such as interest rates, foreign exchange rates, equity prices and liquidity.

The market risk philosophy of the Group is to ensure that no risk is taken unless it is fully understood and can be effectively managed. The policies governing market risk exposures are reviewed and recommended by the Market Risk Committee which is a subcommittee of the Asset/Liability Management Committee, with ultimate approval and responsibility for aggregate risk limits residing with the Board.

Asset/Liability Management

The Group has an active Asset/Liability Committee that comprises senior managers representing key departments within the Group. The committee is responsible for the management of the interest rate, liquidity and foreign exchange exposures, in the context of existing market trends. It seeks to optimize the Group's investments and funding strategies, stabilize net income and ensure integration with other risk management initiatives.

Interest Rate Risk Management

Interest rate risk is inherent in many client-related activities, primarily lending and deposit taking to both corporations and individuals. Interest rate risk arises from these client activities as a function of a number of factors. These include the timing of rate resetting and maturity between assets and liabilities, the change in the profile of those assets and liabilities whose values change in response to changes in market interest rates, changes in the shape of the yield curve and changes in the spread. The yield curve provides the foundation for computing the fair value of future cash flows. It is based on current market yields on applicable reference bonds that are traded in the marketplace. Market yields are converted to spot interest rates ('spot rates' or 'zero coupon rates') by eliminating the effect of coupon payments on the market yield.

The Group's objective in this area is to manage the sensitivity of its earnings and overall value to fluctuations in the yield curve. To achieve this goal, the Group sets limits in terms of amount, term, issuer and depositor as well as the following:

- Controlling the mix of fixed and variable interest rate assets
- Improving the ratio of earning assets to interest-bearing liabilities
- Managing the interest rate spread
- Managing the rate resetting tenors of its assets and liabilities

Models are used to calculate the potential change in income that would result from the instantaneous change in rates on a static portfolio at a point of time on both balance sheet assets and liabilities.

The Group's fixed income portfolio is also exposed to interest rate risk as the valuation of the assets in the portfolio varies with local and international interest rates. The Group uses Value at Risk (VaR) to monitor and manage the market risk of the investment portfolio. VaR is a statistically based estimate which quantifies the potential loss on the portfolio at a predetermined level of confidence and holding period. To supplement VaR, the Group also performs stress testing of the investment portfolio. The market risks arising from the investment portfolio are monitored by Group Market Risk and are reported to ALCO, Senior Management and the Board Enterprise Risk Management Committee.

The Group is committed to refining its market risk management tools to keep in line with international best practice.

Liquidity Risk Management

Proper liquidity management ensures that the Group meets potential cash needs at a reasonable price under various operating conditions. The Group achieves this through a strong and diversified funding base of core deposits, use of market sources and its short-term investment portfolio.

Daily monitoring by management of current and projected cash flows ensures that positions can be adjusted to maintain adequate levels of liquidity.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, reputational and strategic risk.

To support the enhancement of operational risk management strategy, the Group has a Systems & Procedures Department, whose role is to ensure that systems are in place that will assist in maintaining the highest standards of operational efficiency. This function focuses on the development of flexible and responsive procedures and policies that reduce bureaucracy but provide a balance between the risk, internal control, and cost management philosophies of the Group.

Management of Internal Controls

Since 2005, the Group adopted Risk Based auditing. The Group Internal Audit department continues to play a key role in the ongoing functioning of Enterprise Risk Management by providing objective monitoring of its application and effectiveness. The activities of this department are guided by international standards set out by the Institute of Internal Auditors. The procedures of the department have been re-written in strict adherence to the *Standards for the Professional Practice of Internal Auditing*. In addition, the COSO and COBIT control frameworks have been inculcated into the audit process.

Frequent internal assessments ensure the quality of these processes; these are subject to an independent external quality assessment every five years. The last such assessment was completed on the 22nd November, 2017. The Group's internal audit process continues to receive the highest rating accreditation of "Generally Conforms". This affirms the department's independence, objectivity and professional care in giving assurance on risk management practices, governance initiatives and compliance with policies, procedures, regulations and legislation. The Audit Committee continues to oversee the operations of the department, ensuring the highest quality of communications to management and action items are identified for areas of weakness identified.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with all applicable laws and regulations. This risk exposes the institution to fines, civil money penalties and payment of damages and can lead to diminished reputation, reduced franchise value, limited business opportunities and reduced expansion potential.

The Compliance function which is a subset of the Legal, Compliance and Governance Unit has the overall managerial responsibility to develop and maintain effective programmes to monitor compliance and recommend any necessary corrective action to meet the statutory and regulatory requirements in all jurisdictions in which the Group operates. The Units of the Bank and its subsidiaries prepare monthly, quarterly and annually regulatory compliance reports for the members of the Compliance Function. These are presented to the relevant Subcommittees of the various Boards, and the Boards of the Bank and its subsidiaries, as part of the governance oversight and monitoring framework.

In addition, the Whistleblowing Programme, which allows staff members a confidential medium for reporting known or suspected policy breaches, including matters of compliance for investigation, continues in operation and provides a suitable avenue for matters to be escalated and addressed.

Conclusion

The First Citizens Group continued to perform strongly in 2020 with solid growth in Total Asset, and Shareholders' Equity. Despite the challenges of continued depressed economic activity, internationally, regionally and locally, the Group continues to position itself as a strong financial institution. Coupled with sound management and corporate governance, the First Citizens Group remains well positioned to preserve its position as one of the most competitive financial institutions in the region.





"Focus on your customer and lead your people as though their lives depend on your success." *—Warren Buffett*

EXCELLENCE IN GOVERNANCE

EXCELLENCE IN GOVERNANCE

Governing through a Pandemic

The unprecedented economic fallout from COVID-19 would be considered the most serious challenge to financial institutions in decades. First Citizens Bank Limited and its subsidiaries, like other financial institutions, had to adapt and take concrete steps to reposition and recalibrate for the future.

The Annual Meeting which was originally scheduled for March 2020, had to be postponed due to the COVID-19 public health and safety concerns. A virtual meeting of shareholders was subsequently held on June 10, 2020 in keeping with statutory timelines and good corporate governance practice.

Revamp of the Code of Conduct, Ethics and Financial Affairs

During the financial year, the Management team embarked upon an exercise to review and update two existing policies: the Code of Conduct and Ethics and the Treatment of Financial Affairs. This resulted in a merger of both policies – The Code of Conduct, Ethics and Financial Affairs – which was not only relevant, but in line with recent guidance such as the Revised Fit and Proper Guideline issued by the Central Bank of Trinidad and Tobago.

The Dangerous Drugs (Amendment) Act No. 24 of 2019 and the Decriminalization of Marijuana

In December 2019, the Dangerous Drugs (Amendment) Act No. 24 of 2019 was passed. First Citizens was able to utilize its existing policies, which catered for the use of legal and illegal substances, to approach this sensitive issue and treat with staff fairly and confidentially.

Do we measure up? – Trinidad and Tobago Corporate Governance Code 2013

In 2017, Arthur Lok Jack Global School of Business, University of the West Indies (UWI-ALJGSB) participated with the Clarkson Centre for Business Ethics and Board Effectiveness, Rotman School of Management and University of Toronto (CCBE) to conduct a study on corporate disclosure practices of listed companies in Trinidad and Tobago. These disclosure practices were based on the recommendations set out in the Trinidad and Tobago Corporate Governance Code ("the Code"), as well as 26 internationally recognized disclosure factors. The study involved analysing each listed company's Annual Report and comparing its disclosures and omissions to the Code and the internationally recognized factors. The Bank is pleased to report that in 2017, First Citizens' Annual Report ranked among the top 3 companies. In 2018 and 2019, the Bank's Annual Report topped all listed companies relative to the disclosures made to shareholders and various stakeholders.

Establishing a Framework of Effective Governance

First Citizens Bank Limited ("the Bank"), its subsidiaries and its Board Subcommittees are guided by their charters or terms of reference. As part of the governance work carried out, charters and terms of reference are reviewed periodically and are approved and adopted by the various Boards and Subcommittees. Some of the responsibilities of the Board include, but are not limited to, the following:

- Approving the Bank's vision and mission to guide and set the pace for its current operations and future development;
- Approving the core values to be adopted throughout the Bank;
- Reviewing and approving the Bank's strategic goals;
- Providing strategic direction to the Bank in conjunction with Executive Management by establishing broad policies and objectives;
- Reviewing and approving the business strategies and plans that underpin the corporate strategy;
- Approving the Bank's annual performance targets and budgets within the context of the strategic plan and periodically monitoring such performance;
- Reviewing and approving the reporting and monitoring criteria presented by Executive Management to be used by the Board in order to maintain oversight of the Bank's performance;
- Declaring dividends, as appropriate, and approving financial results for disclosure to the public, as necessary; and
- Encouraging through Management the goodwill and support of shareholders and relevant stakeholders.

All of the Bank's directors are independent, non-executive directors within the meaning of the Financial Institutions Act, Chapter 79:09. Further, the position of Chairman and Group Chief Executive Officer are held by two different people. All directors and employees continue to revisit the core values, principles and behaviours set out in the updated Code of Conduct, Ethics and Financial Affairs and have renewed their commitment to following the principles set out therein. Further, the Group has long implemented, as part of its mandatory training for all staff, online modules on topics such as harassment, bribery and corruption, cybersecurity, accepting and giving of gifts and involvement in political activities.

The First Citizens Group also reviewed its Whistleblowing policy and processes during the financial year. Whistleblowing reports are channelled through an anonymous third party and continue to be handled by the Group. As part of the oversight mechanism, the Bank's Audit Committee receives quarterly reports on whistleblowing matters to ensure that these are handled in the appropriate manner and to detect any early warning signals of fraud or financial misappropriation.

As it relates to the preparation of Board and Committee papers, these are prepared beforehand by Management and are made

available ahead of meetings to directors and Committee members. Management continues to make themselves available to directors to answer any questions or address any concerns. Advice from Subject Matter Experts for example, Auditors, Attorneys, Engineers etc. are made available to directors should they be required to carry out their duties. The Office of the Group Corporate Secretary is the main office through which all directors' interactions occur. Communication between the Group Corporate Secretariat and any director remains very open, two-way, and accessible.

The First Citizens Group continues to review its stakeholder policies, such as the Investor Relations Policy, Dividend Policy and the Digital Media Policy to ensure that they are not only relevant but represent the interest of all the Group's stakeholders. All directors and staff are reminded, as part of their continued training and awareness, that the interests of all stakeholders are to be borne in mind when carrying out their duties and responsibilities.

Strengthening Board Composition and Performance

The Board continues to monitor, through the regular reporting of independent, non-executive subcommittee Chairs, the performance of its committees:

- Audit Committee
- Credit Committee
- Corporate Governance Committee
- Board Enterprise Risk Management Committee (BERM)
- Human Resources Committee
- Board Tenders Committee
- Customer Centric Committee

The Bank continues to utilize its Skills Matrix which, in addition to the Revised Fit and Proper Guideline issued by the Central Bank of Trinidad and Tobago will assess the eligibility of candidates for election and re-election to the Bank's Board.

The Corporate Governance Committee, which comprises all independent, non-executive directors, are charged with the responsibility of making recommendations to the Bank's Board where the composition of Committees and subsidiary boards are concerned.

The Bank's Board comprises a diverse membership, which can be seen by the age, gender, knowledge, skills and academic qualifications of each director. An updated Skills Matrix is attached at Appendix 4 hereto.

Conflicts of Interest

Conflicts of interest, whether actual or perceived, are managed based on legislative guidance and best practice. A Conflicts of Interest Register is maintained and updated on a quarterly basis. Once an actual or perceived conflict arises, the said conflict is brought to the attention of the Chairman of the meeting. The Chairman, with the guidance of the Secretary to the meeting, reviews the facts surrounding the situation and decides whether a conflict is present. As a precaution, if a conflict can be perceived, the situation is treated as an actual conflict. In those circumstances, the director or staff member is requested to leave the meeting and not be a part of any discussion or decision to which the conflict relates.

Board Performance

The most recent Board evaluation exercise was conducted over the period December 2018 to October 2019. Individual Development Plans have been developed for directors' execution.

Induction and Training of Directors

Directors reviewed the updated Code of Conduct, Ethics and Financial Affairs as part of their annual affirmation to adhere to the Code. Further, they continue to sign an Oath of Secrecy/Confidentiality Undertaking every year, signifying their commitment to keeping confidential information private. New directors sign a Confidentiality Undertaking upon their joining the Group and continue to benefit from an orientation programme facilitated by the Corporate Secretary and key internal stakeholders, designed to familiarize directors with the applicable laws, business and governing policies of the Group.

The "Directors' Corner" is utilized at board meetings for ongoing training of directors in areas such as legal, regulatory, business and other risks applicable to the First Citizens Group and to their roles as directors.

The particulars of training attended over the last fiscal period by the directors of the Bank, are as follows:

1. Legislation: -
   - NPO Act No. 7 of 2019 (Non-Profit Organizations);
   - Civil Asset Recovery and Management and Unexplained Wealth Act No. 8 of 2019;
   - The Miscellaneous Provisions (Proceeds of Crime, Anti-Terrorism and Financial Intelligence Unit of Trinidad and Tobago) Act No. 20 of 2018;
   - The Finance Act No. 19 of 2018;
   - The Income Tax (Amendment) Act No. 18 of 2018;
   - The Dangerous Drugs (Amendment) Act No. 24 of 2019.
2. Fiduciary Duties of Directors and the Reasonable Prudent Person Standard of Directors.
3. Central Bank of Trinidad and Tobago Market Conduct Guidelines.
4. Training on the Foreign Account Tax Compliance Act.
5. Fit and Proper Assessment – Revised Central Bank of Trinidad and Tobago Guidelines.
6. Central Bank of Trinidad and Tobago – Revised Corporate Governance Guidelines (draft).

Remuneration

The Bank's Board has the responsibility to review and/or approve the compensation policy framework for the Bank and material changes are

monitored by the Human Resources Committee and reported to the Board.

The Human Resources Committee comprises all independent, non-executive directors and is ably assisted by expert reports, including independent compensation surveys, when assessing any proposal for remuneration presented by Management. All consultants used in connection with compensation surveys are independent and impartial to the Bank.

The role of the Human Resources Committee includes but is not limited to the following:

1. To approve and monitor the implementation of the Human Resources Strategic Plan in support of the organization's strategic focus.
2. To consider and make recommendations to the Board, as appropriate with reference to:

Compensation and Benefits

- The Committee reviews and recommends to the Board the compensation philosophy to be adopted by the Group.
- The Committee reviews and recommends to the Board, the cycle of total compensation recommended for Managerial and non-managerial employees based on market research, positioning and affordability.

Risk Assessment

The Committee assesses the risks to which the Human Resource function is exposed and provides its input to the Board Enterprise Risk Management Committee including:

- Employee attraction and retention;
- Employee engagement and performance;
- Succession planning and talent management; and
- Any other risks related to Human Capital that may arise from time to time.

Human Resources Committee Members

Franka Costelloe – Chairman
Savitree Seepersad – Member
David Inglefield – Member
Ingrid Melville – Member
Jon Martineau – Member

The Government of the Republic of Trinidad and Tobago continues to have an indirect majority holding in the Bank via First Citizens Holdings Limited. Directors of the Group are remunerated in accordance with policy guidelines established by the Government of the Republic of Trinidad and Tobago. The remuneration of all directors is fixed and does not include share options or variable pay or other similar benefits.

Reinforcing Loyalty and Independence

All directors of First Citizens Bank Limited are independent in accordance with Section 4.4 of the Central Bank of Trinidad and Tobago Corporate Governance Guideline. They are guided by good governance principles which reinforce their fiduciary duty and responsibility to remain impartial and exercise sound judgement while serving on the various boards. Directors' appointments and/or re-appointments are based on the selection criteria approved by the Corporate Governance Committee and continue to be subject to shareholder approval at annual or special meetings.

Directors continue to provide quarterly updates on shareholdings, commitments and obligations external to those at the Bank, including information on appointments to other boards, not only for themselves but also for parties connected to them (refer to Appendix 2 for further details of the key information on Directors). Appendix 3 provides details of all the Bank's Board and Committee meetings held for the fiscal year ended September 30, 2020, along with the attendance of each director or member.

No current director has served for a period of nine years from the date of their initial appointment. Directors remain eligible for re-election according to the Bank's Bylaws and are assessed constantly where independence is concerned. This is evidenced by completion of the Personal Questionnaire and Disclosure forms with the Central Bank of Trinidad and Tobago whenever there is a material change with the director. Any material interest in a transaction, conflict of interest or matter affecting the First Citizens Group, be it staff or board member, would be treated with in accordance with appropriate legislative guidance, including the provisions of the Companies Act, Chapter 81:01, policy provisions, regulatory guidelines and best practice.

Loans to Directors, Officers and Relatives of Directors

Credit exposures to Directors, Officers and Relatives of Directors continue to be monitored within the guidelines set out in the Financial Institutions Act, Chapter 79:09 of the Revised Laws of the Republic of Trinidad and Tobago. Credit exposures to Directors, Officers and Relatives of Directors must be approved by the Board of Directors (with appropriate recusal occurring in cases of potential conflicts of interest) and must also be on terms similarly favourable to those offered to the public. These exposures are limited to 2% of the capital base of the Bank or two years' emoluments of the Director or Officer, whichever is the smaller sum. Any exception to this limit is treated with in accordance with the provisions of the Financial Institutions Act, Chapter 79:09.

Fostering Accountability

Communication of Information

The Bank communicates all material and other information to its shareholders, regulators and other key stakeholders, including members of the public, in accordance with the Securities Act, Chapter 83:02, the Rules of the Trinidad and Tobago Stock Exchange and its Investor Relations Policy. These disclosures occur by publication

in the newspaper, on First Citizens' website or in the Annual Report. As a listed company and a Reporting Issuer, First Citizens is required to communicate the following information on:

- Quarterly financial statements approved by the Board;
- Annual audited financial statements approved by the Board;
- Annual Report;
- Material changes in relation to its business, assets, ownership, or operations;
- Declaration and payment of dividends to shareholders;
- Shareholdings in the Bank's shares by Directors, Senior Officers and their Connected Parties;
- The top 10 shareholders of the Bank's shares.

Risk Management and Controls

The Board Enterprise Risk Management Committee (BERM) was established to provide oversight of the Group Chief Executive Officer's and Senior Management's responsibilities. These responsibilities include the identification and management of the Group's market, operational, credit, legal, compliance, information technology and authorize risks and the development of strategic initiatives to address changing conditions.

This Committee has overall responsibility for:

1. Overseeing senior management's implementation of an Enterprise Risk Management framework and development of a defined Risk Appetite, while ensuring alignment to the Group's risk profile contained within the strategic objectives for the Bank and its subsidiaries/affiliates.
2. Reviewing with senior management, the Group's processes (including policies, procedures, guidelines, benchmarks, management committees and stress testing) for the identification and management of the risks associated with the business of the Group.
3. Planning for anticipated changes in identified risks, in line with changes in the environment and changes in business strategies.
4. Receiving and reviewing reports from senior management regarding compliance with applicable risk related policies, procedures and tolerances and reviewing the Group's performance relative to same.
5. Reviewing and assessing the adequacy of the Group's liquidity and funding and the Group's capital (economic and regulatory and its allocation to the Group's businesses).
6. Receiving and reviewing reports on selected risk topics as Management or the Committee deems appropriate.
7. Reviewing and discussing with Management significant regulatory reports of the Group and remediation plans related to such.

BERM Committee Members

Ryan Proudfoot – Chairman
David Inglefield – Member
Courtenay B. Williams – Member

Some of the major achievements by the Group Enterprise Risk and Monitoring, Retail and Legal, Compliance and Governance teams were the approval of a Cloud Computing Policy, the enhancing of a risk indicator dashboard for the First Citizens Group and the policy framework for treating with customers and staff (both from an AML/KYC and operational perspective) due to COVID-19 restrictions and its associated regulations.

Accountability and Assurance

Audit Committees

The financial institutions within the First Citizens Group are each required by the Financial Institutions Act, Chapter 79:09 of the Revised Laws of Trinidad and Tobago to establish Audit Committees. Audit Committees were established for the Bank as well as, for four out of its five subsidiaries.

The Audit Committee is the principal agent of the Board of Directors in overseeing, inter alia, the following:

1. Internal Audit Function

- Review and approve the annual internal audit plan;
- Oversee the Group's internal audit function, including reviewing reports submitted by the Chief Internal Auditor;
- Monitor and review the effectiveness of the internal audit;
- Authorize the Internal Auditor to carry out special investigations into any area of the organization's operations which may be of interest and concern to the Committee;
- Ensure that the Group's Internal Audit Department is aware of the important issues of the Group (including major areas of change and new ventures) and that these are incorporated into its work plans;
- Ensure that internal audit has full, free and unrestricted access to all of the company's activities, records, property and personnel necessary to fulfil its agreed objectives;
- Receive quarterly whistleblowing updates and have responsibility for ensuring that there are procedures in place for the confidential and anonymous submission of employee concerns regarding questionable accounting, audit and/or internal control issues.

2. Management of the Engagement of the External Auditor

- Supervise the relationship with the external auditor, including recommending the firm in collaboration with the Finance department, to be engaged as the external auditor which must be appointed by the Bank's shareholders at the Annual Meeting, evaluating the external auditor's performance, determining the selection criteria for the appointment of the external auditor.
- Review and discuss with management and the external auditor the Group's critical accounting policies and the quality of accounting judgements and estimates made by management.

- Become familiar with and understanding the Group's system of internal controls and, on a periodic basis, review with both internal and external auditors the adequacy of this system.
- Review the organization's procedures in addressing compliance with the law and important corporate policies, including the company's Code of Conduct, Ethics and Financial Affairs and AML/CFT compliance framework.
- Review and discuss the Group's annual financial statements with management and the external auditor and make recommendations for the Board to approve these statements.

Non-Audit Services by External Auditor

External auditors might be requested to perform special non-audit services (outside of the statutory annual audit) as deemed necessary by management to the extent that such services do not in any way affect the independence of the external auditors or limit the scope of their independent audit. Such services should only be considered after consultation with and recommendation from the Chief Internal Auditor and Chief Financial Officer regarding the impairment of the external auditor's independence. In order to maintain the independence of the external auditors, specific policies exist to govern the conduct of non-audit work. The Audit Committee of the Bank's Board continues to review the extent of such non-audit services on an annual basis to ensure that the external auditor's independence is not impaired.

The fees for audit services paid to our auditors amounted to $6.81 million (2019/2020) inclusive of VAT. Fees incurred for non-audit work performed by the auditors amounted to $3.98 million (2019/2020). A review of the non-audit services provided by the external auditor during the year was performed and the Audit Committee provided its assurance that the non-audit services would not impair the objectivity and independence of the external auditors.

Composition of Audit Committees

The First Citizens Group has established five Audit Committees among the Bank and subsidiaries. Each Committee consists of at least three Members, of which the majority are independent directors and at least one Member is a financial expert. A financial expert is defined by the Financial Institutions Act, Chapter 79:09 of the Revised Laws of the Republic of Trinidad and Tobago as a person who has the required financial education and substantive experience as:

(a) a qualified accountant (i.e. a Member of the Institute of Chartered Accountants of Trinidad and Tobago or such other professional association approved by the Central Bank of Trinidad and Tobago from time to time);
(b) an auditor;
(c) a chief financial officer; or
(d) a comptroller; who otherwise has a sound understanding of generally accepted accounting principles, financial statements and how financial statements are prepared and audited.

Group Audit Committee Membership

Bank

Jayselle McFarlane – Chairman
Idrees Omardeen – Member
Ryan Proudfoot – Member

First Citizens Depository Services Limited

Idrees Omardeen – Chairman
Jayselle McFarlane – Member
Troy Garcia – Member

First Citizens Trustee Services Limited

Idrees Omardeen – Chairman
Ingrid Melville – Member
David Inglefield – Member

First Citizens Investment Services Limited

Jayselle McFarlane – Chairman
David Inglefield – Member
Karen Darbasie – Member

First Citizens Bank (Barbados) Limited

Gregory Hinkson – Chairman
Wayne Kirton – Member
David Inglefield – Member

Related Party Transactions

According to the Financial Institutions Act, Chapter 79:09 of the Revised Laws of the Republic of Trinidad and Tobago, a related group is considered to be any of the following:

(a) two or more companies with the same controlling shareholder or holding company;
(b) a company in which any of the companies referred to in paragraph (a) above has a significant shareholding;
(c) the direct and indirect subsidiaries of the companies referred to in paragraph (a);
(d) a company in which any of the companies referred to in paragraph (c) above has a significant shareholding; and
(e) the controlling shareholder or holding company referred to in paragraph (a) above.

Transactions with related parties are carried out at arm's length. Additionally, related party transactions and balances have been disclosed in the financial statements in accordance with International Financial Reporting Standards (IFRS). The Audit Committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of related party transactions are effective. This confirmation is made to the Central Bank of Trinidad and Tobago on an annual basis and also forms part of the disclosures contained in the Directors' Report.

Board Tenders Committee

The primary function of the Board Tenders Committee is to assist the Board of Directors of the Bank in fulfilling tendering and procurement responsibilities. The Board Tenders Committee is responsible for the governance across the Group with respect to the review and approval of the Company's requirements associated with policies, procedures and processes in the execution of strategic procurement strategies.

This Committee monitors the major risks identified by management as it relates to tendering and procurement to ensure that they are within the Company's Procurement Framework, with appropriate action being taken where necessary to achieve conformity therewith. It also ensures that suitable mechanisms are in place to identify the evolving nature of the risks faced relative to tendering and procurement and to proactively address same.

Board Tenders Committee Members

Courtenay B. Williams – Chairman
Troy Garcia – Member
Ingrid Melville – Member

Board Credit Committee

Credit risk is a major risk faced by all lending institutions. It is therefore extremely important that the Bank ensures that its credit policies are relevant and are applied consistently by the Group.

Some of the responsibilities of the Board Credit Committee include:

1. Approving credit facilities in line with those authorities delegated by the Board as documented under the Group's Credit Policy and Lending Authority Limits.
2. Reviewing the quality of the loan portfolio, and strategies being implemented to manage the Group's exposure to credit risk.
3. Reviewing and approving limits for managing credit exposures for the Group. These include country, industry, sovereign, borrower, risk rating, classification.
4. Reviewing and approving models used by credit risk including those for determining risk ratings and loan/investment impairment provisioning.
5. Reviewing and recommending for approval changes to the Group's Credit Policies which ensure adequacy of scope and coverage as well as appropriate rigour and continuing relevance to the changes in the environment. Such recommendations will be subject to the review, recommendation and/or approval of the Board.
6. Reviewing/monitoring compliance with/adherence to credit risk metrics and regulatory requirements and guidelines including specifically those relating to credit exposures, concentration limits, measurement, monitoring and control of impaired assets.

Board Credit Committee Members

Ryan Proudfoot – Chairman
Troy Garcia – Member
David Inglefield – Member

Strengthening Relationships with Shareholders

Shareholders rights and engagement

First Citizens' Investor Relations Policy states, inter alia, that the Group is committed to the creation and maintenance of a climate of open communication, founded upon the principles of timeliness, transparency and accuracy in the disclosure of material information between itself, its shareholders and key stakeholders.

The Annual Meeting of Shareholders creates an opportunity for the shareholders to engage the Board and management on the Group's business activities, financial performance and other business-related matters. Documents pertaining to Annual Meetings are sent to all shareholders within statutory timelines. This year, the Annual Meeting was held virtually, which provided an opportunity for a larger number of shareholders than can be housed in a ballroom and also foreign shareholders, to attend.

During Annual Meetings of Shareholders, external auditors are called upon to present the Independent Auditor's Report. Following the presentation and before the resolution to receive the audited financials are read, shareholders are provided with the opportunity to direct questions to the external auditor and management.

When directors are to be elected, shareholders holding 5% or greater of the ordinary shares of the Bank are permitted to nominate candidates for membership. These candidates, along with their curriculum vitae, are provided to shareholders in advance and later presented at the next convened Annual Meeting or Special Meeting for consideration.

Customer Centricity

Globally, businesses have had to quickly adjust the way they treat with customers in the face of the COVID-19 pandemic. The First Citizens Group, through its Customer Centric Committee, would have oversight of the post COVID-19 strategies to be rolled out in the coming year. All strategies and initiatives would be focused on the safety and health of customers, staff and members of the public while not compromising on the customer experience.

Customer Centric Committee Members

David Inglefield – Chairman
Jayselle McFarlane – Member
Troy Garcia – Member

A list of the recommendations contained in the Trinidad and Tobago Corporate Governance Code 2013, details on which recommendations have been fully or partially applied, and appropriate recommendations are shown on the following page, in tabular form, in Appendix 1.

APPENDIX 1

PRINCIPLE 1 – ESTABLISH A FRAMEWORK FOR EFFECTIVE GOVERNANCE

Every company should be headed by an effective Board, which is collectively responsible for the long-term success of the company.

TTGC Recommendations	Applied	Explanation/Comments
1.1 The Board should establish and make publicly available a clear outline of its roles and responsibilities, including any formal delegations to Management.	√	See 'Establishing a Framework of Effective Governance' and 'Strengthening Board Composition and Performance' sections
1.2 The chairman of the Board should be a non-executive Director and preferably an independent Director. Where the chairman of the Board is not an independent non-executive Director, the Board should appoint a lead independent Director.	√	See 'Establishing a Framework of Effective Governance' section
1.3 The Board should demonstrate ethical leadership, which includes commitment to high ethical standards and responsible decision-making.	√	See 'Establishing a Framework of Effective Governance' section
1.4 The Board should ensure that it is supplied with information in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties effectively.	√	See 'Establishing a Framework of Effective Governance' section
1.5 The Board should take into account the legitimate interests and expectations of all stakeholders. There should be active co-operation between corporations and stakeholders in creating wealth, employment, and the sustainability of financially sound enterprises.	√	See 'Establishing a Framework of Effective Governance' and 'Fostering Accountability' sections

APPENDIX 1

PRINCIPLE 2 – STRENGTHEN THE COMPOSITION AND PERFORMANCE OF BOARD AND COMMITTEES

There should be a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively.

TTGC Recommendations	Applied	Explanation/Comments
2.1 The Board should appoint a sufficient number of independent Directors capable of exercising unbiased judgement, particularly in tasks where there is a potential for conflicts of interest.	√	See 'Establishing a Framework of Effective Governance and 'Reinforcing Loyalty and Independence' sections
2.2 Directors should be selected and appointed through rigorous and formal processes designed to give the Board a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively.	√	See 'Strengthening Board Composition and Performance' and 'The Board Profile' sections
2.3 A Committee with a majority of independent non-executive Directors should lead the Board's nomination process and make recommendations to the Board.	√	The Directors are appointed at an Annual Meeting. Recommendations will be carried out by the Corporate Governance Committee to all shareholders, including the majority shareholder
2.4 All Directors should receive induction training upon joining the Board and should regularly update and refresh their skills and knowledge.	√	See 'Induction and Training of Directors' section
2.5 The Board should undertake a rigorous, transparent and formal annual evaluation of its own performance and that of its committees and of the individual Directors.	√	See 'Board Performance' section
2.6 The Board should ensure that the remuneration of Directors and Senior Management is transparent, fair and reasonable.	√	See 'Remuneration' section

APPENDIX 1

PRINCIPLE 3 – REINFORCE LOYALTY AND INDEPENDENCE

All Directors should act honestly and in good faith, in the best interest of the company, ahead of other interests.

TTGC Recommendations	Applied	Explanation/Comments
3.1 The Board should undertake an assessment of its independence on an annual basis and disclose in the annual report each non-executive Director it considers to be independent.	√	See 'Board Performance' section
3.2 All Directors should be candidates for re-election, at intervals of no more than three years, subject to continued satisfactory performance.	√	See 'Board Composition, Membership and Appointment' section
3.3 Members of the Board and Senior Management should disclose to the Board whether they, directly or indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.	√	See 'Reinforcing Loyalty and Independence' section
3.4 Directors should demonstrate the capacity to commit the time needed to be fully effective in their roles.	√	See 'Reinforcing Loyalty and Independence' section

APPENDIX 1

PRINCIPLE 4 – FOSTER ACCOUNTABILITY

The Board should present an accurate, timely, balanced and understandable assessment of the company's performance, position and prospects.

TTGC Recommendations	Applied	Explanation/Comments
4.1 Board should promote accurate, timely and balanced disclosure of all material matters concerning the company.	√	See 'Establishing a Framework of Effective Governance' section
4.2 The Directors should state in the annual report their responsibility towards the integrity of the financial reports. This includes a statement from Directors that these reports comply with applicable financial reporting standards and present a true and fair view of the financial affairs of the company.	√	See 'Fostering Accountability' and 'Directors Report' sections
4.3 The Board should, on an annual basis, report to shareholders and stakeholders on the external auditor's involvement in non-audit work and fees paid to auditors. This disclosure should differentiate between fees for audit work and fees for non-audit work.	√	See 'Fostering Accountability' section
4.4 The Board should, on an annual basis, verify that the company has appropriate processes that identify and manage potential and relevant risks.	√	See 'Fostering Accountability' section
4.5 Each company should establish an Audit Committee of the Board with responsibilities that include, but are not limited to: a. Recommending the appointment of external auditors; b. Assessing the suitability and independence of external auditors; c. Following-up on recommendations made by internal and external auditors; d. Overseeing all aspects of the company-audit firm relationship; e. Monitoring and reviewing the effectiveness of the internal audit function; f. Promoting integrity in financial reporting.	√	See 'Fostering Accountability' section
4.6 Boards should report annually to shareholders on how the company is implementing the Corporate Governance Principles and explain any significant departure from recommendations supporting each Principle.	√	See this section – Appendix 1

APPENDIX 1

PRINCIPLE 5 – STRENGTHEN RELATIONSHIPS WITH SHAREHOLDERS

The Board should promote constructive relationships with all shareholders that facilitate the exercise of their ownership rights and encourage their engagement with the company.

TTGC Recommendations	Applied	Explanation/Comments
5.1 The Board should facilitate the exercise of ownership rights by all shareholder groups, including minority or foreign shareholders and institutional investors.	√	See 'Strengthening Relationships with Shareholders' section
5.2 The Board should ensure that all shareholders have the opportunity to engage with the company and participate effectively in annual and special meetings.	√	See 'Strengthening Relationships with Shareholders' section
5.3 During the annual and special meetings, the Board should facilitate questioning of external auditors and Senior Management by shareholders, as moderated by the Chairman.	√	See 'Strengthening Relationships with Shareholders' section

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Anthony Isidore Smart	March 14, 2019	First Citizens Holdings Limited – Chairman First Citizens Bank Limited – Chairman First Citizens Investment Services Limited – Chairman First Citizens Bank (Barbados) Limited – Chairman FCCR First Citizens Costa Rica S.A. – Chairman First Citizens Portfolio & Investment Management Services Limited – Chairman Koot Real Estate Limited – Director Eight Moka Fairways Development Limited – Director A&W Isidore Smart Investments Limited – Director	First Citizens Holdings Limited – Chairman First Citizens Bank Limited – Chairman First Citizens Investment Services Limited – Chairman First Citizens Bank (Barbados) Limited – Chairman FCCR First Citizens Costa Rica S.A. – Chairman Koot Real Estate Limited – Director Eight Moka Fairways Development Limited – Chairman	Gittens, Smart & Company Attorneys-at-Law – Consultant	No

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Courtenay B. Williams	March 14, 2019	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Depository Services Limited – Chairman First Citizens Trustee Services Limited – Director First Citizens Financial Services (St. Lucia) Limited – Chairman Art Society of Trinidad & Tobago – Member Trincity College Limited – Director Bocas Lit Fest – Director Electrical Industries Limited – Director 3 Champs Elysees Limited – Chairman Public Service Commission – Commissioner	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Depository Services Limited – Chairman First Citizens Trustee Services Limited – Director First Citizens Financial Services (St. Lucia) Limited – Chairman Art Society of Trinidad & Tobago – Member Trincity College Limited – Director Bocas Lit Fest – Director	Colonial Life Insurance Company (Trinidad) Limited – Corporate Secretary Lex Caribbean Attorneys-at-Law – Consultant Hugh Wooding Law School – Associate Tutor	No

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Ryan Proudfoot	February 16, 2017	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Chairman First Citizens Bank (Barbados) Limited – Director First Citizens Portfolio & Investment Management Services Ltd. – Director Total Office (2006) Limited – Director Total Office Limited – Director Total Office (Caribbean) Limited – Director Total Office (St. Lucia) Limited – Director Total Office (Guyana) Inc. – Director Trinidad and Tobago Chamber of Industry & Commerce – Vice Chairman FM Committee AI Energy Limited – Director Business Interiors Limited – Director	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Chairman First Citizens Investment Services (Barbados) Limited – Chairman First Citizens Bank (Barbados) Limited – Director Total Office (2006) Limited – Director Total Office Limited – Director Total Office (Caribbean) Limited – Director Total Office (St. Lucia) Limited – Director Parex Resources (Trinidad) Limited – Director Trinidad and Tobago Chamber of Industry & Commerce – Vice Chairman FM Committee	Total Office Limited – Managing Director	No

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Franka Costelloe	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Chairman First Citizens Bank (Barbados) Limited – Director Trinidad & Tobago Manufacturers' Association – President Lifetime Roofing Limited – Director Pet Life Veterinary Hospital Limited – Director Pet Life North Limited – Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Chairman First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Trinidad & Tobago Manufacturers' Association – Director Industrial Estates Tenants Association – Member	Lifetime Roofing Limited – Director	No
Savitree Seepersad	March 14, 2019	First Citizens Bank Limited – Director National Marine and Maintenance Services Co. Limited - Director	First Citizens Bank Limited – Director Seized Assets Advisory Committee – Chairman	Ministry of Finance – Deputy Permanent Secretary Caribbean Financial Action Task Force – Co-Chair, Human Resources	No

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Idrees Omardeen	March 14, 2019	First Citizens Bank Limited – Director First Citizens Depository Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Director First Citizens Trustee Services Limited - Director Omardeen School of Accountancy Limited – Director Omardeen Properties Limited – Director Omardeen Professional Bookstore Limited – Director	First Citizens Bank Limited – Director First Citizens Depository Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Director Omardeen School of Accountancy Limited – Director	Omardeen School of Accountancy Limited – Managing Director	No
Jayselle McFarlane	March 14, 2019	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Depository Services Limited – Deputy Chairman First Citizens Investment Services Limited – Director South West Regional Health Authority – Deputy Chairman/ Director Clico Trust Corporation Limited – Deputy Chairman	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Depository Services Limited – Deputy Chairman First Citizens Investment Services Limited – Director South West Regional Health Authority – Director Clico Trust Corporation Limited – Deputy Chairman	McFarlane Robertson & Associates - Consultant	No

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Troy Garcia	March 14, 2019	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Depository Services Limited – Director Parts World Limited – Director High Performance Coatings Limited – Director	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Depository Services Limited – Director Parts World Limited – Director High Performance Coatings Limited – Director United Bearings and Equipment Agencies – Director	Parts World Limited – Chief Executive Officer High Performance Coatings Limited – Managing Director	No
David Inglefield	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Bank (Barbados) Limited – Director Inglefield, Ogilvy & Mather – Chairman Trinidad Cement Limited – Chairman Oriole Holdings Limited – Director Sygnet DGT Limited – Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Inglefield, Ogilvy & Mather – Chairman Trinidad Cement Limited – Director	Inglefield, Ogilvy & Mather – Chief Executive Officer Prince of Wales Trust in the United Kingdom Youth Business of T&T – Member Proman Trinidad and Tobago - Consultant	No

APPENDIX 2

KEY INFORMATION ON DIRECTORS

NAME OF DIRECTOR	DATE OF LAST APPOINTMENT AS DIRECTOR	PRESENT DIRECTORSHIP OR CHAIRMANSHIP	DIRECTORSHIP OR CHAIRMANSHIPS HELD OVER THE PRECEDING THREE YEARS	OTHER PRINCIPAL COMMITMENT	DUE FOR REAPPOINTMENT – ANNUAL MEETING 2021
Ingrid Melville	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director FCCR First Citizens Costa Rica S.A – Director Tobago Regional Health Authority – Chairman Caribbean People Centered Development Institute – Managing Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director FCCR First Citizens Costa Rica S.A – Director Tobago Regional Health Authority – Chairman	Ingrid Melville & Company Attorneys-at-Law – Private Practitioner	No

APPENDIX 3

DIRECTORS' ATTENDANCE AT BANK BOARD AND COMMITTEE MEETINGS

October 1, 2019 to September 30, 2020

NAME OF DIRECTOR/ NO. OF MEETINGS HELD	BANK BOARD *(INCLUDING SPECIAL MEETINGS)*	BANK AUDIT *(INCLUDING JOINT AUDIT)*	CREDIT	BOARD ENTERPRISE RISK MANAGEMENT	HUMAN RESOURCES	CORPORATE GOVERNANCE	BOARD TENDERS	CUSTOMER CENTRIC
	17	**7**	**9**	**5**	**5**	**2**	**3**	**1**
Anthony Smart	17	-	-	-	-	-	-	-
Courtenay B. Williams	10	-	-	3	-	2	3	-
Ryan Proudfoot	15	6	7	4	-	-	-	-
Franka Costelloe	15	-	-	-	5	1	-	-
Jayselle McFarlane	13	6	-	-	-	-	-	1
Idrees Omardeen	14	7	-	-	-	-	-	-
Troy Garcia	14	-	9	-	-	-	3	1
Savitree Seepersad	15	-	-	-	5	-	-	-
David Inglefield	14	-	-	2	3	-	-	1
Ingrid Melville	13	-	-	-	5	1	-	-

APPENDIX 4

SKILLS MATRIX FOR DIRECTORS OF FIRST CITIZENS BANK LIMITED

DIRECTORS	Finance & Accounting	Real Estate/ Commercial Business	Governance/ Compliance	Strategic Expertise	Board Experience	Banking/ Finance	Legal	Info Technology	Risk Management	Human Resources	Industrial Relations	Securities Analysis	Communications/ Public Relations/ Marketing	Other Skills
Anthony Isidore Smart	MS	VS	MS	MS	VS	MS	VS	NS	MS	MS	MS	NS	MS	
Courtenay B. Williams	MS	VS	VS	MS	VS	VS	VS	NS	MS	MS	MS	NS	MS	Mediation, AML/ Compliance
Franka Costelloe	MS	VS	VS	MS	VS	MS	NS	MS	MS	VS	MS	NS	MS	
Ryan Proudfoot	MS	MS	MS	MS	MS	VS	MS	MS	MS	NS	NS	MS	NS	
Troy Garcia	MS	VS	MS	MS	MS	MS	MS	NS	MS	MS	MS	NS	VS	
Idrees Omardeen	VS	VS	MS	VS	MS	MS	MS	MS	MS	MS	MS	MS	MS	
David Inglefield	MS	MS	VS	VS	MS	MS	MS	MS	MS	VS	VS	NS	VS	
Savitree Seepersad	VS	NS	MS	MS	MS	NS	NS	NS	MS	MS	NS	NS	NS	AML/ Compliance
Jayselle McFarlane	VS	VS	VS	MS	VS	MS	MS	NS	MS	VS	MS	NS	NS	
Ingrid Melville	MS	VS	VS	VS	VS	MS	VS	MS	MS	MS	MS	NS	MS	

Very Skilled (VS) = Expert/Competent – having acquired the mastery of a particular skill; able to do this skill extremely well.

Moderately Skilled (MS) = Familiar/Fair/Average – having basic or every day working knowledge of a particular skill.

No Skill (NS) = Unfamiliar/Inadequate Skill – lacking the ability or know-how to perform a skill well. Little or nothing is known about this skill.



EMPLOYEE OF THE YEAR

Rajiv Soodoo

Excellent customer service creates loyal customers for life who are willing to refer. Providing this type of excellent customer service starts with a genuine desire to delight my customers, but I also have to think beyond selling products or services. I consider the cumulative experience my clients have when they contact me, what they think and feel, and what I can do to make it better.

To provide good customer service, I need to know exactly what the First Citizens Group has to offer. Gratitude is memorable, and it can remind my customers why they choose First Citizens as their place of business. I would never let my emotions overtake me, so that my customers can walk away happy. Listening is one of the simplest secrets of customer service.

It's important that I respond quickly to all inquiries so the customers do not feel ignored. I would always ask customers first-hand for feedback when they are completing their orders and take time to regularly review the feedback, identify areas for my improvement, and make specific changes to my way of operating.



MANAGER OF THE YEAR

Adanna Branford-Stewart

As a Leader, I embrace my role to provide guidance, coaching and ongoing management of my team to provide a best-in-class customer experience. After 10 years, I was fortunate to have nurtured a highly dedicated, customer-centric team that was ready to take things to the next level!

My goal in 2019, was to inspire my team to not only meet but to exceed key customer service metrics. This was accomplished by overseeing the activities of the department, including: setting departmental strategic goals, monitoring and improving quality, ensuring internal and external customer satisfaction in all interactions, running continuous customer service improvement projects, managing response to customer feedback and championing sales support efforts.

Leading my team to a 99% Internal Customer Service Satisfaction Score is how I exemplified our EPIC Core Value: Commitment to Customer. The secret to this success was the ability to balance forward-thinking strategy while simultaneously executing at a tactical level, with the drive and support of an amazing team.





"Do what you do so well that they will want to see it again and bring their friends." *—Walt Disney*

CORPORATE SOCIAL RESPONSIBILITY

Youth Development and Education



Professor Sterling Frost, Deputy CEO – Operations & Administration; Karen Darbasie, Group CEO; Anthony Smart, Chairman; Ben Hurst, Keynote Speaker and Facilitator; and Jason Julien, Deputy CEO – Business Generation after a successful First Citizens Boys Symposium.



First Citizens Bank Barbados donates tablets to assist with online learning.

Our partnerships with the leaders and innovators of tomorrow span across various disciplines, providing platforms for both academic and artistic expression. When our most agile minds are educated and their creative genius nourished, it reinforces our confidence that the future is in good hands.

- **First Citizens Boys Symposium**
- **Sunshine Optimist Club – Barbados**
- **Consortium Of Disability Organizations (CODO)**
- **First Citizens National Poetry Slam & Bocas Lit Fest**
- **First Citizens UWI Internship Programme**
- **National Secondary Schools' Entrepreneurship Competition**
- **National Youth Productivity Forum (NYPF)**
- **TUCO/First Citizens Junior Calypso Monarch & Roving Tent**

Culture



First Citizens Dragon Boys perform at Divali Nagar.



The First Citizens Original Jab Jabs pause for a photo with Professor Sterling Frost, Deputy CEO – Operations & Administration at the annual A Taste of Steel.



Jason Julien, Deputy CEO – Business Generation, engages with clients while enjoying the cultural performances of First Citizens Supernovas Steel Orchestra

There is an unmistakable vibrance in the way we live. Our shared experiences of excitement, energy and colour overwhelmingly stir the spirit and bring to life the extraordinary. We are proud to deepen our commitment to the arts which stay true to our stories as a people, across the Caribbean.

- First Citizens Dragon Boys Tassa Group
- First Citizens Supernovas Steel Orchestra
- A Taste of Steel
- Carols by Candlelight – Barbados
- Divali Nagar 2019
- First Citizens The Original Jab Jab
- First Citizens Junior Parade of the Bands
- Ms. Tobago Heritage Personality 2020
- The Lydian Singers proudly supported by First Citizens

The Advancement of Women



Patricia Kong Ting, Chairman of the Committee for The Advancement of Women receives a cheque from Karen Darbasie, Group CEO.



Zalayhar Hassanali, Former First Lady; Professor Sterling Frost, Deputy CEO – Operations & Administration; Senator the Honourable Paula Gopee-Scoon, Minister of Trade and Industry; Karen Darbasie, Group CEO; Sharon Clark-Rowley, wife of Dr. the Honourable Keith Rowley and Attorney-at-Law; Her Honour Deborah Thomas-Felix, President of the Industrial Court; and Emerita Professor Patricia Mohammed at the annual First Citizens Women First Conference.

How do we honour the priceless contributions of our women? By nurturing their resilience, rallying around their advancement and paving the way for their continued successes. First Citizens recognizes the vital role women play in our society, that is why we actively support initiatives that celebrate, uplift and protect the countless women who deserve to always be reminded of their excellence.

- **First Citizens Women Conference**
- **IWD Trinidad & Tobago - Annual Women's Rights March & Rally**
- **First Citizens Girls First Festivals**
- **The First Citizens Fund for The Advancement of Women: A designated fund used to support initiatives related to the advancement of women and ending violence against women and children.**
  - Bridge of Hope 2005
  - Coalition Against Domestic Violence
  - Couva Children's Home and Crisis Nursery
  - Myrtle's Place
  - Rainbow Rescue
  - Rape Crisis Society of Trinidad and Tobago
  - Sylphil Home in Love
  - RAFFA HOUSE (Raffa – Girls and Jairah – Boys)
  - Chickland Children's Home

Environment



Carole Eleuthere-Jn Marie, Chief Executive Officer, First Citizens Bank Barbados and Cheryl-Ann La Roche, Head of Retail and Commercial Banking (Acting), First Citizens Bank Barbados present a cheque to Rotarians Neal Griffith and Peter Williams to support families in need.



Larry Olton, Head – Brand & Marketing and Larry Mc Donald, Divisional Manager, Estate Management, HDC cut the ribbon formally opening the Gomez Trace Phase II at Moruga.



Children at play at the Adventure Housing Project Community Park, Plymouth, Tobago.

To care for our surroundings is to care for each other. By uplifting and preserving our everyday spaces, our quality of life can change for the better. First Citizens takes pride in championing and contributing towards initiatives that positively impact our natural environment and by extension, the quality of life of everyone dwelling within it.

- **Rotary Trust Fund Inc. - Barbados**
- **First Citizens Play Park Initiative**
  - Gomez Trace, Phase II, Moruga
  - Dow Village, Recreational Ground, California
- **Food Drive for First Responders – Barbados**

Sport



Police FC winners of the 2019 First Citizens Cup.



Jason Julien, Deputy CEO – Business Generation presents at the THA Sports Awards.

- First Citizens Cup Football Competition 2019
- Tobago House of Assembly Sports Awards
- First Citizens Sports Awards
- UWI Spec Half Marathon 2019
- Secondary Schools' Football League (SSFL)
- Colin Hudson Great Train Hike - Barbados



Sportsman of the Year 2019
Nicholas Paul - Cycling



Sportswoman of the Year 2019
Teniel Campbell - Cycling



Youth Sportsman
of the Year 2019
Devin Augustine - Athletics



Youth Sportswoman
of the Year 2019
Shaniqua Bascombe - Athletics

There is a champion in each and every one of us. No medal or trophy can adequately honour the importance of uplifting each other and keeping the passion for excellence alive. First Citizens is proud to be your supporter throughout the highs and the lows, and through the grind and the rewards that make your journey to success all the more worthwhile. As you continue to keep your ambitions high and represent the brilliance of Caribbean people, count on us to always be part of your team.





"The customer's perception is your reality." *—Kate Zabriskie, President, Business Training Works*

FINANCIALS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of First Citizens Bank Limited and its subsidiaries

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 Bank Limited (the Bank) 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 income statement 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Our audit approach

Overview



Overall group materiality: TT$42 million, which represents 5% of profit before tax.

- The group audit included full scope audits of three significant components, two domiciled in Trinidad and Tobago and one in Barbados.
- The group audit covered 86% of profit before tax and 97% of total assets.

- IFRS 9 "Financial Instruments" – Significant increase in credit risk - Loans to customers
- IFRS 9 'Financial Instruments' – Forward-looking information

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our assessment of the components of the Group focused primarily on the Group's legal entities. Based on the individual financial significance and our risk assessment, the following components were subject to full scope audits for group audit purposes:

- First Citizens Bank Limited
- First Citizens Investment Services Limited
- First Citizens Bank Barbados Limited

In establishing the overall group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the Group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work. Our group scoping provided coverage of approximately 86% of profit before tax and 97% of total assets of the Group. We performed consolidated risk assessment analytical procedures over the remaining components.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	TT$42 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT$2M, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments' – Significant increase in credit risk - Loans to customers *Refer to note 3.a.iii to the consolidated financial statements for disclosures of related accounting policies and balances.*	
IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. 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 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. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Financial instruments in Stage 1 have their expected credit loss ("ECL") measured at an amount equal to the portion of lifetime ECLs within the next twelve (12) months. Instruments in Stages 2 or 3 have their ECL measured based on ECLs on a lifetime basis. The Group considered a loan to have experienced a SICR based on criteria which include: - The loan becomes 31 days past due; - The loan classification is downgraded to special mention; - There is a downgrade based on the Group's internal credit rating from: a) 3- or higher to 4 or lower; or b) for those at 4+ or lower, to a three notch downgrade. Due to the unprecedented economic impact of COVID-19 lockdown measures, the SICR criteria have been temporarily expanded to include a borrower level assessment of the industry, percentage of fixed operating costs, liquidity or where a facility has been significantly restructured. Additionally, the Group defined a financial instrument as in default or credit impaired, when it meets one or more of the following quantitative or qualitative criteria: - The borrower is more than ninety (90) days past due on its contractual payments	Our approach to addressing the matter involved the following procedures, amongst others: - Updated our understanding of the Group's approach to identify SICR and application to staging in the ECL model. - Tested the completeness and accuracy of the data used to assess whether SICR has occurred, by agreeing a sample to underlying source contracts. - For a sample of loans, recalculated the number of days past due and agreed special mentions and downgrades based on the credit ratings to source documentation. These loans were then, traced to management's loan listing to evaluate whether they were accurately staged within the ECL model. - Selected a sample of loans that management had not identified as in default or credit impaired and agreed to underlying source documentation to assess whether they had been appropriately classified based on management's quantitative and qualitative criteria. - Additionally, we tested a sample of loans by reference to management's assessment forms to assess whether the additional SICR criteria in response to COVID-19, had been evaluated and accounted for by management. The results of our procedures indicated that the assumptions used by management in determining SICR were not unreasonable.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments' – Significant increase in credit risk - Loans to customers *Refer to note 3.a.iii to the consolidated financial statements for disclosures of related accounting policies and balances. (continued)* - The borrower meets unlikeliness to pay criteria (e.g. bankruptcy) - There has been a modification to terms and conditions of the original loan agreement and where the change in the present value of the cash flows of the new proposed loan facility versus the original loan facility exceeds 10% We have focused on this area due to the impact of COVID-19 on credit risk and increased complexities in management's assumptions and judgements required over loans to customers subject to SICR.	
IFRS 9 'Financial Instruments' – Forward-looking information *Refer to notes 3.a.(vi) and 10 to the consolidated financial statements for disclosures of related accounting policies and balances.* In assessing impairment, IFRS 9 prescribes a forward-looking expected credit loss ("ECL") impairment model which takes into account reasonable and supportable forward-looking information. As at 30 September 2020, the Group's loans to customers totalled TT$19 billion. The Group's investment securities measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled TT$16.1 billion. In aggregate, the above exposures represent 74% of total assets. The resultant impairment, which incorporates forward-looking information, recorded under the expected credit loss (ECL) impairment model amounted to TT$216.7 million for loans to customers and a writeback of TT$3.4 million for investment securities.	Our approach to addressing the matter, with the assistance of our valuation specialists, involved the following procedures, amongst others: - Updated our understanding of management's ECL model, including whether there were any changes to source data and assumptions. - Compared the consistency of the macroeconomic indicators with those used in the comparative period. Loans to customers: - Assessed the reasonableness of the Group's methodology for determining economic scenarios and the probability weightings applied.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments' – Forward-looking information *Refer to note 3.a.(vi) to the consolidated financial statements for disclosures of related accounting policies and balances (continued)* To incorporate forward-looking information into the model, the Group performed historical analyses and identified the key economic variables which impacted credit risk and expected credit losses for each portfolio. These variables are determined differently for loans and investments. For loans to customers a scorecard model was developed, with macroeconomic factors and weightings which are based on management's judgement and experience. The main factors were unemployment rate, real GDP growth, inflation and a country specific factor. Management assessed unemployment to have a significant impact on the retail portfolio whilst real GDP growth was determined to have the highest impact and weighting on the corporate/commercial loan portfolio. Outlooks were determined for each of these variables to derive a weighted adjustment factor that was applied to the loan portfolios to reflect this forward-looking information. For investment securities, management performed a scenario analysis to determine the impact of future economic conditions in each of the countries in which the group held securities. Thereafter a main macroeconomic indicator was determined, which was then statistically linked to the credit risk of the relevant sovereign via regression analysis. We have focused on this area due to the number of significant assumptions made by management regarding possible future economic scenarios and the increased uncertainty impacting these assumptions due to COVID-19, which would impact the determination of the ECL balance as a whole.	- Evaluated the reasonableness of inputs into the downside scenarios as a result of COVID-19, by agreeing the forward-looking economic information, in particular unemployment rate, real GDP growth, inflation rates and country specific factors to external sources published or pronounced by reputable third parties. - Recalculated management's ECL based on the scorecard model, including the weighted adjusted factor, which was applied to the loans to customers portfolio. - Sensitised the probability weightings used in the ECL calculation. Investment securities: - Obtained a listing of the macroeconomic variables (MEVs) used to derive a single macroeconomic indicator and utilised in management's regression analysis for the four sovereign countries with the most significant ECL on investment securities: o Agreed a sample of historical MEVs used in the scenarios to external source information where available. o Recalculated a correlation coefficient between the historical MEVs and the sovereign credit risk rating and reperformed the regression analysis. o Sensitised the macroeconomic factors for sovereigns with significant investment concentration. The results of our procedures indicated that the judgement and assumptions used by management in determining forward-looking information were not unreasonable.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

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), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

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.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dwayne Rodriguez-Seijas.



Port of Spain,
Trinidad,
West Indies
11 December 2020

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	6	5,176,856	3,675,964
Statutory deposits with Central Banks	7	4,920,429	3,507,579
Investment securities			
- Fair value through other comprehensive income	8(a)	11,439,974	10,913,728
- Fair value through profit or loss	8(b)	22,853	22,518
- Amortized cost	9	5,001,413	4,940,230
Loans and receivables less allowances for losses:			
- Loans to customers	10	19,040,472	18,624,265
- Loan notes	11	147,399	221,099
Other assets	12	474,628	386,027
Investment accounted for using equity methods	13	206,464	191,932
Tax recoverable		95,190	78,780
Property, plant and equipment	14	696,161	596,937
Intangible assets	15	223,859	222,688
Total assets		47,445,698	43,381,747
Liabilities			
Customers' deposits	16	28,917,234	25,850,690
Other funding instruments	17	4,225,865	4,175,011
Due to other banks	18	2,011,616	2,204,290
Creditors and accrued expenses	19	670,764	661,531
Lease liabilities	20	110,576	--
Taxation payable		12,595	66,695
Retirement benefit liability	21	121,263	8,885
Bonds payable	22	3,625,194	2,928,855
Deferred income tax liability	23	271,178	275,739
Notes due to parent company	24	58,000	58,000
Total liabilities		40,024,285	36,229,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(Expressed in Trinidad and Tobago dollars)

	Notes	As at 30 September 2020 $'000	2019 $'000
Share capital	25	458,557	458,557
Statutory reserves	26	1,241,412	884,689
Retained earnings	27	4,610,815	4,712,675
Other reserves	28	1,110,629	1,096,130
Total shareholders' equity		7,421,413	7,152,051
Total equity and liabilities		47,445,698	43,381,747

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

On December 10, 2020, the Board of Directors of First Citizens Bank Limited authorized these consolidated financial statements for issue.

Director

Director

CONSOLIDATED INCOME STATEMENT

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2020 $'000	2019 $'000
Interest income	29	2,047,249	2,034,298
Interest expense	30	(420,553)	(401,004)
Net interest income		1,626,696	1,633,294
Fees and commissions	31	432,945	467,561
Gains from disposal of investment securities		18,941	24,303
Other income	32	156,066	150,659
Total net income		2,234,648	2,275,817
Credit impairment losses on loans	10	(216,667)	(22,257)
Credit impairment writeback on other financial assets	33	3,380	36,733
Administrative expenses	34	(753,939)	(764,999)
Other operating expenses	35	(455,074)	(482,440)
Operating profit		812,348	1,042,854
Share of profit in joint ventures	13(a)	3,479	4,100
Share of profit in associate	13(b)	15,818	15,821
Profit before taxation		831,645	1,062,775
Taxation	36	(224,779)	(311,046)
Profit after taxation		606,866	751,729
Earnings per share			
Basic		$2.40	$2.98
Weighted average number of shares			
Basic		251,353,562	251,353,562

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago dollars)

	Year ended 30 September	
	2020	2019
	$'000	$'000
Profit for the year	606,866	751,729
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Items reclassified to retained earnings	4,713	—
Re-measurement of (loss)/gain on defined benefit obligation	(68,275)	25,916
Net gains on investments in equity instruments designated at fair value through other comprehensive income	10,663	8,240
Revaluation of property, plant and equipment, net of tax	5,016	1,725
	(47,883)	35,881
Items that may be reclassified to profit or loss		
Amortization of loss on amortized cost assets, net of tax	(4,420)	(3,339)
Exchange difference on translation	6,103	(10,325)
Net gain on financial assets measured at fair value through other comprehensive income	84,353	198,630
Reclassified to profit or loss on disposal	(18,941)	(24,303)
	67,095	160,663
Total other comprehensive income for the year	19,212	196,544
Total comprehensive income for the year	626,078	948,273

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Trinidad and Tobago dollars)

	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Re-measurement of Defined Benefits $'000	Revaluation Surplus $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 October 2019	458,557	884,689	722,131	140,684	166,083	67,232	4,712,675	7,152,051
Change on initial allocation of IFRS 16	—	—	—	—	—	—	(7,537)	(7,537)
Restated Balance as at 1 October 2019	458,557	884,689	722,131	140,684	166,083	67,232	4,705,138	7,144,514
Profit for the year	—	—	—	—	—	—	606,866	606,866
Other comprehensive income for the year	—	—	71,655	(68,275)	5,016	6,103	4,713	19,212
Transfer to statutory reserve	—	356,723	—	—	—	—	(356,723)	—
Dividends	—	—	—	—	—	—	(349,179)	(349,179)
Balance at 30 September 2020	458,557	1,241,412	793,786	72,409	171,099	73,335	4,610,815	7,421,413
Balance as at 1 October 2018	458,557	879,335	545,206	114,768	164,358	77,557	4,381,936	6,621,717
Profit for the year	—	—	—	—	—	—	751,729	751,729
Other comprehensive income for the year	—	—	176,925	25,916	1,725	(10,325)	2,303	196,544
Transfer to statutory reserve	—	5,354	—	—	—	—	(5,354)	—
Dividends	—	—	—	—	—	—	(417,939)	(417,939)
Balance at 30 September 2019	458,557	884,689	722,131	140,684	166,083	67,232	4,712,675	7,152,051

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2020 $'000	2019 $'000
Profit before taxation		831,645	1,062,775
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associate		(15,818)	(15,821)
Share of profit in joint ventures		(3,479)	(4,100)
Interest income		(2,047,235)	(2,034,298)
Interest received		1,949,937	2,009,499
Interest expense		420,553	401,004
Interest paid		(419,284)	(390,469)
Depreciation	14	76,772	87,424
Gain on disposal of property, plant and equipment		(4,653)	(32)
Gain on sale of investment securities		(18,947)	(24,303)
Amortization of investment securities		(37,402)	(3,874)
Amortization of bond issue cost		1,798	1,721
Amortization of intangible asset	15	22,849	20,969
Net movement in impairment allowance on other financial assets		(25,032)	(320,913)
Net pension expense	21	58,450	53,911
Net movement in allowance for loan loss		209,316	3,166
Cash inflows from operating activities before changes in operating assets and liabilities		999,470	846,659
Net change in loans to customers		(625,523)	(2,612,475)
Net change in customers' deposits		3,066,544	350,944
Net change in other funding instruments		50,854	(211,727)
Repayments on lease liabilities		(20,626)	—
Interest paid on lease liabilities		(8,869)	—
Net change in other assets		8,697	144,685
Net change in statutory deposits with Central Bank		(1,412,850)	735,533
Dividends received		505	535
Net change in creditors and accrued expenses		7,969	(97,503)
Pension contributions paid	21	(51,110)	(29,888)
Taxes paid		(302,018)	(399,264)
Net cash inflows/(outflows) used in operating activities		1,713,043	(1,272,501)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2020 $'000	2019 $'000
Cash flows from investing activities			
Purchase of investments			
- Fair value through other comprehensive income	8(a)	(8,968,805)	(7,543,891)
- Amortized cost	9	(409,153)	(1,623,169)
- Fair value through profit or loss	8(b)	(419)	(529)
Proceeds from sale of investments			
- Fair value through other comprehensive income	8(a)	8,614,390	7,421,241
- Fair value through profit or loss	8(b)	19	13,465
Proceeds from maturity/redemption of amortized cost	9	388,823	1,589,507
Repayment on loan notes receivable		73,700	73,700
Net change in short-term investments		(800,487)	55,762
Proceeds from disposal of property, plant and equipment		8,029	1,175
Purchase of intangible assets	15	(24,020)	(24,064)
Purchase of property, plant and equipment	14	(70,874)	(80,431)
Net cash outflows from investing activities		(1,188,797)	(117,234)
Cash flows from financing activities			
Net change in debt securities	22	696,339	63,089
Ordinary dividend paid		(346,257)	(415,017)
Preference dividend paid		(2,922)	(2,922)
Net cash inflows/(outflows) from financing activities		347,160	(354,850)
Effect of exchange rate changes		21,673	2,380
Net increase/(decrease) in cash and cash equivalents		893,079	(1,742,206)
Cash and cash equivalents at beginning of period		1,064,619	2,806,825
Cash and cash equivalents at end of period	6	1,957,698	1,064,619

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Trinidad and Tobago dollars)

1 General information

First Citizens Bank Limited (the Bank) and its subsidiaries (together the Group) provide retail, commercial and corporate banking as well as investment banking services. The Group operates primarily in Trinidad and Tobago and the Eastern Caribbean region.

The Bank is a subsidiary of First Citizens Holdings Limited (Holdings), a company owned by the Government of the Republic of Trinidad and Tobago (GORTT), and its registered office is located at 9 Queen's Park East, Port of Spain. First Citizens Holdings has 64.43% controlling interest. The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

On 12 September 1993, the Workers' Bank (1989) Limited, National Commercial Bank of Trinidad and Tobago Limited and Trinidad Co-operative Bank Limited under and by virtue of vesting orders made by the Minister of Finance under section 49 of the Financial Institutions Act, 1993, were transferred to and became vested in the Bank.

All entities which were transferred to, or from which specific assets or liabilities were transferred to the Bank, were wholly owned or controlled by the Government of the Republic of Trinidad and Tobago (GORTT). Therefore, the transfers were recorded as a combination of interests under common control whereby all assets and liabilities transferred to the Bank were transferred at their carrying amounts in the accounts of the transferred or transferring entities at the dates of the respective transfers.

The Group currently comprises the following entities:

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Depository Services Limited	The Company acts as custodian to third parties and provides paying agent services.	Trinidad & Tobago	100%
First Citizens Bank (Barbados) Limited	Banking, including the provision of mortgages for residential and commercial properties	Barbados	100%
First Citizens Costa Rica SA	Service related transactions	Costa Rica	100%
First Citizens Financial Services (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Investment Services Limited and its subsidiaries	Investment & asset management services and repo business	Trinidad & Tobago	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and paying agency services	Trinidad & Tobago	100%
The Group also has investments in the following entities:			
Infolink Services Limited	Provision of automated banking reciprocity services	Trinidad & Tobago	25%
Trinidad and Tobago Interbank Payment System Limited	Automated clearing house	Trinidad & Tobago	14%
St. Lucia Electricity Services Limited	Provision of electrical power to consumers	St. Lucia	19%

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 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, financial assets classified at fair value through profit or loss and the defined benefit pension plan.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 accounting period*

- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 amortized 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.

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*

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.
- 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 Bank 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 unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealized 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.

2 Summary of significant accounting policies *(CONTINUED)*

b. *Consolidation (CONTINUED)*

(ii) *Investment in subsidiaries*

Subsidiaries are all entities, (including structured entities) over which the Group has control. 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

(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 recognized in profit or loss.

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognized 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 recognized in either profit or loss or other comprehensive income in accordance with IFRS 9 Financial Instruments. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

(iv) *Transactions and non-controlling interests*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(v) *Investment in joint ventures*

The Group has applied IFRS 11 to all joint arrangements as of 1 October 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

2 Summary of significant accounting policies *(CONTINUED)*

b. *Consolidation (CONTINUED)*

(v) *Investment in joint ventures (CONTINUED)*

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

(vi) *Investment in associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/ (loss) of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 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), which represent the Group's mid rate. The exchange rate between the TT dollar and the Barbados dollar as at the date of these statements was TT$3.4203 = BB$1 (2019: TT$3.4102 = BB$1.00), which represent the Group's mid rate.

2 Summary of significant accounting policies *(CONTINUED)*

c. *Foreign currency translation (CONTINUED)*

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency at 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 recognized in the consolidated income statement.

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 amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss and other changes in carrying amount are recognized 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average cover exchange rates for the financial year, and
(c) all resulting exchange differences are recognized 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 recognized in other comprehensive income.

d. *Derivative financial instruments*

Derivative financial instruments including swaps are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing 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 labilities when negative.

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The Group classifies its financial assets based on the following business models:
- Fair value through profit or loss
- Fair value through other comprehensive income
- Amortized cost

2 Summary of significant accounting policies *(CONTINUED)*

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

(i) *Financial assets (CONTINUED)*

Based on these factors, the Group classifies its assets into one of the following three measurement categories:

Amortized 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 amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 3.a.v. 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 amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized 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 amortized 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 recognized in profit or loss and presented in the "income statement" 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 at fair value through profit or loss, 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) *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 Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

2 Summary of significant accounting policies *(CONTINUED)*

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

(i) *Financial assets (CONTINUED)*

(a) *Debt instruments (CONTINUED)*

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 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:

Amortized Cost	Fair Value Through Other Comprehensive Income	Fair Value Through Profit or Loss
Corporate and Commercial Loans	OMO	Actively Traded (Capital Gains) Portfolio
Retail Loans	Treasury Notes	Floating NAV Funds*
Credit Cards	Bonds Issued by or guaranteed by Government of Trinidad & Tobago	Fixed NAV Funds** - cash & cash equivalents
Bonds Issued by or guaranteed by Government of Trinidad & Tobago (GORTT)	Eurobonds	
Non-Eurobonds maturing in greater than 3 years at recognition	Treasury Bills	
Loans & receivables	Canadian Treasury Bills	
Securities sold under repurchase agreements to clients and brokers	Non-Eurobonds maturing in less than 3 years at recognition	
Long Term Borrowings from brokers in the form of Total Return Swaps	Cash	
Medium Term Notes		

2 Summary of significant accounting policies *(CONTINUED)*

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

(i) *Financial assets (CONTINUED)*

(a) *Debt instruments (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 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.

(b) *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 shareholdings with Visa and CariCRIS.

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. These financial assets are presented within investment securities held to collect and sell. 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 recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments classified as FVPL are included in the consolidated income statement.

(c) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes 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

2 Summary of significant accounting policies *(CONTINUED)*

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

(i) *Financial assets (CONTINUED)*

(c) *Impairment (CONTINUED)*

- 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.v provides more detail of how the expected credit loss allowance is measured.

(i) *Modification of loans*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. 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. (note 3.a.iv)
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes 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 recognized 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 recognized 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 recognizes 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).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3.a.xv.

(ii) *Derecognition other than on a modification*

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

2 Summary of significant accounting policies *(CONTINUED)*

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

(i) *Financial assets (CONTINUED)*

(c) *Impairment (CONTINUED)*

(ii) *Derecognition other than on a modification (CONTINUED)*

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

(d) *Write-off*

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 repossessed collateral is such that there is no reasonable expectation of recovering in full.

(ii) *Financial liabilities*

(i) *Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held at fair value through profit or loss (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 recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments (see note 2.f).

(ii) *Derecognition*

Financial liabilities are derecognized 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

2 Summary of significant accounting policies *(CONTINUED)*

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

(ii) *Financial liabilities (CONTINUED)*

(ii) *Derecognition (CONTINUED)*

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 recognized 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 amortized over the remaining term of the modified liability.

f. *Financial guarantee contracts and loan commitments*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 3.a.iii); and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in note 3.a.1.a). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

g. *Impairment of non-financial assets*

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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.

2 Summary of significant accounting policies *(CONTINUED)*

h. *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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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 other funding instruments.

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 October 1 2019

The Group has adopted IFRS 16 effective October 1, 2019, 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 October 1 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 of 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 asset, 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 October 1 2019, the Group recognizes 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 assesses 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 Repo rate. Lease liabilities include the net present value of the following lease payments:-

2 Summary of significant accounting policies *(CONTINUED)*

j. *Lease transactions (CONTINUED)*

(i) *The Group as the lessee (CONTINUED)*

- 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 reasonably certain to exercise;
- penalties for early termination of a lease, if the lease term reflects the group exercising this option.

The lease liabilities will be remeasured when there is a change in future lease payments from a change in rate or index or if the Group changes its assessments of whether it will exercise an extension or termination option.

Payments associated with short-term leases and all low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a term of twelve (12) months or less. Low-value assets comprise of IT equipment and small items of office furniture.

Policies applicable prior to October 1, 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 income statement 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 recognized 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 recognized 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 income statement 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 recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized 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 recognized 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 income statement 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 income statement. 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 amortization are computed on all assets except land.

The provision for depreciation and amortization 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	amortized over the life of the lease

The assets' residual and useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that are subject to amortization 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 recognized within the consolidated income statement. 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 recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized 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 balance sheet 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 recognized 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 recognized 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 balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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 recognized.

Deferred income tax assets are recognized 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 utilized.

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.

m. *Employee benefits*

(i) *Pension plans*

The 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 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.

2 Summary of significant accounting policies *(CONTINUED)*

m. *Employee benefits (CONTINUED)*

(i) *Pension plans (CONTINUED)*

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

(iii) *Employee share ownership plan*

The Group established a cash-settled based remuneration plan for its employees. A liability is recognized 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 recognized in the income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

n. *Cash and cash equivalents*

For purposes of the consolidated statement of cash flows, cash and cash equivalents 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".

o. *Interest income and expense*

Interest income and interest expense are recognized in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments, loans and accrued discount and premium on treasury bills and other discounted instruments.

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 amortized cost before any impairment allowance) or the amortized cost of a financial liability. The calculation does not consider expected credit losses and include transaction costs, 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 (EIR) 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 credit losses) to the amortized cost of these POCI assets. 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.

2 Summary of significant accounting policies *(CONTINUED)*

p. *Fee and commission income*

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
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Fees and commissions income from contracts with customers are measured based on the consideration specified in a contract with a customer. The group recognizes revenue when it transfers control over a service to a customer.

The information about the nature of the type of services and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies are as follows:-

(i) *Retail and corporate banking services*

The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.

Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction.

Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. However, the bonus (loyalty) points attached to the credit card transactions are issued quarterly to cardholders.

Servicing fees are charged on a monthly basis and are based on fixed rates, as per the Group's "Rates and Charges".

Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

(ii) *Treasury and investment banking*

The Group's investment banking segment provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting.

Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before the expiration date, then on termination it is charged the fee for the services performed to date.

Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.

Revenue from administrative agency services is recognized over time as the services are provided. The amount is collected upfront and is recognized as deferred income.

Revenue related to transactions is recognized at the point in time when the transaction takes place.

2 Summary of significant accounting policies *(CONTINUED)*

p. *Fee and commission income (CONTINUED)*

(iii) *Trustee and asset management*

The Group provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis. In addition, the Group charges a non-refundable up-front fee when opening an account.

Revenue from asset management services is recognized over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

(iv) *Brokerage & Advisory Services*

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

q. *Dividend income*

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

r. *Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between proceeds net of transactions costs and the redemption value is recognized in the consolidated income statement 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-balance sheet transactions and are disclosed as contingent liabilities and commitments.

t. *Dividend distribution*

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank'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. *Preference shares*

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

2 Summary of significant accounting policies *(CONTINUED)*

v. *Provisions*

Provisions are recognized 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 recognized 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 recognized as interest expense.

w. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognized 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 amortized 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 amortized. 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 recognized 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 recognized immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies *(CONTINUED)*

w. *Intangible assets (CONTINUED)*

(ii) *Other Intangible assets*

Other intangible assets are initially recognized 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 amortization and provisions for impairment, if any, plus reversals of impairment, if any. They are amortized 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 recognized as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs are recognized 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 is 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 amortized using the straight-line method over their useful lives but not exceeding a period of three years.

x. *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).

y. *Earnings per share*

Earnings per share is calculated by dividing the profit attributable to the equity holders, by the weighted average number of ordinary shares in issue during the year.

z. *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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 recognized in the consolidated financial statements.

The Group has applied IFRS 16 using the modified retrospective approach which:-

- Requires the Group to recognize 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 comparative, which continue to be presented under IAS 17 and IFIC 43

On adoption of IFRS 16, the Group recognized 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 October 1 2019, as no implicit interest rate existed in the leases. The borrowing rate applied to the lease liabilities was 5%, being the Central Bank's Repo rate.

For leases previously classified as finance leases, the Group recognized 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 October 1 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at October 1 2019, as 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

On transition to IFRS 16, the Group recognized the following transactions on the Statement of financial position:-

Right-of-use asset	increase	108,842
Lease Liability	increase	(116,379)
Retained earnings	decrease	7,537

Measurement of lease liability

The following table shows the operating lease commitment disclosed applying IAS 17 as at September 30 2019, discounted using the borrowing rate at the date of the initial application and the lease liabilities recognized in the statement of financial position at the date of initial application:-

As at September 30 2019

Operating lease commitment	117,920
Short-term leases and low value assets	(10,136)
Other charges	(4,352)
Effects of discounting the above amounts	(8,614)
Finance lease liability	21,561
Lease liability	116,379

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 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 has overall responsibility for the establishment and oversight of the Group's risk management framework. 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. The most significant types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks including commodity and equity risk.

The Group utilizes the three lines of defense concept to manage risk. The first line encompasses the units which design and implement controls to mitigate the risks which they face, the second line are control functions such as risk management, finance who monitors the first line against these standards/ controls. The third line is the Group's internal audit function which provides additional assurance and independent review or risk management and the control environment.

To assist the Board of Directors in fulfilling its duties, two Board Sub-Committees are in place to monitor and report to the Board of Directors on the overall risks within the Group – the Board Enterprise Risk Management (BERM) Committee and the Board Credit Committee (BCC); and two Senior Management Committees – the Senior Management Enterprise Risk Management Committee (SMERMC) and the Asset Liability Committee (ALCO).

The Group Enterprise Risk Management unit, headed by the Group Chief Risk Officer (GCRO), reports to both Sub-Committees through the Senior Management Enterprise Risk Management Committee. This unit is responsible for the identification, analysis, measurement, monitoring and control of credit, market and operational risks for the Group through the Group Credit Risk Management Unit (GCRM), Group Market Risk Unit (GMR), Group Operational Risk and Controls Unit (GORC). Group Enterprise Risk Management also facilitates the monitoring of the Group's risk profile in relation to its risk appetite and the impact of developments in the aforementioned risk areas on strategy and how strategy should be adjusted in light of these developments.

The Asset Liability Committee's role is to manage and monitor the policies and procedures that address the financial risks associated with changing interest rates, foreign exchange rates and any 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 Group via the Group Treasury and International Trade Centre. The Group Treasury and International Trade Centre's primary role and responsibility is to actively manage the Group's liquidity. The ALCO is also supported in some specific areas of activity by the Market Risk Committee.

The Group Internal Audit department is responsible for the independent review of risk management and the control environment and reports its findings and recommendations to the Board Audit Committee.

3 Financial risk management *(CONTINUED)*

a. *Credit risk*

Credit risk is the risk of incurring a financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancements provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

(i) *Credit risk management*

In its management of credit risks, the Group has established an organizational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee, Senior Management Enterprise Risk Management Committee, the Group Chief Risk Officer, 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 SMERMC 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 GCRM 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 documented Credit Policy manuals. These documents set out in detail the policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function.

(a) *Loans and advances (including loan commitments and guarantees)*

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 (note 3.a.v).

(ii) *Credit risk grading*

The Group uses internal credit risk grading or ratings which reflect its assessment of the risk profile or PD of counterparties. The Group utilizes two (2) rating models for loans and one (1) for investment securities. Retail borrowers are assessed using the Internal Grading (IG) Code model while Corporate and Commercial borrowers are assessed using the Borrower Risk Rating (BRR) model.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(ii) *Credit risk grading*

Retail/consumer loans

The IG code model is a qualitative assessment of key borrower information collected at the time of application such as debt servicing ability, credit history and quality of collateral. External data such as credit bureau scoring information is also used where available. Finally, expert judgement may also be applied where there are other relevant factors which may not be captured as part of the pre-defined data inputs into the model. Once the analysis is completed, the borrower is assigned an IG Code which would equate to an assessment of the PD ranging from extremely low risk (IG 98) to Very High Risk (IG 65).

Corporate/commercial loans

The BRR model is a quantitative assessment of the business risk profile and financial risk profile of the borrower. There are two subcategories of the BRR model: one which is used to assess Financial Institutions and another which is used for all other types of Corporate/Commercial Borrowers.

The business risk profile involves an assessment of the country risk, industry stage, competitive position and management expertise of the borrower. The financial risk profile involves calculating key financial ratios over the past three years and assigning risk scores based on the financial strength or weakness which the ratios represent. The model allows for discretionary adjustments to be made to the baseline rating using expert judgement by the business unit and GCRM. Once the analysis is completed, the borrower is assigned a credit rating which would equate to an assessment of the PD ranging from extremely low risk (BRR 1) to Very High Risk (BRR 6).

Investment Securities

For sovereign and corporate investment securities, the ratings published by Standards and Poor's Rating Agency (S&P), where available, are used. For sovereigns with no S&P rating, the Group's Research and Analytics Unit uses a model based on the S&P methodology to generate a rating. For corporate investment securities with no S&P rating, a rating is assigned using the BRR model.

S&P published ratings are continuously monitored and updated. The PD's associated with each rating are determined based on realized default over the prior 12 months, as published by the rating agency. The ratings generated by the BRR model are also updated annually.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(ii) *Credit risk grading (CONTINUED)*

The table below provides a comparative view of the rating models used by the Group:

	S&P Rating	Research & Analytics Risk Rating (Investment Securities)	FC Borrower Risk Rating (Corporate)	FC IG Code	Interpretation
Investment Grade	AAA, AA+	A+	1	98	Extremely Low Risk
	AA, AA-	A			
	A+, A	A-	2	95	Very Low Risk
	BBB+, BBB, BBB-	B+	3	90	Low Risk
Speculative Grade	BB+, BB, BB-	B	4	85	Moderate Risk
	B+, B, B-	B-	5	80	High Risk
	CCC+, CCC, CCC-, CC+, CC, CC-, C+, C, C-	C	6	65	Very High Risk
	D	D	7	*	In Default

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(iii) *Expected credit loss measurement*

IFRS 9 outlines a three stage model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the 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.
- 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 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 twelve (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) details how the Group has incorporated this in its ECL model.
- Purchased or originated credit-impaired (POCI) financial assets are those assets that are credit-impaired on initial recognition. The ECL is always measured on a lifetime basis and is deemed "built-in" to the fair value on origination. A credit impaired effective interest rate is used to amortize these instruments to their maturity. Changes to the life-time expected credit losses are adjusted in the amortized prices.

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.vii). The following diagram summarizes 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) *Expected credit loss measurement (CONTINUED)*

Significant increase in credit risk (SICR)

The 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:

Loans – First Citizens Bank Trinidad and Tobago

Criteria	Retail Loans (includes Credit Cards)	Commercial/Corporate Loans
Relative Measure	n/a	Initial BRR of 3- or higher - Downgraded such that the BRR is 4 or lower Initial BRR of 4+ or lower- Three notches downgrade of the BRR
Absolute Measure	31 days past due/Classified Special Mention	31 days past due/Classified Special Mention

Loans – First Citizens Bank Barbados

Criteria	Retail Loans (includes Credit Cards)	Commercial/Corporate Loans
Absolute Measure	31 days past due/Classified Special Mention	31 days past due/Classified Special Mention

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(iii) *Expected credit loss measurement (CONTINUED)*

Investment Securities

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

In addition to the above, due to the unprecedented economic impact of COVID-19 lockdown measures, the SICR criteria have been temporarily expanded to include a borrower level assessment based on the following:

a) Where the borrower is assessed as being directly linked or indirectly linked to the travel industry.

b) Where the borrower is assessed as providing a discretionary product or service, the purchase of which can be deferred or cancelled.

c) Where the borrower is assessed as having a business which is very people intensive and therefore risks associated with a pandemic are amplified.

d) Where the borrower is assessed as having more than 50% of its operating costs classed as fixed and therefore scaling capacity up or down in response to changes in demand is difficult.

e) Where the borrower is assessed to be under severe liquidity strain with little or no access to alternative sources of liquidity.

f) Where a facility is restructured for purposes other than retention of the account (due to competitiveness of the market) and there is one or a combination of a non-market driven reduction in interest rate, deferral of payments, an extension of the existing term by more than 12 months and a moratorium on payments/capitalization of interest in excess of 12 months (note 3.a.iv)

The 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)*

(iii) *Expected credit loss measurement (CONTINUED)*

With respect to the cure for SICR, the Group considers a significant decrease in credit risk has occurred when the following happens:

Loans

Retail Loans (includes Credit Cards)	Commercial/Corporate Loans
Payments received for six months consecutively	Payments received for six periods consecutively
Loan classification upgrade to Pass	Loan classification upgrade to Pass
	BRR reverts to the rating just prior to the SICR

Investment Securities

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

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

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

The Group defines a financial instrument as in default or credit impaired, when it meets one or more of the following criteria:

Quantitative criteria

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

Due to the economic impact of COVID-19 lockdown measures, the Group granted payment deferrals to borrowers. For retail loans, automatic deferrals of 90 days were granted to all customers along with an equivalent extension of the loan maturity. Beyond 90 days, an extension of the deferral period for up to an additional 90 days was granted on retail loans once requested by the customer along with an extension to the loan maturity date. For commercial and corporate customers, payment deferrals were granted to customers on an individual request basis. There deferrals granted were for a minimum period of 90 days along with an equivalent extension of the loan maturity date.

Once the deferral period ended, the payment status of the loan would be considered to be the same as what existed prior to the deferral being granted.

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.
- The Group executes a modification to terms and conditions of the original loan agreement that they would not normally consider and where the change in the present value of the cash flows of the new proposed loan facility versus the original loan facility exceeds 10%.
- 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.

A loan 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 period of six consecutive payments.

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)*

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

The Expected Credit Loss (ECL) is measured on either a twelve (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:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as defined in note 3.a.iv), either over the next twelve (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 twelve (12) months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance less the discounted collateral value. Collateral values are discounted by first making adjustments to account for the cost of disposal and the expected time it would take to sell the collateral. This present value of this reduced collateral value is then calculated by discounting it by the effective interest rate of the facility.
- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan and represents management'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.

PDs

The lifetime and twelve (12) month PDs are determined differently for loans and investment securities. Loans' PDs are derived from the historical experience of the Group, calculated using a vintage analysis methodology. The investment securities' PDs for sovereign and corporate instruments are taken from the Standard & Poors' (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.

EAD

For amortizing products and bullet repayment loans, EAD is based on the contractual repayments owed by the borrower over the remaining life of the loan. 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 EAD is calculated by taking the current drawn balance and adding a credit conversion factor (CCF) which adjusts for the expected drawdown of the remaining unutilized 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 the prior two (2) year period. (Note 3.a.vi)

LGD

LGDs for loans are determined based on historical recovery rates and vary by product type and are influenced by the collection strategies of the specialist units managing the process (Note 3.a.vi). 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.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(v) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques (CONTINUED)*

Management also made the following key assumptions in its assessment:-

Credit cards

The average lifetime of credit card facilities were calculated as six (6) years for FCTT and seven (7) years for FCBB. In determining the tenor of these facilities, an average of the accounts in existence at the reporting date, together with the accounts closed over the last ten years was used to calculate the average life.

Overdrafts

In order to determine the lifetime of the consumer overdraft facilities, an average of the effective life of a consumer overdraft facility i.e. the time between an overdraft being opened and then closed was calculated over an eight (8) year period. This calculation resulted in the identification of six (6) years & seven (7) years for personal and staff overdrafts respectively.

Recovery rates

Recovery rates used on loans represents the Group's actual historical experience since inception of recovery on charged-off accounts by product type. These accounts have no attached collateral, however a robust system is in place for tracking collections on these loans. In the instance of loans that are booked in jurisdictions outside of Trinidad & Tobago and Barbados, sufficient recovery information was not available, due to a lack of defaulted loans, therefore recovery rates based on Trinidad and Tobago data was applied.

Credit conversion factors (CCF)

Credit conversion factors were calculated in order to project what portion of the undrawn element of revolving facilities (Credits Cards and Overdrafts), could reasonably expect to be drawn. The credit conversion factors were calculated using the quarterly exposure for overdrafts and monthly exposure for credit cards over a two (2) year period. An average of the difference between the current balance and the starting balance as a percentage of the total approved credit limit, was calculated and used as a proxy to project the portion of the undrawn balance that would be drawn, for both loans and credit cards for the various quarters and months respectively. The highest calculated average was used as the CCF.

(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.

Loan portfolio

For this portfolio, a scorecard model was developed, with the macro-economic factors and the weights attached to them, being chosen based on management's judgement and experience. Weights were assigned to distinguish those factors which would have a higher impact when compared to others. Management notes that different weightings were applied to the retail loan portfolio and the corporate/commercial loan portfolio, since in its view, the impact of the chosen macro-economic factors differs significantly for these two portfolios.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(vi) *Forward-looking information incorporated in the ECL models (CONTINUED)*

For each jurisdiction, four macro-economic factors were used. Unemployment rate, real GDP growth and inflation were used in all jurisdictions, with the remaining factor being country specific. LNG Prices, Tourist Arrivals and FDI were used as the country specific indicator for Trinidad & Tobago, Barbados, Costa Rica and Latin America (LATAM) respectively. In management's assessment of the retail loan portfolio, unemployment was adjudged to have a direct impact on recoverability and was assigned the highest weighting. Similarly, for the corporate/commercial loan portfolio real GDP growth was adjudged to have the highest impact and weighting. In management's view, inflation would also have an impact on loan defaults and while not as significant as some of the other factors, it was also included in the assessment. Lastly, the outlook for each of the macro-economic factors was adjusted by management to incorporate the impact of COVID-19 and the resultant economic shock of the pandemic.

Outlooks were provided for each of these variables to derive a weighted adjustment factor that was then applied to the loan portfolios to reflect this forward-looking information.

The tables below show the macroeconomic factors selected and attendant weights:

Retail Loan Portfolio

Trinidad and Tobago	Barbados	Weight
Unemployment rate	Unemployment rate	0.7
Real GDP Growth	Real GDP Growth	0.1
Inflation	Inflation	0.05
LNG Prices	Tourist Arrivals	0.15
Total		1

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(vi) *Forward-looking information incorporated in the ECL models (CONTINUED)*

Corporate Commercial Loan Portfolio

Trinidad and Tobago	Barbados	Costa Rica and LATAM	Weight
Unemployment rate	Unemployment rate	Unemployment Rate	0.1
Real GDP Growth	Real GDP Growth	Real GDP Growth	0.7
Inflation	Inflation	Inflation	0.05
LNG Prices	Tourist Arrivals	FDI	0.15
Total			1

The weighting assigned to each economic scenario as at 30 September 2020 were as follows:-

	Base	Upside	Downside
Loans	80%	10%	10%

The weighting assigned to each economic scenario as at 30 September 2019 were as follows:-

	Base	Upside	Downside
Loans	80%	10%	10%

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(vi) *Forward-looking information incorporated in the ECL models (CONTINUED)*

The Group also made the following key assumptions in its assessment:-

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 pandemic.

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 judgement and experience.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Economics 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. The impact of these economic variables on the PD, EAD and LGD has been determined by performing regression analysis to understand the impact changes in these variables have had historically on default rates and LGD.

Economic assumptions

The most significant period-end assumptions used for the ECL estimate as at 30 September 2020 are set out below. The scenarios "base", '"best" and "worst" were used for the investment portfolios.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(vi) *Forward-looking information incorporated in the ECL models (CONTINUED)*

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

Retail portfolios

(i) Unemployment rate, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments.

Corporate/Commercial portfolios

(i) GDP, given the significant impact on company financial performance and collateral valuations;

Set out below are the changes to the ECL as at 30 September 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used by management (for example, the impact on ECL of increasing the estimated unemployment rate by 1% in each of the base, best and worst case scenarios):

	September 2020			September 2019		
Unemployment Rates		**PDs**			**PDs**	
	-1% "000	**No Change "000**	**1% "000**	**-1% "000**	**No Change "000**	**1% "000**
	(27,265)	—	27,265	(1,655)	—	1,655
GDP	**LGDs**	**LGDs**				
	-5% "000	**No Change "000**	**5% "000**	**-5% "000**	**No Change "000**	**5% "000**
	(7,042)	—	7,042	(3,436)	—	3,436

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(vii) *Grouping of instruments for losses measured on a collective basis*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, the characteristic of the risk profile was taken into consideration. The grouping was done for one main product type as outlined below:

Groupings for collective measurement
- Credit Cards – All stages
- Retail – All stages

The following exposures are assessed individually:
- Corporate/Commercial – All stages
- Investment Securities

The appropriateness of grouping of instruments is monitored and reviewed on a periodic basis by the Group Credit Risk Management unit.

(viii) *Risk limit control and mitigation policy*

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

(a) *Single borrower and borrower group exposure limits*

Limits established by regulatory authorities have been incorporated into the credit policies where concentration is restricted by limiting credit amounts to a percentage of the capital base. This is supported by a stringent reporting requirement and is further enhanced by policies requiring periodic review of all commercial credit relationships.

(b) *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 Group for this purpose. The model utilizes 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 to the various industry exposure categories based on the risk ranking.

(c) *Country exposure limits*

Exposure limits have been established for selected countries which are considered to be within the Group's target market. Three (3) risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable credit rating agencies or the Group's own internal assessment of the strategic direction of the Group. 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.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(viii) *Risk limit control and mitigation policy (CONTINUED)*

(d) *Collateral*

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral for credit risk mitigation.

The Group requires a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over cash and cash convertible instruments.
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term lending to corporate/commercial entities is generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Investment 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.

The Group's policies regarding obtaining collateral have not changed significantly during the period and as at September 30, 2020. The impact of COVID-19 on property collateral was deemed as short term. The overall impact is not measurable at this point in time due to the high uncertainty of the real estate market.

(e) *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.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(viii) *Risk limit control and mitigation policy (CONTINUED)*

(e) *Liquidity support agreement (CONTINUED)*

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 and subsequently for the period 15 November 2016 to 14 November 2017, 15 November 2017 to 14 November 2018, 15 November 2018 to 14 November 2019, 14 November 2019 to 28 February 2021 and 1 March 2021 to 28 February 2022. Additionally, the Ministry of Finance has made good and settled in full subsequent claims made for losses and expenses incurred resulting from obligations commensurate with the Liquidity Support Agreement.

The Ministry of Finance in letter dated 22 October 2020 has agreed to another extension for a twelve month period effective from 1 March 2021 to 28 February 2022 commensurate under the Liquidity Support Agreement dated 15 May 2009. This was subsequently formalized via the "Sixth Supplementary Liquidity Support Agreement" dated 11 November 2020.

As at the date of this statement of financial position, the amount of the Promissory Notes due was US $103.9M (2019: US $100.8M) and the Commercial Paper was TT $249.9M (2019: TT $241.2M).

(f) *Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

(g) *Impairment and provisioning policies*

The Group's impairment provision policy is covered in detail in Note 2 e.i.c..

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

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

	Gross maximum exposure 2020 $'000	Gross maximum exposure 2019 $'000
Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows:		
Cash and bank balances	5,176,856	3,675,964
Statutory deposit with Central Bank	4,920,429	3,507,579
Investment instruments		
- Fair value through other comprehensive income	11,112,458	10,883,119
- Amortized cost	5,039,987	4,966,021
Loans to customers	19,498,304	18,872,781
Loan notes	147,399	221,099
Other assets	423,937	344,044
Credit commitments	456,827	905,072
Financial guarantees	250,283	215,695
Total credit risk exposure	47,026,480	43,591,374

The above table represents a worst case scenario of credit risk exposure to the Group without taking account of any collateral held or other credit enhancements attached.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(x) *Loans to customers and other financial assets*

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

	Retail 30 September 2020			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Instalment loans	1,806,190	367,755	141,286	2,315,231
Demand loans	341,503	47,668	75,379	464,550
Overdrafts	7,364	505	23,061	30,930
Credit card	552,079	15,322	43,086	610,487
Mortgages	2,405,845	347,384	185,438	2,938,667
Gross loans	5,112,981	778,634	468,250	6,359,865
Loss allowance	(24,816)	(18,893)	(225,708)	(269,417)
Carrying balance	5,088,165	759,741	242,542	6,090,448

	Commercial & Corporate 30 September 2020			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Type of facility				
Demand loan	8,092,582	4,037,330	605,435	12,735,347
Overdraft	226,449	149,209	27,434	403,092
Gross loans	8,319,031	4,186,539	632,869	13,138,439
Loss allowance	(6,165)	(35,656)	(146,594)	(188,415)
Carrying balance	8,312,866	4,150,883	486,275	12,950,024

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(x) *Loans to customers and other financial assets (CONTINUED)*

	Investments 30 September 2020				
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased or Originated Credit Impaired $'000	Total $'000
Credit rating					
Investment grade	12,450,716	32,368	—	347,181	12,464,656
Standard monitoring	2,916,968	66,908	12,523	—	2,996,399
Special monitoring	—	—	—	325,781	325,781
Default	—	—	—	—	—
Gross loans	15,367,684	99,276	12,523	672,962	16,152,445
Loss allowance	(27,002)	(16,166)	(5,964)	—	(49,132)
Carrying balance	15,340,682	83,110	6,559	672,962	16,103,313

	Retail 30 September 2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Instalment loans	1,829,247	125,568	73,651	2,028,466
Demand loans	355,423	35,361	73,742	464,526
Overdrafts	1,812,659	147,566	49,806	2,010,031
Credit card	72,162	3,898	8,887	84,947
Mortgages	1,137,397	95,955	137,888	1,371,240
Gross loans	5,206,888	408,348	343,974	5,959,210
Loss allowance	(17,571)	(7,078)	(166,829)	(191,478)
Carrying balance	5,189,317	401,270	177,145	5,767,732

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(x) *Loans to customers and other financial assets (CONTINUED)*

	Commercial & Corporate 30 September 2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Type of facility				
Demand loan	10,282,300	1,919,368	208,036	12,409,704
Overdraft	282,380	199,414	22,073	503,867
Gross loans	10,564,680	2,118,782	230,109	12,913,571
Loss allowance	(12,040)	(4,141)	(40,857)	(57,038)
Carrying balance	10,552,640	2,114,641	189,252	12,856,533

	Investments 30 September 2019				
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased or Originated Credit Impaired $'000	Total $'000
Credit rating					
Investment grade	11,880,390	35,399	—	—	11,915,789
Standard monitoring	3,148,868	50,408	12,586	—	3,211,862
Special monitoring	—	—	—	651,385	651,385
Default	—	—	70,020	—	70,020
Gross loans	15,029,258	85,807	82,606	651,385	15,849,056
Loss allowance	(18,283)	(8,118)	(47,763)	—	(74,164)
Carrying balance	15,010,975	77,689	34,844	651,385	15,774,892

The ECL on the financial guarantees are nil, as all guarantees executed are secured by cash. The newly committed assets assessments are based on the clients' risk profile, PDs, LGD and collateral position. There were no exposure, as a result they were classified under stage 1 with no ECL (Note 3.c.iii).

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(x) *Loans to customers and other financial assets*

	Retail					
	30 September 2020			30 September 2020		
IG	Gross Balance $'000	ECL Allowance $'000	Carrying Balance $'000	IG	Gross Balance $'000	ECL Allowance $'000	Carrying Balance $'000
60	—	—	—	60	120,721	(39,310)	81,411
65	206,951	(66,181)	140,770	65	92,482	(16,559)	75,923
80	109,971	(2,758)	107,213	80	67,933	(1,621)	66,312
85	2,689,265	(120,154)	2,569,111	85	2,383,447	(67,155)	2,316,292
90	2,101,649	(19,772)	2,081,877	90	2,032,328	(10,772)	2,021,556
95	614,673	(477)	614,196	95	646,189	(213)	645,976
98	—	—	—	98	121	—	121
Credit cards	610,488	(53,096)	557,392	Credit cards	599,512	(47,212)	552,300
DDA	26,868	(6,979)	19,889	DDA	16,477	(8,636)	7,841
Gross loans	6,359,865	(269,417)	6,090,448	**Gross loans**	5,959,210	(191,478)	5,767,732

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(x) *Loans to customers and other financial assets (CONTINUED)*

	Commercial & Corporate 30 September 2020						
BRR	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	667	73,836	4,395,771	2,849,640	2,312,388	2,573,651	12,205,953
Loss allowance	(135)	—	(2,518)	(4,328)	(6,574)	(133,435)	(146,990)
Carrying balance	532	73,836	4,393,253	2,845,312	2,305,814	2,440,216	12,058,963

IG- ratings	**60**	**65**	**80**	**85**	**90**	**95**	**98**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	—	172,304	35,900	407,174	271,936	44,217	955	932,486
Loss allowance		(29,212)	(1,006)	(5,037)	(6,170)	—	—	(41,425)
Carrying balance	—	143,092	34,894	402,137	265,766	44,217	955	891,061
Total carrying balance	—	143,624	108,730	4,795,390	3,111,078	2,350,031	2,441,171	12,950,024

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(x) *Loans to customers and other financial assets (CONTINUED)*

	Commercial & Corporate 30 September 2019						
BRR	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	4,865	134,160	3,334,162	4,632,203	2,588,334	1,168,689	11,862,413
Loss allowance	—	—	—	(8,774)	(7,076)	(11,130)	(26,980)
Carrying balance	4,865	134,160	3,334,162	4,623,429	2,581,258	1,157,559	11,835,433

IG- ratings	**60**	**65**	**80**	**85**	**90**	**95**	**98**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	30,752	127,454	28,463	437,217	362,882	63,144	1,246	1,051,158
Loss allowance	(11,619)	(13,748)	(1,067)	(2,871)	(670)	(82)	—	(30,057)
Carrying balance	19,133	113,706	27,396	434,346	362,212	63,062	1,246	1,021,101
Total carrying balance	19,133	118,571	161,556	3,768,508	4,985,641	2,644,320	1,158,805	12,856,534

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xi) *Maximum exposure to credit risk*

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group 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:

Credit impaired assets 30 September 2020	Gross exposure $'000	Impairment allowance $'000	Carrying amount $'000	Fair value of collateral held $'000
Individual (retail customers)				
Instalment loans	140,658	(104,695)	35,963	46,139
Demand loans	76,025	(31,556)	44,469	64,499
Overdrafts	23,044	(7,916)	15,128	1,576
Credit cards	43,086	(43,086)	—	—
Mortgages	185,437	(38,455)	146,982	190,449
Sub-total	468,250	(225,708)	242,542	302,663
Corporate & Commercial				
Demand loans	605,416	(140,855)	464,561	907,872
Overdrafts	27,453	(5,739)	21,714	46,153
Sub-total	632,869	(146,594)	486,275	954,025
Total loans to customers	1,101,119	(372,302)	728,817	1,256,688

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xi) *Maximum exposure to credit risk (CONTINUED)*

Credit impaired assets 30 September 2019	Gross exposure $'000	Impairment allowance $'000	Carrying amount $'000	Fair value of collateral held $'000
Individual (retail customers)				
Instalment loans	73,651	(63,720)	9,931	22,710
Demand loans	73,742	(20,914)	52,828	76,156
Overdrafts	9,681	(9,506)	175	627
Credit cards	38,989	(38,989)	—	—
Mortgages	147,911	(33,700)	114,211	175,681
Sub-total	343,974	(166,829)	177,145	275,174
Corporate & Commercial				
Other loans	208,036	(34,725)	173,311	507,975
Mortgages	22,073	(6,132)	15,941	59,894
Sub-total	230,109	(40,857)	189,252	567,869
Total loans to customers	574,083	(207,688)	366,387	843,043

The following table shows the distribution of Loan to Value ratios (LTV) for the Group's Retail mortgage credit-impaired portfolio:-

Mortgage Portfolio - LTV distribution	Credit-impaired (Gross carrying amount) September 2020 $'000	Credit-impaired (Gross carrying amount) September 2019 $'000
Lower than 50%	8,473	9,064
50 to 60%	1,707	31,483
60 to 70%	4,683	23,247
70 to 80%	1,028	12,234
80 to 90%	2,413	10,308
90 to 100%	9,121	9,447
Greater than 100%	158,012	52,128
Total	185,437	147,911

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance*

The loss allowance recognized 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 recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from periodic refreshing of inputs to models; currently ten years of data for PDs are being used (2019: ten years were used), and management's intention is to maintain this ten year rolling average for the PDs.
- 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 that were written off during the period (3.a.xiii).
- The Government of Barbados bonds were recognized 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 at Credit Adjusted Effective Interest Rate (CAEIR).
- The total amount of undiscounted expected credit losses at initial recognition for Originated credit-impaired financial assets recognized during the period was $17.3M (2019: $296.8M).

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Retail

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2019	17,571	7,078	166,829	191,478
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(1,497)	6,955	—	5,458
Transfer from stage 1 to stage 3	(352)	—	28,252	27,900
Transfer from stage 2 to stage 1	256	(1,625)	—	(1,369)
Transfer from stage 2 to stage 3	—	(1,187)	18,368	17,181
Transfer from stage 3 to stage 1	11	—	(810)	(799)
Transfer from stage 3 to stage 2	—	4	(126)	(122)
New financial assets originated	9,261	8,095	26,796	44,152
Change in PDS/LGDs/EADs	332	—	1,214	1,546
Repayments	(1,853)	(586)	(11,036)	(13,475)
Unwind of discounts	1,077	148	(3,933)	(2,708)
FX and other movements	10	11	154	175
Total net P&L charge during the period	7,245	11,815	58,879	77,939
Other movement with no P&L impact	—	—	—	—
Write-offs	—	—	—	—
Loss allowance as at 30 September 2020	24,816	18,893	225,708	269,417

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Commercial & Corporate

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2019	12,040	4,141	40,857	57,038
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(1,664)	32,202	—	30,538
Transfer from stage 1 to stage 3	(451)	(1,204)	86,922	85,267
Transfer from stage 2 to stage 1	103	(290)	—	(187)
Transfer from stage 2 to stage 3	—	(64)	5,796	5,732
Transfer from stage 3 to stage 1	3	—	(41)	(38)
Transfer from stage 3 to stage 2	—	14	(130)	(116)
New financial assets originated	2,431	2,360	24,266	29,057
Change in PDS/LGDs/EADs	(7)	(55)	63	1
Repayments	(2,984)	(201)	(10,694)	(13,879)
Unwind of discounts	(3,315)	(1,251)	(482)	(5,048)
FX and other movements	9	4	37	50
Total net P&L charge during the period	(5,875)	31,515	105,737	131,377
Other movement with no P&L impact	—	—	—	—
Write-offs	—	—	—	—
Loss allowance as at 30 September 2020	6,165	35,656	146,594	188,415

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Investments

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss Allowances as at 1 October 2019	18,283	8,118	47,763	74,164
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 2 to stage 3	—	—	—	—
Transfer from stage 3 to stage 1	—	—	—	—
Transfer from stage 3 to stage 2	—	—	—	—
New financial assets originated	1,993	—	—	1,993
Change in PDS/LGDs/EADs/Collateral App	10,154	6,807	(2,459)	14,502
Repayments	(1,048)	(1,196)	—	(2,244)
Unwind of discounts	44	13	18	75
Total net P&L charge during the period	8,719	8,048	(2,441)	14,326
Other movement with no P&L impact				
Financial assets derecognized during the period	—	—	(5,689)	(5,689)
Write-offs	—	—	(33,669)	(33,669)
Loss allowance as at 30 September 2020	27,002	16,166	5,964	49,132

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Retail

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2018	15,897	6,718	153,962	176,577
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(477)	1,659	—	1,182
Transfer from stage 1 to stage 3	(323)	—	7,781	7,458
Transfer from stage 2 to stage 1	267	(1,487)	—	(1,220)
Transfer from stage 2 to stage 3	—	(1,304)	15,822	14,518
Transfer from stage 3 to stage 1	1	—	(237)	(236)
Transfer from stage 3 to stage 2	—	131	(2,122)	(1,991)
New financial assets originated	6,280	2,405	15,594	24,279
Change in PDS/LGDs/EADs	(246)	—	—	(246)
Repayments	(2,325)	(679)	(7,381)	(10,385)
Unwind of discounts	(1,505)	(365)	(2,076)	(3,946)
FX and other movements	—	—	—	—
Total net P&L charge during the period	1,674	360	27,381	29,415
Other movement with no P&L impact				
Write-offs	—	—	(14,514)	(14,514)
Loss allowance as at 30 September 2019	17,571	7,078	166,829	191,478

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Commercial & Corporate

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2018	11,771	7,644	49,358	68,773
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(454)	1,926	—	1,472
Transfer from stage 1 to stage 3	(5)	—	4,964	4,959
Transfer from stage 2 to stage 1	6	(196)	—	(190)
Transfer from stage 2 to stage 3	—	(283)	431	148
Transfer from stage 3 to stage 1	—	—	(52)	(52)
Transfer from stage 3 to stage 2	—	3	(84)	(81)
New financial assets originated	7,064	1,625	282	8,971
Change in PDS/LGDs/EADs	(844)	—	3,834	2,990
Repayments	(792)	(447)	(15,404)	(16,643)
Unwind of discounts	(4,706)	(6,131)	(96)	(10,933)
FX and other movements	—	—	—	—
Total net P&L charge during the period	269	(3,503)	(6,125)	(9,359)
Other movement with no P&L impact				
Write-offs	—	—	(2,376)	(2,376)
Loss allowance as at 30 September 2019	12,040	4,141	40,857	57,038

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Investments	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss Allowances as at 1 October 2018	19,586	10,075	365,412	395,073
Movement with P&L Impact				—
Transfer from stage 1 to stage 2	(2,252)	2,252	—	—
Transfer from stage 1 to stage 3	—	—	—	—
Transfer from stage 2 to stage 1	3,990	(3,990)	—	—
Transfer from stage 2 to stage 3	—	—	—	—
Transfer from stage 3 to stage 1	—	—	—	—
Transfer from stage 3 to stage 2	—	—	—	—
New financial assets originated	1,571	—	—	1,571
Change in PDS/LGDs/EADs/Collateral App	(3,913)	3,062	(13,433)	(14,284)
Repayments	(699)	(3,281)	—	(3,980)
Unwind of discounts	—	—	—	—
Writeoff	—	—	91	91
Total net P&L charge during the period	(1,303)	(1,957)	(13,342)	(16,602)
Other movement with no P&L impact				
Financial assets derecognized during the period	—	—	(296,008)	(296,008)
Write-offs	—	—	(8,299)	(8,299)
Loss allowance as at 30 September 2019	18,283	8,118	47,763	74,164

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- New loans facilities originated during the period, increased the gross carrying amount of the relative books by 32.6%, with a corresponding $45.4M increase in loss allowance measured.
- The write-off of loans and investments with a total gross carrying amount of $32.3M (2019: $25.1M) resulted in the reduction of the Stage 3 loss allowance by the same amount.
- The derecognition of financial assets with a gross carrying amount of $919.5M, resulted in the reduction of the Stage 3 allowance by $296.0M.

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Retail

	30 September 2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount as at 1 October 2019	5,206,888	408,348	343,974	5,959,210
Transfers:				
Transfer from stage 1 to stage 2	(501,455)	453,643	—	(47,812)
Transfer from stage 1 to stage 3	(88,711)	—	80,334	(8,377)
Transfer from stage 2 to stage 3	—	(58,770)	49,162	(9,608)
Transfer from stage 3 to stage 1	2,372	—	(2,866)	(494)
Transfer from stage 3 to stage 2	—	2,942	(3,169)	(227)
Transfer from stage 2 to stage 1	112,427	(123,172)	—	(10,745)
New financial assets originated	1,215,361	148,921	44,596	1,408,878
Repayments	(458,999)	(41,320)	(30,551)	(530,870)
Change in PDs/LGDs/EADs	—	—	(243)	(243)
Unwind of discounts	(377,640)	(12,286)	(13,435)	(403,361)
FX and other movements	2,738	328	448	3,514
Gross carrying amount as at 30 September 2020	5,112,981	778,634	468,250	6,359,865

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Commercial & Corporate

	30 September 2019			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount as at 1 October 2019	10,564,680	2,118,782	230,109	12,913,571
Transfers:				
Transfer from stage 1 to stage 2	(2,497,608)	2,527,452	—	29,844
Transfer from stage 1 to stage 3	(290,793)	—	248,083	(42,710)
Transfer from stage 2 to stage 1	373,513	(458,823)	—	(85,310)
Transfer from stage 2 to stage 3	—	(148,103)	141,404	(6,699)
Transfer from stage 3 to stage 1	246	—	(246)	—
Transfer from stage 3 to stage 2	—	6,126	(5,728)	398
New financial assets originated	2,772,633	724,397	70,512	3,567,542
Repayments	(2,106,257)	(475,577)	(45,224)	(2,627,058)
Change in PDs/LGDs/EADs	—	—	(212)	(212)
Unwind of discounts	(500,122)	(108,387)	(5,932)	(614,441)
FX and other movements	2,739	672	103	3,514
Gross carrying amount as at 30 September 2020	8,319,031	4,186,539	632,869	13,138,439

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xii) *Loss allowance (CONTINUED)*

Investments

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased or Originated Credit Impaired $'000	Total $'000
Gross carrying Balance as at 1 October 2019	15,029,258	85,807	82,606	651,385	15,849,056
Transfers:					
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	9,142,835	—	1,406	70,791	9,215,032
Change in PDs/LGDs/EADs	(61,693)	—	—	—	(61,693)
Repayments	(8,728,576)	(17,465)	(14,347)	(67,188)	(8,827,576)
Unwind of discounts	4,833	317	—	16,046	21,196
FX and other movements	13,330	(1,685)	25	1,928	13,598
Financial assets derecognized	—	—	(24,844)	—	(24,844)
Write-off	—	—	(32,323)	—	(32,323)
Gross carrying balance as at 30 September 2020	15,367,685	99,276	12,523	672,962	16,152,446

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xiii) *Gross carrying amount*

Retail

	30 September 2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount as at 1 October 2018	4,673,145	452,360	321,424	5,446,929
Transfers:				
Transfer from stage 1 to stage 2	(190,621)	167,248	—	(23,373)
Transfer from stage 1 to stage 3	(57,166)	—	49,033	(8,133)
Transfer from stage 2 to stage 3	—	(63,684)	52,474	(11,210)
Transfer from stage 3 to stage 1	12,611	—	(13,490)	(879)
Transfer from stage 3 to stage 2	—	13,196	(13,750)	(554)
Transfer from stage 2 to stage 1	132,262	(152,394)	—	(20,132)
New financial assets originated	1,648,256	69,461	14,345	1,732,062
Repayments	(538,407)	(56,108)	(40,067)	(634,582)
Unwind of discounts	(473,192)	(21,731)	(11,482)	(506,405)
Write-offs	—	—	(14,513)	(14,513)
Gross carrying amount as at 30 September 2019	5,206,888	408,348	343,974	5,959,210

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xiii) *Gross carrying amount (CONTINUED)*

Commercial & Corporate

	30 September 2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount as at 1 October 2018	9,926,230	666,892	220,255	10,813,377
Transfers:				
Transfer from stage 1 to stage 2	(1,543,841)	1,328,251	—	(215,590)
Transfer from stage 1 to stage 3	(33,685)	—	27,891	(5,794)
Transfer from stage 2 to stage 1	83,572	(98,299)	—	(14,727)
Transfer from stage 2 to stage 3	—	(31,491)	30,172	(1,319)
Transfer from stage 3 to stage 1	323	—	(281)	42
Transfer from stage 3 to stage 2	—	32,162	(19,950)	12,212
New financial assets originated	5,215,290	301,642	39,365	5,556,297
Repayments	(2,533,388)	(57,814)	(53,020)	(2,644,222)
Unwind of discounts	(549,821)	(22,561)	(11,947)	(584,329)
Write-offs	—	—	(2,376)	(2,376)
Gross carrying amount as at 30 September 2019	10,564,680	2,118,782	230,109	12,913,571

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xiii) *Gross carrying amount (CONTINUED)*

Investments	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased or Originated Credit Impaired $'000	Total $'000
Gross carrying Balance as at 1 October 2018	14,447,821	117,975	856,514	—	15,422,310
Transfers:					
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	56,418	(56,418)	—	—	—
Transfer from stage 2 to stage 3	—	(2,943)	2,991	—	48
New financial assets originated	7,193,923	—	—	628,299	7,822,222
Repayments	(7,307,188)	(12,378)	(3,637)	—	(7,323,203)
Unwind of discounts	807,793	127	1,776	23,086	832,782
FX and other movements	(133,562)	3,307	152,763	—	22,508
Financial assets derecognized	—	—	(919,502)	—	(919,502)
Write-off	—	—	(8,299)	—	(8,299)
Gross carrying balance as at 30 September 2019	15,029,068	85,807	82,606	651,385	15,849,056

(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 repossessed 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 $32.3 million (2019: $25.2 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.

(xv) *Modification & replacements of financial assets*

The Group sometimes modifies the contractual terms and conditions of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery (note 2.e.c.i) (note 3.a.iv).

The Group assesses if there is a subsequent significant increase in credit risk in relation to such assets through the Classified Credit Management Review process.

3 Financial risk management *(CONTINUED)*

a. *Credit risk (CONTINUED)*

(xvi) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Group's main credit exposure as categorized by counterparty industry sectors:

	2020 Gross Maximum Exposure $'000	2019 Gross Maximum Exposure $'000
Cash and due from other banks	5,176,856	3,675,964
Statutory deposits	4,920,429	3,507,579
Consumer	3,992,238	3,748,262
Agriculture	83,219	157,828
Petroleum	1,653,266	1,677,953
Manufacturing	849,166	879,812
Construction	1,339,424	1,488,978
Distribution	929,808	935,906
Hotels and guest houses	1,381,801	1,215,476
Transport, storage and communications	662,717	687,088
Finance, insurance and real estate	6,559,043	6,906,100
Other business services	2,509,071	2,712,767
Personal services	24,717	26,077
Real estate mortgages	3,340,672	3,352,729
Government related	12,473,006	11,154,407
Credit commitments	456,827	905,072
Financial guarantee	250,283	215,695
Other assets	423,937	343,681
Total	47,026,480	43,591,374

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 factors. Market risks arise from open positions in interest rate, currency, commodity and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodity prices and equity prices. The Group separates exposure to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Unit who submit reports to the SMERMC on a regular basis and also reports via the Group Enterprise Risk Management Unit to the Board Enterprise Risk Management Committee to enable Board oversight of market risk issues. Additionally, on a monthly basis, the 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 to the Group ALCO, technical information that may be relevant to current and developing market conditions from time to time.

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

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

(i) *Currency 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, since its primary focus is to supply foreign currency to customers at a profit, with the US dollar dominating trading. However, as supply usually lags behind customer demand, the Group may find itself in an overbought or oversold position.

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.

3 Financial risk management *(CONTINUED)*

b. *Market risk (CONTINUED)*

(i) *Currency risk (CONTINUED)*

Foreign currency exposure for financial assets, financial liabilities and off balance sheet items:

As at 30 September 2020	TT$ $'000	US$ $'000	Other $'000	Total $'000
Financial assets				
Cash and due from other banks	585,870	3,879,778	711,208	5,176,856
Statutory deposits with central banks	4,813,267	4,639	102,523	4,920,429
Investment Securities				
- FVOCI	7,498,756	3,621,525	319,693	11,439,974
- Amortized cost	2,381,968	993,431	1,626,014	5,001,413
- Fair value through profit or loss	22,321	157	375	22,853
Loans to customers	11,059,201	6,503,987	1,477,284	19,040,472
Loan notes	147,399	—	—	147,399
Other assets	541,453	(127,637)	10,121	423,937
Investment accounted for using equity methods	38,114	168,350	—	206,464
Total financial assets	27,088,349	15,044,230	4,247,218	46,379,797
Financial liabilities				
Customers' deposits	20,742,933	5,778,196	2,396,105	28,917,234
Other funding instruments	1,316,512	1,333,558	1,575,795	4,225,865
Due to other banks	200,741	1,773,583	37,292	2,011,616
Note due to parent	58,000	—	—	58,000
Bonds payable	2,260,755	1,226,772	137,667	3,625,194
Creditors and accrued expenses	533,162	57,090	80,512	670,764
Total financial liabilities	25,112,103	10,169,199	4,227,371	39,508,673
Net on balance sheet position	1,976,246	4,875,031	19,847	6,871,124
Off balance sheet items	175,440	72,383	2,460	250,283
Credit commitments	105,801	143,233	207,793	456,827

3 Financial risk management *(CONTINUED)*

b. *Market risk (CONTINUED)*

(i) *Currency risk (CONTINUED)*

As at 30 September 2019	TT$ $'000	US$ $'000	Other $'000	Total $'000
Financial assets				
Cash and due from other banks	400,454	2,567,713	707,697	3,675,964
Statutory deposits with central banks	3,401,865	4,021	101,693	3,507,579
Investment Securities				
- FVOCI	6,393,450	4,350,880	169,398	10,913,728
- Amortized cost	2,401,283	971,693	1,567,254	4,940,230
- Fair value through profit or loss	21,946	176	396	22,518
Loans to customers	10,550,225	6,568,238	1,505,802	18,624,265
Loan notes	221,099	—	—	221,099
Other assets	458,473	(93,833)	21,024	385,664
Due from parent	363	—	—	363
Investment accounted for using equity methods	34,635	157,297	—	191,932
Total financial assets	23,883,793	14,526,185	4,073,264	42,483,242
Financial liabilities				
Customers' deposits	17,679,056	5,755,402	2,416,232	25,850,690
Other funding instruments	1,178,029	1,354,974	1,642,008	4,175,011
Due to other banks	198,477	1,985,399	20,414	2,204,290
Note due to parent	58,000	—	—	58,000
Bonds payable	2,260,755	605,011	63,089	2,928,855
Creditors and accrued expenses	520,566	46,128	94,837	661,531
Total financial liabilities	21,894,883	9,746,914	4,236,580	35,878,377
Net on balance sheet position	1,988,910	4,779,271	(163,316)	6,604,865
Off balance sheet items	150,196	63,052	2,446	215,694
Credit commitments	373,261	329,682	202,129	905,072

3 Financial risk management *(CONTINUED)*

b. *Market risk (CONTINUED)*

(i) *Currency risk (CONTINUED)*

Included in the "Other" category are assets and liabilities held in UK Pound Sterling, Canadian Dollars, Euros, Barbados Dollars, Eastern Caribbean Dollars and Yen. A 1% increase or decrease in any of these currencies would not significantly impact the Group's profit.

If the TT$ appreciates by 250 basis points against the US$, the profit would increase by $122.4 million (2019: decrease by $115.4 million). The average change for the last three (3) years was 1 basis points (2019: 19 basis points). The change for 2020 was 30 basis points (2019: nil).

(ii) *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.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks.

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 strategy employed to achieve this involves the active pricing of deposit and loan products, increasing market share of loans and funding, diversifying portfolios, changing the mix of products in accordance with market trends and reducing funding mismatch through long-term instruments.

The table below summarizes the Group's exposure to interest rate risk. The assets and liabilities are categorized by the earlier of the repricing date and the maturity date.

3 Financial risk management *(CONTINUED)*

b. *Market risk (CONTINUED)*

(ii) *Interest rate risk (CONTINUED)*

As at 30 September 2020	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and due from other banks	3,735,161	461,569	348,784	—	—	631,342	5,176,856
Statutory deposits with central banks	4,639	—	—	—	—	4,915,790	4,920,429
Investment Securities							
- FVOCI	637,288	686,754	2,346,748	3,541,407	3,889,618	338,159	11,439,974
- Amortized cost	141,724	1,033,385	277,779	1,315,938	2,232,587	—	5,001,413
- Fair value through profit or loss	22,351	—	—	—	—	502	22,853
Loan to customers and finance leases	2,840,974	1,031,724	3,340,003	7,603,810	4,679,466	(455,505)	19,040,472
Loan notes	—	(3,443)	138,600	12,242	—	—	147,399
Investment accounted for using equity methods	—	—	—	—	—	206,464	206,464
Other assets	532	—	—	—	—	423,405	423,937
Total financial assets	7,382,669	3,209,989	6,451,914	12,473,397	10,801,671	6,060,157	46,379,797
Financial liabilities							
Customers' deposits	24,121,695	848,043	2,437,582	477,730	153	1,032,031	28,917,234
Other funding instruments	692,110	798,750	2,031,448	703,557	—	—	4,225,865
Due to other banks	20,400	1,092	974,698	978,134	—	37,292	2,011,616
Bonds payable	—	—	537,667	3,087,527	—	—	3,625,194
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	4,346	—	—	—	—	666,418	670,764
Total financial liabilities	24,838,551	1,647,885	5,981,395	5,246,948	153	1,793,741	39,508,673
Interest sensitivity gap	(17,455,882)	1,562,104	470,519	7,226,449	10,801,518		

3 Financial risk management *(CONTINUED)*

b. *Market risk (CONTINUED)*

(ii) *Interest rate risk (CONTINUED)*

As at 30 September 2019	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and due from other banks	2,843,789	147,755	407,762	—	—	276,658	3,675,964
Statutory deposits with central banks	4,021	—	—	—	—	3,503,558	3,507,579
Investment Securities							
- FVOCI	7,648	743,771	1,671,541	2,800,892	5,654,431	35,445	10,913,728
- Amortized cost	12,696	949,119	134,585	1,126,764	2,717,066	—	4,940,230
- Fair value through profit or loss	21,975	—	—	—	—	543	22,518
Loan to customers and finance leases	2,455,237	1,396,186	3,265,276	6,957,749	4,798,333	(248,516)	18,624,265
Loan notes	—	—	73,700	147,399	—	—	221,099
Investment accounted for using equity methods	—	—	—	—	—	191,932	191,932
Other assets	404	—	—	—	—	385,623	386,027
Total financial assets	5,345,770	3,236,831	5,552,864	11,032,804	13,169,830	4,145,243	42,483,342
Financial liabilities							
Customers' deposits	21,041,276	1,167,565	2,344,215	470,209	148	827,277	25,850,690
Other funding instruments	332,612	444,350	2,709,984	688,065	—	—	4,175,011
Due to other banks	25,774	18,889	1,102,597	1,037,353	—	19,677	2,204,290
Bonds payable	—	—	63,089	2,865,766	—	—	2,928,855
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	74,079	—	—	83	—	587,369	661,531
Total financial liabilities	21,473,741	1,630,804	6,219,885	5,061,476	148	1,492,323	35,878,377
Interest sensitivity gap	(16,127,971)	1,606,027	(667,021)	5,971,328	13,169,682		

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

A 100 basis point increase in interest rates will cause an increase in profit of $3.3 million (2019: decrease of $8.1 million) and a decrease in reserves of $464.5 million (2019: $443.5 million).

3 Financial risk management *(CONTINUED)*

b. *Market risk (CONTINUED)*

(iii) *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 recognized 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*

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 fluctuations in cash flows. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and other funding instruments, 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 and Liability Committee. 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-balance sheet or off-balance sheet 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 minimized. 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, by maintaining ongoing access to wholesale funding and by maintaining a liquid pool of marketable securities dedicated to mitigating liquidity risk as a contingency measure. Fallback mechanisms include access to the local interbank and institutional markets and stand-by lines of credit with external parties and the ability to close out or liquidate market positions.

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

3 Financial risk management *(CONTINUED)*

c. *Liquidity risk (CONTINUED)*

(i) *Financial assets and liabilities*

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

As at 30 September 2020	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	25,143,889	861,545	2,470,056	496,110	167	28,971,767
Other funding instruments	821,134	800,744	2,061,384	731,110	—	4,414,372
Bonds payable	24,870	11,203	636,684	3,363,783	—	4,036,540
Due to other banks	60,425	—	1,015,739	1,013,604	—	2,089,768
Creditors and accrued expenses	670,764	—	—	—	—	670,764
Notes due to related companies	58,000	—	—	—	—	58,000
Total financial liabilities	26,779,082	1,673,492	6,183,863	5,604,607	167	40,241,211
Financial assets						
Cash and due from other banks	4,367,875	463,681	350,285	—	—	5,181,841
Statutory deposits with central banks	107,162	—	—	—	4,813,267	4,920,429
Investment Securities						
- FVOCI	674,044	436,161	2,641,489	4,651,049	4,958,127	13,360,870
- Amortized cost	154,004	1,104,775	465,240	1,977,750	2,873,320	6,575,090
- Fair value through P&L	22,351	—	502	—	—	22,853
Loan to customers	2,887,876	1,427,982	3,943,833	9,770,232	5,007,498	23,037,421
Loan notes	—	22,891	331,868	444,199	—	798,958
Other assets	423,937	—	—	—	—	423,937
Total financial assets	8,637,249	3,455,490	7,732,217	16,843,230	17,652,212	54,321,399
Liquidity gap	(18,141,833)	1,781,998	1,549,354	11,238,623	17,652,045	14,080,188

3 Financial risk management *(CONTINUED)*

c. *Liquidity risk (CONTINUED)*

(i) *Financial assets and liabilities*

As at 30 September 2019	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	21,872,342	1,172,505	2,373,808	485,792	160	25,904,607
Other funding instruments	337,618	883,032	2,321,052	740,206	—	4,281,908
Bonds payable	22,864	7,255	131,974	3,141,742	—	3,303,835
Due to other banks	45,450	1,291,992	880,496	—	—	2,217,938
Creditors and accrued expenses	604,302	55,471	—	—	—	659,773
Notes due to related companies	58,000	—	—	—	—	58,000
Total financial liabilities	22,940,576	3,410,255	5,707,330	4,367,740	160	36,426,061
Financial assets						
Cash and due from other banks	3,122,546	150,573	417,860	—	—	3,690,979
Statutory deposits with central banks	105,714	—	—	—	3,401,865	3,507,579
Investment Securities						
- FVOCI	352,482	873,441	2,094,991	4,039,517	6,503,779	13,864,210
- Amortized cost	18,563	992,366	162,029	1,582,230	3,228,703	5,983,891
- Fair value through P&L	21,975	—	543	—	—	22,518
Loan to customers and finance leases	2,357,000	1,563,987	3,958,938	9,563,942	5,153,508	22,597,375
Loan notes	—	—	97,071	168,576	—	265,647
Other assets	386,020	21	2,114	12,508	161	400,824
Total financial assets	6,364,300	3,580,388	6,733,546	15,366,773	18,288,016	50,333,023
Liquidity gap	(16,576,276)	170,133	1,026,216	10,999,033	18,287,856	13,906,962

3 Financial risk management *(CONTINUED)*

c. *Liquidity risk (CONTINUED)*

(ii) *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:

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's investment portfolios.

(iii) *Off-Balance sheet items*

The table below analyses the contingent liabilities and commitments of the Group into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date.

As at 30 September 2020	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Credit commitments	249,034	—	207,793	—	—	456,827
Acceptances	31,337	17,112	14,605	—	—	63,054
Guarantees	84,375	21,997	37,578	12,051	21	156,022
Letters of credit	7,241	6,630	16,710	626	—	31,207
Capital commitments	—	—	104,042	—	—	104,042
Total	371,987	45,739	380,728	12,677	21	811,152

As at 30 September 2019	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Credit commitments	702,943	—	202,129	—	—	905,072
Acceptances	25,384	8,079	11,568	—	—	45,031
Guarantees	86,662	1,715	11,485	50,327	21	150,210
Letters of credit	2,008	5,470	12,352	624	—	20,454
Operating leases	2,779	5,556	25,006	58,794	25,785	117,920
Capital commitments	—	—	53,508	—	—	53,508
Total	819,776	20,820	316,048	109,745	25,806	1,292,195

3 Financial risk management *(CONTINUED)*

d. *Fiduciary activities*

The Group provides custody, trustee 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. The assets under administration at 30 September 2020 totalled $32.3 billion (2019 - $31.0 billion).

e. *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 in the differing jurisdictions in which the Group operates;
- 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 capitalized to cushion depositors and other creditors against losses.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group ALCO, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory practices, as implemented by the Central Bank of Trinidad and Tobago for supervisory purposes. The required information is filed with the Central Bank of Trinidad & Tobago on a monthly basis.

The Central Bank of Trinidad & Tobago requires each financial institution to:-

- Maintain a ratio of qualifying capital to risk-adjusted assets of not less than the minimum standard of 8%.
- Core capital must not be less than fifty percent (50%) of qualifying capital i.e. supplementary capital must not exceed core capital.

The Central Bank of Barbados requires each financial institution to:-

- Maintain a ratio of qualifying capital to risk-weighted assets of not less than the minimum standard of 8%, of which the core capital shall be at least 4%.

The Group's regulatory capital is comprised of:-

- Tier 1 (Core) Capital – share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 (Supplementary) Capital – qualifying subordinated loan capital, impairment allowances and unrealized gains arising on the fair valuation of fair value through other comprehensive income securities and property, plant and equipment.

3 Financial risk management *(CONTINUED)*

e. *Capital management (CONTINUED)*

Tier 1 (Core) Capital

	2020 $'000	2019 $'000
Share capital	354,957	354,957
Statutory reserve	1,241,412	884,689
Retained earnings	4,610,815	4,712,675
Less: Intangible assets	(223,859)	(222,688)
Total Tier 1	5,983,325	5,729,633
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	1,110,629	1,096,130
Eligible reserve provision	68,044	39,850
Total Tier 2 Capital	1,282,273	1,239,580
Total Capital	7,265,598	6,969,213
Ratios		
Risk adjusted assets	18,421,038	17,154,594
Qualifying capital to risk adjusted assets	39.44%	40.63%
Core capital to qualifying capital	82.35%	82.21%

As at 30 September 2020 the Bank and its qualifying subsidiaries were in compliance with these requirements.

The Ministry of Finance, Economic Affairs and Investments of the Government of Barbados, via a letter dated 9 October 2018, advised that First Citizens Bank (Barbados) Limited has a three (3) year period in which to restore its capital to at least the statutory minimum.

In March 2020, the parent company, First Citizens Bank made an additional capital injected of BBD 37.0M (2019: USD 1.25M) into First Citizens Bank Barbados limited (FCBB) to address a deficient capital adequacy ratio. As at 30 September 2020, FCBB was in compliance with a ratio of 21.8%.

3 Financial risk management *(CONTINUED)*

f. *Fair value of financial assets and liabilities*

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

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities presented on the Group's consolidated statement of financial position at an amount other than their fair value.

	Carrying value		Fair value	
	2020	2019	2020	2019
Financial assets	$'000	$'000	$'000	$'000
Cash and due from other banks	5,176,856	3,675,964	5,176,856	3,675,964
Statutory deposits with Central Banks	4,920,429	3,507,579	4,920,429	3,507,579
Financial instruments				
- Loans to customers	19,040,472	18,624,265	21,556,700	19,086,700
- Investments - amortized cost	5,001,413	4,940,230	5,162,809	5,111,705
- Loan notes	147,399	221,099	165101	254,097
Other assets	423,937	386,027	423,937	386,027
Financial liabilities				
Customers' deposits	28,917,234	25,850,690	29,052,486	25,941,707
Other funding instruments	4,225,865	4,175,011	4,342,395	4,288,072
Bonds payable	3,625,194	2,928,855	3,570,345	3,070,439
Notes due to parent	58,000	58,000	58,000	58,000
Due to other banks	2,011,616	2,204,290	2,205,826	2,279,069
Creditors and accrued expenses	670,764	661,531	670,764	661,531

The fair values of the Group's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS 9). See note 4 for further details of the fair value measurements (note 3.f).

3 Financial risk management *(CONTINUED)*

f. *Fair value of financial assets and liabilities (CONTINUED)*

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

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 and statutory deposits with Central Banks.

Loans to customers less allowance for loan losses

Loans to customers are net of specific and other provisions for impairment, which reflects the additional credit risk. The estimated fair value of these loans represents the discounted amount of future cash flows based on prevailing market rates.

Investments – amortized cost

Fair value for amortized 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 amortized cost portfolio is computed for disclosure purposes only. See note 3.f.ii for Fair Value Hierarchy.

Loan notes

The fair value of these notes are calculated using discounted cash flow analyses of comparable government borrowing rates for the terms indicated.

Customer deposits

Due to their liquidity and short-term maturity, the carrying values of some customer deposits approximate their fair value. The fair value of the other customer deposits are computed using discounted cash flow analyses at current market interest rates.

Bonds payable

The fair value of bonds payable is calculated using discounted cash flow analyses assuming the 'yield-to-call' method of valuation, when call options are in the money. When they are not in the money, the yield to maturity method of valuation is used. These bonds carry fixed interest rates and have been discounted using the prevailing market rate of similar instruments.

Note due to parent company

This note is payable on demand (no maturity stated). The fair value of this note approximates its carrying value.

3 Financial risk management *(CONTINUED)*

f. *Fair value of financial assets and liabilities (CONTINUED)*

(ii) *Fair value hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created instruments whose fair value is determined based on 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 (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy:

As at 30 September 2020 Financial assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Fair value through profit or loss				
- Debt securities	—	22,351	—	22,351
- Equity securities	—	502	—	502
	—	22,853	—	22,853
Fair value through other comprehensive income				
- Debt securities	527,943	10,469,615	104,342	11,101,900
- Equity securities	321,041	2,749	14,284	338,074
	848,984	10,472,364	118,626	11,439,974
Total financial assets	848,984	10,495,217	118,626	11,462,827

3 Financial risk management *(CONTINUED)*

f. *Fair value of financial assets and liabilities (CONTINUED)*

(ii) *Fair value hierarchy*

As at 30 September 2019 Financial assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Fair value through profit or loss				
- Debt securities	—	21,975	—	21,975
- Equity securities	—	543	—	543
	—	22,518	—	22,518
Fair value through other comprehensive income				
- Debt securities	805,826	9,725,944	302,977	10,834,747
- Equity securities	64,237	2,701	12,043	78,981
	870,063	9,728,645	315,020	10,913,728
Total financial assets	870,063	9,751,163	315,020	10,936,246

Transfer of debt securities to level 3 were due to observable inputs being less readily available.

3 Financial risk management *(CONTINUED)*

f. *Fair value of financial assets and liabilities (CONTINUED)*

(ii) *Fair value hierarchy*

There were no transfers between Level 1 and Level 2 during the year. Reconciliation of Level 3 items are as follows:-

September 2020	Debt Securities $'000	Equity $'000	Total $'000
Opening balance	302,977	12,043	315,020
Fair value through OCI	(1,326)	2,219	893
Fair value through P & L	—	—	—
Exchange	287	22	309
Purchased	19,505	—	19,505
Settlement	(212,333)	—	(212,333)
Expected credit losses	(3,882)	_	(3,882)
Accrued interest	(1,624)	—	(1,624)
Amortization	738	—	738
Closing balance	104,342	14,284	118,626

September 2019	Debt Securities $'000	Equity $'000	Total $'000
Opening balance	327,652	8,701	336,353
Fair value through OCI	5	3,228	3,233
Fair value through P & L	798	—	798
Exchange	—	(8)	(8)
Purchased	79,432	1,086	80,518
Settlement	(106,075)	—	(106,075)
Expected credit losses	(176)	(964)	(1,140)
Total losses – other comprehensive income	900	—	900
Accrued interest	(380)	—	(380)
Amortization	821	—	821
Closing balance	302,977	12,043	315,020

4 Critical accounting estimates and judgements

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

a. *Fair value of financial assets – fair value through other comprehensive income*

The Group uses the discounted cash flow method to determine the 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 the fair value through other comprehensive income financial assets would decrease by $464.5 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2019 - $443.5 million).

The Group's credit spread methodology utilizes 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.

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.

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

b. *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.

4 Critical accounting estimates and judgements *(CONTINUED)*

b. *Purchase Originated Credit-Impaired (POCI) (CONTINUED)*

The Government of Barbados (GoB) Series D bond has a duration of 35 years and Series B bond has a duration of 15 years. They attract a coupon of 1.5% and 1% respectively.

The GoB Series D bonds amortized 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 recognized as POCI, the effective interest rate needed to be adjusted to reflect the expected cash flows – net of expected credit losses. Lifetime expected credit losses were used in the estimated cash flows for the purposes of calculating the effective interest rate – resulting in a credit-adjusted effective interest rate (CAEIR).

Valuation of the Government of Barbados Instruments Credit-Impaired

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 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.

The amortization schedule for the POCIs held by the group was arrived by the following:-

- The instruments had irregular cash flow schedules. This meant that it was highly sensitive to rounding errors, often leading to amplification of small changes in inputs.
- Inherent in these instruments is constant revision. While our modelled cash flows predicted immediate coupon haircuts, these did not materialize as actual cash flows were as contractually promised.
- Hence the modelled cash flows had to be adjusted for actuals being different from expected; as well as changes to future expectations.

The amortized prices were as follows:-

Instrument	Series B	Series D
Opening Price at 1 October 2019	69.84	69.76
Interest Accrued	4.76	4.42
Cash Received	(1.00)	(1.5)
ECL Unwinding	2.06	3.04
Calculated Price at 30th September 2020	75.65	75.72
Price Movement for Year	5.81	5.96

4 Critical accounting estimates and judgements *(CONTINUED)*

c. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements. In the current COVID19 environment, additional factors were taken into consideration (ref 3.a.iii, 3.a.iv, 3.a.vi).

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.
- Determination of macroeconomics drivers and forecasting macroeconomic scenarios
- Recovery rates on unsecured exposures
- Drawdown of approved facilities

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 2019 as reported by Moody's Investors Service (note 3.a.vi).

d. *Income taxes*

Management judgement 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 variance jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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 2018, the Corporation tax rate for financial institutions in Trinidad and Tobago was increased to 35%.

In November 2018, the Government of Barbados announced the reduction of corporate income tax rates to a sliding scale of 5.50% to 1.00% for fiscal years beginning 1 January 2019.

4 Critical accounting estimates and judgements *(CONTINUED)*

e. *Retirement benefits*

The present value of the retirement benefit obligations 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 21.j for sensitivity).

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 Bank determines the amount within a range of reasonable fair value estimates. In making the judgement, the Bank considers information from a variety of sources including:

(i) 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;
(ii) 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
(iii) 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 and timing of the cash flows.
(iv) 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 August 2018. The Group's policy is to obtain independent valuations for freehold land and buildings at least every three years. (note 14(a) ii).

The valuations are based on current market conditions and thus may change in the future (note 14 (a) ii). The impact of COVID-19 on the Bank's properties is being treated as a short term event, which is not measurable at this point in time due to the high level of uncertainty in the real estate market. However, in accordance with the Bank's policy, an external valuation will be performed in 2021 and would be indicative of the market's outlook.

g. *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.

5 Segment analysis

For management purposes, the Group is organized into five business segments based on products and services as follows:-

- **Retail banking:** includes loans and mortgages, deposit, foreign exchange transactions, credit and debit cards and card merchant acquiring business with retail and commercial customers.
- **Corporate banking:** loans and credit facilities and deposits and current accounts for corporate and institutional customers.
- **Treasury management and investment banking:** Liquidity management and investment banking services including corporate finance, and specialized financial trading.
- **Asset management:** Investment products and services to institutional investors and intermediaries.
- **Group function:** Finance, legal, and other centralised functions.

Other Group operations comprise fund management, institutional finance and providing computer services, none of which constitutes a separately reportable segment and business activities from head office.

As the Group's segment operations are all financial with a majority of revenues deriving from interest and the Group Chief Executive Officer relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

There were no changes in the reportable segments during the year.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Chief Executive Officer is measured in a manner consistent with that in the consolidated income statement. The segmental information is reported gross and therefore consolidation adjustments have not been eliminated.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's average cost of funding. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Executive Management.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

5 Segment analysis *(CONTINUED)*

a. *Segment results of operations*

The segment information provided to the Executive Management for the reportable segments for the year ended 30 September 2020 is as follows:-

Year ending 30 September 2020	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	623,908	711,865	286,343	5,285	846	1,628,247
Inter-segment net interest income	138,923	(142,640)	3,717	—	—	—
Net fee and commission income	178,133	45,532	89,048	125,639	3,685	442,037
Foreign exchange gains	42,591	2,234	102,637	277	911	148,650
Other income	838	4,321	144,827	1,797	24	151,807
Total income	984,393	621,312	626,572	132,998	5,466	2,370,741
Loan impairment charges	(65,510)	(105,838)	(41,922)	(17)	—	(213,287)
Depreciation and amortization expense	(56,888)	(548)	(6,276)	(1,267)	(30,003)	(94,982)
Administrative expenses	(238,203)	(25,251)	(187,313)	(26,106)	(187,237)	(664,110)
Other operating expenses	(291,033)	(15,731)	(91,409)	(15,029)	(45,785)	(458,987)
Total non-interest expenses	(651,634)	(147,368)	(326,920)	(42,419)	(263,025)	(1,431,366)
Profit before taxation	332,759	473,944	299,652	90,579	(257,559)	939,375
Income tax expense	(805)	(834)	(194,672)	(30,389)	—	(226,700)
Profit for the year	331,954	473,110	104,980	60,190	(257,559)	712,675
As at 30 September 2020						
Total assets	9,737,608	13,609,805	25,354,236	694,251	585,816	49,981,715
Total liabilities	18,835,633	5,721,636	16,951,638	195,017	57,105	41,761,029

5 Segment analysis *(CONTINUED)*

a. *Segment results of operations*

Year ending 30 September 2019	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	615,192	699,417	314,950	4,387	899	1,634,845
Inter-segment net interest income	131,994	(139,232)	7,238	—	—	—
Net fee and commission income	197,405	49,558	95,799	129,298	3,634	475,694
Foreign exchange gains	49,073	2,334	94,984	54	510	146,955
Other income	387	11	137,030	1,701	25	139,154
Total income	994,051	612,088	650,001	135,440	5,068	2,396,648
Loan impairment charges	(22,283)	2,180	6,457	(964)	—	(14,610)
Depreciation and amortization expense	(41,965)	(489)	(46,251)	(1,267)	(14,484)	(104,456)
Administrative expenses	(237,156)	(25,088)	(201,683)	(25,289)	(178,273)	(667,489)
Other operating expenses	(306,233)	(17,411)	(90,615)	(13,746)	(58,215)	(486,220)
Total non-interest expenses	(607,637)	(40,808)	(332,092)	(41,266)	(250,972)	(1,272,775)
Profit before taxation	386,414	571,280	317,909	94,174	(245,904)	1,123,873
Income tax expense	381	(436)	(272,094)	(31,314)	—	(303,463)
Profit for the year	386,795	570,844	45,815	62,860	(245,904)	820,410
As at 30 September 2019						
Total assets	9,135,619	13,717,347	21,782,932	647,079	368,298	45,651,275
Total liabilities	16,906,096	4,759,252	15,925,254	173,461	52,939	37,817,002

5 Segment analysis *(CONTINUED)*

b. *Reconciliation of segment results of operations to consolidated results of operations*

Year Ended 30 September 2020	Total management reporting $'000	Adjustments and eliminations $'000	Total consolidated $'000
Net interest income	1,628,247	(1,551)	1,626,696
Non-interest income	742,494	(134,542)	607,952
Impairment losses	(213,287)	—	(213,287)
Non-interest expenses	(1,218,079)	9,066	(1,209,013)
Operating profit	939,375	(127,027)	812,348
Share of profit of associates and joint ventures accounted for by the equity method	—	19,297	19,297
Income tax expense	(226,700)	1,921	(224,779)
Profit for the year	712,675	(105,809)	606,866
As at 30 September 2020			
Total assets	49,981,715	(2,536,017)	47,445,698
Total liabilities	41,761,029	(1,736,744)	40,024,285

5 Segment analysis *(CONTINUED)*

b. *Reconciliation of segment results of operations to consolidated results of operations (CONTINUED)*

Year Ended 30 September 2019	Total management reporting $'000	Adjustments and eliminations $'000	Total consolidated $'000
Net interest income	1,634,845	(1,551)	1,633,294
Non-interest income	761,803	(119,280)	642,523
Impairment losses	(14,610)	29,086	14,476
Non-interest expenses	(1,258,165)	10,726	(1,247,439)
Operating profit	1,123,873	(81,019)	1,042,854
Share of profit of associates and joint ventures accounted for by the equity method	—	19,921	19,921
Income tax expense	(303,463)	(7,583)	(311,046)
Profit for the year	820,410	(68,681)	751,729
As at 30 September 2019			
Total assets	45,655,766	(2,274,019)	43,381,747
Total liabilities	37,821,492	(1,591,796)	36,229,696

6 Cash and due from other banks

	2020 $'000	2019 $'000
Cash and bank balances	3,178,165	2,180,259
Short-term investments	1,998,691	1,495,705
	5,176,856	3,675,964
Short-term investments:		
- 3 months from the date of acquisition	791,149	1,088,650
- Maturity over 3 months	1,207,542	407,055
	1,998,691	1,495,705

The average effective interest rate on short-term bank deposits was 1.7% (2019: 2.9%); these deposits have an average maturity of 90 days (2019: 90 days).

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

Cash and bank balances	3,178,165	2,180,259
Short-term investments – maturity within 3 months	791,149	1,088,650
Due to other banks	(2,011,616)	(2,204,290)
	1,957,698	1,064,619

7 Statutory deposits with Central Bank

Under the provisions of Financial Institutions Act 2008 (Trinidad and Tobago), the Bank and its subsidiary (First Citizens Depository Services Limited) are required to maintain as a deposit with the Central Bank of Trinidad and Tobago restricted cash balances. These balances represent a ratio of certain deposit liabilities held in such form and to such extent as the Central Bank may prescribe from time to time. As of 30 September 2020, the current ratio was 14% for First Citizens Bank Limited and 9% for First Citizens Depository Services Limited. Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank.

In Barbados, under the provisions of the Financial Institution Act, 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to maintain as a deposit with the Central Bank of Barbados restricted cash balances. This balance represents a ratio of customers deposit balances (both domestic and foreign currency) held in such form and to such extent as the Minister, on advice of the Central Bank may prescribe from time to time. As at 30 September 2020, the ratio was 15% of total domestic customer deposit balances (comprising 10% government securities and 5% cash) plus 2% of total foreign customer deposit balances.

As at 30 September 2020, the Bank and its qualifying subsidiaries were in compliance with these requirements.

8 (a) Investments – Fair value through other comprehensive income

	2020 $'000	2019 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	8,448,116	7,710,046
Listed investments	2,603,114	2,645,130
Unlisted investments	400,266	607,888
	11,451,496	10,963,064
Portfolio allowance	(11,522)	(49,336)
	11,439,974	10,913,728
Debt securities		
Listed	3,177,854	3,381,972
Unlisted	7,924,046	7,452,775
	11,101,900	10,834,747
Equity securities		
Listed	321,040	64,237
Unlisted	17,034	14,744
	338,074	78,981
Total securities	11,439,974	10,913,728
Current portion	3,670,790	2,421,959
Non-current portion	7,769,184	8,491,769
	11,439,974	10,913,728

Investment securities totalling $4,015 million (2019: $3,901 million) are pledged to secure the repurchase agreements (see Note 17). Interest rates on these repos range from 0.1% to 4.0% in 2020 (2019: 0.20% to 5.89%).

8 (a) Investments – Fair value through other comprehensive income *(CONTINUED)*

	2020 $'000	2019 $'000
Balance at beginning of the year	10,913,728	10,524,104
Exchange differences	12,905	131
Additions	8,968,805	7,522,432
Disposals	(8,595,449)	(7,421,241)
Net movements in provisions	37,814	23,199
Net amortization of premiums	(3,145)	—
Change in fair value gains	105,316	265,103
Balance at end of year	11,439,974	10,913,728
Fair value (losses)/gains based on:		
Quoted market prices	(13,740)	17,169
Other techniques	119,056	247,934
	105,316	265,103
The movement in the impairment allowance is as follows:		
Allowance at beginning of the year	49,336	72,535
Write back for the year	(4,145)	(14,900)
Write off	(33,669)	(8,299)
Allowance at the end of year	11,522	49,336

8 (b) Financial assets at fair value through profit or loss

	2020 $'000	2019 $'000
Bond	22,351	21,975
Listed - equity	502	543
	22,853	22,518
The movement in investment securities may be summarized as follows:		
At beginning of year	22,518	13,852
Exchange differences	1	—
Additions	419	21,988
Disposals	(19)	(13,465)
(Loss)/gains from changes in fair value	(66)	143
At end of year	22,853	22,518

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 groups of financial instruments is reported to management on that basis.

9 Investments – Amortized cost

	2020 $'000	2019 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	1,229,742	1,257,531
Unlisted investments	2,178,030	2,145,601
Listed investments	71,189	87,662
Corporate	1,548,503	1,462,640
Individuals	12,523	12,587
	5,039,987	4,966,021
Provision for impairment	(38,574)	(25,791)
	5,001,413	4,940,230
Current portion	1,429,593	1,083,705
Non-current portion	3,571,820	3,856,525
	5,001,413	4,940,230
Balance at beginning of the year	4,940,230	4,590,400
Exchange differences	7,583	18
Additions	409,153	1,623,168
Disposals	(388,823)	(1,590,040)
Amortization of unrealized gains	(866)	11,141
Loss from changes in fair value	6,372	—
Net amortization of discounts	40,547	8,796
Net movement in provision	(12,783)	296,747
Balance at end of year	5,001,413	4,940,230
The movement in the impairment allowance is as follows:		
Allowance at beginning of the year	25,791	322,538
Exchange differences	33	—
Impairment loss on the derecognition of credit impairment on origination assets	15,410	—
Net gains on derecognition of financial assets	(2,688)	(296,008)
Charge/(write back) for the year	28	(739)
Allowance at the end of year	38,574	25,791

10 Loans to customers

	2020 $'000	2019 $'000
Stage 1	13,432,012	15,771,568
Stage 2	4,965,173	2,527,130
Stage 3	1,101,119	574,083
	19,498,304	18,872,781
Performing loans	18,843,217	18,408,799
Non-performing loans	655,087	463,982
	19,498,304	18,872,781
Allowance for loan losses	(457,832)	(248,516)
	19,040,472	18,624,265
Loans analysed by sector		
Consumer	3,983,454	3,737,750
Agriculture	83,219	157,828
Petroleum	1,452,240	1,634,466
Manufacturing	678,913	638,455
Construction	659,689	734,191
Distribution	929,808	935,906
Hotels and guest houses	1,234,491	1,052,682
Transport, storage and communications	662,717	664,998
Finance, insurance and real estate	4,283,707	3,933,293
Other business services	2,208,807	1,972,758
Personal services	24,717	26,077
Real estate mortgage	3,296,542	3,384,377
	19,498,304	18,872,781
Current portion	7,212,701	7,279,948
Non-current portion	12,285,603	11,592,833
	19,498,304	18,872,781

10 Loans to customers *(CONTINUED)*

	2020 $'000	2019 $'000
Allowance for loan losses		
Allowance at beginning of the year	248,516	245,350
Exchange differences	286	—
Charge for the year	223,528	30,286
Loans written off during the year	(14,498)	(27,120)
Allowance at the end of year	457,832	248,516
Impairment loss on loans net of recoveries		
Charge for the year	223,528	30,286
Amounts recovered during the year	(6,861)	(8,029)
	216,667	22,257

11 Loan notes

The loan notes due to the Group comprise the following:

	2020 $'000	2019 $'000
(i) Taurus Services Limited	136,971	205,457
(ii) First Citizens Holdings Limited (Holdings)	10,428	15,642
	147,399	221,099

(i) This represents several interest bearing notes issued by Taurus Services Limited as consideration for assets sold to Taurus Services Limited as part of the restructuring of the three former banks and Government support for the Company on its formation (See Note 1).

The terms of the original notes, dated 30 September 1994, were as follows:

- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 5 years on principal payments; and
- Government guarantee.

On 1 October 2000, a new agreement was entered into whereby the GORTT made a bullet payment to reduce part of the interest accrued. The unpaid portion of the interest up to that date of $150 million was capitalized. Thereafter, accrued interest was capitalized semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $198.4 million. The new principal balance outstanding on the restructured loan notes as at 30 September 2004 which includes all capitalized interest to date amounted to $1,267 million.

The terms of this new agreement are as follows:

- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, these notes have been serviced in accordance with the new agreement. These notes are not transferable.

(ii) This represents the balance on a loan note issued by Holdings as consideration for $40 million redeemable preference shares in the Bank and a non-interest bearing note in the amount of $58 million issued by the Bank. The original terms of the note were as follows:

- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum; and
- Government guarantee.

On 1 October 2000, a new agreement was entered into whereby unpaid interest up to that date of $11.2 million was capitalized. Thereafter, accrued interest was capitalized semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $17.9 million. The new principal balance outstanding on the restructured loan note as at 30 September 2004 which includes all capitalized interest to date amounted to $96.5 million.

11 Loan notes *(CONTINUED)*

The terms of this new agreement are as follows:

- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, this note has been serviced in accordance with the agreements. This note is not transferable.

The ECL for the Taurus note was computed using the PD for the GORTT, which is a counterparty of this agreement. This is classified under Stage 1 with no impact.

12 Other assets

	2020 $'000	2019 $'000
Prepayments	50,691	41,982
Accounts receivable	86,257	103,562
Accrued interest	337,418	240,120
Due from parent	262	363
	474,628	386,027

13 Investments accounted for using equity methods

Investment in Joint Venture	38,114	34,635
Investment in Associate	168,350	157,297
	206,464	191,932

13 a. Investment in joint ventures

	2020 $'000	2019 $'000
(i) Infolink Services Limited (ISL)	36,405	33,115
(ii) Trinidad & Tobago Interbank Payment System Limited (TTIPS)	1,709	1,520
	38,114	34,635
Beginning of the year	34,635	32,439
Share of profit after tax	3,479	4,100
Dividend received from Joint Ventures	—	(1,904)
At end of year	38,114	34,635

(i) This investment represents 25% of the equity capital of Infolink Services Limited, a company incorporated in Trinidad and Tobago whose principal activity is the provision of electronic banking reciprocity. Infolink's reporting period is December. The financial information below reflects the results as at August 2020.

(ii) This investment represents 14.29% in the equity capital of Trinidad & Tobago Inter-bank Payment System Limited whose principal activity is operation of an automatic clearings house. TTIPS reporting period is October. The financial information below reflects the results as at August 2020.

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2020						
ISL	Trinidad & Tobago	154,016	8,399	30,589	13,158	25
TTIPS	Trinidad & Tobago	12,424	462	3,937	1,325	14.29
2019						
ISL	Trinidad & Tobago	137,315	4,857	29,535	15,767	25
TTIPS	Trinidad & Tobago	10,985	347	3,588	1,107	14.29

13 b. Investment in associates

	2020 $'000	2019 $'000
Beginning of the year	157,297	152,817
Share of profit after tax	15,818	15,821
Exchange differences	247	—
Dividend received from associate	(5,012)	(11,341)
At end of year	168,350	157,297

St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange. The investment in associate at 30 September 2020 includes goodwill of $4.6 million (2019: $4.6 million).

The reporting period for St Lucia Electricity Services Limited is December. The information below reflects The Group's share of the results of associate and its share of the assets (including goodwill and liabilities) as at August 2020, are as follows:

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2020						
St. Lucia Electricity Services Limited	St. Lucia	1,368,536	511,914	692,820	82,761	19.11
2019						
St. Lucia Electricity Services Limited	St. Lucia	1,319,506	520,728	797,260	82,817	19.11

The fair value of the investment in associate at 30 September 2020 is $168.4 million (2019: $157.3 million).

14 Property, plant and equipment

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	ROU Vehicles $'000	ROU Buildings $'000	Total $'000
Year ended 30 September 2020							
Opening net book amount	461,308	38,913	80,883	15,833	—	—	596,937
Adoption of IFRS 16	—	—	(10,999)	—	11,135	108,706	108,842
Revised opening balance	461,308	38,913	69,884	15,833	11,135	108,706	705,779
Additions	8,948	1,046	17,803	17,461	10,290	15,326	70,874
Disposals	—	(6,616)	(360)	(19)	(1,741)	—	(8,736)
Transfer	94	9,465	12,327	(21,886)	—	—	—
Revaluation surplus	5,016	—	—	—	—	—	5,016
Depreciation charge	(7,023)	(8,226)	(34,262)	—	(6,107)	(21,154)	(76,772)
Closing net book amount	468,343	34,582	65,392	11,389	13,577	102,878	696,161
As at 30 September 2020							
Cost/valuation	486,188	142,396	479,856	11,389	18,754	124,032	1,262,615
Accumulated depreciation	(17,845)	(107,814)	(414,464)	—	(5,177)	(21,154)	(566,454)
Net book amount	468,343	34,582	65,392	11,389	13,577	102,878	696,161

14 Property, plant and equipment *(CONTINUED)*

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2019					
Opening net book amount	448,553	36,985	70,781	46,764	603,083
Additions	53,793	337	19,501	6,800	80,431
Disposals	—	(24)	(854)	—	(878)
Transfer	1,993	8,474	27,264	(37,731)	—
Revaluation surplus	1,725	—	—	—	1,725
Depreciation charge	(44,756)	(6,859)	(35,809)	—	(87,424)
Closing net book amount	461,308	38,913	80,883	15,833	596,937
As at 30 September 2019					
Cost/valuation	515,748	139,721	481,173	15,833	1,152,475
Accumulated depreciation	(54,440)	(100,808)	(400,290)	—	(555,538)
Net book amount	461,308	38,913	80,883	15,833	596,937
As at 30 September 2018					
Cost/valuation	457,251	134,073	440,588	46,764	1,078,676
Accumulated depreciation	(8,698)	(97,088)	(369,807)	—	(475,593)
Net book amount	448,553	36,985	70,781	46,764	603,083

a. *Recognized 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 recognized and measured at fair value in the 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. An explanation of each level is provided in note 3.g.ii.

14 Property, plant and equipment *(CONTINUED)*

a. *Recognized fair value measurements (CONTINUED)*

(i) *Fair value hierarchy (CONTINUED)*

Level 3	2020 $'000	2019 $'000
Land and building	428,266	421,036
Building on Lease Land	37,827	38,022
Freehold Land	2,250	2,250
	468,343	461,308

The Group's policy is to recognize 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.

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

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. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

At the end of each reporting period, management update their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determine 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 may consider 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. If the price per square foot increase by 100 basis points, the fair value will increase by $13.0M (2019: $13.0M) with a corresponding entry in the reserve in shareholders' equity.

14 Property, plant and equipment *(CONTINUED)*

a. *Recognized fair value measurements (CONTINUED)*

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

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

	2020 $'000	2019 $'000
Cost	390,223	381,181
Accumulated depreciation	(155,748)	(148,725)
Net book amount	234,475	232,456

15 Intangible assets

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2020				
Acquisition cost	156,886	324,702	36,284	517,872
Accumulated amortization	—	(262,516)	(31,497)	(294,013)
Net book amount	156,886	62,186	4,787	223,859
Period ended 30 September 2020				
Opening net book amount	156,886	57,078	8,724	222,688
Additions	—	24,020	—	24,020
Disposal	—	—	—	—
Amortization charge	—	(18,912)	(3,937)	(22,849)
Closing net book amount	156,886	62,186	4,787	223,859

15 Intangible assets *(CONTINUED)*

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2019				
Acquisition cost	156,886	302,565	36,284	495,735
Accumulated amortization	—	(245,487)	(27,560)	(273,047)
Net book amount	156,886	57,078	8,724	222,688
Period ended 30 September 2019				
Opening net book amount	156,886	50,324	12,661	219,871
Additions	—	24,064	—	24,064
Disposal	—	(278)	—	(278)
Amortization charge	—	(17,032)	(3,937)	(20,969)
Closing net book amount	156,886	57,078	8,724	222,688

Goodwill is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred.

Impairment test for goodwill

Goodwill is allocated for impairment testing purposes for the following cash generating units as follows:-

Goodwill	2020 $'000	2019 $'000
First Citizens Investment Services (FCIS)	156,886	156,886
	156,886	156,886

The recoverable amounts of the cash generating units were determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial projections by management covering a five (5) year period and a discount rate. Cash flow beyond that five year period have been extrapolated using the growth rate for the respective units.

15 Intangible assets *(CONTINUED)*

The key estimates used in the value-in-use calculations are as follows:-

	FCIS	
	2020	**2019**
Estimates used in the value for use		
Net interest margin growth	5.34%	8.79%
Growth rate	5.05%	8.36%
Discount factors	4.36%	4.69%

These assumptions were used for the analysis of each cash generating unit. Management determined the net interest margin and growth rate based on past performance and its expectations of the market developments.

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The impairment test carried out as at 30 September 2020 for FCIS, revealed that the value in use is in excess of the carrying amount.

16 Customers' deposits

Deposits are analysed by sector as follows:

	2020 $'000	**2019 $'000**
Public institutions	11,952,823	10,404,624
Private institutions	7,123,281	6,546,497
Consumers	9,841,130	8,899,569
	28,917,234	25,850,690
Current portion	28,439,351	25,380,350
Non-current portion	477,883	470,340
	28,917,234	25,850,690

Deposits due to customers only include financial instruments classified as liabilities at amortized cost. Deposits amounting to $3.4 billion (2019: $6.4 billion) are at fixed rates. All other deposits amounting to $25.5 billion (2019: $19.5 billion) are at variable rates.

17 Other funding instruments

	2020 $'000	2019 $'000
Repurchase agreements	4,015,263	3,900,512
Funds under management	28,240	25,748
USD fixed rate note	182,362	248,751
	4,225,865	4,175,011
Other funding instruments are analysed by sector as follows:		
Public institutions	1,593,927	1,110,100
Private institutions	1,553,028	1,974,936
Consumers	1,078,910	1,089,975
	4,225,865	4,175,011
Current portion	3,404,119	3,382,134
Non-current portion	821,746	792,877
	4,225,865	4,175,011

The securities sold under the repurchase agreements only include financial instruments classified at amortized cost (see Note 8a). Interest rates on these repos range from 0.1% to 4.0% in 2020 (2019: 0.20% to 5.89%).

18 Due to other Banks

Short term	1,568,358	1,769,580
Medium term	443,258	434,710
	2,011,616	2,204,290

Short-term borrowings represented demand facilities via a number of financial institutions.

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). The average interest rate for 2020 was 2.80% (2019: 3.63%).

19 Creditors and accrued expenses

	2020 $'000	2019 $'000
Accrued expenses	202,946	193,751
Other liabilities	220,972	228,448
Interest payable	87,109	85,845
Due to GOTT	24,685	23,171
Due to brokers	3,927	5,247
Funds payable to bondholders	131,125	125,069
	670,764	661,531

The amount due to GORTT relates to what is owed by the Bank with respect to payments made on claims which were subsequently recovered pursuant to Liquidity Support Agreement outlined in note 3 a.(viii) (e).

20 Leases

The Group leases many assets including building and vehicles. Information about the leases for which the Group is a lessee is presented as follows:-

	2020 $'000	2019 $'000
Opening balance		
IFRS 16 adjustment effective October 1 2019		
- Operating lease	116,247	—
- Finance lease	132	—
Revised opening balance	116,379	—
Exchange differences	105	—
Additions	14,718	—
Repayments	(20,626)	—
	110,576	—
Maturity analysis		
Less than one year	25,278	—
One to five years	75,910	—
More than five years	12,388	—
	110,576	—

20 Leases *(CONTINUED)*

The income statement reflects the following amount relating to leases:-

	2020 $'000	2019 $'000
Interest expenses (included in finance cost)	8,869	—
Expenses related to short term leases (included in rent paid)	12,744	—

21 Retirement benefit liability

a. *Net liability in balance sheet*

Present value of obligation	(1,590,857)	(1,402,687)
Pension plan assets at fair value	1,469,594	1,393,802
Value of deficit	(121,263)	(8,885)
Net defined benefit liability	(121,263)	(8,885)

b. *Movement in present value of defined benefits obligation:*

Beginning of year	1,402,687	1,368,439
Current year service cost	56,202	50,484
Interest cost	77,803	75,757
Members contributions	15,853	14,198
Re-measurements		
- Experience adjustments	54,579	(59,656)
- Actuarial gains from change in financial assumptions	31,633	—
Benefits paid	(47,900)	(46,535)
Defined benefit obligation at end of year	1,590,857	1,402,687

21 Retirement benefit liability *(CONTINUED)*

c. *The defined benefit obligation is allocated between the Plan's members as follows:*

	2020	2019
- Active	65%	68%
- Deferred members	5%	7%
- Pensioners	30%	25%
The weighted average duration of the defined benefit obligation at year end	19.3 years	18.6 years

96% of the benefits for active members are vested

40% of the defined benefit obligation for active member is conditional on future salary increases

d. *Movement in fair value of plan assets:*

	2020 $'000	2019 $'000
Beginning of year	1,393,802	1,343,706
Interest income	77,134	73,797
Return of plan assets, excluding interest income	(18,826)	(19,785)
Company's contributions	51,110	29,888
Members contributions	15,853	14,198
Benefits paid	(47,900)	(46,535)
Expense allowance	(1,579)	(1,467)
Fair value of plan assets at end of year	1,469,594	1,393,802
Actual return on plan asset	58,308	54,012

e. *Asset allocation*

Local and regional equity securities	401,668	397,162
Overseas equities (outside CARICOM)	242,417	224,683
TT$ denominated bonds	704,317	667,973
US$ denominated bonds	40,269	40,353
Cash and cash equivalents	80,923	63,361
Other (annuities, mortgages etc.)	—	270
Fair value of plan assets at end of year	1,469,594	1,393,802

All asset values as at 30 September 2020 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Plan's investment manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

21 Retirement benefit liability *(CONTINUED)*

e. *Asset allocation (CONTINUED)*

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested using a strategy agreed with the Plan's Trustee and Management Committee.

This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments.

There are no asset-liability matching strategies used by the Plan.

	2020 $'000	2019 $'000
f. *Expenses recognized in profit or loss*		
Current service costs	56,202	50,484
Net interest on net defined benefit liability/asset	669	1,960
Administrative expenses	1,579	1,467
Net pension cost	58,450	53,911
g. *Re-measurement recognized in other comprehensive income*		
Experience gains	105,038	(39,871)
Total amount recognized in other comprehensive income	105,038	(39,871)
h. *Reconciliation of opening and closing balance sheet entries*		
Opening defined benefit liability	(8,885)	(24,733)
Net pension cost	(58,450)	(53,911)
Re-measurements recognized in other comprehensive income	(105,038)	39,871
Company contribution paid	51,110	29,888
Closing defined benefit liability	(121,263)	(8,885)

21 Retirement benefit liability *(CONTINUED)*

i. *Summary of principal assumptions as at 30 September*

	2020	2019
Discount rate	5.5%	5.5%
Average individual salary increases	5.5%	5.5%
Future pension increases	1.25%	1.25%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 30 September 2020 are as follows:

Life expectance at age 60 for current pension in years		
- Male	21.8	21.0
- Female	26.0	25.1
Life expectance at age 60 for current members age 40 in years		
- Male	22.7	21.4
- Female	27.0	25.4

j. *Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarizes how the defined benefit obligation as at 30 September 2020 would have changed as a result of a change in the assumptions used.

	1% pa decrease	1% pa increase
Discount rate	339,364	(251,447)
Future salary increases	(116,364)	138,413
Future pension increases	(149,816)	188,288

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2020 by $26.3 million (2019: $25.1 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

k. *Funding*

The Bank meets the balance of the cost of funding the defined benefit Pension Plans and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $63.2 million to the Pension Plans during 2020/2021.

22 Bonds payable

	2020 $'000	2019 $'000
(i) Fixed Rate Bond TTD 400 Million (Series 1)	400,000	400,000
(ii) Fixed Rate Bond TTD 100 Million (Series 2)	100,000	100,000
(iii) Fixed Rate Bond TTD 900 Million	900,000	900,000
(iv) Fixed Rate Bond USD 90.4 Million	606,801	605,011
(v) Fixed Rate Bond TTD 860.7 Million	860,755	860,755
(vi) Multiple Series BBD Bond	137,667	63,089
(vii) Fixed Rate Bond USD 92.36 Million	619,971	—
	3,625,194	2,928,855
Current portion	537,667	63,089
Non current portion	3,087,527	2,865,766
	3,625,194	2,928,855

(i) TTD Fixed Rate Bond Series 1 – In August 2014, this bond for $400 million was issued. This bond is unsecured and carries a fixed rate of 3.10 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

(ii) TTD Fixed Rate Bond Series 2 – In August 2014, this bond for $100 million was issued. This bond is unsecured and carries a fixed rate of 3.25 % with a tenor of ten (10) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 7th anniversary subject to the minimum notice of 90 days.

(iii) TTD Fixed Rate Bond – In October 2015, this bond for $900 million was issued. This bond is unsecured and carries a fixed rate of 4.25 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 5th anniversary subject to the minimum notice of 60 days.

(iv) USD Fixed Rate Bond – In January 2018, this bond for $90.4 million was issued. This bond is unsecured and carries a fixed rate of 4.25 % with a tenor of five (5) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 2nd anniversary subject to the minimum notice of 60 days.

(v) TTD Fixed Rate Bond – In April 2018, this bond for $860.7 million was issued. This bond is unsecured and carries a fixed rate of 4.50 % with a tenor of six (6) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 5th anniversary subject to the minimum notice of 60 days.

22 Bonds payable *(CONTINUED)*

(vi) Multiple Series BBD 100M, with tenors of one (1) year. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exist for each Series of the facility in whole on any interest payment date subject to a notice of 30 days.

- Series 1 Bond – In September 2019, this bond for BBD18.5 million was issued, with a tenor of one (1) year. This bond was repaid in September 2020.
- Series 2 Bond – In January 2020, this bond for BBD21.75 million was issued. This bond is unsecured and carries a fixed rate of 2.25%, with a tenor of one (1) year.
- Series 3 Bond – In September 2020, this bond for BBD18.5 million was issued. This bond is unsecured and carries a fixed rate of 2.0% with a tenor of one (1) year.

(vii) USD Fixed Rate Bond – In March 2020, this bond for $92.362 million was issued. This bond is unsecured and carries a fixed rate of 4.25%, with a tenor of five (5) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 2nd anniversary subject to the minimum notice of 60 days.

23 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate for each subsidiary

	2020 $'000	2019 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(275,739)	(194,261)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on the fair value through other comprehensive income financial assets	(32,645)	(80,298)
- Revaluation on amortized cost due to reclassfication	1,894	934
- Remeasurement of defined benefit liability	36,763	(13,955)
Credit to consolidated statement of income (note 34)	(1,451)	11,841
At end of year	(271,178)	(275,739)

23 Deferred income tax *(CONTINUED)*

Deferred income tax assets and liabilities are attributable to the following items:

	Balance at 1.10.19 $'000	(Charge)/Credit to income statement $'000	(Charge)/Credit to other comprehensive income $'000	Balance at 30.09.20 $'000
Deferred income tax assets				
Provisions	174	—	—	174
Fair value measurement of assets through profit or loss	374	9	—	383
	548	9	—	557
Deferred income tax liabilities				
Retirement benefit asset	(11,640)	2,569	—	(9,071)
Re-measurement of defined benefit liability	(75,754)	—	36,763	(38,991)
Fair value measurement of fair value through other comprehensive income	(118,894)	266	(32,645)	(151,273)
Fair value measurement of amortized cost	(3,519)	(51)	1,894	(1,676)
Intangible asset recognized on business combination	(2,207)	1,920	—	(287)
Zero coupon instruments	(39,190)	964	—	(38,226)
Accelerated tax depreciation	(11,609)	(6,926)	—	(18,535)
Unrealized exchange and other gains	(6,029)	(202)	—	(6,231)
Revaluation gain on property, plant and equipment	(4,174)	—	—	(4,174)
Revaluation of PPE – Associates	(3,271)	—	—	(3,271)
	(276,287)	(1,460)	6,012	(271,735)
Net deferred income tax liability	(275,739)	(1,451)	6,012	(271,178)

23 Deferred income tax *(CONTINUED)*

	Balance at 1.10.18 $'000	(Charge)/Credit to income statement $'000	(Charge)/Credit to other comprehensive income $'000	Balance at 30.09.19 $'000
Deferred income tax assets				
Provisions	5,532	(5,358)	—	174
Fair value measurement of assets through profit or loss	374	—	—	374
	5,906	(5,358)	—	548
Deferred income tax liabilities				
Retirement benefit asset	(20,047)	8,407	—	(11,640)
Re-measurement of defined benefit liability	(61,799)	—	(13,955)	(75,754)
Fair value measurement of fair value through other comprehensive income	(38,575)	(21)	(80,298)	(118,894)
Fair value measurement of amortized cost	(4,453)	—	934	(3,519)
Intangible asset recognized on business combination	(4,128)	1,921	—	(2,207)
Zero coupon instruments	(37,099)	(2,091)	—	(39,190)
Accelerated tax depreciation	(20,585)	8,976	—	(11,609)
Unrealized exchange and other gains	(6,036)	7	—	(6,029)
Revaluation gain on property, plant and equipment	(4,174)	—	—	(4,174)
Revaluation of PPE – Associates	3,271)	—	—	(3,271)
	(200,167)	17,199	(93,319)	(276,287)
Net deferred income tax liability	(194,261)	11,841	(93,319)	(275,739)

24 Notes due to parent company

	2020 $'000	2019 $'000
First Citizens Holdings Limited	58,000	58,000

The amount due to Holdings is a non-interest bearing note with no specified maturity date, issued in part consideration for a note acquired from Holdings (see Note 11 (ii)).

25 Share capital

The total authorised number of shares are issued and fully paid. Thirty five point five seven percentage (35.57%) of these shares are trading on the local stock exchange.

	2020 $'000	2019 $'000
251,353,562 ordinary shares of no par value	539,957	539,957
Treasury shares/stock	(185,000)	(185,000)
42,500,000 A preference shares of no par value	42,500	42,500
61,100,000 B preference shares of no par value	61,100	61,100
	458,557	458,557

The Class A preference shares are non-convertible, non-participating and non-voting. The option for redemption expired in September 1999. The shares pay cumulative dividend of 4% per annum.

The Class B preference shares pay cumulative dividends of 2% per annum when declared, but are non-participatory, non-voting, non-convertible and non-redeemable.

Employee share ownership plan

In April 2017, the shareholders approved the establishment of an employee share ownership plan for the Group's staff. This ESOP was subsequently approved by the Board of Inland Revenue in December 2018. The first distribution was made in January 2019 based on the profit of the Bank for the financial period ending 30 September 2018.

The plan is designed to provide long-term incentives to the employees. The object of the plan is to permit and facilitate the transfer of the annual bonus distribution if any of the Bank to the Trustee to be applied towards the purchase of shares in the Bank to be held by the trustee to the use and benefit of participants and otherwise dealt with in accordance with the provisions of section 35 of the income tax act (Clause 3 – Trust Deed).

Each participant shall be required to contribute to the plan not less than 25% of the award allocated to him (if any) but may contribute up to 50% of the award, for the trustee to purchase shares, which shares shall be held in trust for the participants.

The number of shares to which each participant shall become entitled for allocation by the trustee shall be determined by dividing the valuation price into the amount to which each participant is entitled in the annual bonus distribution for the same plan year. The valuation price shall be the market price quoted on the Trinidad and Tobago Stock Exchange Limited.

	2020	2019
Shares allocated to the Plan		
Opening balance	5,375,958	5,781,250
Shares allocated to employees	(360,727)	(405,092)
	5,015,231	5,376,158

26 Statutory reserves

The Financial Institutions Act 2008, Part VI, Section 56 1(a) (Trinidad and Tobago) stipulates that a Bank must transfer at the end of each financial year no less than 10% of its profits after taxation to a Reserve Fund until the amount standing to the credit of the Reserve Fund is not less than the stated capital or assigned capital of the Bank.

In accordance with the Financial Institutions Act 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to transfer to a reserve fund a minimum of 25% of the net income for the year, wherever the amount of the reserve fund is less than the stated capital.

The FIA 2008 Section 60.1, also indicated that no licensee shall incur, deposit liabilities of an amount exceeding twenty (20) times the sum of its stated capital or assigned capital and Statutory Reserve Fund.

27 Retained earnings

The retained earnings is the accumulated net income that is retained by the group at a particular point of time, such as at the end of the reporting period. At the end of that period, the net income (or net loss) at that point is transferred from the Profit and Loss Account to the retained earnings account.

28 Other reserves

i. *Fair value reserve*

For debt instruments, the fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI, less ECL allowances recognized in profit or loss, net deferred tax, until the assets are derecognized or impaired.

For equity financial assets which are measured at FVOCI are not recycled to the statement of income.

ii. *Revaluation reserve*

The revaluation reserve relates to the revaluation of the freehold property.

iii. *Re-measurement of defined benefit reserve*

The remeasurements of the defined benefit represents actuarial gains and losses, returns on plan assets (outside of any changes recorded as net interest) and any changes in the asset ceiling (outside of any changes recorded as net interest).

iv. *Translation reserve*

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

29 Interest income

	2020 $'000	2019 $'000
Loans to customers	1,257,548	1,217,088
Financial assets (FVOCI, amortized cost and FVPL)	766,324	785,457
Loan notes	23,377	31,753
	2,047,249	2,034,298

30 Interest expense

Customers' deposits	110,684	110,876
Other funding instruments	161,295	160,454
Notes payable	9,725	9,328
Bonds payable	138,849	120,346
	420,553	401,004

31 Fees and commissions

Disaggregation of fees and commission income

The following table of fees and commissions from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fees and commission income with the Group's operating reporting segments (Note 5).

Year ended 30 September 2020	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group Functions $'000	Total $'000
Account service fees	36,387	627	2,120	—	—	39,134
Transaction fees	104,557	7,341	99	—	—	111,997
Asset management fees	7,959	652	68,083	125,639	(9,090)	193,243
Underwriting & Brokerage fee	—	18,141	11,453	—	—	29,594
Financial guarantees & Loan Commitments	29,140	18,858	10,979	—	—	58,977
Total fees and commission	178,043	45,619	92,734	125,639	(9,090)	432,945
Time of revenue recognition						
At a point in time	104,557	25,482	11,552	—	—	141,591
Transferred over time	73,486	20,137	81,182	125,639	(9,090)	291,354
	178,043	45,619	92,732	125,639	(9,090)	432,945

31 Fees and commissions *(CONTINUED)*

Disaggregation of fees and commission income (CONTINUED)

Year ended 30 September 2019	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group Functions $'000	Total $'000
Account service fees	42,406	836	2,019	—	—	45,261
Transaction fees	123,682	9,520	8,588	—	—	141,790
Asset Management fees	9,097	705	75,713	129,298	8,939	223,752
Underwriting & brokerage fee	—	21,971	13,427	—	—	35,398
Financial guarantees & loan commitments	22,220	16,526	492	—	—	39,238
Total fees and commission	197,405	49,558	100,239	129,298	8,939	485,439
Time of revenue recognition						
At a point in time	123,682	31,491	22,015	—	—	177,188
Transferred over time	73,723	18,067	78,224	129,298	8,939	308,251
	197,405	49,558	100,239	129,298	8,939	485,439

All fees and commissions are specific to the service contract and are recognized as stated in note 2.p.

32 Other Income

	2020 $'000	2019 $'000
Foreign exchange transaction gains less losses	152,117	160,274
Foreign exchange translation gains less losses	(2,478)	(13,321)
Other Income	6,428	3,705
	156,066	150,659

33 Impairment gain/(loss) on other financial assets

(Writeback)/charge to impairment allowances	(329)	37,525
Net gains on derecognition of financial assets	9,661	296,008
Loss on the recognition of credit impairment on origination assets	(5,952)	(296,800)
	3,380	36,733

34 Administrative expenses

	2020 $'000	2019 $'000
Staff expenses	550,489	554,191
Pension expenses (note 21.f)	58,450	53,911
Other administrative expenses	49,316	52,441
Depreciation	76,772	87,424
Amortization charges	18,912	17,032
	753,939	764,999

The number of permanently employed staff as at the year-end was as follows:

	2020		2019	
	Employees	%	Employees	%
First Citizens Bank Limited	1,561	83	1,588	82
Subsidiaries	322	17	345	18
	1,883	100	1,933	100

35 Other operating expenses

	2020 $'000	2019 $'000
Property expenses	66,525	92,325
Technical and professional	26,530	27,754
Advertising expenses	8,361	12,256
Hardware and software maintenance	42,110	38,466
Deposit insurance (see below)	38,840	38,000
Credit card expenses	83,586	82,553
Equipment rental & maintenance	20,609	21,252
Communication charges	18,939	14,426
Security services	16,610	17,168
Stationery and service related expenses	15,761	17,060
Tax on assets	8,586	8,270
Operating expenses	108,617	112,910
	455,074	482,440

35 Other operating expenses *(CONTINUED)*

The Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 of Trinidad & Tobago established a Deposit Insurance Fund for the protection of depositors. By the Central Bank (Deposit Insurance) Order 1986, dated 17 September 1986, an annual premium of 0.2% of the average deposit liabilities outstanding as at the end of each quarter of the preceding year is levied.

The Barbados Deposit Insurance Corporation (BDIC), established under the Deposit Insurance Act-29 of 2006, came into operation on 8 June 2007. The deposit insurance initial contribution and premium was set at 0.05% of the insurable deposits held by the member during the calendar year preceding the calendar year for which the premium is payable.

36 Taxation

	2020 $'000	2019 $'000
Current tax	236,869	310,454
Prior period (over)/under provision	(13,541)	12,433
Deferred tax (Note 23)	1,451	(11,841)
	224,779	311,046
The tax on profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows:		
Profit before taxation	831,645	1,062,775
Tax calculated 35% (2019: 35%)	291,078	371,972
Income exempt from tax	(125,459)	(114,832)
Expenses not deductible for tax purposes	94,392	62,915
Prior year (over)/under provision	(13,541)	12,433
Effects of different tax rates in other countries and businesses within the group	(21,691)	(21,442)
	224,779	311,046

37 Dividends

Ordinary dividend paid – final for 2019: $0.49 (2018: $0.48)	120,330	117,875
Ordinary dividend paid – interim for 2020: $0.92 (2019: $1.21)	225,927	297,142
Preference dividend paid	2,922	2,922
	349,179	417,939

38 Related party transactions and balances

a. *Directors and key management personnel*

	2020 $'000	2019 $'000
Salaries and other short-term employee benefits	64,490	50,843
Loans and receivables	12,552	12,063
Interest income	592	600
Customers' deposit	21,337	13,078
Interest expense	245	159
Other funding instruments	707	690
Interest expense - other funding	13	11

b. *Transactions with parent*

Customers' deposit	2,087	1,209
Long term notes (Note 23)	58,000	58,000
Loan note (Note 11 (ii))	10,428	15,642
Interest income on loan notes	1,653	2,248
Due from parent	262	363

c. Pension plan

Employer's contribution (Note 20.d)	51,110	29,888

d. *Government of the Republic of Trinidad and Tobago*

As stated in note 1, on the formation of the Bank it was agreed that the assets and liabilities of the predecessor financial institutions would be transferred to the Bank and the non-performing portfolio sold to a liquidating company in consideration for an equivalent amount of Government-guaranteed notes and commercial paper. In 2009, the Bank entered into a Liquidity Support Agreement with GORTT and the Central Bank in relation to the acquisition of the shares of Caribbean Money Market Brokers Limited, now First Citizens Investment Services Limited which provided indemnification of the Bank against certain losses (Note 3.a.vii).

The current amount outstanding on these arrangements and obligations and the related income and expenses are disclosed below:-

	2020 $'000	2019 $'000
Assets		
Loan notes with Taurus Services Limited (Note 11 (i))	136,971	205,457
Liabilities		
Due to GORTT (Note 19)	22,890	23,171
Interest income		
Loan notes with Taurus Services Limited	21,718	29,529

38 Related party transactions and balances *(CONTINUED)*

e. *Other transactions with the Government of the Republic of Trinidad and Tobago*

In addition to the balances in (d) above, the Group in its ordinary course of business enters into lending, deposit and investment transactions with the GORTT, other state owned institutions, state agencies and local government bodies. Transactions and balances between the Group and these related parties are as follows:

	2020 $'000	2019 $'000
Loans and receivables	4,564,236	3,882,926
Interest income	306,236	254,995
Customers' deposits	11,846,181	7,399,019
Interest expense	45,390	32,175
Financial assets – FVOCI	8,461,515	7,744,061
Financial assets – amortized cost	541,972	513,242
Investment income	404,459	429,255

f. The (COVID-19) Small & Medium Enterprises (SME) Stimulus Loan is an initiative an GORTT embarked geared specifically towards bringing relief to the Small and Medium Enterprises businesses that were negatively affected as a result of the crisis caused by the COVID-19 pandemic. The GORTT provided a guarantee for 75% of the loan value. The interest on these loans will be paid by the GORTT for the duration of the loan.

	2020 $'000	2019 $'000
SME loans	10,800	—
Interest income	48	—

39 Commitments

a. *Capital commitments*

Capital expenditure approved by the Directors but not provided for in these accounts	104,042	53,508

b. *Credit commitments*

Commitments for loans approved not yet disbursed	456,827	905,072

40 Contingent liabilities

a. *Litigation*

The Group is involved in claims and counterclaims arising from the conduct of its business. Based on the facts now known to the Group, the Directors believe that the outcome of these matters would not have a material adverse effect on the position of the Group.

b. *Customers' liability under acceptances, guarantees and letters of credit*

These represent the Group's potential liability, for which there are claims against its customer in the event of a call on these commitments.

	2020 $'000	2019 $'000
Acceptances	63,054	45,031
Guarantees	156,023	150,210
Letters of credit	31,206	20,454
	250,283	215,695

41 Subsequent events

On 10 December 2020, the Board of Directors declared a final dividend payment of $0.45 per share payable to shareholders.

On 28 October 2020, the Bank repurchased $270.0 million of the TTD 900.0 million Bond.

NOTES