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

Consolidated Financial Statements

30 September 2021

(Expressed in Trinidad and Tobago dollars)

First Citizens Bank Limited And Its Subsidiaries

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First Citizens Bank Limited And Its Subsidiaries

Statement of Management 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 30 September 2021, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group's 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 utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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

Karen Darbasie
Group Chief Executive Officer
29 November 2021

Shiva Manraj
Group Chief Financial Officer
29 November 2021

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Independent auditor's report

To the Shareholder of First Citizens Bank Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Citizens Bank Limited (the Bank) and its subsidiaries (together 'the Group') as at 30 September 2021, 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 2021;
- 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.

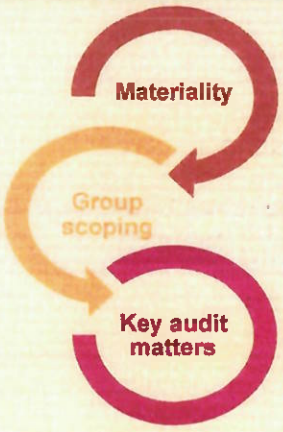
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Our audit approach

Overview



- Overall group materiality: TT$45.1 million, which represents 5% of profit before taxation.

- 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 89% of profit before taxation and 97% of total assets.

- IFRS 9 'Financial Instruments' – *Incorporation of Forward-Looking Information into the Expected Credit Loss Model for Loans to Customers and Investment Securities*

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 our risk assessment and their individual financial significance, the following components were subject to full scope audits for group audit purposes:

- First Citizens Bank Limited
- First Citizens Investment Services Limited and its subsidiaries
- First Citizens Bank (Barbados) Limited

In establishing the overall group audit strategy and plan, we determined the type of work 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 needed by the Group engagement team. Our group scoping provided coverage of approximately 89% of profit before taxation and 97% of total assets of the Group. We performed consolidated risk assessment analytical procedures over the remaining components.

Our audit approach (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$45.1 million
How we determined it	5% of profit before taxation.
Rationale for the materiality benchmark applied	We chose profit before taxation 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$2.3 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our audit approach (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' – Incorporation of Forward-Looking Information into the Expected Credit Loss Model for Loans to Customers and Investment Securities *Refer to notes 3.a.(vi), 8(a), 9 and 10 to the consolidated financial statements for disclosures of related accounting policies and balances.* In assessing impairment on financial assets, 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 2021, the Group's loans to customers totalled TT$18.5 billion. The Group's investment securities measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled TT$15.7 billion. In aggregate, the above exposures represent 73% of total assets. The associated provision for impairment, which incorporates forward-looking information calculated under the ECL impairment model, amounted to TT$440.5 million for loans to customers and TT$40.2 million for investment securities. 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 to customers and investment securities.	Our approach to addressing the matter, with the assistance of our credit modelling experts, 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. For loans to customers, we: - Assessed the reasonableness of the Group's methodology for determining economic scenarios and the probability weightings applied. - 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 adjustment factor, which was applied to the loans to customers' portfolios. - Sensitised the probability weightings used in the ECL calculation.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments' – Incorporation of Forward Looking Information into the Expected Credit Loss Model for Loans to Customers and Investment Securities For loans to customers, a scorecard model was developed, using 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 the most 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 on each of the countries in which the Group held securities. After testing multiple economic indicators, a main macroeconomic variable (MEV) was determined, which was then statistically linked to the credit risk of the relevant sovereign security via regression analysis. To address the impact of COVID-19, management adopted a bivariate model to determine two MEVs for key sovereigns. Credit ratings were forecast for the next three years using these macroeconomic scenarios. The weightings applied to the forecasted ratings were 60% for year 1, and 20% each for years 2 and 3. These weightings were determined based on management's judgement and experience. We 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 impairment provisions as a whole using the ECL impairment models.	For investments securities, we: - Obtained a listing of the macroeconomic indicators used to derive the main MEV 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 Recalculated a second correlation coefficient between the selected MEVs and several rating indicators to identify the indicators with the highest correlation and reperformed the regression analysis. o Tested the accuracy of the forecasts for the selected MEVs and the selected rating indicators for the next three years by comparing to external source information. 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, in our view, not unreasonable.

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.
- 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.

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

- 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 Sean Ramirez.

PricewaterhouseCoopers

Port of Spain,
Trinidad, West Indies
29 November 2021

First Citizens Bank Limited And Its Subsidiaries

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	As at 30 September 2021 $'000	2020 $'000
Assets			
Cash and due from other banks	6	6,439,683	5,176,856
Statutory deposits with Central Banks	7	4,587,140	4,920,429
Investment securities			
- Fair value through other comprehensive income	8(a)	10,828,972	11,439,974
- Fair value through profit or loss	8(b)	23,720	22,853
- Amortised cost	9	4,851,796	5,001,413
Loans and receivables less allowances for losses:			
- Loans to customers	10	18,083,422	19,040,472
- Loan notes	11	73,700	147,399
Other assets	12	468,633	474,628
Investments accounted for using equity method	13	231,062	206,464
Tax recoverable		79,814	95,190
Property and equipment	14	570,242	696,161
Defined benefit asset	21	141,133	--
Intangible assets	15	226,292	223,859
Total assets		46,605,609	47,445,698
Liabilities			
Customers' deposits	16	28,967,442	28,917,234
Other funding instruments	17	3,961,867	4,225,865
Due to other banks	18	1,564,617	2,011,616
Creditors and accrued expenses	19	634,304	670,764
Lease liabilities	20	83,097	110,576
Taxation payable		59,763	12,595
Defined benefit liability	21	--	121,263
Bonds payable	22	2,971,971	3,625,194
Deferred income tax liability	23	359,141	271,178
Notes due to parent company	24	58,000	58,000
Total liabilities		38,660,202	40,024,285
Shareholder's equity			
Share capital	25	458,557	458,557
Statutory reserves	26	1,241,412	1,241,412
Retained earnings	27	4,924,472	4,610,815
Other reserves	28	1,320,966	1,110,629
Total shareholders' equity		7,945,407	7,421,413
Total equity and liabilities		46,605,609	47,445,698

The notes on pages 15 to 113 are an integral part of these consolidated financial statements.

On 29 November 2021, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Director Director

First Citizens Bank Limited And Its Subsidiaries

Consolidated Income Statement

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2021 $'000	2020 $'000
Interest income calculated using the effective interest method	29	1,838,356	2,047,249
Interest expense	30	(338,604)	(420,553)
Net interest income		1,499,752	1,626,696
Fees and commissions	31	431,040	432,945
Gains from disposal of FVOCI investment securities		86,867	18,941
Other income	32	123,836	156,066
Total net revenue		2,141,495	2,234,648
Credit impairment losses on loans	10	(408)	(216,667)
Credit impairment writeback on investment securities	33	12,962	3,380
Administrative expenses	34	(778,810)	(753,939)
Other operating expenses	35	(494,093)	(455,074)
Operating profit		881,146	812,348
Share of profit in joint ventures	13(a)	3,063	3,479
Share of profit in associates	13(b)	17,806	15,818
Profit before taxation		902,015	831,645
Taxation	36	(234,733)	(224,779)
Profit after taxation		667,282	606,866
Profit attributable to			
Owners to parent		429,929	391,003
Non-controlling interest		237,353	215,863
		667,282	606,866
Earnings per share			
Basic		$2.64	$2.40
Weighted average number of shares			
Basic		251,353,562	251,353,562

The notes on pages 15 to 113 are an integral part of these consolidated financial statements.

First Citizens Bank Limited And Its Subsidiaries

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Year ended 30-September	
	2021 $'000	2020 $'000
Profit for the year	667,282	606,866
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Items reclassified to retained earnings	--	4,713
Re-measurement of net defined benefit obligation	172,990	(68,275)
Net gains on investments in equity instruments designated at fair value through other comprehensive income	8,286	10,663
Revaluation of property and equipment	(25,927)	5,016
	155,349	(47,883)
Items that may be reclassified to profit or loss		
Amortisation of loss on amortised cost assets originally held at available for sale, net of tax	(591)	(4,420)
Exchange difference on translation	(9,713)	6,103
Net gain on financial debt instruments measured at fair value through other comprehensive income	162,140	84,353
Gains arising on disposal of debt instruments reclassified to profit or loss	(86,861)	(18,941)
	64,975	67,095
Total other comprehensive income for the year	220,324	19,212
Total comprehensive income for the year	887,606	626,078

The notes on pages 15 to 113 are an integral part of these consolidated financial statements.

First Citizens Bank Limited And Its Subsidiaries

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Share capital $'000	Statutory reserves $'000	Fair value reserve $'000	Re-measurement of defined benefits obligation $'000	Revaluation surplus $'000	Other reserve $'000	Retained earnings $'000	Total shareholders' equity $'000
Balance as at 1 October 2020	458,557	1,241,412	793,786	72,409	171,099	73,335	4,610,815	7,421,413
Profit for the year	--	--	--	--	--	--	667,282	667,282
Other comprehensive income for the year	--	--	82,974	172,990	(25,927)	(9,713)	--	220,324
Total comprehensive income for the year	--	--	82,794	172,990	(25,927)	(9,713)	667,282	887,606
Revaluation surplus on disposal of property items reclassified to retained earnings	--	--	--	--	(9,987)	--	9,987	--
Transactions with owners								
Dividends	--	--	--	--	--	--	(363,612)	(363,612)
Balance at 30 September 2021	458,557	1,241,412	876,760	245,399	135,185	63,622	4,924,472	7,945,407
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
Total comprehensive income for the year	--	--	71,655	(68,275)	5,016	6,103	611,579	626,078
Transactions with owners								
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

The notes on pages 15 to 113 are an integral part of these consolidated financial statements.

First Citizens Bank Limited And Its Subsidiaries

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2021 $'000	2020 $'000
Profit before taxation		902,015	831,645
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associates		(17,806)	(15,818)
Share of profit in joint ventures		(3,063)	(3,479)
Interest income		(1,838,356)	(2,047,235)
Interest received		1,900,549	1,949,937
Interest expense		338,604	420,553
Interest paid		(353,005)	(419,284)
Depreciation	14	80,490	76,772
Gain on disposal of property and equipment		(8,816)	(4,653)
Gain on sale of investment securities		(86,867)	(18,947)
Amortisation of investment securities		(20,003)	(37,402)
Amortisation of bond issue cost		1,850	1,798
Amortisation of intangible asset	15	27,277	22,849
Net movement in impairment allowance on other financial assets		(9,940)	(25,032)
Net pension expense	21	61,978	58,450
Impairment on property		39,019	-
Net movement in allowance for loan loss		(17,287)	209,316
Cash inflows from operating activities before changes in operating assets and liabilities		996,639	999,470
Net change in loans to customers		974,337	(625,523)
Net change in customers' deposits		50,208	3,066,544
Net change in other funding instruments		(263,998)	50,854
Interest paid on lease liabilities		(6,995)	(8,869)
Net change in other assets		(56,198)	8,697
Net change in statutory deposits with Central Bank		333,289	(1,412,850)
Dividends received		65	505
Net change in creditors and accrued expenses		(22,060)	7,969
Pension contributions paid	21	(58,236)	(51,110)
Taxes paid		(205,716)	(302,018)
Net cash inflows used in operating activities		1,741,335	1,733,669

First Citizens Bank Limited And Its Subsidiaries

Consolidated Statement of Cash Flow (continued)

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2021 $'000	2020 $'000
Cash flows from investing activities			
Purchase of investment securities			
- Fair value through other comprehensive income	8(a)	(9,183,363)	(8,968,805)
- Amortised cost	9	(485,113)	(409,153)
- Fair value through profit or loss	8(b)	(400)	(419)
Proceeds from sale of investment securities			
- Fair value through other comprehensive income	8(a)	9,996,673	8,614,390
- Fair value through profit or loss	8(b)	-	19
Proceeds from maturity/redemption of amortised cost investment securities	9	674,351	388,823
Repayment on loan notes receivable		73,700	73,700
Net change in short-term investments		197,071	(800,487)
Proceeds from disposal of property and equipment		35,405	8,029
Purchase of intangible assets	15	(31,825)	(24,020)
Disposal of investment in joint venture		921	--
Purchase of investment in associate		(22,500)	--
Purchase of property and equipment	14	(50,110)	(70,874)
Net cash inflow/(outflows) from investing activities		1,204,810	(1,188,797)
Cash flows from financing activities			
Net change in bond payable	22	(653,223)	696,339
Repayment of lease liabilities		(34,949)	(20,626)
Ordinary dividend paid		(360,690)	(346,257)
reference dividend paid		(2,922)	(2,922)
Net cash (outflows)/inflows from financing activities		(1,051,784)	326,534
Net increase in cash and cash equivalents		1,889,026	871,406
Cash and cash equivalents at beginning of period		1,957,698	1,064,619
Effect of exchange rate changes		12,536	21,673
Cash and cash equivalents at end of period	6	3,864,595	1,957,698

The notes on pages 15 to 113 are an integral part of these consolidated financial statements.

1 General information

First Citizens Bank Limited (the Bank) and its subsidiaries (together the Group or First Citizens 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.

On 30 June 2021, the Bank's shareholders approved the corporate restructuring of the First Citizens Group to establish a group holding company to directly hold all subsidiaries including the Bank, provided approval is received from the regulators. The Bank's shareholders will become shareholders of the new group holding company, in the same percentage shareholding as they currently hold in the Bank. The new group holding company will replace the Bank as the listed company of the First Citizens Group on the Trinidad and Tobago Stock Exchange.

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 agent 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%
St. Lucia Electricity Services Limited	Provision of electrical power to consumers	St. Lucia	19.11%
Term Finance (Holdings) Limited	Provision of short term loans to individuals and small-medium size businesses	Trinidad & Tobago	19.99%

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 interpretations issued by the 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 assets measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(i) *Standards, amendments and interpretations which are effective and have been adopted by the Group in the accounting period.*

- 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.

There was no material impact on the adoption of these revised standards.

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

a. *Basis of preparation (continued)*

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

The following standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by the Group:

- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use (Effective 1 January 2022).The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to IAS 37 – Onerous Contracts-Cost of fulfilling a contract (Effective 1 January 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendment to IFRS 3 –Reference to the Conceptual Framework *(Effective 1 January 2022). The* amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (Effective 1 January 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform-Phase 2 (Effective 1 January 2021).The amendments in *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

- Amendments IAS1, IAS 39 and IFRS Practice Statement 2 –Disclosure of Accounting Policies (Effective 1 January 2023).The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- Amendment to IAS 8 –*Definition of Accounting Estimates (Effective 1 January 2023).* The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

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

a. *Basis of preparation (continued)*

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

- Amendments to IFRS 16- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Effective 1 April 2021).* The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

- Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Effective 1 June 2023).* The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The Group is in the process of assessing the impact of the new and revised standards not yet effective on the consolidated financial statements and does 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 Bank's reporting date. The consolidation principles are unchanged as against the previous years'.

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

(ii) *Investment in subsidiaries*

Subsidiaries are all entities, (including structured entities) over which the Group has control. 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 recognises 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 recognised amounts of the acquiree's identifiable net assets.

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

b. *Consolidation (continued)*

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

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 recognised 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 recognised directly in the consolidated income statement.

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

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in 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.

(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.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

b. *Consolidation (continued)*

(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 recognised at cost and adjusted thereafter to recognise 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 recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognises 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 recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised 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$6.6926 = US$1.00 (2020 - TT$6.7124 = 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$3.4102 = BB$1 (2020 - TT$3.4203 = BB$1.00), which represent the Group's mid rate.

(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 recognised 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 amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income financial assets are included in other comprehensive income.

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

c. *Foreign currency translation (continued)*

(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 recognised in other comprehensive income.

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

d. *Derivative financial instruments*

Derivative financial instruments including swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as labilities when negative.

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The Group classifies its financial assets based on the following business models:
- Hold to collect
- Hold to collect and sell or
- Fair value through profit or loss

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

Hold to Collect - Amortised cost

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

Statutory Deposit with Central Bank, Cash and due from other Banks are measured at amortised cost.

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

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

(i) *Financial assets (continued)*

Hold to Collect & Sell - 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 represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in "Net Investment Income", other than equity securities. The interest income from these financial assets is included in interest income using the effective interest rate method.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the "income statement" within "Gains on disposal of 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.

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.

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 (continued)

Arising out of the assessment, the Group's business models were identified as follows:

Hold to Collect	Hold to Collect & Sell	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		
Medium Term Notes		

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or hold 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.

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

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

(i) *Financial assets (continued)*

(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 recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

(c) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

(d) *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.

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

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

(i) *Financial assets (continued)*

(d) *Modification of loans (continued)*

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

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

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

(e) *Derecognition other than on a modification*

Financial assets, or a portion thereof, are derecognised 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
(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 derecognised 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 securitisation transactions in which the Group retains a subordinated residual interest.

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

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

(i) *Financial assets (continued)*

(f) *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*

(a) *Classification and subsequent measurement*

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

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

(b) *Derecognition*

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

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

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

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 recognised 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 recognised 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 recognised 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 recognised as a provision.

g. *Impairment of non-financial assets*

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

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 recognised amounts and there is an intention to settle on a net basis, or realise 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.

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

j. *Lease transactions*

For all new contracts entered into, the Group assesses whether a contract is, or contains a lease. A lease is defined as "a contract that conveys the right-of-use an asset for a period of time in exchange for consideration". To assess whether a contract conveys the right-of-use of an asset, the Group assesses whether:

- the contract contains an identified 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*

From October 1 2019, the Group recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

The Group depreciates the right-of-use assets on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. The Group also assess the right-of-use asset for impairment when such indicators exists.

The Group measures the lease liability at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate, which is the Repo rate. Lease liabilities include the net present value of the following lease payments:-

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the group is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the group is 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 recognised 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 IT equipment and small items of office furniture.

(ii) *The Group as the lessor*

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

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

k. *Property 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. 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.

All other property and equipment are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation and amortisation are computed on all assets except land.

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

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to dispose and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognised 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 recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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 recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

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

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

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.

The net asset/liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the 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.

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

m. *Employee benefits (continued)*

(ii) *Profit sharing and bonus plans*

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

(iii) *Employee share ownership plan*

The Group established a cash-settled shared based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the 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 cash balances on hand, deposits with other banks and short-term highly liquid investments with 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 recognised 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 amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and include transaction costs, premium, discounts and all fees 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 amortised 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.

p. *Fee and commission income*

In accordance with IFRS 15 Revenue from Contracts with Customers, fee and commission income is recognised on a single principle based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

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

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

p. *Fee and commission income (continued)*

The information about the nature, 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 recognised over time as the services are provided. Revenue related to transactions is recognised 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 recognised over time as the services are provided. The amounts are collected upfront and is recognised as deferred income.

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

(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 recognised over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognised 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 may be specific to the stage of completion of the services performance obligation. In addition, some contracts may require variation to the performance obligation based on the client specifications. These contracts would qualify for revenue recognition over time.

q. *Dividend income*

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

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

r. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between proceeds net of transactions costs and the redemption value is recognised in the consolidated 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 recognised 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.

v. *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

w. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years.

(i) *Goodwill*

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

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

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

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

w. *Intangible assets (continued)*

(ii) *Computer software*

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

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

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

(iii) *Other Intangible assets*

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

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

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).

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

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.

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 non-financial risks. Market risk includes currency risk, interest rate risk and other price risks including commodity and equity risk.

The Group utilises 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 monitor 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.

3 **Financial risk management (continued)**

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's Audit Committee.

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 organisational 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.

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).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(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 utilises 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.

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 realised 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		Very High Risk
	D	D	7	65	In Default

(iii) *Expected credit loss measurement*

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the 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 amortised 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).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

Change in credit quality since initial recognition

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

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

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Significant increase in credit risk (SICR) (continued)

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/capitalisation 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 both the years ended 30 September 2020 and 2021.

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 customers who opted-in and were subsequently approved, deferrals of were granted for varying periods between 1 May 2021 to 30 September 2021 with an equivalent period extension of the maturity. For commercial and corporate customers, a similar approach was taken with payment deferrals being granted to customers on an individual request basis over the same aforementioned deferral period.

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.

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%.

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.
- 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.

(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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

- 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 of the loan.
- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan. It is made up of two main elements; the recoverable value of the collateral (where available) and management's expectation of the extent of loss on a defaulted exposure based on the Group's own past recovery performance and can vary based on product type or seniority of claim. The recoverable value of collateral is calculated by first adjusting for the cost of disposal of the collateral and the expected time to sell the collateral, and then discounting by the effective interest rate of the facility to get the present value.

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 amortising 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 unutilised 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, the recoverable value of collateral 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.

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

Credit cards

The average lifetime of credit card facilities was calculated as seven (7) years for FCTT and thirteen (13) 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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. For commercial and corporate overdraft facilities, the lifetime is taken as one (1) year, as they undergo a robust annual review process

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 judgment 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.

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, and 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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*

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 weightings assigned to each economic scenario as at September 30 2021 were as follows:-

	Base	Upside	Downside
Loans	80%	10%	10%

The weightings assigned to each economic scenario as at 30 September 2020 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. 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, 2021 incorporated the impact of COVID-19, as such the forward-looking scenarios factored 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 judgment and experience.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the 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 2021 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)*

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;

Sensitivity analysis

Set out below are the changes to the loans ECL as at 30 September 2021 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):

	Sep-21		Sep-20	
Unemployment Rates	**PDs**		**PDs**	
	-1%	**1%**	**-1%**	**1%**
	"000	**"000**	**"000**	**"000**
	-20,039	20,039	-27,265	27,265

GDP	**LGDs**		**LGDs**	
	-5%	**5%**	**-5%**	**5%**
	"000	**"000**	**"000**	**"000**
	-3,432	3,432	-7,042	7,042

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 only for the credit card portfolio. 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 utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established 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. The impact of Covid-19 on property collateral was deemed as short term. However, a discount of 20% was applied to collateral values dated prior to 2020 in order to estimate the impact on recoverability due to Covid-19.

(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 FCIS (formerly 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 recognise its commitment under the LSA agreement by way of granting consecutive extensions since 2015, with the latest being an extension to 28 February 2023. 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.

As at the date of this statement of financial position, the amount of the Promissory Notes due was USD $106.97M (2020: US $103.9M) and the Commercial Paper was TT $258.5M (2020: TT $249.9M).

(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 authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised 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.

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

	Gross maximum exposure 2021 $'000	Gross maximum exposure 2020 $'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	6,439,683	5,176,856
Statutory deposit with Central Bank	4,587,140	4,920,429
Investment instruments		
- Fair value through other comprehensive income	10,299,204	11,112,458
- Amortised cost	4,882,363	5,039,987
Loans to customers	18,523,967	19,498,304
Loan notes	73,700	147,399
Other assets	413,820	423,937
Credit commitments	561,569	456,827
Financial guarantees	205,340	250,283
Total credit risk exposure	45,986,786	47,026,480

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 recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Retail 30 September 2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Installment loans	1,529,768	496,549	147,249	2,173,566
Demand loans	317,195	52,032	84,750	453,977
Overdrafts	21,714	998	9,203	31,915
Credit card	539,625	12,768	44,708	597,101
Mortgages	2,191,790	567,294	269,388	3,028,472
Gross loans	4,600,092	1,129,641	555,298	6,285,031
Loss allowance	(20,777)	(22,899)	(270,468)	(314,144)
Carrying balance	4,579,315	1,106,742	284,830	5,970,887

	Commercial & Corporate 30 September 2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Type of facility				
Demand loan	6,644,522	4,277,316	834,625	11,756,463
Overdraft	246,650	221,541	14,282	482,473
Gross loans	6,891,172	4,498,857	848,907	12,238,936
Loss allowance	(6,042)	(7,643)	(112,716)	(126,401)
Carrying balance	6,885,130	4,491,214	736,191	12,112,534

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

	Investments 30 September 2021				
	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	11,546,171	15,020	--	--	11,561,191
Standard monitoring	2,701,209	193,958	--	--	2,895,167
Special monitoring	--	--	12,477	712,827	725,304
Default	--	--	--	--	--
Gross loans	14,247,380	208,978	12,477	712,827	15,181,662
Loss allowance	(21,970)	(11,267)	(5,954)	--	(39,191)
Carrying balance	14,225,410	197,711	6,523	712,827	15,142,471

	Retail 30 September 2020			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Installment 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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

	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

	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	12,830,265
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

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 (continued)*

Retail

	30 September 2021			30 September 2020		
IG	Gross Balance $'000	ECL Allowance $'000	Carrying Balance $'000	Gross Balance $'000	ECL Allowance $'000	Carrying Balance $'000
60	--	--	--	--	--	--
65	330,171	(100,652)	229,519	206,951	(66,181)	140,770
80	169,730	(8719)	161,011	109,971	(2,758)	107,213
85	2,485,027	(128,434)	2,356,593	2,689,265	(120,154)	2,569,111
90	2,051,199	(16,667)	2,034,532	2,101,649	(19,772)	2,081,877
95	619,761	(1,278)	618,483	614,673	(477)	614,196
98	459	--	459	--	--	--
Credit cards	601,066	(50,402)	550,665	610,488	(53,096)	557,392
DDA	27,618	(7,992)	19,626	26,868	(6,979)	19,889
Gross loans	6,285,031	(314,144)	5,970,887	6,359,865	(269,417)	6,090,448

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

	Commercial & Corporate 30 September 2021							
BRR	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	380	37,184	3,434,948	2,323,049	1,566,472	3,865,472	136,298	11,363,803
Loss allowance	--	--	(2,233)	(3,182)	(2,967)	(8,992)	(68,907)	(86,281)
Carrying balance	380	37,184	3,432,715	2,319,867	1,563,505	3,856,480	67,391	11,277,522
IG- ratings	**60**	**65**	**80**	**85**	**90**	**95**	**98**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	--	88,948	63,653	389,343	292,252	40,482	455	875,133
Loss allowance	--	(29,443)	(2,436)	(4,307)	(3,932)	(2)	--	(40,120)
Carrying balance	--	59,505	61,217	385,036	288,320	40,480	455	835,013
Total carrying balance	380	96,689	3,493,932	2,704,903	1,851,825	3,896,960	67,846	12,112,535

	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)*

(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 2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	$'000	$'000	$'000	$'000
Individual (retail customers)				
Instalment loans	147,249	(118,740)	28,509	52,304
Demand loans	84,750	(30,935)	53,815	80,142
Overdrafts	9,203	(9,132)	71	285
Credit cards	44,708	(44,660)	48	--
Mortgages	269,388	(67,001)	202,387	288,535
Sub-total	555,298	(270,468)	284,830	421,266
Corporate & Commercial				
Demand loans	834,625	(111,384)	723,241	1,672,146
Overdrafts	14,282	(1,332)	12,950	45,515
Sub-total	848,907	(112,716)	736,191	1,717,661
Total loans to customers	1,404,205	(383,184)	1,021,021	2,138,927

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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				
Other loans	605,416	(140,855)	464,561	907,872
Mortgages	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

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 2021 $'000	Credit-impaired (Gross carrying amount) September 2020 $'000
Lower than 50%	20,253	8,473
50 to 60%	7,944	1,707
60 to 70%	6,287	4,683
70 to 80%	12,895	1,028
80 to 90%	14,517	2,413
90 to 100%	20,634	9,121
greater than 100%	186,858	158,012
Total	269,388	185,437

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Loss allowance*

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12 month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from periodic refreshing of inputs to models; currently ten years of data for PDs are being used (2020: 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 recognised as at 1 October 2018 as Purchased or Originated Credit Impaired (POCI). These bonds originated at a deep discount that reflects incurred credit losses. An effective interest rate based in the expected cash flows net of expected credit losses is used. This is known as at Credit Adjusted Effective Interest Rate (CAEIR).
- The total amount of undiscounted expected credit losses at initial recognition for Originated credit-impaired financial assets recognised during the period was $27.7M (2020:$17.3M)

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**	**Stage 2**	**Stage 3**	
	12month ECL $'000	**Lifetime ECL $'000**	**Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 October 2020	24,816	18,893	225,708	269,417
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(2,947)	10,171	--	7,224
Transfer from stage 1 to stage 3	(355)	--	20,625	20,270
Transfer from stage 2 to stage 1	984	(5,601)	--	(4,617)
Transfer from stage 2 to stage 3	--	(3,121)	41,722	38,601
Transfer from stage 3 to stage 1	58	--	(4,957)	(4,899)
Transfer from stage 3 to stage 2	--	541	(6,877)	(6,336)
New financial assets originated	6,130	6,585	14,967	27,682
Change in PDs/LGDs/EADs	(1,460)	(1,214)	457	(2,217)
Repayments	(5,490)	(2,062)	(20,020)	(27,572)
Unwind of discounts	(944)	(1,379)	(978)	(3,301)
FX and other movements	(15)	86	(179)	(108)
Total net P&L charge during the period	(4,039)	4006	44,760	44,727
Other movement with no P&L impact				
Write-offs	--	--	--	--
Loss allowance as at 30 September 2021	20,777	22,899	270,468	314,144

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 2020	6,165	35,656	146,594	188,415
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(217)	1,751	--	1,534
Transfer from stage 1 to stage 3	(3)	--	589	586
Transfer from stage 2 to stage 1	302	(606)	--	(304)
Transfer from stage 2 to stage 3	--	(96)	7,613	7,517
Transfer from stage 3 to stage 1	--	--	--	--
Transfer from stage 3 to stage 2	--	--	(853)	(853)
New financial assets originated	1,090	369	65,757	67,216
Change in PDs/LGDs/EADs	81	(3,600)	--	(3,519)
Repayments	(1,063)	(27,028)	(110,360)	(138,451)
Unwind of discounts	(311)	1,213	3,435	4,337
FX and other movements	(2)	(16)	(59)	(77)
Total net P&L charge during the period	(123)	(28,013)	33,878	(62,014)
Other movement with no P&L impact				
Write-offs	--	--	--	--
Loss allowance as at 30 September 2021	6,042	7,643	112,716	126,401

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 2020	27,002	16,166	5,964	49,132
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(448)	448	--	--
Transfer from stage 1 to stage 3	--	(1,699)	1,699	--
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	1,557	8	--	1,565
Change in PDs/LGDs/EADs/Collateral App	(2,638)	43	--	(2,595)
Repayments	(1,444)	--	--	(1,444)
FX and other movements	(64)	(32)	(10)	(106)
Total net P&L charge during the period	(3,037)	(1,232)	1,689	(2,580)
Other movement with no P&L impact				
Financial assets derecognised during the period	--	--	(1,699)	(1,699)
Transfer to OCI	(1,989)	(3,667)	--	(5,656)
Loss allowance as at 30 September 2021	21,976	11,267	5,954	39,197

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**	**Stage 2**	**Stage 3**	
	12-month ECL $'000	**Lifetime ECL $'000**	**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

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 derecognised 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)*

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

- Repayments offset by new loans facilities originated during the period resulted in a net increase of the gross carrying amount of the relative books by 9.2%, with a corresponding $0.1M increase in loss allowance measured. In 2020, it resulted in a net decrease of the gross carrying amount of the relative books by 5.02%, with a corresponding $17.3M decrease in loss allowance measured.
- There were no write-off of loans and investments during the period (2020:$32.3M).
- The derecognition of financial assets with a gross carrying amount of $6.9M (2020: 919.5M), resulted in the reduction of the Stage 3 allowance by $1.7M (2020; $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 2021			
	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 2020	5,112,981	778,634	468,250	6,359,865
Transfers:				
Transfer from stage 1 to stage 2	(779,475)	702,472	--	(77,003)
Transfer from stage 1 to stage 3	(63,549)	--	53,689	(9,860)
Transfer from stage 2 to stage 3		(147,742)	129,934	(17,808)
Transfer from stage 3 to stage 1	16,647	--	(20,070)	(3,423)
Transfer from stage 3 to stage 2	--	16,535	(18,677)	(2,142)
Transfer from stage 2 to stage 1	190,531	(230,556)	--	(40,025)
New financial assets originated	999,402	147,314	11,279	1,157,995
Repayments	(438,188)	(98,337)	(43,822)	(580,347)
Change in PDs/LGDs/EADs	--	--	--	--
Unwind of discounts	(435,478)	(38,332)	(24,750)	(498,560)
FX and other movements	(2,779)	(347)	(535)	(3,661)
Gross carrying amount as at 30 September 2021	4,600,092	1,129,641	555,298	6,285,031

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Gross carrying amount*

Commercial & Corporate

	30 September 2021			
	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 2020	8,319,031	4,186,539	632,869	13,138,439
Transfers:				
Transfer from stage 1 to stage 2	(2,085,794)	1,989,128	--	(96,666)
Transfer from stage 1 to stage 3	(11,857)	--	11,092	(765)
Transfer from stage 2 to stage 1	637,736	(705,325)	--	(67,589)
Transfer from stage 2 to stage 3	--	(272,625)	271,099	(1,526)
Transfer from stage 3 to stage 1	34,887	--	(36,829)	(1,942)
Transfer from stage 3 to stage 2	--	8,565	(8,529)	36
New financial assets originated	2,589,635	494,886	299,440	3,383,961
Repayments	(2,200,161)	(1,063,747)	(281,491)	(3,545,399)
Change in PDs/LGDs/EADs	--	--	--	--
Unwind of discounts	(391,176)	(136,556)	(38,548)	(566,280)
FX and other movements	(1,129)	(2,008)	(196)	(3,333)
Gross carrying amount as at 30 September 2021	6,891,172	4,498,857	848,907	12,238,936

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 2020	15,367,685	99,276	12,523	672,962	16,152,446
Transfers:					
Transfer from stage 1 to stage 2	(160,824)	160,824	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to stage 3	--	(6,929)	6,929	--	--
Transfer from POCI to stage 1	5,328	--	--	(5,328)	--
New financial assets originated	9,532,276	2,484	--	--	9,534,760
Change in PDs/LGDs/EADs	(395)	--	--	21,668	21,273
Repayments	(10,535,472)	(43,297)	(38)	(911)	(10,579,718)
Unwind of discounts	25,014	(4,541)	--	24,099	44,572
FX and other movements	13,768	1,161	(8)	337	15,258
Financial assets derecognised	--	--	(6,929)	--	(6,929)
Gross carrying balance as at 30 September 2021	14,247,380	208,978	12,477	712,827	15,181,662

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Gross carrying amount (continued)*

Retail

	30 September 2020			
	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

Commercial & Corporate

	30 September 2020			
	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)*

(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 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 derecognised	--	--	(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

(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. There were no such assets written off during the year ended 30 September 2021 (2020: $32.3 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 maximising 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 categorised by counterparty industry sectors:

	2021 Gross maximum exposure $'000	2020 Gross maximum exposure $'000
Cash and due from other banks	6,439,683	5,176,856
Statutory deposits	4,587,140	4,920,429
Consumer	3,855,691	3,992,238
Agriculture	50,194	83,219
Petroleum	1,149,857	1,653,266
Manufacturing	589,969	849,166
Construction	1,321,005	1,339,424
Distribution	829,572	929,808
Hotels and guest houses	1,305,690	1,381,801
Transport, storage and communications	749,305	662,717
Finance, insurance and real estate	4,887,844	6,559,043
Other business services	2,902,963	2,509,071
Personal services	21,140	24,717
Real estate mortgages	3,319,034	3,340,672
Government related	12,796,970	12,473,006
Credit commitments	561,569	456,827
Financial guarantee	205,340	250,283
Other assets	413,820	423,937
Total	45,986,786	47,026,480

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.

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(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.

Foreign currency exposure for financial assets, financial liabilities and off-balance sheet items expressed in TT$.

As at 30 September 2021	TT$ $'000	US$ $'000	Other $'000	Total $'000
Financial assets				
Cash and due from other banks	1,017,522	4,339,853	1,082,308	6,439,683
Statutory deposits with central banks	4,459,873	5,488	121,779	4,587,140
Investment securities				
- FVOCI	6,952,117	3,365,154	511,701	10,828,972
- Amortised cost	2,298,475	966,304	1,587,017	4,851,796
- Fair value through profit or loss	23,082	210	428	23,720
Loans to customers	10,924,532	5,649,828	1,509,062	18,083,422
Loan notes	73,700	-	-	73,700
Other assets	277,664	104,035	32,123	413,821
Investments accounted for using equity methods	39,349	191,713	-	231,062
Total financial assets	26,066,314	14,622,585	4,844,418	45,533,317
Financial liabilities				
Customers' deposits	20,601,616	5,571,858	2,793,968	28,967,442
Other funding instruments	1,316,334	1,213,918	1,431,615	3,961,867
Due to other banks	200,742	1,327,404	36,471	1,564,617
Lease liabilities	62,984	-	20,113	83,097
Bonds payable	1,590,755	1,223,153	158,063	2,971,971
Note due to parent company	58,000	-	-	58,000
Creditors and accrued expenses	496,761	47,939	89,604	634,304
Total financial liabilities	24,327,192	9,384,272	4,529,834	38,241,298
Net on balance sheet position	1,739,122	5,238,313	314,584	7,292,019
Off balance sheet items	175,440	72,381	2,452	250,274
Credit commitments	105,801	143,233	207,180	456,214

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 (continued):

	TT$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2020				
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
- Amortised 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	324,743	89,073	10,121	423,937
Investments accounted for using equity methods	38,114	168,350	--	206,464
Total financial assets	26,871,639	15,260,940	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 company	58,000	--	--	58,000
Bonds payable	2,260,755	1,226,772	137,667	3,625,194
Lease liabilities	79,004	-	31,572	110,576
Creditors and accrued expenses	533,162	57,090	80,512	670,764
Total financial liabilities	25,191,107	10,169,199	4,258,943	39,619,249
Net on balance sheet position	1,680,532	5,091,741	(11,725)	6,760,548
Off balance sheet items	158,104	44,862	2,373	205,340
Credit commitments	242,621	119,687	199,261	561,569

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Euros, Barbados, 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 100 basis points against the US$, the profit would increase by $55.5M (2020: increase by $49.0M). The average change for the last three (3) years was 1 basis point (2020: 1 basis point). The change for 2021 was 30 basis points (2020: 30 basis).

(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. Cashflow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate.

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

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

As at 30 September 2021	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	5,283,693	134,579	9,411	--	--	1,012,000	6,439,683
Statutory deposits with central banks	5,488	--	--	--	--	4,581,652	4,587,140
Investment securities							
- FVOCI	374,448	124,815	2,867,583	3,537,035	3,834,873	90,218	10,828,972
- Amortised cost	8,343	71,699	1,056,857	1,447,608	2,267,289	--	4,851,796
- Fair value through profit or loss	23,113	--	--	--	--	607	23,720
Loan to customers	2,465,319	915,123	3,096,212	7,392,791	4,213,977		18,083,422
Loan notes	--	--	73,700	--	--	--	73,700
Investments accounted for using equity methods	--	--	--	--	--	231,062	231,062
Other assets	1,153	--	--	--	--	412,668	413,821
Total financial assets	8,161,557	1,246,216	7,103,763	12,377,434	10,316,139	6,328,207	45,553,316
Financial liabilities							
Customers' deposits	24,367,344	798,785	1,965,253	410,839	153	1,425,068	28,967,442
Other funding instruments	447,508	514,383	2,145,013	854,963	--	--	3,961,867
Due to other banks	15,241	--	710,662	803,112	--	35,602	1,564,617
Bonds payable	--	--	74,172	2,897,799	--	--	2,971,971
Note due to parent company	--	--	--	--	--	58,000	58,000
Creditors and accrued expenses	4,226	--	--	--		630,078	634,304
Total financial liabilities	24,834,319	1,313,168	4,895,100	4,966,713	153	2,148,748	38,158,201
Interest sensitivity gap	(16,672,762)	(66,952)	2,208,663	7,410,721	10,315,986		

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
- Amortised 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	2,840,974	1,031,724	3,340,003	7,148,305	4,679,466		19,040,472
Loan notes	--	(3443)	138600	12242	--	--	147,399
Investments 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	12,017,892	10,801,671	6,515,662	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	6,770,944	10,801,518		

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 a decrease in profit of $11.3M (2020: decrease of $3.3M) and a decrease in reserves of $494.9M (2020: $464.5M).

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 recognised in shareholders' equity. These investments are held for strategic reasons and risk is managed via exposure limits. As at 30 September 2021, the Group had the following equity positions within the jurisdiction of Jamaica.

Equities instruments recognised in OCI	**Originating currency JMD '000**	**Functional currency TTD '000**
As at September 30 2021		
Equity instruments	5,203,838	246,142
Additions	3,029,200	137,079
FX	--	(15,204)
MTM Movement	1,580,102	70,630
	9,813,140	438,647
As at September 30 2020		
Equity instruments	--	--
Additions	2,822,568	135,032
FX	--	(1,524)
MTM Movement	2,381,270	112,634
	5,203,838	246,142

Price sensitivity

These securities are listed in Jamaica; if prices for equity securities listed in Jamaica move by 15% (2020: 15%) respectively with all other variables including tax being held constant, the effects on the other comprehensive income would have been plus/(minus)TT$65.8M in 2021 and plus/minus TT$36.9M in 2020.

Foreign exchange sensitivity

If the JMD appreciates by 250 basis points against the USD, the OCI would increase by TT$4.3M (2020: increase by TT$2.8M). The average change for the last three (3) years was 35 basis points (2020: 27 basis points). The change for 2021 was 51 basis points (2020: 57 basis).

3 **Financial risk management (continued)**

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 minimised. The Group manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers, 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 2021	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	25,817,449	811,202	1,978,273	421,993	153	29,029,070
Other funding instruments	602,227	516,173	2,181,286	929,034	--	4,228,720
Bonds payable	19,114	70,365	153,454	3,041,306	--	3,284,239
Due to other Banks	52,461	--	744,525	844,776	--	1,641,762
Lease liabilities	2,147	4,275	19,394	51,257	14,236	91,309
Creditors and accrued expenses	462,261	--	--	--	--	462,261
Notes due to parent company	58,000	--	--	--	--	58,000
Total financial liabilities	27,013,659	1,402,015	5,076,932	5,288,366	14,389	38795,361
Financial assets						
Cash and due from other banks	6,292,560	133,920	13,399	--	--	6,439,894
Statutory deposits with central banks	127,267	--	--	--	4,459,873	4,587,140
Investment securities						
- FVOCI	398,437	114,094	3,142,466	3,989,033	4,458,483	12,102,513
- Amortised cost	19,596	103,552	259,817	3,211,859	2,948,317	6,543,141
- Fair value through profit and loss	23,113	--	502	--	--	23,615
Loans to customers	2,190,130	1,064,110	3,735,109	10,126,955	4,544,959	21,661,263
Loan notes	--	24,086	689,278	312,953	--	1,026,317
Other assets	413,821	--	--	--	--	413,821
Total financial assets	9,464,924	1,439,762	7,840,571	17,640,800	16,411,632	52,797,689
Net liquidity position	(17,548,735)	37,747	2,763,639	12,352,434	16,397,243	14,002,328

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(i) *Financial assets and liabilities (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	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
Lease liabilities	1,966	4,200	18,096	66,622	21,780	112,664
Creditors and accrued expenses	670,764	--	--	--	--	670,764
Notes due to parent company	58,000	--	--	--	--	58,000
Total financial liabilities	26,781,048	1,677,692	6,201,959	5,671,229	21,947	40,353,875
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
- Amortised cost	154,004	1,104,775	465,240	1,977,750	2,873,320	6,575,089
- Fair value through profit and loss	22,351	--	502	--	--	22,853
Loans 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	7,733,217	16,843,230	17,652,212	54,321,398
Net liquidity position	(18,143,799)	1,777,798	1,531,258	11,172,001	17,630,265	13,967,523

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 2021	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	362,308	--	199,261	--	--	561,569
Acceptances	5,501	25,317	2,367	--	--	33,185
Guarantees	131,250	875	11,899	2,372	--	146,396
Letters of credit	473	3,125	20,532	1,628	--	25,758
Capital commitments	--	--	149,924	--	--	149,924
Total	499,532	29,317	383,983	4,000	--	916,832

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

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 2021 totalled $32.3B (2020 - $32.3B).

3 **Financial risk management (continued)**

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 capitalised 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 Banks of Trinidad and Tobago and Barbados for supervisory purposes. The required information is filed with the Central Bank of Trinidad & Tobago on a monthly basis and by the Central Bank of Barbados quarterly.

The Financial Institution (Capital Adequacy) Regulations 2020 was promulgated effective 14 May 2020, being the Basel II/III framework. These Regulations require each financial institution to:-

- Maintain a ratio of regulatory capital to risk adjusted assets (Credit, Operational and Market) of not less than the minimum standard of 10%.
- Maintain a ratio of Tier 1 capital to risk adjusted assets (Credit, Operational and Market) of not less than the minimum standard of 6%.
- Maintain a ratio of common equity Tier 1 capital to risk adjusted assets (Credit, Operational and Market) of not less than the minimum standard of 4.5%.

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 Capital:- ordinary share capital, statutory reserve fund, capital reserve, general reserve and retained earnings.
- Tier 2 Capital – preference shares, qualifying subordinated loan capital and impairment allowances.

3 **Financial risk management (continued)**

f. *Capital management (continued)*

	2021 $'000	2020 $'000
Tier 1 Capital		
Share capital	354,957	35
Statutory reserve	1,241,412	4,957
Capital reserve	245,399	1,241,412
General reserve	63,622	72,409
Retained earnings	4,924,472	73,335
Less: Intangible assets	(226,292)	4,610,815
Total Tier 1	6,603,570	(223,859)
		6,129,069
Tier 2 Capital		
Preference shares	103,600	103,600
Eligible reserve provision	57,362	83,220
Total Tier 2 Capital	160,962	186,820
Total Capital	6,764,532	6,315,889
Ratios		
Risk adjusted assets (credit, operational & market)	37,547,416	34,418,310
Qualifying capital to risk adjusted assets	18.02%	18.35%
Tier 1 capital to risk adjusted assets	17.59%	17.81%

As at 30 September 2021, the Bank and its qualifying subsidiaries were in compliance with these requirements.

3 **Financial risk management (continued)**

g. *Fair value of financial assets and liabilities*

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

The following table summarises 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial assets				
Cash and due from other banks	6,439,683	5,176,856	6,439,683	5,176,856
Statutory deposits with Central Banks	4,587,140	4,920,429	4,587,140	4,920,429
Financial instruments				
- Loans to customers	18,083,422	19,040,472	18,875,757	21,556,700
- Investment securities- amortised cost	4,851,796	5,001,413	4,942,117	5,162,809
- Loan notes	73,700	147,399	79,843	165,101
Other assets	413,821	423,937	413,821	423,937
Financial liabilities				
Customers' deposits	28,967,442	28,917,234	29,046,824	29,052,486
Other funding instruments	3,961,867	4,225,865	4,041,941	4,342,395
Bonds payable	2,971,971	3,625,194	2,423,380	3,570,345
Notes due to parent company	58,000	58,000	58,000	58,000
Due to other Banks	1,564,617	2,011,616	1,818,622	2,205,826
Creditors and accrued expenses	634,304	670,764	634,304	670,764

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

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, statutory deposits with Central Banks and creditors and accrued expenses.

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.

Investment securities – amortised cost

Fair value for amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the amortised cost portfolio is computed for disclosure purposes only. See note 3.g.ii for Fair Value Hierarchy.

3 **Financial risk management (continued)**

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

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

Loan notes

The fair value of these notes is 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 is 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.

(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.

3 **Financial risk management (continued)**

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

(ii) *Fair value hierarchy (continued)*

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

As at 30 September 2021 **Financial assets**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Fair value through profit or loss				
- Debt securities	-	16,607	--	16,607
- Equity securities	607	6,506	--	7,113
	607	23,113	--	23,720
Fair value through other comprehensive income				
- Debt securities	429,789	9,452,433	408,452	10,290,674
- Equity securities	521,832	3,037	13,429	538,298
	951,621	9,455,470	421,881	10,828,972
Total financial assets	952,228	9,478,583	421,881	10,852,692

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

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

3 **Financial risk management (continued)**

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

	Debt Securities $'000	Equity $'000	Total $'000
September 2021			
Opening balance	104,342	14,284	118,626
Fair value through OCI	(1,475)	(1,225)	(2700)
Exchange	--	(21)	(21)
Purchased	384,830	391	385,221
Settlement	(82,608)	--	(82,608)
Expected credit losses	3,712	--	3,712
Accrued interest	(266)	--	(266)
Amortisation	(83)	--	(83)
Closing balance	408,452	13,429	421,881

	Debt Securities $'000	Equity $'000	Total $'000
September 2020			
Opening balance	302,977	12,043	315,020
Fair value through OCI	(1,326)	2,219	893
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)
Amortisation	738	--	738
Closing balance	104,342	14,284	118,626

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 $449.9M if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2020 - $464.5M).

The Group's credit spread methodology utilises gradient tenors and currency specific spreads. The appropriate credit spread for the agency or corporate fixed income security is determined using a cubic spline interpolation of the appropriate currency and credit rating category in the credit spread matrix based on the remaining tenor of the facility. This singular credit spread is then added to the discount spot rates to value the facility using the discounted cashflow method.

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

b. *Purchased Originated Credit-Impaired (POCI)*

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

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

The 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.

Valuation of the Government of Barbados Instruments Credit-Impaired

The amortisation 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 materialise 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 amortised prices were as follows:-

Instrument	**Series B**	**Series D**
Opening price at 1 October 2020	75.65	75.72
Interest accrued	5.08	4.98
Cash received	(1.00)	(1.5)
ECL unwinding	1.66	1.87
Calculated Price at 30 September 2021	81.39	81.07
Price Movement for Year	5.74	5.35

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 amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements. In the current Covid19 environment, additional factors were taken into consideration (note 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 judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Group is subject to income tax in various jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

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 exists, 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).

4 **Critical accounting estimates and judgements (continued)**

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 2021. 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 was performed in August 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 would 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 specialised 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 2021 is as follows:-

Year ended 30 September 2021	Retail banking $'000	Corporate banking $'000	Treasury & Investments banking $'000	Trustee & Asset management $'000	Group functions $'000	Total $'000
Net interest income	602,895	646,388	245,387	5,837	795	1,501,302
Inter-segment net interest income	100,174	(89,092)	(11,082)	--	--	0
Net fee and commission income	185,959	36,523	117,658	96,701	5,251	442,092
Foreign exchange gains	34,364	1,070	69,160	(320)	726	105,000
Other income	562	51,030	182,155	2,182	16	235,945
Total income	923,954	645,919	603,278	104,400	6,788	2,284,339
Loan impairment (charges)/write back	(53,960)	35,828	30,729	(49)	--	12,548
Depreciation and amortisation expense	(76,220)	(634)	(23,631)	(3,283)	(32,440)	(136,208)
Administrative expenses	(251,485)	(23,906)	(157,804)	(26,961)	(189,558)	(649,714)
Other operating expenses	(307,568)	(19,861)	(113,305)	(14,319)	(42,066)	(497,119)
Total non-interest expenses	(689,233)	(8,573)	(264,011)	(44,612)	(264,064)	(1,270,493)
Profit/(loss) before taxation	234,721	637,346	339,267	59,788	(257,276)	1,013,846
Income tax expense	(246)	(373)	(216,706)	(19,330)	--	(236,655)
Profit/(loss) for the year	234,475	636,973	122,561	40,458	(257,276)	777,191
As at 30 September 2021						
Total assets	10,059,472	12,962,991	24,516,932	734,074	734,596	49,008,065
Total liabilities	20,395,491	4,800,365	14,783,901	230,222	54,701	40,264,680

5 **Segment analysis (continued)**

a. *Segment results of operations (continued)*

Year ended 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	1797	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 amortisation 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	585,815	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)**

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

Year ended 30 September 2021	Total management reporting $'000	Adjustments and eliminations $'000	Total consolidated $'000
Net interest income	1,501,302	(1,550)	1,499,752
Non-interest income	783,037	(141,295)	641,742
Impairment losses	12,548	6	12,554
Non-interest expenses	(1,283,041)	10,139	(1,272,902)
Operating profit	1,013,846	(132,700)	881,146
Share of profit of associates and joint ventures accounted for by the equity method		20,869	20,869
Income tax expense	(236,655)	1,922	(234,733)
Profit for the year	777,191	(109,909)	667,282
As at 30 September 2021			
Total assets	49,008,065	(2,384,494)	46,623,571
Total liabilities	40,264,680	(1,586,516)	36,678,164

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

6 Cash and due from other banks

	2021 $'000	2020 $'000
Cash and bank balances	4,391,042	3,178,165
Short-term investments	2,048,641	1,998,691
	6,439,683	5,176,856
Short-term investments:		
- 3 months from the date of acquisition	1,038,170	773,559
- Maturity over 3 months	1,010,471	1,225,132
	2,048,641	1,998,691

The average effective interest rate on short-term bank deposits was 1.7% (2020: 1.7%); these deposits have an average maturity of 90 days (2020: 90 days).

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

Cash and bank balances	4,391,042	3,178,165
Short-term investments – maturity within 3 months	1,038,170	773,559
Due to other banks	(1,564,617)	(2,011,616)
	3,864,595	1,940,108

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 2021, the current ratio was 14% for First Citizens Bank Limited (2020: 14%) and 9% for First Citizens Depository Services Limited (2020: 9%). 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 2021, 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 2021 and 30 September 2020, the Bank and its qualifying subsidiaries were in compliance with these requirements.

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

	2021 $'000	2020 $'000
Listed investments	3,325,616	3,749,870
Unlisted investments	7,512,944	7,701,626
	10,838,560	11,451,496
Provision for impairment	(9,588)	(11,522)
	10,828,972	11,439,974
Debt securities		
Listed	2,789,342	3,423,996
Unlisted	7,501,333	7,677,904
	10,290,675	11,101,900
Equity securities		
Listed	527,744	321,040
Unlisted	10,553	17,034
	538,297	338,074
Current portion	3,366,845	3,670,790
Non-current portion	7,462,127	7,769,184
	10,828,972	11,439,974

Unlisted investments include securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago to the amount of $7,067.3M (2020: $7,503.5M).

Investment securities totalling $3,825M (2020: $4,015M) are pledged to secure the repurchase agreements (see Note 17).

Balance at beginning of the year	11,439,974	10,913,728
Exchange differences	(7,066)	12,905
Additions	9,183,363	8,968,805
Disposals	(9,909,806)	(8,595,449)
Net movements in provisions for impairment	1,934	37,814
Net amortisation of discounts/(premiums)	11,654	(3,145)
Fair value gains	108,919	105,316
Balance at end of year	10,828,972	11,439,974
Fair value (losses)/gains based on:		
Quoted market prices	19,942	(13,740)
Other techniques	88,977	119,056
	108,919	105,316
The movement in the provision for impairment is as follows:		
Allowance at beginning of the year	11,522	49,336
Charge/(Write back) for the year	3,791	(4,145)
Write off	(5,725)	(33,669)
Allowance at the end of year	9,588	11,522

8 (b) **Investment securities at fair value through profit or loss**

	2021 $'000	2020 $'000
Bond	23,113	22,351
Listed – equity securities	607	502
	23,720	22,853

The movement in investment securities may be summarised as follows:

At beginning of year	22,853	22,518
Exchange differences	(2)	1
Additions	400	419
Disposals	-	(19)
Fair value gain/(loss)	469	(66)
At end of year	23,720	22,853

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 **Investment securities- amortised cost**

Listed investments	1,734,442	1,801,424
Unlisted investments	3,147,921	3,238,563
	4,882,363	5,039,987
Provision for impairment	(30,567)	(38,574)
	4,851,796	5,001,413
Current portion	1,136,899	1,429,593
Non-current portion	3,714,897	3,571,820
	4,851,796	5,001,413
Balance at beginning of the year	5,001,413	4,940,230
Exchange differences	(6,976)	7,583
Additions	485,113	409,153
Disposals	(674,984)	(388,823)
Amortisation of unrealised gains	(844)	(866)
Fair value gains	5,296	6,372
Net amortisation of discounts	8,349	40,547
Net movement in provision	8,007	(12,783)
ECL gains on POCI	26,422	
Balance at end of year	4,851,796	5,001,413

10 Loans to customers

	2021 $'000	2020 $'000
Stage 1	11,494,263	13,432,012
Stage 2	5,628,499	4,965,173
Stage 3	1,404,205	1,101,119
	18,523,967	19,498,304
Performing loans	17,459,295	18,440,655
Underperforming loans	330,037	402,562
Non-performing loans	734,635	655,087
	18,523,967	19,498,304
Allowance for loan losses	(440,545)	(457,832)
	18,083,422	19,040,472

Loans analysed by sector

Consumer	3,848,393	3,983,454
Agriculture	50,194	83,219
Petroleum	1,074,234	1,452,240
Manufacturing	462,530	678,913
Construction	682,984	659,689
Distribution	829,572	929,808
Hotels and guest houses	1,184,121	1,234,491
Transport, storage and communications	749,305	662,717
Finance, insurance and real estate	3,787,016	4,283,707
Other business services	2,555,315	2,208,807
Personal services	21,140	24,717
Real estate mortgage	3,279,163	3,296,542
	18,523,967	19,498,304
Current portion	6,476,653	7,212,701
Non-current portion	12,047,314	12,285,603
	18,523,967	19,498,304

Allowance for loan losses

Allowance at beginning of the year	457,832	248,516
Exchange differences	(291)	286
Charge for the year	7,550	223,528
Loans written off during the year	(24,546)	(14,498)
Allowance at the end of year	440,545	457,832

Impairment loss on loans net of recoveries

Charge for the year	7,550	223,528
Amounts recovered during the year	(7,142)	(6,861)
	408	216,667

11 Loan notes	2021 $'000	2020 $'000
The loan notes due to the Group comprise the following:		
(i) Taurus Services Limited	68,486	136,971
(ii) First Citizens Holdings Limited (Holdings)	5,214	10,428
	73,700	147,399

(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 capitalised. Thereafter, accrued interest was capitalised 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 capitalised 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 capitalised. Thereafter, accrued interest was capitalised 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 capitalised interest to date amounted to $96.5 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, 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	54,812	50,691
Accrued receivable	138,483	86,257
Accrued interest	275,224	337,418
Due from parent	114	262
	468,633	474,628

13 Investments accounted for using equity method

Investment in joint venture	39,349	38,114
Investment in associates	191,713	168,350
	231,062	206,464

13 a. Investment in joint ventures

(i)Infolink Services Limited (ISL)	39,349	36,405
(ii)Trinidad & Tobago Interbank Payment System Limited (TTIPS)	--	1,709
	39,349	38,114
Beginning of the year	38,114	34,635
Disposal of investment in TTIPS	(1,709)	--
Share of profit after tax	2,944	3,479
At end of year	39,349	38,114

(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 2021, as the 30 September 2021 information was not available.

(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 was October. In March 2021, Infolink Services Limited acquired Trinidad and Tobago Interbank Payment System Limited

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest held
2021						
ISL	Trinidad & Tobago	165,227	7,830	30,364	11,780	25%
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%

13 b. **Investment in associates**

	2021 $'000	2020 $'000
Beginning of the year	168,350	157,297
Additions	22,500	--
Share of profit after tax	17,806	15,818
Exchange differences	(248)	247
Dividend received from associate	(16,695)	(5,012)
At end of year	191,713	168,350

(i) St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange. The investment in associate at 30 September 2021 includes goodwill of $4.6 million (2020: $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 2021 (2020: August 2020), are reflected below, as September 2021 was not available.

(ii) Term Finance Holdings Limited is incorporated in Trinidad and Tobago, whose principal activity is providing short term loans to individuals and small-medium sizes business. The investment in this company as at September 30 2021, includes goodwill of 14.5 million. 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 September 2021, are reflected below.

(iii)

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest held
2021						
St. Lucia Electricity Services Limited	St. Lucia	1,325,203	464,761	692,844	90,678	19.11%
Term Finance Limited	Trinidad and Tobago	67,325	26,655	9,336	2,376	19.99%
2020						
St. Lucia Electricity Services Limited	St. Lucia	1,368,536	511,914	692,820	82,761	19.11%

The fair value of the investment in associates at 30 September 2021 is $191.7 million (2020: $168.4 million).

14 Property 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 2021							
Opening net book amount	468,343	34,582	65,392	11,389	13,577	102,878	696,161
Additions	10	281	27,392	9,343	6,752	6,332	50,110
Disposals	(8,644)	--	(1,140)	(3,338)	(684)	(10,668)	(24,474)
Transfer	--	--	1,544	(1,544)	--	--	--
Revaluation surplus/(loss)	(32,046)	--	--	--	--	--	(32,046)
Impairment losses	(39,019)	--	--	--	--	--	(39,019)
Depreciation charge	(9,204)	(8,743)	(31,989)	--	(6,489)	(24,065)	(80,490)
Closing net book amount	379,440	26,120	61,199	15,850	13,156	74,477	570,242
As at 30 September 2021							
Cost/valuation	400,853	142,569	506,627	15,850	24,915	102,800	1,193,614
Accumulated depreciation	(21,413)	(116,449)	(445,428)	--	(11,759)	(28,323)	(623,372)
Net book amount	379,440	26,120	61,199	15,850	13,156	74,477	570,242
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

	Freehold premises $'000	Leasehold premises $'000	Motor vehicles & equipment $'000	Work in progress $'000	Total $'000
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

The impairment loss relates to a decrease in the fair value of the Group's freehold properties. This amount is recognised in Administrative expenses, as the impairment losses exceeds the revaluation surplus.

14 **Property and equipment (continued)**

a. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the 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.

Level 3	2021 $'000	2020 $'000
Land and building on freehold land	348,663	428,266
Building on Lease Land	28,400	37,827
Freehold Land	2,377	2,250
	379,440	468,343

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period.

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

As at 30 September 2021, the Group's freehold premises were stated at revalued amounts as determined by an independent valuator. The valuator indicated that 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 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.

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 (2020: $13.0M) with a corresponding entry in the reserve in shareholders' equity.

14 Property and equipment (continued)

a. *Recognised fair value measurements (continued)*

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

	2021 $'000	2020 $'000
Cost	381,590	390,223
Accumulated depreciation	(164,952)	(155,748)
Impairment loss	(39,019)	--
Net book amount	177,619	234,475

15 Intangible assets

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2021				
Acquisition cost	156,886	328,312	36,284	521,482
Accumulated amortisation	--	(259,755)	(35,435)	(295,190)
Net book amount	156,886	68,557	849	226,292
Period ended 30 September 2021				
Opening net book amount	156,886	62,186	4,787	223,859
Additions	--	31,825	--	31,825
Disposal	--	(2,115)	--	(2,115)
Amortisation charge	--	(23,339)	(3,938)	(27,277)
Closing net book amount	156,886	68,557	849	226,292
As at 30 September 2020				
Acquisition cost	156,886	324,702	36,284	517,872
Accumulated amortisation	--	(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	--	--	--	--
Amortisation charge	--	(18,912)	(3,937)	(22,849)
Closing net book amount	156,886	62,186	4,787	223,859

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 2021 for FCIS, revealed that the value in use is in excess of the carrying amount.

15 Intangible assets (continued)

Impairment test for goodwill

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

	2021 $'000	2020 $'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.

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

	FCIS	
	2021	2020
Net interest margin growth	6.12%	5.34%
Growth rate	3.99%	5.05%
Discount factors	4.92%	4.36%

Management determined the net interest margin and growth rate based on past performance and its expectations of the market developments.

16 Customers' deposits

Deposits are analysed by sector as follows:	2021 $'000	2020 $'000
Public institutions	10,415,824	11,952,823
Private institutions	8,116,422	7,123,281
Consumers	10,435,196	9,841,130
	28,967,442	28,917,234
Current portion	28,556,451	28,439,351
Non-current portion	410,991	477,883
	28,967,442	28,917,234

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $3.4 billion (2020: $3.4 billion) are at fixed rates. All other deposits are at variable rates.

17 Other funding instruments

	2021 $'000	2020 $'000
Repurchase agreements	3,506,701	4,015,263
Funds under management	6,420	28,240
USD fixed rate note	448,746	182,362
	3,961,867	4,225,865
Other funding instruments are analysed by sector as follows:		
Public institutions	1,573,532	1,593,927
Private institutions	1,323,537	1,553,028
Consumers	1,064,798	1,078,910
	3,961,867	4,225,865
Current portion	2,956,502	3,404,119
Non-current portion	1,005,365	821,746
	3,961,867	4,225,865

The securities sold under the repurchase agreements only include financial instruments classified at amortised 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	1,289,366	1,568,358
Medium term	275,251	443,258
	1,564,617	2,011,616

Short-term borrowings represented demand facilities via a number of financial institutions.

Medium term borrowings represent unsecured borrowings of US$11.09 million, and TT$200 million from clients for a period of one to three years (2020: US$36.09 million and TT$200.0million). The average interest rate for 2021 was 3.20% (2020: 2.80%).

19 Creditors and accrued expenses

Accrued expenses	174,850	202,946
Other liabilities	193,304	220,972
Interest payable	72,709	87,109
Due to GORTT	23,823	24,685
Due to brokers	3,455	3,927
Funds payable to bondholders	166,163	131,125
	634,304	670,764

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).

The Group in its capacity as bond paying agent receives payments from bond issuers on a periodic basis for payment to bond holders. Also, from time to time, the Group holds funds to remit to third parties for placement of investments on behalf of plans under management.

20 Leases

The Group leases many assets including buildings and vehicles. Information about the leases for which the Group is a lessee is presented as follows:-

	2021 $'000	2020 $'000
Opening balance:		
- Operating lease	110,576	116,247
- Finance lease	--	132
Revised opening balance	110,576	116,379
Exchange differences	(92)	105
Additions	7,562	14,718
Repayments	(34,949)	(20,626)
	83,097	110,576
Maturity analysis		
Less than one year	23,386	25,278
One to five years	55,143	72,910
More than five years	4,568	12,388
	83,097	110,576

The consolidated income statement reflects the following amount relating to leases:-

Interest expenses (included in finance cost)	6,995	8,869
Expenses related to short term leases (included in rent paid)	6,670	12,744

21 Defined benefit asset / (liability)

	2021 $'000	2020 $'000
a. *Net asset/(liability) in balance sheet*		
Present value of obligation	(1,517,062)	(1,590,857)
Pension plan assets at fair value	1,658,195	1,469,594
Net defined benefit asset/(liability)	141,133	(121,263)
b. *Movement in present value of defined benefits obligation:*		
Beginning of year	1,590,857	1,402,687
Current year service cost	53,821	56,202
Interest cost	88,079	77,803
Members' contributions	17,301	15,853
Re-measurements		
- Experience adjustments	(43,220)	54,579
- Actuarial gains from change in demographic assumptions	--	31,633
- Actuarial gains from change in financial assumptions	(140,102)	--
Benefits paid	(49,674)	(47,900)
Defined benefit obligation at end of year	1,517,062	1,590,857

c. *The defined benefit obligation is allocated among the Plan's members as follows:*

- Active	63%	65%
- Deferred members	5%	5%
- Pensioners	32%	30%

The weighted average duration of the defined benefit obligation at year end 18.3 years (2020 19.3 years)

Ninety-six percent (96%) of the benefits for active members are vested.
Forty-four percent (44%) of the defined benefit obligation for active member is conditional on future salary increases.

d. *Movement in fair value of plan assets:*		
Beginning of year	1,469,594	1,393,802
Interest income	81,487	77,134
Return of plan assets, excluding interest income	82,816	(18,826)
Company's contributions	58,236	51,110
Members contributions	17,301	15,853
Benefits paid	(49,674)	(47,900)
Expense allowance	(1,565)	(1,579)
Fair value of plan assets at end of year	1,658,195	1,469,594
Actual return on plan asset	164,303	58,308

21 **Defined benefit asset / (liability) (continued)**

	2021 $'000	2020 $'000
e. *Asset allocation*		
Local and regional equity securities	461,549	401,668
Overseas equities (outside CARICOM)	321,842	242,417
TT$ denominated bonds	769,430	704,317
US$ denominated bonds	40,004	40,269
Cash and cash equivalents	65,370	80,923
Fair value of plan assets at end of year	1,658,195	1,469,594

All asset values as at 30 September 2021 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local and regional 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.

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 70% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments.

There are asset-liability matching strategies used by the Plan.

	2021 $'000	2020 $'000
f. *Expenses recognised in profit or loss*		
Current service costs	53,821	56,202
Net interest on net defined benefit liability/asset	6,592	669
Administrative expenses	1,565	1,579
Net pension cost	61,978	58,450
g. *Re-measurement recognised in other comprehensive income*		
Experience (gains)/losses	(266,138)	105,038
Total amount recognised in other comprehensive income	(266,138)	105,038
h. *Reconciliation of opening and closing balance sheet entries*		
Opening defined benefit liability	(121,263)	(8,885)
Net pension cost	(61,978)	(58,450)
Re-measurements recognised in other comprehensive income	266,138	(105,038)
Company contribution paid	58,236	51,110
Closing defined benefit asset/(liability)	141,133	(121,263)

21 **Retirement benefit liability (continued)**

	2021 $'000	2020 $'000
i. *Summary of principal assumptions as at 30 September*		
Discount rate	6.0%	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 2021 are as follows:

Life expectance at age 60 for current pensioners in years		
- Male	21.8	21.8
- Female	26.1	26.0
Life expectance at age 60 for current members age 40 in years		
- Male	22.7	22.7
- Female	27.0	27.0

j. *Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2021 would have changed as a result of a change in the assumptions used.

1% pa increase	2021 $'000	2020 $'000
Discount rate	(223,800)	(251,447)
Future salary increases	123,299	138,413
Future pension increases	163,122	188,288
1% pa decrease		
Discount rate	303,212	339,364
Future salary increases	(103,912)	(116,364)
Future pension increases	(134,341)	(149,816)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2021 by $23.9 million (2020: $26.3 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 Plan 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 $58.4million to the Pension Plans during 2021/2022.

22 Bonds payable

	2021 $'000	2020 $'000
(i) Fixed Rate Bond TTD 400 Million (Series 1)	--	400,000
(ii) Fixed Rate Bond TTD 100 Million (Series 2)	100,000	100,000
(iii) Fixed Rate Bond TTD 900 Million	630,000	900,000
(iv) Fixed Rate Bond USD 90.4 Million	605,011	606,801
(v) Fixed Rate Bond TTD 860.7 Million	860,755	860,755
(vi) Multiple Series BBD Bond	158,063	137,667
(vii) Fixed Rate Bond USD 92.36 Million	618,142	619,971
	2,971,971	3,625,194
Current portion	74,171	537,667
Non current portion	2,897,800	3,087,527
	2,971,971	3,625,194

(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. This Bond was repaid in August 2021.

(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, which was not exercised.

(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. On 28 October 2020, the Bank repurchased $270.0 million of this Bond.

(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, which was not exercised.

(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.

(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 2 Bond – In January 2020, this bond for BBD 21.75 million was issued. This bond is unsecured and carries a fixed rate of 2.25%, with a tenor of one (1) year. This Bond was repaid in January 2021.
- Series 3 Bond – In September 2020, this bond for BBD 18.5 million was issued. This bond is unsecured and carries a fixed rate of 2.0% with a tenor of one (1) year. This Bond was repaid in September 2021
- Series 4 Bond – In February 2021, this bond for BBD 21.75 million was issued. This bond is unsecured and carries a fixed rate of 2.00%, with a tenor of one (1) year.
- Series 5 Bond – In September 2021, this bond for BBD 24.6 million was issued. This bond is unsecured and carries a fixed rate of 2.25%, with a tenor of two (2) years.

22 **Bonds payable (continued)**

(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

	2021 $'000	2020 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(271,178)	(275,739)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on the fair value through other comprehensive income Investment securities	(32,035)	(32,645)
-Revaluation on property	2,283	--
- Revaluation on amortised cost due to reclassification	253	1,894
- Remeasurement of defined benefit liability	(93,148)	36,763
Charge/(credit) to consolidated statement of income (note 34)	34,684	(1,451)
At end of year	(359,141)	(271,178)

Deferred income tax assets and liabilities are attributable to the following items:

	Balance at 1.10.20 $'000	(Charge)/credit to income statement $'000	(Charge)/credit to other comprehensive income $'000	Balance at 30.09.21 $'000
Deferred income tax assets				
Provisions	174	(129)	--	45
Tax losses	--	559	--	559
Lease liabilities	--	26,069	--	26,069
Fair value measurement of assets through profit or loss	383	(247)	--	136
	557	26,252	--	26,809
Deferred income tax liabilities				
Retirement benefit asset	(9,071)	1,310		(7,761)
Re-measurement of defined benefit liability	(38,991)	--	(93,148)	(132,139)
Fair value measurement of fair value through other comprehensive income	(151,273)	936	(32,035)	(182,372)
Fair value measurement of amortised cost	(1,676)	(394)	253	(1,817)
Intangible asset recognised on business combination	(287)	1,921	--	1,634
Zero coupon instruments	(38,226)	25,408	--	(12,818)
Right of use assets	--	(23,418)	--	(23,418)
Accelerated tax depreciation	(18,535)	2,682	--	(15,853)
Unrealised exchange and other gains	(6,231)	(13)	--	(6,244)
Revaluation gain on property and equipment	(4,174)	--	2,283	(1,891)
Revaluation of PPE – Associates	(3,271)	--	--	(3,271)
	(271,735)	8,432	(122,647)	(385,950)
Net deferred income tax liability	(271,178)	34,684	(122,647)	(359,141)

23 Deferred income tax (continued)

	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 amortised cost	(3,519)	(51)	1,894	(1,676)
Intangible asset recognised 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)
Unrealised exchange and other gains	(6,029)	(202)	--	(6,231)
Revaluation gain on property 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)

24 Notes due to parent company

	2021 $'000	2020 $'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 Trinidad and Tobago Stock Exchange.

	2021 $'000	2020 $'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.

25 Share capital (continued)

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 Group 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 Group's employees who are participants in the ESOP to the Trustee to be applied towards the purchase of shares in the Bank to be held by the Trustee for 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:

	2021	2020
Shares allocated to the Plan		
Opening balance	5,015,232	5,375,958
Shares allocated to employees	(309,278)	(360,727)
	4,705,954	5,015,231

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. 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.

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.

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 recognised in profit or loss, net of deferred tax, until the assets are derecognised or impaired.

For equity financial assets which are measured at FVOCI, fair value gains and losses are not recycled to the statement of income.

ii *Revaluation reserve*

The revaluation reserve relates to the revaluation of the freehold property.

28 **Other reserve (continued)**

iii. *Re-measurement of defined benefit obligation*

The re-measurements of the defined benefit obligation represent 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.

29 **Interest income**

	2021 $'000	2020 $'000
Loans to customers	1,139,422	1,257,548
Financial assets (FVOCI, amortised cost and FVPL)	684,163	766,324
Loan notes	14,771	23,377
	1,838,356	2,047,249

30 **Interest expense**

Customers' deposits	62,146	110,684
Other funding instruments	127,679	161,295
Notes payable	10,278	9,725
Bonds payable	138,501	138,849
	338,604	420,553

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 2021	**Retail banking $'000**	**Corporate banking $'000**	**Treasury & investment banking $'000**	**Trustee & asset management $'000**	**Group Functions $'000**	**Total $'000**
Account service fees	34,548	644	1,598	--	--	36,790
Transaction fees	123,091	9,256	11,669	--	--	144,016
Asset management fees	8,850	637	98,559	96,701	(11,052)	193,695
Underwriting & brokerage fee	--	15,120	10,333	--	--	25,453
Financial guarantees & loan commitments	19,470	10,866	750	--	--	31,086
Total fees and commission	185,959	36,523	122,909	96,701	(11,052)	431,040
Time of revenue recognition						
At a point in time	123,091	24,376	22,002	--	--	169,469
Transferred over time	62,868	12,147	100,907	96,701	(11,052)	261,571
	185,959	36,523	122,909	96,701	(11,052)	431,040

31 Fees and commissions (continued)

Disaggregation of fees and commission income (continued)

Year ended 30 September 2020	Retail banking $'000	Corporate banking $'000	Treasury & investment 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	92,734	125,639	(9,090)	432,945

All fees and commissions are specific to the service contract and are recognised as stated in note 2.p.

32 Other Income

	2021 $'000	2020 $'000
Foreign exchange transaction gains less losses	117,581	152,117
Foreign exchange translation gains less losses	(12,581)	(2,478)
Other Income	18,836	6,428
	123,836	156,067

33 Credit impairment write back on investments

Writeback/(charge) to impairment allowances	1,440	(329)
Net (loss)/gain on derecognition of financial assets	(1,699)	9,661
Gain/(loss) on the recognition POCI	13,214	(5,952)
Exchange difference	7	--
	12,962	3,380

34 Administrative expenses

Staff expenses	533,741	550,489
Pension expenses (note 21.f)	61,978	58,450
Other administrative expenses	40,322	49,316
Depreciation	80,270	76,772
Amortisation charges	23,339	18,912
Impairment loss on non-financial assets (note 14)	39,160	--
	778,810	753,939

The number of permanently employed staff as at the year-end was as follows:

	2021		2020	
	Employees	%	Employees	%
First Citizens Bank Limited	1,550	83	1,561	83
Subsidiaries	318	17	322	17
	1,868	100	1,883	100

35 Other operating expenses

	2021 $'000	2020 $'000
Property expenses	53,844	66,525
Technical and professional	51,203	26,530
Advertising expenses	8,392	8,361
Hardware and software maintenance	53,681	42,110
Deposit insurance (see below)	42,543	38,840
Credit card expenses	99,450	83,586
Equipment rental & maintenance	19,931	20,609
Communication charges	15,951	18,939
Security services	14,278	16,610
Stationery and service related expenses	13,027	15,761
Tax on assets	9,040	8,586
Operating expenses	112,753	108,617
	494,093	455,074

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

	2021 $'000	2020 $'000
Current tax	267,987	236,869
Prior period under/(over) provision	1,430	(13,541)
Deferred tax (Note 23)	(34,684)	1,451
	234,733	224,779

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	902,015	831,645
Tax calculated 35% (2020 35%)	315,706	291,078
Income exempt from tax	(167,534)	(125,459)
Expenses not deductible for tax purposes	106,980	94,392
Prior period under/(over) provision	1,430	(13,541)
Effects of different tax rates in other countries and businesses within the group	(21,849)	(21,691)
	234,733	224,779

37 Dividends

Ordinary dividend paid – final for 2020: $0.45 (2019: $0.49)	110,508	120,330
Ordinary dividend paid – interim for 2021: $1.01 (2020: $0.92)	250,182	225,927
Preference dividend paid	2,922	2,922
	363,612	349,179

38 Related party transactions and balances

a. *Directors and key management personnel*

	2021 $'000	2020 $'000
Salaries and other short-term employee benefits	56,102	64,490
Loans and receivables	11,254	12,552
Interest income	488	592
Customers' deposits	21,515	21,337
Interest expense	259	245
Other funding instruments	6,830	707
Interest expense- other funding instruments	15	13

b. *Transactions with parent*

Customers' deposits	2,768	2,087
Long term notes (Note 23)	58,000	58,000
Loan note (Note 11 (ii))	5,214	10,428
Interest income on loan notes	1,049	1,653
Due from parent	114	262

c. *Pension plan*

Employer's contribution (Note 20.d)	58,236	51,110

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: -

	2021 $'000	2020 $'000
Assets		
Loan notes with Taurus Services Limited (Note 11 (i))	68,486	136,971
Liabilities		
Due to GORTT (Note 19)	22,753	22,890
Interest income		
Loan notes with Taurus Services Limited	13,777	21,718

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:

	2021 $'000	2020 $'000
Loans and receivables	3,805,081	4,564,236
Interest income	241,610	306,236
Customers' deposits	10,312,881	11,846,181
Interest expense	22,012	45,390
Investment securities - FVOCI	8,639,501	8,461,515
Investment securities - Amortised cost	541,434	541,972
Investment income	416,916	404,459

f. The (COVID – 19) Small & Medium Enterprises (SME) Stimulus Loan is an initiative the GORTT embarked upon, 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.

	2021 $'000	2020 $'000
SME loans	14,125	10,800
Interest income	405	48

39 **Commitments**

a. *Capital commitments*

Capital expenditure approved by the Directors but not provided for in these accounts	149,924	104,042

b. *Credit commitments*

Commitments for loans approved not yet disbursed	561,569	456,827

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.

	2021 $'000	2020 $'000
Acceptances	33,185	63,053
Guarantees	146,397	156,023
Letters of credit	25,758	31,206
	205,340	250,282

41 Subsequent events

On 30 June 2021, the shareholders of First Citizens Bank Limited (the Bank) approved, subject to regulatory approvals, the corporate legal restructure of the First Citizens Group wherein the Bank would no longer be the "de facto" holding company of the First Citizens Group. First Citizens Group Financial Holdings Limited (FCGFH) would become the financial holding company of the Bank and its subsidiaries. The Bank would become a subsidiary of FCGFH and the shareholders of the Bank would hold shares in FCGFH in the same percentage that they held in the Bank.

On 15 October 2021, following receipt of regulatory approvals, the Bank was delisted and FCGFH was listed on the Trinidad and Tobago Stock Exchange. FCGFH commenced trading on 18 October 2021.