Statement of Management's Responsibility

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2019, the consolidated income statement, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act and the Financial Institution Act (FIA) 2008; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management 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
9 December 2019

Shiva Manraj
Group Chief Financial Officer
9 December 2019

Independent Auditor's Report

To the shareholders of
First Citizens Bank Limited and its subsidiaries

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

First Citizens Bank Limited's consolidated financial statements comprise:
- the consolidated statement of financial position as at 30 September 2019;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

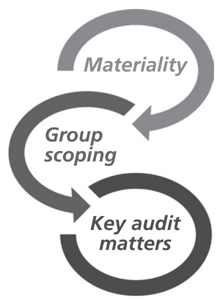
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality: TT$53 million, which represents 5% of profit before tax.
- The group audit included full scope audits of three significant components, two domiciled in Trinidad and Tobago and one in Barbados.
- The group audit covered 89% of profit before tax and 97% of total assets.
- IFRS 9 'Financial Instruments' – Probabilities of Default & Forward Looking Assumptions
- Purchased or Originated Credit-Impaired Assets - Government of Barbados financial assets.

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. The following components below were considered individually financially significant components and were subject to full scope audits for group audit purposes:

- First Citizens Bank Limited
- First Citizens Investment Services Limited

First Citizens Bank Barbados Limited was considered a significant component based on risk. In establishing the overall group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the Group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work. Our group scoping provided coverage of approximately 89% of profit before tax and 97% of total assets of the Group. We also performed consolidated risk assessment analytical procedures over the remaining components.

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$53 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT$2.6 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report (continued)

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' – Probabilities of Default & Forward Looking Assumptions
Refer to note 2.e.i. & 3.a. to the consolidated financial statements for disclosures of related accounting policies and balances

The expected credit loss model affects all financial instruments. The balances impacted by probabilities of default & forward looking assumptions are listed in note 3.a.ix, valued at TTD$44B.

Probabilities of default (PDs) represent the likelihood of a borrower defaulting on its financial obligation either over the next twelve months, or over the remaining lifetime of the obligation. This is one of the three critical elements used in the expected credit loss (ECL) calculation.

The lifetime and twelve (12) month PDs are determined differently for loans and investment securities.

Loans' PDs are derived by management from the historical experience of the Group, calculated using a vintage analysis methodology.

The investment securities' PDs for sovereign and corporate instruments are derived by management from the Standard & Poors' (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study.

For loans the Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. A scorecard model was developed, with the macro-economic factors and the weights attached are based on management's judgement and experience.

For the investment portfolio, management performs scenario analysis to determine the impact of future economic conditions on the PDs in the countries in which the group has securities. A macro economic indicator is determined, which is statistically linked to the credit risk of the sovereign.

We have focused on this area, because of the volume of historical data and complexity of the technique used to determine PDs, and the number of significant assumptions made by management regarding possible future economic scenarios.

- We updated our understanding of the Group's business model assessment and processes and performed an evaluation of the calculation of the ECL for investments and loans;
- We tested the critical data fields used in the PD model, such as origination date, date of maturity, credit rating and date of default, by tracing data back to source documents for both investments and loans;
- In assessing the reasonableness of the PDs for loans, we verified the critical data inputs into the vintage analysis against source documents;
- For loans and investments forward looking assumptions, we were assisted by our accounting specialist in assessing the reasonableness of the forward looking information. This entailed evaluating and testing the relevant macro economic indicators used and application of the assumptions in the model.
- In evaluating the forward looking assumptions, we assessed their consistency with those used in the comparative period and determined whether there were any significant changes in the macro economic environment.

Based on the procedures performed, no adjustments were considered necessary.

Key audit matter — **How our audit addressed the key audit matter**

Purchased or Originated Credit-Impaired - Government of Barbados financial assets
Refer to notes 4.c. to the consolidated financial statements for disclosures of related accounting policies and balances.

On the 1 October 2018, upon restructure of the Government of Barbados (GOB) debt, the Group received bonds with a face value of TTD$832M. The Group estimated the fair value of these bonds on recognition to be TTD$539M.

At the point of exchange, the new instruments were recognised at their fair value. Management determined the fair value of the new instruments by applying an internally developed yield curve to the contractual cash flows of the new instruments. The carrying value of these new instruments also incorporates future lifetime ECL in accordance with IFRS 9.

Management determined that these instruments met the criteria of Purchased or Originated Credit-Impaired (POCI) assets.

We focused on this area because of its complex and significant nature. This also represents the first sovereign investment to default since the implementation of IFRS 9.

- We inspected correspondence from the issuer and compared the carrying amount of the investment to ensure it is in line with the face value restructured amount as recorded in the accounting records;
- We assessed the Group's prior year bond pricing to ensure consistency of the fair value on recognition;
- We inspected and evaluated the GOB Series offer which outlined the contractual cashflows for the instrument;
- We tested the opening and closing ECL by performing the following:
  - agreed the PDs applied to S&P default data;
  - agreed the Loss Given Default (LGD) applied to Moody's recovery rates;
  - tested the mathematical accuracy of the ECL calculation.
- We were assisted by our accounting specialists and performed the following procedures:
  - evaluated of the reasonableness of the Effective Interest Rate (EIR) and the Credit Adjusted Effective Interest Rates (CAEIR) used in management's computation; and
  - tested management's computation of the amortisation of the investment interest and contractual cashflows using their CAEIR;
- We tested all interest received for the period to ensure payments are being received and recorded in accordance with the restructure terms;
- We assessed whether the financial statement disclosures are in accordance with the requirements of IFRS 9.

Based on the procedures performed, no adjustments were considered necessary.

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.
- 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, related safeguards.

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

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

PricewaterhouseCoopers

Port of Spain,
Trinidad,
West Indies
10 December 2019

Consolidated Statement of Financial Position
(Expressed in Trinidad and Tobago dollars)

	Notes	As at 30 September 2019 $'000	2018 $'000
Assets			
Cash and due from other banks	6	3,675,964	4,781,891
Statutory deposits with Central Banks	7	3,507,579	4,243,111
Investment securities			
- Hold to collect and sell	8(a)	10,913,728	10,524,104
- Fair value through profit or loss	8(b)	22,518	13,852
- Hold to collect	9	4,940,230	4,590,400
Loans and receivables less allowances for losses:			
- Loans to customers	10	18,624,265	16,014,956
- Loan notes	11	221,099	294,799
Other assets	12	385,664	505,666
Investment accounted for using equity methods	13	191,932	185,256
Due from parent company		363	249
Tax recoverable		78,780	67,327
Property, plant and equipment	14	596,937	603,083
Intangible assets	15	222,688	219,871
Total assets		43,381,747	42,044,565
Liabilities			
Customers' deposits	16	25,850,690	25,499,746
Other funding instruments	17	4,175,011	4,386,739
Due to other banks	18	2,204,290	1,512,249
Creditors and accrued expenses	19	661,531	748,499
Taxation payable		66,695	132,855
Retirement benefit liability	20	8,885	24,733
Bonds payable	21	2,928,855	2,865,766
Deferred income tax liability	22	275,739	194,261
Notes due to parent company	23	58,000	58,000
Total liabilities		36,229,696	35,422,848
Share capital	24	458,557	458,557
Statutory reserves	25	884,689	879,335
Retained earnings	26	4,712,675	4,381,936
Other reserves	27	1,096,130	901,889
Total shareholders' equity		7,152,051	6,621,717
Total equity and liabilities		43,381,747	42,044,565

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

On 9 December 2019, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Anthony Isidore Smart Director   Director

Consolidated Income Statement
(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2019 $'000	2018 $'000
Interest income	28	2,034,298	1,887,075
Interest expense	29	(401,004)	(328,125)
Net interest income		1,633,294	1,558,950
Fees and commissions	30	467,561	435,310
Gains from investment securities		24,303	77,794
Other income	31	150,659	144,727
Total net income		2,275,817	2,216,781
Credit impairment losses on loans	10	(22,257)	(73,013)
Credit impairment writeback/(losses) on other financial assets	32	36,733	(105,011)
Administrative expenses	33	(764,999)	(608,473)
Other operating expenses	34	(482,440)	(438,496)
Operating profit		1,042,854	991,788
Share of profit in associate	13(a)	15,821	13,919
Share of profit in joint ventures	13(b)	4,100	4,319
Profit before taxation		1,062,775	1,010,026
Taxation	35	(311,046)	(336,333)
Profit for the year		751,729	673,693
Earnings per share			
Basic		$2.98	$2.67
Weighted average number of shares			
Basic		251,353,562	251,353,562

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

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

	Year ended 30 September 2019 $'000	2018 $'000
Profit for the year	751,729	673,693
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement of defined benefit obligation	25,916	2,567
Net gains on investments in equity instruments designated at FVOCI	8,240	10,887
Revaluation of property, plant and equipment, net of tax	1,725	3,061
	35,881	16,515
Items that may be reclassified to profit or loss		
Amortisation of loss hold to collect assets, net of tax	(3,339)	(1,189)
Exchange difference on translation	(10,325)	(2,201)
Net gain/(loss) on financial assets measured at FVOCI	198,630	(102,220)
Reclassified to profit or loss on disposal	(24,303)	(77,794)
	160,663	(183,404)
Total other comprehensive income/(loss) for the year	196,544	(166,889)
Total comprehensive income for the year	948,273	506,804

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

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

	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Re-measurement of Defined Benefits $'000	Revaluation Surplus $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 October 2018	458,557	879,335	545,206	114,768	164,358	77,557	4,381,936	6,621,717
Profit for the year	—	—	—	—	—	—	751,729	751,729
Other comprehensive income for the year	—	—	179,228	25,916	1,725	(10,325)	—	196,544
Other comprehensive income for the year	—	—	(2,303)	—	—	—	2,303	—
Transfer to statutory reserve	—	5,354	—	—	—	—	(5,354)	—
Dividends	—						(417,939)	(417,939)
Balance at 30 September 2019	458,557	884,689	722,131	140,684	166,083	67,232	4,712,675	7,152,051
Balance as at 1 October 2017	458,557	879,335	753,975	112,201	161,297	79,758	4,306,459	6,751,582
Change on initial application of IFRS 9	—	—	(38,453)	—	—	—	(145,897)	(184,350)
Restated balance as at 1 October 2017	458,557	879,335	715,522	112,201	161,297	79,758	4,160,562	6,567,232
Profit for the year							673,693	673,693
Other comprehensive loss for the year	—	—	(170,316)	2,567	3,061	(2,201)	—	(166,889)
Dividends	—	—	—	—	—	—	(452,319)	(452,319)
Balance at 30 September 2018	458,557	879,335	545,206	114,768	164,358	77,557	4,381,936	6,621,717

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

Consolidated Statement of Cash Flows
(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2019 $'000	2018 $'000
Profit before taxation		1,062,775	1,010,026
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associate		(15,821)	(13,919)
Share of profit in joint ventures		(4,100)	(4,319)
Interest income		(2,034,298)	(1,887,075)
Interest received		2,009,499	1,860,282
Interest expense		401,004	328,125
Interest paid		(390,469)	(305,169)
Depreciation	14	87,424	47,942
(Gains)/loss on disposal of property, plant and equipment		(32)	372
Gain on sale of hold to collect and sell financial assets		(24,303)	(77,794)
Amortisation of premium on investment securities		(3,874)	(6,818)
Amortisation of bond issue cost		1,721	1,224
Amortisation of intangible asset	15	20,969	23,966
Net movement in impairment allowance on other financial assets		(320,913)	105,015
Net pension expense	20	53,911	4,634
Net movement in allowance for loan loss		3,166	(59,628)
Cash inflows from operating activities before changes in operating assets and liabilities		846,659	1,146,120
Net change in loans to customers		(2,612,475)	(1,519,684)
Net change in customers' deposits		350,944	1,523,077
Net change in other funding instruments		(211,727)	55,634
Net change in other assets		144,799	(139,002)
Net change in due from parent company		(114)	(75)
Net change in statutory deposits with Central Bank		735,533	(855,410)
Dividends received		535	404
Net change in creditors and accrued expenses		(97,503)	182,864
Pension contributions paid	20	(29,888)	(32,213)
Taxes paid		(399,264)	(280,710)
Net cash outflows used in operating activities		(1,272,501)	(81,005)

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

Consolidated Statement of Cash Flows *(continued)*
(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2019 $'000	2018 $'000
Cash flows from investing activities			
Purchase of Investments			
- Hold to collect and sell	8(a)	(7,543,891)	(10,199,821)
- Hold to collect	9	(1,623,169)	(1,084,925)
- Fair value through profit or loss	8(b)	(529)	(13,462)
Proceeds from sale of investments			
- Hold to collect and sell	8(a)	7,421,241	10,399,451
- Fair value through profit or loss	8(b)	13,465	618
Proceeds from maturity/redemption of Hold to collect	9	1,589,507	977,584
Repayment on loan notes receivable		73,700	73,700
Net change in short-term investments		55,762	24,389
Proceeds from disposal of property, plant and equipment		1,175	3,566
Purchase of intangible assets	15	(24,064)	(32,744)
Purchase of property, plant and equipment and intangibles	14	(80,431)	(59,007)
Net cash (outflows)/inflows from investing activities		(117,234)	29,349
Cash flows from financing activities			
Net change in debt securities	21	63,089	1,465,766
Ordinary dividend paid		(415,017)	(449,397)
Preference dividend paid		(2,922)	(2,922)
Net cash (outflows)/inflows from financing activities		(354,850)	1,013,447
Effect of exchange rate changes		2,380	(10,508)
Net (decrease)/increase in cash and cash equivalents		(1,742,206)	1,113,293
Cash and cash equivalents at beginning of period		2,806,825	1,693,532
Cash and cash equivalents at end of period	6	1,064,619	2,806,825

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

Notes to the Consolidated Financial Statements
(Expressed in Trinidad and Tobago dollars)

1 General information

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

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

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

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

The Group currently comprises the following entities:

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Depository Services Limited	The Company acts as custodian to third parties and provides paying agent services.	Trinidad & Tobago	100%
First Citizens Bank (Barbados) Limited	Banking, including the provision of mortgages for residential and commercial properties	Barbados	100%
First Citizens Costa Rica SA	Service related transactions	Costa Rica	100%
First Citizens Financial Services (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%

1 General information (continued)

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Investment Services Limited and its subsidiaries	Investment & asset management services and repo business	Trinidad & Tobago	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and paying agency services	Trinidad & Tobago	100%
The Group also has investments in the following entities:			
Infolink Services Limited	Provision of automated banking reciprocity services	Trinidad & Tobago	25%
Trinidad and Tobago Interbank Payment System Limited	Automated clearing house	Trinidad & Tobago	14%
St. Lucia Electricity Services Limited	Provision of electrical power to consumers	St. Lucia	19%

2 Summary of significant accounting policies

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

a. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, hold to collect and sell financial assets and financial assets classified at fair value through profit or loss (FVTPL).

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

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

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

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

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

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2019 and have not been early adopted by the Group:

- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.

- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

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

- IFRS 9 Amendment - Prepayment Features with Negative Compensation (Effective 1 January 2019). This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

- IAS 28 Amendments - Long-term Interests in Associates and Joint Ventures (Effective 1 January 2019). This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- 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.

- IAS 19 Amendments - Plan Amendment, Curtailment or Settlement (effective 1 January 2019). The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

- 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.

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

b. **Consolidation**

(i) *Principles of consolidation*

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

Inter-company transactions, balances and 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.

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

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

2 Summary of significant accounting policies (continued)

b. Consolidation (continued)

(iii) *Business combinations and goodwill (continued)*

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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.

(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.

(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 (2018 - TT$6.6926 = US$1.00), which represent the Group's mid rate. The exchange rate between the TT dollar and the Barbados dollar as at the date of these statements was TT$3.4102 = BB$1 (2018 - TT$3.4102 = 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 hold to collect and sell 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 hold to collect and sell financial assets are included in other comprehensive income.

(iii) *Group companies*

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average cover exchange rates for the financial year, and

(c) all resulting exchange differences are 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 for trading
• Hold to collect and sell or
• Hold to collect

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

Amortised cost

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

Fair value through other comprehensive income (FVOCI)

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

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

Fair value through profit or loss

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

(a) *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.

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

Hold to Collect	Hold to Collect & Sell	Hold for Trading
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 (GOTT)	Eurobonds	
Non-Eurobonds maturing in greater than 3 years at recognition	Treasury Bills	
Loans & receivables	Canadian Treasury Bills	
Securities sold under repurchase agreements to clients and brokers	Non-Eurobonds maturing in less than 3 years at recognition	
Long Term Borrowings from brokers in the form of Total Return Swaps	Cash	
Medium Term Notes		

Solely payments of principal and interest (SPPI)

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

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

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

(b) *Equity instruments*

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

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. These financial assets are presented within investment securities held to collect and sell. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are 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.

(i) *Modification of loans*

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset 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.

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

(c) *Impairment*

(ii) *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.

(ii) *Financial liabilities*

(i) *Classification and subsequent measurement*

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments (see note 2.f).

(ii) *Derecognition*

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

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

f. *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.i.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.

j. *Lease transactions*

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

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

(i) The Group as the lessee

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

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

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

2 Summary of significant accounting policies (continued)

j. *Lease transactions (continued)*

(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.

k. *Property, plant and equipment*

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

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

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

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

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

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

Depreciation and 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, plant 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.

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.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated based on cash outflows allocated to current or prior periods using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

(ii) *Profit sharing and bonus plans*

The Group 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 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 of cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased net of balances "due to other banks".

o. *Interest income and expense*

Interest income and interest expense are 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 fees and point paid or received that are integral to the effective interest rate, such as origination fees.

For financial assets that are credit impaired (stage 3), interest income is calculated by applying the effective interest rate (EIR) to the carrying value net of the expected credit loss provision. For financial assets classified as Purchased or Originated Credit Impaired (POCI), interest income is calculated by applying a credit-adjusted EIR (based on an initial expectation of credit losses) to the 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.

2 Summary of significant accounting policies (continued)

p. *Fee and commission income*

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

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

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

(i) *Retail and corporate banking services*

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

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

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

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

Revenue from account service and servicing fees is 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 is 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.

q. *Dividend income*

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

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. Intangible assets with an indefinite useful life are not amortised. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

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

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

(i) *Goodwill*

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

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

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

(ii) *Other Intangible assets*

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

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

2 Summary of significant accounting policies (continued)

w. *Intangible assets (continued)*

(iii) *Computer software*

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

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

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

x. *Fiduciary activities*

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

y. *Earnings per share*

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

z. *Segment reporting*

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

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, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

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

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

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

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

The most significant important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks including commodity and equity risk.

a. *Credit risk*

Credit risk is the risk of suffering 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. The credit risk management and control are centralised in the Group Credit Risk Management Unit which reports regularly to the Group Chief Risk Officer, the Senior Management Enterprise Risk Management Committee and the Board Credit Committee.

(i) *Credit risk management*

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee, 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 SMERC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of GCRM is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's documented Credit Policy Manuals. These documents set out in detail the policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function.

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

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

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

(ii) *Credit risk grading*

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

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.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(ii) *Credit risk grading (continued)*

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.

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

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

(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 includes an explanation of how the Group has incorporated this in its ECL model.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

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

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

Significant decrease in credit risk (SDCR)

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

First Citizens

Notes to the Consolidated Financial Statements *(continued)*
(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

a. *Credit risk (continued)*

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

Investment Securities

Criteria	*Investment Grade Portfolio*	*Single "B" Speculative Grade Portfolio*
Absolute Measure	PD - 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

(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.

Qualitative criteria

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

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

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

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 consecutive period of six months.

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 per "Definition of default and credit-impaired assets" in note 3.a.iv), either over the next twelve (12) months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next twelve (12) months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance less the discounted collateral value. Collateral values are discounted by first making adjustments to account for the cost of disposal and the expected time it would take to sell the collateral. This present value of this reduced collateral value is then calculated by discounting it by the effective interest rate of the facility.

- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan and represents management's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and product type, while the availability of collateral is factored before LGD is considered.

PDs

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

EAD

For amortising products and bullet repayment loans, EAD is based on the contractual repayments owed by the borrower over a twelve (12) month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.

For revolving products, the 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 a two (2) year period. (Note 3.a.vi)

LGD

The twelve (12) month and lifetime LGDs are determined based on historical recovery rates and vary by product type and are influenced by the collection strategies of the specialist units managing the process. (Note 3.a.vi). For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2018). Corporate 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 were calculated as six (6) years for FCTT and seven (7) years for FCBB. In determining the tenor of these facilities an average of the accounts in existence at the reporting date, together with the accounts closed over the last ten years was used to calculate the average life.

Overdrafts

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

Recovery rates

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

Notes to the Consolidated Financial Statements *(continued)*
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3 Financial risk management (continued)

a. Credit risk (continued)

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

For each jurisdiction, four macro-economic factors were used. Unemployment rate, real GDP growth and inflation were used in all jurisdictions, while the remaining factor differed for each country. 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.

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

	Base	**Upside**	**Downside**
Loans	80%	10%	10%

The weighting assigned to each economic scenario as at 30 September 2018 were as follows:-

	Base	**Upside**	**Downside**
Loans	80%	10%	10%

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 probability of defaults in these countries. A macro-economic indicator is determined, which is statistically linked to the credit risk of that sovereign. Correlation analysis is conducted between this macro-economic indicator 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 lead macro-economic indicator on each credit risk driver, ordinary least squares (OLS) regression is conducted. To establish scenarios the lead macroeconomic indicator is 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best-and worse-case. The new values derived are run through a regression model to quantify relationship between credit rating and the scenarios.

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 Research & Analytics 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 2019 are set out below. The scenarios "base", "best" and "worst" were used for the investment portfolios.

Sensitivity analysis

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

Retail portfolios

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

Corporate/Commercial portfolios

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

Set out below are the changes to the ECL as at 30 September 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used by management (for example, the impact on ECL of increasing the estimated unemployment rate by 1% in each of the base, best and worst case scenarios):

	September-19			**September-18**		
Unemployment Rates		**PDs**			**PDs**	
	-1% "000	**No Change "000**	**1% "000**	**-1% "000**	**No Change "000**	**1% "000**
	1,655	—	1,655	40,029	—	40,029
GDP		**LGDs**			**LGDs**	
	-5% "000	**No Change "000**	**5% "000**	**5% "000**	**No Change "000**	**5% "000**
	3,436	—	3,436	2,854	—	2,854

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

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

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

Groupings for collective measurement
- Credit Cards – All Stages
- Retai – All stages

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

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

(viii) *Risk limit control and mitigation policy*

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

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

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

(b) *Industry exposure limits*

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for 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.

3 Financial risk management (continued)

a. Credit risk (continued)

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

(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 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.

(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. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not changed significantly during the period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

(e) *Liquidity support agreement*

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

The LSA dated 15 May 2009 and made between the GORTT, the Central Bank of Trinidad and Tobago (CBTT) and the Bank provided that all reasonable claims by the Bank in respect of such losses were expected to be settled, once the Bank had made all reasonable efforts to recover or resist such claims, losses or liabilities. The Bank committed to reimburse FCIS for any losses incurred by FCIS against which the Bank has been indemnified.

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

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

The Ministry of Finance in letter dated 3 September 2019 has agreed to another extension for a fifteen and one half month period effective from 15 November 2019 to 28 February 2021 commensurate under the Liquidity Support Agreement dated 15 May 2009.

As at the date of this statement of financial position, the amount of the Promissory Notes due was US $100.8M (2018: US $97.8M) and the Commercial Paper was TT $241.2M (2018: TT $232.6M).

(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 2019 $'000	**Gross maximum exposure 2018 $'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	3,675,964	4,781,891
Statutory Deposit with Central Bank	3,507,579	4,243,111
Investment instruments		
Hold to collect and sell	10,883,119	10,507,714
Hold to collect	4,966,021	4,912,938
Loans to customers	18,872,781	16,260,306
Loan notes	221,099	294,798
Other assets	343,681	466,507
Due from parent company	363	249
Credit Commitments	905,072	1,560,259
Financial Guarantees	215,695	209,281
Total credit risk exposure	43,591,374	43,237,054

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.

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

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

Notes to the Consolidated Financial Statements *(continued)*
(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

a. *Credit risk (continued)*

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

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

Retail 30 September 2018	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Installment loans	1,529,412	124,109	55,540	1,709,061
Demand loans	244,312	30,375	82,878	357,365
Overdrafts	3,229	581	18,665	22,475
Credit card	511,795	15,150	36,279	563,224
Mortgages	2,384,397	282,145	128,262	2,794,804
Gross loans	4,673,145	452,360	321,424	5,446,929
Loss allowance	(15,897)	(6,718)	(153,962)	(176,577)
Carrying balance	4,657,248	445,642	167,462	5,270,352

Commercial & Corporate 30 September 2018	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Type of facility				
Demand loan	9,710,502	493,129	206,389	10,410,020
Overdraft	215,728	173,763	13,866	403,357
Gross loans	9,926,230	666,892	220,255	10,813,377
Loss allowance	(11,771)	(7,644)	(49,358)	(68,773)
Carrying balance	9,914,459	659,248	170,897	10,744,604

Investments 30 September 2018	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Credit rating				
Investment grade	13,180,593	34,945	—	13,215,538
Standard monitoring	1,267,228	—	—	1,267,228
Special monitoring	—	83,030	—	83,030
Default	—	—	856,514	856,514
Gross investments	14,447,821	117,975	856,514	15,422,310
Loss allowance	(19,586)	(10,075)	(365,412)	(395,073)
Carrying balance	14,428,235	107,900	491,102	15,027,237

Retail

	30 September 2019				30 September 2018		
IG	Gross Balance $'000	ECL Allowance $'000	Carrying Balance $'000	IG	Gross Balance $'000	ECL Allowance $'000	Carrying Balance $'000
60	120,721	(39,310)	81,411	60	106,862	(33,273)	73,589
65	92,482	(16,559)	75,923	65	80,297	(10,865)	69,432
80	67,933	(1,621)	66,312	80	54,490	(1,152)	53,338
85	2,383,447	(67,155)	2,316,292	85	2,023,027	(54,914)	1,968,113
90	2,032,328	(10,772)	2,021,556	90	1,931,749	(14,670)	1,917,079
95	646,189	(213)	645,976	95	668,552	(250)	668,302
98	121	—	121	98	954	—	954
Credit cards	599,512	(47,212)	552,300	Credit cards	563,225	(43,680)	519,545
DDA	16,477	(8,636)	7,841	DDA	17,773	(17,773)	—
Gross loans	5,959,210	(191,478)	5,767,732	**Gross loans**	5,446,929	(176,577)	5,270,352

Commercial & Corporate 30 September 2019

BRR		1 $'000	2 $'000	3 $'000	4 $'000	5 $'000	6 $'000	Total $'000
Gross Loans		4,865	134,160	3,334,162	4,632,203	2,588,334	1,168,689	11,862,412
Loss allowance		—	—	—	(8,774)	(7,076)	(11,130)	(26,980)
Carrying balance		4,865	134,160	3,334,162	4,623,429	2,581,258	1,157,558	11,835,431
IG- ratings	60 $'000	65 $'000	80 $'000	85 $'000	90 $'000	95 $'000	98 $'000	Total $'000
Gross loans	30,752	127,454	28,463	437,217	362,882	63,144	1,246	1,051,158
Loss allowance	(11,619)	(13,748)	(1,067)	(2,871)	(670)	(82)	—	(30,057)
Carrying balance	19,133	113,706	27,396	434,346	362,212	63,062	1,246	1,021,101
Total carrying balance	19,133	118,571	161,556	3,768,508	4,985,641	2,644,320	1,158,805	12,856,534

Commercial & Corporate 30 September 2018

BRR		1 $'000	2 $'000	3 $'000	4 $'000	5 $'000	6 $'000	Total $'000
Gross loans	—	—	187,393	3,635,553	2,098,461	2,104,483	1,233,952	9,259,842
Loss allowance	—	—	—	—	(3,078)	(4,923)	(9,828)	(17,829)
Carrying balance	—	—	187,393	3,635,553	2,095,384	2,099,560	1,224,124	9,242,014
IG- ratings	60 $'000	65 $'000	80 $'000	85 $'000	90 $'000	95 $'000	98 $'000	Total $'000
Gross loans	25,336	97,915	84,898	559,537	562,305	222,774	769	1,553,535
Loss allowance	(15,230)	(12,170)	(1,030)	(17,562)	(2,572)	(2,380)	—	(50,944)
Carrying balance	10,106	85,745	83,868	541,975	559,733	220,394	769	1,502,591
Total carrying balance	10,106	85,745	271,261	4,177,528	2,655,117	2,319,954	1,224,893	10,744,605

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

3 Financial risk management (continued)

a. *Credit risk (continued)*

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

Credit impaired assets

30 September 2018	**Gross exposure $'000**	**Impairment allowance $'000**	**Carrying amount $'000**	**Fair value of collateral held $'000**
Individual (retail customers)				
Instalment loans	55,540	(45,788)	9,752	57,488
Demand loans	82,675	(30,723)	51,952	70,953
Overdrafts	18,665	(6,097)	12,568	164
Credit cards	36,279	(36,279)	—	—
Mortgages	128,265	(35,075)	93,190	164,628
Sub-total	321,424	(153,962)	167,462	293,233
Corporate & Commercial				
Demand loans	194,893	(38,314)	156,579	452,322
Overdrafts	25,362	(11,044)	14,318	38,726
Sub-total	220,255	(49,358)	170,897	491,048
Total loans to customers	541,679	(203,320)	338,359	784,281

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

Mortgage Portfolio -LTV distribution	**September 2019 Credit-impaired (Gross carrying amount) $'000**	**September 2018 Credit-impaired (Gross carrying amount) $'000**
Lower than 50%	9,064	15,930
50 to 60%	31,483	21,405
60 to 70%	23,247	19,497
70 to 80%	12,234	11,556
80 to 90%	10,309	12,540
90 to 100%	9,448	12,174
greater than 100%	52,129	82,450
Total	147,914	175,552

(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 (2018: nine 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 $296.8M

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

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

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

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

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xii) *Loss allowance (continued)*

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

Retail	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 October 2017	14,538	4,537	119,713	138,788
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(1,137)	1,820	—	683
Transfer from stage 1 to stage 3	(324)	—	16,256	15,932
Transfer from stage 2 to stage 1	807	(942)	—	(135)
Transfer from stage 2 to stage 3	—	(614)	10,427	9,813
Transfer from stage 3 to stage 1	23	—	(989)	(966)
Transfer from stage 3 to stage 2	—	31	(579)	(548)
New financial assets originated	6,676	2,258	21,938	30,872
Change in PDS/LGDs/EADs	(230)	143	(101)	(188)
Repayments	(2,273)	(816)	(3,128)	(6,217)
Unwind of discounts	(2,183)	301	(1,610)	(3,492)
FX and other movements	—	—	—	—
Total net P&L charge during the period	1,359	2,181	42,214	42,754
Other movement with no P&L impact				
Write-offs	—	—	(7,965)	(7,965)
Loss allowance as at 30 September 2018	15,897	6,718	153,962	176,577

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 2017	8,595	4,396	33,943	46,934
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(300)	2,255	—	1,955
Transfer from stage 1 to stage 3	(446)	—	12,165	11,719
Transfer from stage 2 to stage 1	12	(11)	—	1
Transfer from stage 2 to stage 3	—	(1,293)	13,257	11,964
Transfer from stage 3 to stage 2	—	—	(8)	(8)
New financial assets originated	5,632	4,939	3,924	14,495
Change in PDS/LGDs/EADs	(174)	—	(42)	(216)
Repayments	(1,081)	(2,553)	(8,298)	(11,932)
Unwind of discounts	(467)	(89)	(1,376)	(1,932)
FX and other movements	—	—	—	—
Total net P&L charge during the period	3,176	3,248	19,622	26,046
Other movement with no P&L impact				
Write-offs	—	—	(4,207)	(4,207)
Loss allowance as at 30 September 2018	11,771	7,644	49,358	68,773

Investments	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 October 2017	100,602	154,856	34,599	290,057
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(12,093)	15,107	—	3,014
Transfer from stage 1 to stage 3	(12,379)	(120,904)	181,856	48,573
Transfer from stage 2 to stage 1	77	(1,044)	—	(967)
Transfer from stage 2 to stage 3	—	(23,788)	35,816	12,028
New financial assets originated	—	195	104,663	104,858
Change in PDS/LGDs/EADs	56	(9,189)	8,478	(655)
Repayment	(56,677)	(5,158)	—	(61,835)
FX and other movements	—	—	—	—
Total net P&L charge during the period	(81,016)	(144,781)	330,813	105,016
Other movement with no P&L impact				
Write-offs	—	—	—	—
Loss allowance as at 30 September 2018	19,586	10,075	365,412	395,073

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

- New loans facilities originated during the period, increased the gross carrying amount of the relative books by 32.6%, with a corresponding $45.4M increase in loss allowance measured.

- The write-off of loans and investments with a total gross carrying amount of $25.1M resulted in the reduction of the Stage 3 loss allowance by the same amount.

- The derecognisation of financial assets with a gross carrying amount of $919.5M, resulted in the reduction of the Stage 3 allowance by $296.0M.

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

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

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

Investments	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Purchased or originated credit impaired $'000**	**Total $'000**
Gross carrying Balance as at 1 October 2018	14,447,821	117,975	856,514	—	15,422,310
Movement with P&L Impact					
Transfer from stage 1 to stage 2	(36,137)	36,137	—	—	—
Transfer from stage 1 to stage 3	—	—	—	—	—
Transfer from stage 2 to stage 1	56,418	(56,418)	—	—	—
Transfer from stage 2 to stage 3	—	(2,943)	2,991	—	48
New financial assets originated	7,193,923	—	—	628,299	7,822,222
Repayments	(7,307,188)	(12,378)	(3,637)	—	(7,323,203)
Unwind of discounts	807,793	127	1,776	23,086	832,972
FX and other movements	(133,562)	3,307	152,763	—	22,508
Financial assets derecognised	—	—	(919,502)	—	(919,502)
Write-off	—	—	(8,299)	—	(8,299)
Gross carrying balance as at 30 September 2019	15,029,258	85,807	82,606	651,385	15,849,056

Notes to the Consolidated Financial Statements *(continued)*
(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xiii) *Gross carrying amount (continued)*

Retail

	30 September 2018 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 2017	4,263,335	521,516	262,043	5,046,894
Transfers:				
Transfer from stage 1 to stage 2	(237,661)	209,954	—	(27,707)
Transfer from stage 1 to stage 3	(56,468)	—	47,187	(9,281)
Transfer from stage 2 to stage 3	—	(47,490)	37,811	(9,679)
Transfer from stage 3 to stage 1	5,069	—	(5,072)	(3)
Transfer from stage 3 to stage 2	—	4,522	(8,124)	(3,602)
Transfer from stage 2 to stage 1	208,513	(238,904)	—	(30,391)
New financial assets originated	1,348,355	82,499	28,928	1,459,782
Repayments	(476,004)	(61,931)	(22,609)	(560,544)
Unwind of discounts	(381,994)	(17,806)	(10,775)	(410,575)
Write-offs	—	—	(7,965)	(7,965)
Gross carrying amount as at 30 September 2018	4,673,145	452,360	321,424	5,446,929

Commercial & Corporate

	30 September 2018 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 2017	8,399,112	1,112,276	182,340	9,693,728
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(214,958)	190,531	—	(24,427)
Transfer from stage 1 to stage 3	(59,211)	—	61,943	2,732
Transfer from stage 2 to stage 1	270,141	(339,904)	—	(69,763)
Transfer from stage 2 to stage 3	—	(39,358)	27,116	(12,242)
Transfer from stage 3 to stage 1	744	—	(879)	(135)
Transfer from stage 3 to stage 2	—	848	(966)	(118)
New financial assets originated	3,898,577	64,550	8,080	3,971,207
Repayments	(1,755,392)	(302,503)	(33,407)	(2,091,302)
Unwind of discounts	(612,783)	(19,548)	(19,895)	(652,226)
Write-offs	—	—	(4,077)	(4,077)
Gross carrying amount as at 30 September 2018	9,926,230	666,892	220,255	10,813,377

Investments

	30 September 2018 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 2017	15,568,808	170,500	60,724	15,800,032
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(99,674)	99,674	—	—
Transfer from stage 1 to stage 3	(52,858)	—	52,858	—
Transfer from stage 2 to stage 1	26,406	(26,406)	—	—
Transfer from stage 2 to stage 3	—	(87,689)	87,689	—
New financial assets originated	10,847,178	—	657,680	11,504,858
Repayments	(11,522,151)	(35,709)	—	(11,557,860)
Unwind of discounts	(1,409)	—	—	(1,409)
FX and other movements	(318,479)	(2,395)	(2,437)	(323,311)
Gross carrying amount as at 30 September 2018	14,447,821	117,975	856,514	15,422,310

(xiv) *Write-off policy*

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2019 was $25.2 million. The Group still seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(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).

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.

(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:

	2019 Gross Maximum Exposure $'000	2018 Gross Maximum Exposure $'000
Cash and due from other banks	3,675,964	4,781,891
Statutory deposits	3,507,579	4,243,111
Consumer	3,748,262	3,247,351
Agriculture	157,828	138,862
Petroleum	1,677,953	881,840
Manufacturing	879,812	579,083
Construction	1,488,978	2,378,059
Distribution	935,906	611,742
Hotels and guest houses	1,215,476	725,684
Transport, storage and communications	687,088	1,150,739
Finance, insurance and real estate	6,906,100	5,811,921
Other business services	2,712,767	1,188,218
Personal services	26,077	27,004
Real estate mortgages	3,352,729	3,351,935
Government related	11,154,407	11,883,568
Credit commitments	905,072	1,560,259
Financial Guarantee	215,695	209,281
Other assets	343,681	466,505
Total	43,591,374	43,237,054

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 hold to collect and sell 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:

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

	TT$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2018				
Financial assets				
Cash and due from other banks	1,260,979	2,644,466	876,446	4,781,891
Statutory deposits with central banks	4,127,955	4,461	110,695	4,243,111
Investment Securities				
- Hold to collect and sell	6,931,600	3,393,792	198,712	10,524,104
- Hold to collect	2,425,009	875,121	1,290,270	4,590,400
- Fair value through profit or loss	5	13,557	290	13,852
Loans to customers	10,697,648	3,828,051	1,489,257	16,014,956
Loan notes	294,799	—	—	294,799
Other assets	335,222	98,168	33,115	466,505
Due from parent	249	—	—	249
Investment accounted for using equity methods	32,439	152,817	—	185,256
Total financial assets	26,105,905	11,010,433	3,998,785	41,115,123
Financial liabilities				
Customers' deposits	18,419,328	4,466,713	2,613,705	25,499,746
Other funding instruments	1,317,590	1,607,862	1,461,287	4,386,739
Due to other banks	198,458	1,278,888	34,903	1,512,249
Note due to parent	58,000	—	—	58,000
Bonds payable	2,260,755	605,011	—	2,865,766
Creditors and accrued expenses	606,983	47,698	93,818	748,499
Total financial liabilities	22,861,114	8,006,172	4,203,713	35,070,999
Net on balance sheet position	3,244,791	3,004,261	(204,928)	6,044,124
Off balance sheet items	130,748	76,083	2,450	209,281
Credit commitments	157,818	1,211,330	191,111	1,560,259

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 250 basis points against the US$, the profit would decrease by $115.4 million (2018: $70.0 million). The average change for the last three (3) years was 19 basis points (2018: 207 basis points). There was no change in 2019.

(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. The Group takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks.

The Group's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The strategy employed to achieve this involves the active pricing of deposit and loan products, increasing market share of loans and funding, diversifying portfolios, changing the mix of products in accordance with market trends and reducing funding mismatch through long-term instruments.

The table below 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 2019	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and due from other banks	2,843,789	147,755	407,762	—	—	276,658	3,675,964
Statutory deposits with central banks	4,021	—	—	—	—	3,503,558	3,507,579
Investment Securities							
- Hold to collect and sell	7,648	743,771	1,671,541	2,800,892	5,654,431	35,445	10,913,728
- Hold to collect	12,696	949,119	134,585	1,126,764	2,717,066	—	4,940,230
- Fair value through profit or loss	21,975	—	—	—	—	543	22,518
Loan to customers and finance leases	2,455,237	1,396,186	3,265,276	6,957,749	4,798,333	(248,516)	18,624,265
Loan notes	—	—	73,700	147,399	—	—	221,099
Investment accounted for using equity methods	—	—	—	—	—	191,932	191,932
Other assets	404	—	—	—	—	385,260	385,664
Due from parent company	—	—	—	—	—	363	363
Total financial assets	5,345,770	3,236,831	5,552,864	11,032,804	13,169,830	4,145,243	42,483,342
Financial liabilities							
Customers' deposits	21,041,276	1,167,565	2,344,215	47,209	148	827,277	25,850,690
Other funding instruments	332,612	444,350	2,709,984	688,065	—	—	4,175,011
Due to other banks	25,774	18,889	1,102,597	1,037,353	—	19,677	2,204,290
Bonds payable	—	—	63,089	2,865,766	—	—	2,928,855
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	74,079	—	—	83	—	587,369	661,531
Total financial liabilities	21,473,741	3,337,810	5,550,232	3,601,123	148	1,492,323	35,455,377
Interest sensitivity gap	(16,054,271)	46,420	(71,068)	7,284,282	13,169,682		

3 Financial risk management (continued)

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

As at 30 September 2018	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	3,126,114	783,248	435,019	—	—	437,510	4,781,891
Statutory deposits with central banks	4,461	—	—	—	—	4,238,650	4,243,111
Investment Securities							
- Hold to collect and sell	52,446	155,755	2,046,174	3,085,086	5,181,652	2,991	10,524,104
- Hold to collect	—	894,361	27,645	1,113,806	2,700,480	(145,892)	4,590,400
- Fair value through profit or loss	149	—	—	—	13,413	290	13,852
Loan to customers and finance leases	1,763,992	1,082,186	2,852,173	5,827,690	4,728,836	(239,921)	16,014,956
Loan notes	70,827	837	638,120	(433,088)	18,103	—	294,799
Investment accounted for using equity methods	—	—	—	—	—	185,256	185,256
Other assets	503	—	—	—	—	466,002	466,505
Due from parent company	—	—	—	—	—	249	249
Total financial assets	5,018,492	2,916,387	5,999,131	9,593,494	12,642,484	4,945,135	41,115,123
Financial liabilities							
Customers' deposits	20,758,324	1,224,624	2,281,941	421,760	648	812,449	25,499,746
Other funding instruments	144,217	768,178	2,806,399	667,945	—	—	4,386,739
Due to other banks	61,511	1,016,074	1,719	432,945	—	—	1,512,249
Bonds payable	—	—	—	1,260,755	1,605,011	—	2,865,766
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	32,387	—	—	228	—	715,884	748,499
Total financial liabilities	20,996,439	3,008,876	5,090,059	2,783,633	1,605,659	1,586,333	35,070,999
Interest sensitivity gap	(15,977,947)	(92,489)	909,072	6,809,861	11,036,825		

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 $8.1 million (2018: $0.8 million) and a decrease in reserves of $443.5 million (2018: $345.1 million).

(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 hold to collect and sell securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as hold to collect and sell is immaterial at the end of both periods reported.

c. *Liquidity risk*

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

Liquidity risk management process

The Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset and Liability Committee. The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are 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.

(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 2019	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	21,872,342	1,172,505	2,373,808	485,792	160	25,904,607
Other funding instruments	337,618	883,032	2,321,052	740,206	—	4,281,908
Bonds payable	22,864	7,255	131,974	3,141,742	—	3,303,835
Due to other Banks	45,450	1,291,992	880,496	—	—	2,217,938
Creditors and accrued expenses	604,302	55,471	—	—	—	659,773
Notes due to related companies	58,000	—	—	—	—	58,000
Total financial liabilities	22,933,475	3,410,286	5,707,392	4,367,740	160	36,419,053
Financial assets						
Cash and due from other banks	3,122,546	150,573	417,860	—	—	3,690,979
Statutory deposits with central banks	105,714	—	—	—	3,401,865	3,507,579
Investment Securities						
- Hold to collect and sell	352,482	873,441	2,094,991	4,039,517	6,503,779	13,864,210
- Hold to collect	18,563	992,366	162,029	1,582,230	3,228,703	5,983,891
- Fair value through P&L	21,975	—	543	—	—	22,518
Loan to customers and finance leases	2,357,000	1,563,987	3,958,938	9,563,942	5,153,508	22,597,375
Loan notes	—	—	97,071	168,576	—	265,647
Due from parent	363	—	—	—	—	363
Other assets	385,657	21	2,114	12,508	161	400,461
Total financial assets	6,364,300	3,580,388	6,733,546	15,366,773	18,288,016	50,333,023
Liquidity gap	(16,558,400)	170,102	1,026,154	10,999,033	18,287,856	13,924,745

As at 30 September 2018	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	21,577,563	1,237,140	2,303,489	434,349	697	25,553,238
Other funding instruments	149,587	770,736	2,863,038	707,791	—	4,491,152
Bonds payable	22,861	7,250	67,178	1,626,366	1,611,330	3,334,985
Due to other Banks	61,511	1,019,320	15,628	445,085	—	1,541,544
Creditors and accrued expenses	743,648	4,558	185	108	—	748,499
Notes due to related companies	58,000	—	—	—	—	58,000
Total financial liabilities	22,613,170	3,039,004	5,249,518	3,213,699	1,612,027	35,727,418
Financial assets						
Cash and due from other banks	3,562,931	789,029	446,321	—	—	4,798,281
Statutory deposits with central banks	115,156	—	—	—	4,127,955	4,243,111
Investment Securities						
- Hold to collect and sell	94,190	224,791	2,362,661	4,773,545	6,044,298	13,499,485
- Hold to collect	19,026	806,302	473,976	1,264,864	2,907,890	5,472,058
- Fair value through P&L	134	—	408	2,168	14,888	17,598
Loan to customers and finance leases	1,662,216	1,234,095	3,507,000	8,208,391	6,159,103	20,770,805
Loan notes	—	—	105,477	265,648	—	371,125
Due from parent	249	—	—	—	—	249
Other assets	466,505	—	—	—	—	466,505
Total financial assets	5,920,407	3,054,217	6,895,843	14,514,616	19,254,134	49,639,217
Liquidity gap	(16,692,763)	15,213	1,646,325	11,300,917	17,642,107	13,911,799

Notes to the Consolidated Financial Statements *(continued)*
(Expressed in Trinidad and Tobago dollars)

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

As at 30 September 2018	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	1,369,148	—	191,111	—	—	1,560,259
Acceptances	6,252	10,107	2,159	—	—	18,518
Guarantees	97,863	28,972	20,050	28,880	21	175,786
Letters of credit	—	—	14,360	617	—	14,977
Operating leases	2,701	5,402	24,318	50,572	13,047	96,040
Capital commitments	—	—	67,935	—	—	67,935
Total	1,475,964	44,481	319,933	80,069	13,068	1,933,515

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 2019 totalled $31.0 billion (2018 - $29.7 billion).

e. *Operational risk*

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

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

f. *Capital management*

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

- To comply with the capital requirement set by the regulators 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 Bank of Trinidad and Tobago for supervisory purposes. The required information is filed with the Central Bank of Trinidad & Tobago on a monthly basis.

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

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

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

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

The Group's regulatory capital is comprised of:-

- Tier 1 (Core) Capital:- share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 (Supplementary) Capital – qualifying subordinated loan capital, impairment allowances and unrealised gains arising on the fair valuation of hold to collect and sell securities and property, plant and equipment.

Tier 1 (Core) Capital	2019 $'000	2018 $'000
Share capital	354,957	354,957
Statutory reserve	884,689	879,335
Retained earnings	4,712,675	4,381,936
Less: Intangible assets	(222,688)	(219,871)
Total Tier 1	5,729,633	5,396,357
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	1,096,130	901,889
Eligible reserve provision	39,850	119,784
Total Tier 2 Capital	1,239,580	1,125,273
Total Capital	6,969,213	6,521,630
Ratios		
Risk adjusted assets	17,154,591	16,577,673
Qualifying capital to risk adjusted assets	40.63%	39.34%
Core capital to qualifying capital	82.21%	82.75%

As at 30 September 2019 the Bank and its qualifying subsidiaries were in compliance with these requirements.

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

In August 2019, the parent company, First Citizens Bank made a capital injected of USD 1.25 million into First Citizens Bank Barbados limited (FCBB) to address a deficient capital adequacy ratio. As at 30 September 2019, FCBB was in compliance with a ratio of 9.5%

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	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Cash and due from other banks	3,675,964	4,781,891	3,675,964	4,781,891
Statutory deposits with Central Banks	3,507,579	4,243,111	3,507,579	4,243,111
Financial instruments				
- Loans to customers	18,624,265	16,014,956	19,086,700	16,758,709
- investments- hold to collect	4,940,230	4,590,400	5,111,705	4,808,160
- Loan notes	221,099	294,799	254,097	348,332
Other assets	385,664	505,666	385,664	505,666
Due from parent	363	249	363	249
Financial liabilities				
Customers' deposits	25,850,690	25,499,746	25,941,707	25,589,599
Other funding instruments	4,175,011	4,386,739	4,288,072	4,412,974
Bonds payable	2,928,855	2,865,766	3,070,439	2,958,765
Notes due to parent	58,000	58,000	58,000	58,000
Due to other Banks	2,204,290	1,512,249	2,279,069	1,512,249
Creditors and accrued expenses	661,531	748,499	661,531	748,499

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

Financial instruments where carrying value is equal to fair value

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

Loans to customers less allowance for loan losses

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

Investments – hold to collect

Fair value for hold to collect 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 hold to collect portfolio is computed for disclosure purposes only. See note 3.g.ii for Fair Value Hierarchy.

Other loans and receivables

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

Loan notes

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

Customer deposits

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

Bonds payable

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

Note due to parent company

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

(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 the following fair value hierarchy:-

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

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

As at 30 September 2018 Financial assets	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value				
- Debt securities	—	13,413	—	13,413
-Equity securities	—	439	—	439
	—	13,852	—	13,852
Fair value through OCI:				
-Investment securities – debt	797,775	9,331,296	327,652	10,456,723
-Investment securities – equity	56,051	2,629	8,701	67,381
	853,826	9,333,925	336,353	10,524,104
Total financial assets	853,826	9,347,777	336,353	10,537,956

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

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

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

3 Financial risk management (continued)

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

(ii) *Fair value hierarchy (continued)*

September 2018	Debt Securities $'000	Equity $'000	Total $'000
Opening balance	1,552,275	8,937	1,561,212
Change on initial application of IFRS 9	(855,875)	—	(855,875)
Restated opening balance	696,400	8,937	705,337
Fair Value through OCI	(76,598)	(233)	(76,831)
Fair Value through P & L	(180)	—	(180)
Exchange	—	(3)	(3)
Purchased	124,195	—	124,195
Settlement	(229,446)	—	(229,446)
Expected credit losses	(8,217)	—	(8,217)
Total losses – Other Comprehensive Income	(792)	—	(792)
Transfer to amortised cost	(178,840)	—	(178,840)
Amortisation	1,130	—	1,130
Closing balance	327,652	8,701	336,353

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. *Financial assets at FVOCI*

The Group uses the discounted cash flow method to determine the fair value of hold to collect and sell 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 hold to collect and sell financial assets would decrease by $443.5 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2018 - $345.1 million).

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

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

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

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

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

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

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

In June 2018, the Government of Barbados (GoB) selectively defaulted on both its local and foreign currency denominated debt. First Citizens received new GoB instruments in connection with an IMF supported debt restructure effective 1 October 2018. Under the terms of the restructure, the First Citizens Group received new instruments with maturities ranging from fifteen to thirty-five years. The Group recorded an impairment of approximately BBD 87M on these instruments in the audited financial statements for year ended 30 September 2018.

The GoB Series D bonds amortized price as at October 1, 2018 was 64.63, the effective interest rate was determined at 7.56% using an adjusted blended yield curve. However, because these bonds have been recognised as POCI, the effective interest rate needed to be adjusted to reflect the expected cash flows-net of expected credit losses. Lifetime expected credit losses were used in the estimated cash flows for the purposes of calculating the effective interest rate– resulting in a Credit-Adjusted Effective Interest Rate (CAEIR). As at September 2019, the CAEIR is 6.55%.

Interest revenue was calculated on the net carrying amount at the credit-adjusted effective interest rate i.e. including expected credit losses. September 2019 the CAEIR interest income on the cash flows represented an accretion value of BBD 4.18. The repayment of the cash flows amounted to BBD1.32 as per contractual terms. The Expected Credit Losses which are implicit in the CAEIR needed to be adjusted based on the repayments and changes to the expected cash flow projections due to changes in Probability of Default Assumptions/Macro-economic overlay scenarios (see Note 3.a.v). The ECL remeasurement gain stood at BBD 2.33 as at September 2019. Therefore, the POCI carrying value for the GoB Series D bonds was BBD 69.76 and the face value BBD 131,997,672 as at September 2019.

Valuation of the Government of Barbados Instruments Credit-Impaired

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

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 materialize as actual cash flows were as contractually promised.
- Hence the modelled cash flows had to be adjusted for actuals being different from expected; as well as changes to future expectations.

The amortised prices were as follows:-

Instrument	Series B	Series D
Price at origination – 1 October 2018	65.16	64.63
Effective Interest Rate	7.91%	7.56%
Credit Adjusted Effective Interest Rate	6.69%	6.55%
Calculated Price at 30th September 2019	69.83	69.76
Price Movement for Year	4.67	5.13
Breakdown of Price Movement:		
Unwind of discount computed at 1 October 2018 to 30 September 2019	3.33	2.8
Changes to expected cash flow projections due to changes in Probability of Default Assumptions/ Macro-economic overlay scenarios	1.33	2.32
Rounding	0.01	0.01
	4.67	5.13

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.

4 Critical accounting estimates and judgements (continued)

c. Measurement of the expected credit loss allowance (continued)

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 2018 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 variance jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change. In January 2018, the Corporation tax rate for financial institutions in Trinidad and Tobago was increased to 35%.

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

e. *Retirement benefits*

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds, and where no deep corporate market exist, the Government bonds are used, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. In determining the salary increases, the Group considered long-term salary inflation, age, merit and promotion (note 20.j for sensitivity).

The Bank's Board of Directors approved an increase in the retirement age from 60 to 65 effective 1 January 2019. The impact of this change is a one-off reduction in the defined benefit obligation, which is recognised in the "past service cost/(credit)" of $57.2 million (note 20.b.).

f. *Fair valuation of properties*

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

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
(ii) Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
(iv) The Group engaged external, independent and qualified valuators to determine the fair value of the Group's land and buildings. The valuations were performed in August 2018. The Group's policy is to obtain independent valuations for freehold land and buildings at least every three years. (note 14(a) ii).

The valuations are based on current market conditions and thus may change in the future (note 14 (a) ii).

g. *Estimated impairment of goodwill*

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

5 Segment analysis

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

- **Retail banking**: includes loans and mortgages, deposit, foreign exchange transactions, credit and debit cards and card merchant acquiring business with retail and commercial customers.

- **Corporate banking**: loans and credit facilities and deposits and current accounts for corporate and institutional customers.

- **Treasury management and investment banking**: Liquidity management and investment banking services including corporate finance, and 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.

Notes to the Consolidated Financial Statements *(continued)*
(Expressed in Trinidad and Tobago dollars)

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 2019 is as follows:-

Year ending 30 September 2019	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	615,192	699,417	314,950	4,387	899	1,634,845
Inter-segment net interest income	131,994	(139,232)	7,238	—	—	—
Net fee and commission income	197,405	49,558	95,799	129,298	3,634	475,694
Foreign exchange gains	49,073	2,334	94,984	54	510	146,955
Other income	387	11	137,030	1,701	25	139,154
Total income	994,051	612,088	650,001	135,440	5,068	2,396,648
Loan impairment charges	(22,283)	2,180	6,457	(964)	—	(14,610)
Depreciation and amortisation expense	(41,965)	(489)	(46,251)	(1,267)	(14,484)	(104,456)
Administrative expenses	(237,156)	(25,088)	(201,683)	(25,289)	(178,273)	(667,489)
Other operating expenses	(306,233)	(17,411)	(90,615)	(13,746)	(58,215)	(486,220)
Total non-interest expenses	(607,637)	(40,808)	(332,092)	(41,266)	(250,972)	(1,272,775)
Profit before taxation	386,414	571,280	317,909	94,174	(245,904)	1,123,873
Income tax expense	381	(436)	(272,094)	(31,314)	—	(303,463)
Profit for the year	386,795	570,844	45,815	62,860	(245,904)	820,410
As at 30 September 2019						
Total assets	9,135,619	13,717,347	21,787,423	647,079	368,298	45,655,766
Total liabilities	16,906,096	4,759,252	15,929,744	173,461	52,939	37,821,492

Year ending 30 September 2018	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	589,532	622,651	343,911	3,531	876	1,560,501
Inter-segment net interest income	120,332	(92,849)	(27,483)	—	—	—
Net fee and commission income	184,758	17,253	70,802	137,797	3,476	414,086
Foreign exchange gains	43,581	1,994	85,903	1	1,126	132,605
Other income	422	1,031	233,657	8,637	39	243,786
Total income	938,625	550,080	706,790	149,966	5,517	2,350,978
Loan impairment charges	(130,574)	(13,181)	(34,269)	—	—	(178,024)
Depreciation and amortisation expense	(42,314)	(482)	(7,583)	(1,482)	(16,118)	(67,979)
Administrative expenses	(231,912)	(17,297)	(106,059)	(22,040)	(168,413)	(545,721)
Other operating expenses	(284,285)	(15,053)	(95,237)	(15,153)	(32,548)	(442,276)
Total non-interest expenses	(689,085)	(46,013)	(243,148)	(38,675)	(217,079)	(1,234,000)
Profit before taxation	249,540	504,067	463,642	111,291	(211,562)	1,116,978
Income tax expense	7,792	(400)	(307,921)	(37,656)	—	(338,185)
Profit for the year	257,332	503,667	155,721	73,635	(211,562)	778,793
As at 30 September 2018						
Total assets	8,755,042	11,993,180	22,757,612	825,448	324,334	44,655,616
Total liabilities	17,715,188	4,342,133	14,881,034	376,035	40,889	37,355,279

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

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

Year Ended 30 September 2018	Total management reporting $'000	Adjustments and eliminations $'000	Total consolidated $'000
Net interest income	1,560,501	(1,551)	1,558,950
Non-interest income	790,477	(132,646)	657,831
Impairment losses	(178,024)	—	(178,024)
Non-interest expenses	(1,055,976)	9,007	(1,046,969)
Operating profit	1,116,978	(125,190)	991,788
Share of profit of associates and joint ventures accounted for by the equity method	—	18,238	18,238
Income tax expense	(338,185)	1,852	(336,333)
Profit for the year	778,793	(105,100)	673,693
As at 30 September 2018			
Total assets	44,655,616	(2,611,051)	42,044,565
Total liabilities	37,355,279	(1,932,431)	35,422,848

6 Cash and due from other banks

	2019 $'000	2018 $'000
Cash and bank balances	2,180,259	1,633,586
Short-term investments	1,495,705	3,148,305
	3,675,964	4,781,891
Short-term investments:		
- Maturity within 3 months	1,088,650	2,685,488
- Maturity over 3 months	407,055	462,817
	1,495,705	3,148,305

The average effective interest rate on short-term bank deposits was 2.9% (2018: 1.0%); these deposits have an average maturity of 90 days (2018: 90 days).

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

	2019 $'000	2018 $'000
Cash and bank balances	2,180,259	1,633,586
Short-term investments – maturity within 3 months	1,088,650	2,685,488
Due to other banks	(2,204,290)	(1,512,249)
	1,064,619	2,806,825

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 2019, the current ratio was 17% for First Citizens Bank Limited and 9% for First Citizens Depository Services Limited. Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank.

In Barbados, under the provisions of the Financial Institution Act, 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to maintain as a deposit with the Central Bank of Barbados restricted cash balances. This balance represents a ratio of customers deposit balances (both domestic and foreign currency) held in such form and to such extent as the Minister, on advice of the Central Bank may prescribe from time to time. As at 30 September 2019, 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 2019 the Bank and its qualifying subsidiaries were in compliance with these requirements.

8 (a) Investments – Hold to collect and sell

	2019 $'000	2018 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	7,710,046	7,982,705
Listed investments	2,645,130	2,166,547
Unlisted investments	607,888	447,387
	10,963,064	10,596,639
Portfolio allowance	(49,336)	(72,535)
	10,913,728	10,524,104
Debt securities		
Listed	3,381,972	3,495,621
Unlisted	7,452,775	6,939,558
	10,834,747	10,435,179
Equity securities		
Listed	64,237	77,594
Unlisted	14,744	11,331
	78,981	88,925
Total securities	10,913,728	10,524,104
Current portion	2,421,959	2,265,776
Non current portion	8,491,769	8,258,328
	10,913,728	10,524,104

Investment securities totalling $3,901 million (2018: $4,113 million) are pledged to secure the repurchase agreements (see Note 17). Interest rates on these repos range from 0.20% to 5.89% in 2019 (2018: 0.20% to 5.89%).

	2019	2018
Balance at beginning of the year	10,524,104	12,466,933
IFRS 9 adjustments- reclassification	—	(1,380,392)
IFRS 9 adjustments- remeasurements -ECL	—	(49,384)
Revised opening balance	10,524,104	11,037,157
Exchange differences	131	1,400
Additions	7,543,891	10,199,821
Disposals	(7,421,241)	(10,432,062)
Reclassification to Fair value through P&L	(21,459)	—
Net movements in provisions	23,199	(5,241)
Net amortisation of premiums	—	(180)
Change in fair value gains/(losses)	265,103	(276,791)
Balance at end of year	10,913,728	10,524,104
Fair value gains/(losses) based on:		
Quoted market prices	17,169	(42,044)
Other techniques	247,934	(234,747)
	265,103	(276,791)
The movement in the impairment allowance is as follows:		
Allowance at beginning of the year	72,535	17,909
IFRS 9 remeasurements	—	49,384
Revised opening balance	72,535	67,293
Exchange difference	—	1
(Write back)/charge for the year	(14,900)	5,241
Write off	(8,299)	—
Allowance at the end of year	49,336	72,535

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

	2019 $'000	2018 $'000
Bond	21,975	13,413
Listed - equity	543	439
	22,518	13,852
The movement in investment securities may be summarised as follows:		
At beginning of year	13,852	655
IFRS 9 reclassifications	—	396
	13,852	1,051
Additions	529	13,462
Disposals	(13,465)	(618)
Reclassification	21,459	—
Gains/(loss) from changes in fair value	143	(60)
Impairments	—	17
At end of year	22,518	13,852

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

9 Investments – Hold to collect

	2019	2018
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	1,257,531	1,982,195
Unlisted investments	2,145,601	1,905,784
Listed investments	87,662	96,366
Corporate	1,462,640	914,457
Individuals	12,587	14,136
	4,966,021	4,912,938
Provision for impairment	(25,791)	(322,538)
	4,940,230	4,590,400
Current portion	1,083,705	922,006
Non current portion	3,856,525	3,668,394
	4,940,230	4,590,400
Balance at beginning of the year	4,590,400	3,222,099
Reclassification	—	1,539,237
Remeasurements- Reserve	—	(52,606)
Remeasurements - ECL	—	(216,810)
Balance at start of year	4,590,400	4,491,920
Exchange differences	18	(14)
Additions	1,623,168	1,084,925
Disposals	(1,590,040)	(977,584)
Amortisation of unrealised gains	11,141	(3,088)
Net Amortisation of discounts	8,796	1,404
Reclassification to Hold to collect	—	92,611
Net movement in provision	296,747	(99,774)
Balance at end of year	4,940,230	4,590,400
The movement in the impairment allowance is as follows:		
Allowance at beginning of the year	322,538	5,954
IFRS 9 reclassification	—	216,810
Revised opening balance	322,538	222,764
Net gains on derecognition of financial assets	(296,008)	—
(Write back)/charge for the year	(739)	99,774
Allowance at the end of year	25,791	322,538

First Citizens

Notes to the Consolidated Financial Statements *(continued)*
(Expressed in Trinidad and Tobago dollars)

10 Loans to customers

	2019 $'000	2018 $'000
Performing loans	18,298,698	15,718,627
Non-performing loans	574,083	541,679
	18,872,781	16,260,306
Allowance for loan losses	(248,516)	(245,350)
	18,624,265	16,014,956
Loans analysed by sector		
Consumer	3,737,750	3,239,170
Agriculture	157,828	138,862
Petroleum	1,634,466	418,800
Manufacturing	638,455	476,765
Construction	734,191	1,583,674
Distribution	935,906	611,742
Hotels and guest houses	1,052,682	542,039
Transport, storage and communications	664,998	1,106,286
Finance, insurance and real estate	3,933,293	3,954,642
Other business services	1,972,758	866,007
Personal services	26,077	27,004
Real estate mortgage	3,384,377	3,295,315
	18,872,781	16,260,306
Current portion	7,279,948	5,823,818
Non current portion	11,592,833	10,436,488
	18,872,781	16,260,306
Allowance for loan losses		
Allowance at beginning of the year	245,350	306,039
IFRS 9 adjustment effective October 1, 2017	—	(120,317)
Revised opening balance	245,350	185,722
Charge for the year	30,286	80,017
Loans written off during the year	(27,120)	(20,389)
Allowance at the end of year	248,516	245,350
Impairment loss on loans net of recoveries		
Charge for the year	30,286	80,017
Amounts recovered during the year	(8,029)	(7,004)
	22,257	73,013

11 Loan notes

The loan notes due to the Group comprise the following:		
(i) Taurus Services Limited	205,457	273,943
(ii) First Citizens Holdings Limited (Holdings)	15,642	20,856
	221,099	294,799

(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

	2019 $'000	2018 $'000
Prepayments	41,982	39,161
Accounts receivable	103,562	238,397
Accrued interest	240,120	228,108
	385,664	505,666

13 Investment accounted for using equity methods

	2019 $'000	2018 $'000
Investment in Joint Venture	34,635	32,439
Investment in Associate	157,297	152,817
	191,932	185,256

13 a. Investment in joint ventures

	2019 $'000	2018 $'000
(i) Infolink Services Limited (ISL)	33,115	31,077
(ii) Trinidad & Tobago Interbank Payment System Limited (TTIPS)	1,520	1,362
	34,635	32,439
Beginning of the year	32,439	30,314
Share of profit after tax	4,100	4,320
Dividend received from Joint Ventures	(1,904)	(2,196)
At end of year	34,635	32,439

(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 2019.

(ii) This investment represents 14.29% in the equity capital of Trinidad & Tobago Inter-bank Payment System Limited whose principal activity is operation of an automatic clearings house. TTIPS reporting period is October. The financial information below reflects the results as at August 2019.

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2019						
ISL	Trinidad & Tobago	137,315	4,857	29,535	15,767	25
TTIPS	Trinidad & Tobago	10,985	347	3,588	1,107	14.29
2018						
ISL	Trinidad & Tobago	130,263	5,956	29,465	16,666	25
TTIPS	Trinidad & Tobago	9,930	399	3,424	1,064	14.29

13 b. Investment in associates

	2019 $'000	2018 $'000
Beginning of the year	152,817	149,447
Share of profit after tax	15,821	13,919
Dividend received from associate	(11,341)	(10,549)
At end of year	157,297	152,817

St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange. The investment in associate at 30 September 2019 includes goodwill of $4.6 million (2018: $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 2019, are as follows:

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2019						
St. Lucia Electricity Services Limited	St. Lucia	1,319,506	520,728	797,260	82,817	19.11
2018						
St. Lucia Electricity Services Limited	St. Lucia	1,264,101	488,764	761,534	72,837	19.11

The fair value of the investment in associate at 30 September 2019 is $157.3 million (2018: $152.8 million).

14 Property, plant and equipment

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2019					
Opening net book amount	448,553	36,985	70,781	46,764	603,083
Additions	53,793	337	19,501	6,800	80,431
Disposals	—	(24)	(854)	—	(878)
Transfer	1,993	8,474	27,264	(37,731)	—
Revaluation surplus	1,725	—	—	—	1,725
Depreciation charge	(44,756)	(6,859)	(35,809)	—	(87,424)
Closing net book amount	461,308	38,913	80,883	15,833	596,937
As at 30 September 2019					
Cost/valuation	545,806	139,729	579,647	15,833	1,281,015
Accumulated depreciation	(84,498)	(100,816)	(498,764)	—	(684,078)
Net book amount	461,308	38,913	80,883	15,833	596,937
Year ended 30 September 2018					
Opening net book amount	435,287	43,897	71,463	39,873	590,520
Additions	15,004	146	22,219	21,638	59,007
Disposals	—	—	(2,676)	—	(2,676)
Transfer	—	—	14,747	(14,747)	—
Revaluation surplus	4,174	—	—	—	4,174
Depreciation charge	(5,912)	(7,058)	(34,972)	—	(47,942)
Closing net book amount	448,553	36,985	70,781	46,764	603,083
As at 30 September 2018					
Cost/valuation	485,585	134,073	534,684	46,764	1,201,106
Accumulated depreciation	(37,032)	(97,088)	(463,903)	—	(598,023)
Net book amount	448,553	36,985	70,781	46,764	603,083
As at 30 September 2017					
Cost/valuation	467,727	133,348	502,859	39,873	1,143,807
Accumulated depreciation	(32,440)	(89,451)	(431,396)	—	(553,287)
Net book amount	435,287	43,897	71,463	39,873	590,520

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	2019 $'000	2018 $'000
Land and building	421,036	424,534
Building on Lease Land	38,022	21,769
Freehold Land	2,250	2,250
	461,308	448,553

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

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

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

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

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

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. If the price per square foot increase by 100 basis points, the fair value will increase by $13.0M (2018: $13.0M) with a corresponding entry in the reserve in shareholders' equity.

a. *Recognised fair value measurements*

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

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

	2019 $'000	2018 $'000
Cost	381,181	327,264
Accumulated depreciation	(148,725)	(103,969)
Net book amount	232,456	223,295

Notes to the Consolidated Financial Statements *(continued)*
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15 Intangible assets

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2019				
Acquisition cost	156,886	302,565	36,284	495,735
Accumulated amortisation	—	(245,487)	(27,560)	(273,047)
Net book amount	156,886	57,078	8,724	222,688
Period ended 30 September 2019				
Opening net book amount	156,886	50,324	12,661	219,871
Additions	—	24,064	—	24,064
Disposal	—	(278)	—	(278)
Amortisation charge	—	(17,032)	(3,937)	(20,969)
Closing net book amount	156,886	57,078	8,724	222,688
As at 30 September 2018				
Acquisition cost	156,886	278,778	36,284	471,948
Accumulated amortisation	—	(228,454)	(23,623)	(252,077)
Net book amount	156,886	50,324	12,661	219,871
Period ended 30 September 2018				
Opening net book amount	156,886	38,872	16,598	212,356
Additions	—	32,744	—	32,744
Disposal	—	(1,263)	—	(1,263)
Amortisation charge	—	(20,029)	(3,937)	(23,966)
Closing net book amount	156,886	50,324	12,661	219,871

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

Impairment test for goodwill

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

Goodwill	2019 $'000	2018 $'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 2019	FCIS 2018
Estimates used in the value for use		
Net interest margin growth	8.79%	12.58%
Growth rate	8.36%	8.22%
Discount factors	4.69%	5.69%

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

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The impairment test carried out as at 30 September 2019 for FCIS, revealed that the value in use is in excess of the carrying amount.

16 Customers' deposits

Deposits are analysed by sector as follows:

	2019 $'000	2018 $'000
Public institutions	10,404,624	7,606,562
Private institutions	6,546,497	9,384,185
Consumers	8,899,569	8,508,999
	25,850,690	25,499,746
Current portion	25,380,350	25,077,361
Non current portion	470,340	422,385
	25,850,690	25,499,746

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $6.4 billion (2018: $4.7 billion) are at fixed rates. All other deposits amounting to $19.5 billion (2018: $20.8 billion) are at variable rates.

17 Other funding instruments

	2019	2018
Repurchase agreements	3,900,512	4,112,559
Funds under management	25,748	25,429
USD Fixed Rate Note	248,751	248,751
	4,175,011	4,386,739

Other funding instruments are analysed by sector as follows:

	2019	2018
Public institutions	1,110,100	1,456,884
Private institutions	1,974,936	1,933,834
Consumers	1,089,975	996,021
	4,175,011	4,386,739
Current portion	3,382,134	3,719,197
Non-current portion	792,877	667,542
	4,175,011	4,386,739

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 0.20% to 5.89% in 2019 (2018: 0.20% to 5.89%).

18 Due to other Banks

	2019	2018
Short term	1,769,580	1,077,586
Medium term	434,710	434,663
	2,204,290	1,512,249

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

Medium-term borrowings represents unsecured borrowings of US$35.1 million, and TT$197.7 million from clients for a period of three years. The average interest rate for 2019 was 3.63% (2018: 3.21%).

19 Creditors and accrued expenses

	2019	2018
Accrued expenses	193,751	132,881
Other liabilities	228,448	229,231
Interest payable	85,845	75,310
Due to GOTT	23,171	21,478
Due to brokers	5,247	8,645
Funds payable to bondholders	125,069	280,954
	661,531	748,499

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.(iv) (e).

First Citizens

Notes to the Consolidated Financial Statements *(continued)*
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20 Retirement benefit asset

	2019 $'000	2018 $'000
a. *Net liability in balance sheet*		
Present value of obligation	(1,402,687)	(1,368,439)
Pension plan assets at fair value	1,393,802	1,343,706
Value of deficit	(8,885)	(24,733)
Net defined benefit liability	(8,885)	(24,733)

b. *Movement in present value of defined benefits obligation:*

	2019 $'000	2018 $'000
Beginning of year	1,368,439	1,368,808
Current year service cost	50,484	55,935
Interest cost	75,757	75,979
Members contributions	14,198	14,041
Past service credit	—	(57,215)
Re-measurements		
- Experience adjustments	(59,656)	(5,258)
- Actuarial gains from change in financial assumptions	—	(39,473)
Benefits paid	(46,535)	(44,378)
Defined benefit obligation at end of year	1,402,687	1,368,439

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

	2019	2018
- Active	68%	68%
- Deferred members	7%	7%
- Pensioners	25%	25%
The weighted average duration of the defined benefit obligation at year end	18.6 years	18.6 years

96% of the benefits for active members are vested

40% of the defined benefit obligation for active member is conditional on future salary increases

d. *Movement in fair value of plan assets:*

	2019 $'000	2018 $'000
Beginning of year	1,343,706	1,300,217
Interest income	73,797	71,523
Return of plan assets, excluding interest income	(19,785)	(28,452)
Company's contributions	29,888	32,213
Members contributions	14,198	14,041
Benefits paid	(46,535)	(44,378)
Expense allowance	(1,467)	(1,458)
Fair value of plan assets at end of year	1,393,802	1,343,706
Actual return on plan asset	54,012	43,071

e. *Asset allocation*

	2019 $'000	2018 $'000
Local and regional equity securities	397,162	379,434
Oversea equities (outside CARICOM)	224,683	236,052
TT$ denominated bonds	667,973	664,239
US$ denominated bonds	40,353	28,803
Cash and cash equivalents	63,361	34,924
Other (annuities, mortgages etc.)	270	254
Fair value of plan assets at end of year	1,393,802	1,343,706

All asset values as at 30 September 2019 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Plan's investment manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested using a strategy agreed with the Plan's Trustee and Management Committee.

This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments.

There are no asset-liability matching strategies used by the Plan.

f. *Expenses recognised in profit or loss*

	2019 $'000	2018 $'000
Current service costs	50,484	55,935
Net interest on net defined benefit liability/asset	1,960	4,456
Past service credit	—	(57,215)
Administrative expenses	1,467	1,458
Net pension cost	53,911	4,634

g. *Re-measurement recognised in other comprehensive income*

	2019 $'000	2018 $'000
Experience gains	(39,871)	(16,279)
Total amount recognised in other comprehensive income	(39,871)	(16,279)

h. *Reconciliation of opening and closing balance sheet entries*

	2019 $'000	2018 $'000
Opening defined benefit liability	(24,733)	(68,591)
Net pension cost	(53,911)	(4,634)
Re-measurements recognised in other comprehensive income	39,871	16,279
Company contribution paid	29,888	32,213
Closing defined benefit liability	(8,885)	(24,733)

i. *Summary of principal assumptions as at 30 September*

	2019	2018
Discount rate	5.5%	5.5%
Average individual salary increases	5.5%	5.5%
Future pension increases	1.25%	1.5%

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 2018 are as follows:

	2019	2018
Life expectancy at age 60 for current pension in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

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 2019 would have changed as a result of a change in the assumptions used.

	1% pa decrease	1% pa increase
Discount rate	284,210	(210,716)
Future salary increases	(90,868)	108,244
Future pension increases	(123,506)	142,325

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2019 by $25.1 million (2018: $23.8 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

k. *Funding*

The Bank meets the balance of the cost of funding the defined benefit Pension Plans and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $35.9 million to the Pension Plans during 2019/20.

21 Bonds payable

	2019 $'000	2018 $'000
(i) Fixed Rate Bond TTD 400 Million (Series 1)	400,000	400,000
(ii) Fixed Rate Bond TTD 100 Million (Series 2)	100,000	100,000
(iii) Fixed Rate Bond TTD 900 Million	900,000	900,000
(iv) Fixed Rate Bond USD 90.4 Million	605,011	605,011
(v) Fixed Rate Bond TTD 860.7 Million	860,755	860,755
(vi) Mutliple Series BBD Bond	63,089	—
	2,928,855	2,865,766
Current portion	63,089	—
Non current portion	2,865,766	2,865,766
	2,928,855	2,865,766

(i) TTD Fixed Rate Bond Series 1 – In August 2014, this bond for $400 million was issued. This bond is unsecured and carries a fixed rate of 3.10 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

(ii) TTD Fixed Rate Bond Series 2 – In August 2014, this bond for $100 million was issued. This bond is unsecured and carries a fixed rate of 3.25 % with a tenor of ten (10) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 7th anniversary subject to the minimum notice of 90 days.

(iii) TTD Fixed Rate Bond – In October 2015, this bond for $900 million was issued. This bond is unsecured and carries a fixed rate of 4.25 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 5th anniversary subject to the minimum notice of 60 days.

(iv) USD Fixed Rate Bond – In January 2018, this bond for $90.4 million was issued. This bond is unsecured and carries a fixed rate of 4.25 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 2nd anniversary subject to the minimum notice of 60 days.

(v) TTD Fixed Rate Bond – In April 2018, this bond for $860.7 million was issued. This bond is unsecured and carries a fixed rate of 4.50 % with a tenor of seven (7) 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) BBD Series 1 Bond – In September 2019, this bond for BBD$18.5 million was issued. This bond is unsecured and carries a fixed rate of 2.25% with a tenor 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.

22 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate for each subsidiary

	2019 $'000	2018 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(194,261)	(252,429)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on hold to collect and sell financial assets	(80,298)	76,805
- Revaluation on hold to collect due to reclassfication	934	476
- Revaluation on property, plant and equipment	—	(462)
- Remeasurement of defined benefit liability	(13,955)	(13,713)
Credit to consolidated statement of income (note 34)	11,841	(4,938)
At end of year	(275,739)	(194,261)

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

	Balance at 1.10.18 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Other Comprehensive Income $'000	Balance at 30.09.19 $'000
Deferred income tax assets				
Provisions	5,532	(5,358)	—	174
Fair value measurement of assets through profit or loss	374	—	—	374
	5,906	(5,358)	—	548
Deferred income tax liabilities				
Retirement benefit asset	(20,047)	8,407	—	(11,640)
Re-measurement of defined benefit liability	(61,799)	—	(13,955)	(75,754)
Fair value measurement of hold to collect and sell	(38,575)	(21)	(80,298)	(118,894)
Fair value measurement of hold to collect	(4,453)	—	934	(3,519)
Intangible asset recognised on business combination	(4,128)	1,921	—	(2,207)
Zero coupon instruments	(37,099)	(2,091)	—	(39,190)
Accelerated tax depreciation	(20,585)	8,976	—	(11,609)
Unrealised exchange and other gains	(6,036)	7	—	(6,029)
Revaluation gain on property, plant and equipment	(4,174)	—	—	(4,174)
Revaluation of PPE – Associates	(3,271)	—	—	(3,271)
	(200,167)	17,199	(93,319)	(276,287)
Net deferred income tax liability	(194,261)	11,841	(93,319)	(275,739)

	Balance at 1.10.17 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Other Comprehensive Income $'000	Balance at 30.09.18 $'000
Deferred income tax assets				
Provisions	985	4,547	—	5,532
Fair value measurement of assets through profit or loss	366	8	—	374
	1,351	4,555	—	5,906
Deferred income tax liabilities				
Retirement benefit asset	(10,394)	(9,653)	—	(20,047)
Re-measurement of defined benefit liability	(48,086)	—	(13,713)	(61,799)
Fair value measurement of hold to collect and sell	(115,380)	—	76,805	(38,575)
Fair value measurement of hold to collect	(4,929)	—	476	(4,453)
Intangible asset recognised on business combination	(5,980)	1,852	—	(4,128)
Zero coupon instruments	(33,248)	(3,851)	—	(37,099)
Accelerated tax depreciation	(23,001)	2,416	—	(20,585)
Unrealised exchange and other gains	(5,997)	(39)	—	(6,036)
Revaluation gain on property, plant and equipment	(3,494)	(218)	(462)	(4,174)
Revaluation of PPE – Associates	(3,271)	—	—	(3,271)
	(253,780)	(9,493)	63,106	(200,167)
Net deferred income tax liability	(252,429)	(4,938)	63,106	(194,261)

23 Notes due to parent company

	2019 $'000	2018 $'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)).

24 Share capital

The total authorised number of shares are issued and fully paid. Thirty five point five seven percentage (35.57%) of these shares are trading on the local stock exchange.

	2019 $'000	2018 $'000
251,353,562 ordinary shares of no par value	539,957	539,957
Treasury shares/stock	(185,000)	(185,000)
42,500,000 A preference shares of no par value	42,500	42,500
61,100,000 B preference shares of no par value	61,100	61,100
	458,557	458,557

The Class A preference shares are non-convertible, non-participating and non-voting. The option for redemption expired in September 1999. The shares pay cumulative dividend of 4% per annum.

The Class B preference shares pay cumulative dividends of 2% per annum when declared, but are non-participatory, non-voting, non-convertible and non-redeemable.

Employee share ownership plan

In April 2017, the shareholders approved the establishment of an employee share ownership plan for the Group's staff. This ESOP was subsequently approved by the Board of Inland Revenue in December 2018. The first distribution was made in January 2019 based on the profit of the Bank for the financial period ending 30 September 2018.

The plan is designed to provide long-term incentives to the employees. The object of the plan is to permit and facilitate the transfer of the annual bonus distribution if any of the Bank to the Trustee to be applied towards the purchase of shares in the Bank to be held by the trustee to the use and benefit of participants and otherwise dealt with in accordance with the provisions of section 35 of the income tax act (Clause 3 – Trust Deed).

Each participant shall be required to contribute to the plan not less than 25% of the award allocated to him (if any) but may contribute up to 50% of the award, for the trustee to purchase shares, which shares shall be held in trust for the participants.

The number of shares to which each participant shall become entitled for allocation by the trustee shall be determined by dividing the valuation price into the amount to which each participant is entitled in the annual bonus distribution for the same plan year. The valuation price shall be the market price quoted on the Trinidad and Tobago Stock Exchange Limited.

	2019	2018
Shares allocated to the Plan		
Opening balance	5,781,250	5,781,250
Shares allocated to employees	(405,292)	—
	5,375,958	5,781,250

25 Statutory reserves

The Financial Institutions Act 2008, Part VI, Section 56 1(a) (Trinidad and Tobago) stipulates that a Bank must transfer at the end of each financial year no less than 10% of its profits after taxation to a Reserve Fund until the amount standing to the credit of the Reserve Fund is not less than the stated capital or assigned capital of the Bank.

In accordance with the Financial Institutions Act 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to transfer to a reserve fund a minimum of 25% of the net income for the year, wherever the amount of the reserve fund is less than the stated capital.

The FIA 2008 Section 60.1, also indicated that no licensee shall incur, deposit liabilities of an amount exceeding twenty (20) times the sum of its stated capital or assigned capital and Statutory Reserve Fund.

26 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.

27 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 deferred tax, until the assets are derecognised or impaired.

For equity financial assets which are measured at FVOCI are not recycled to the statement of income.

ii *Revaluation reserve*

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

iii. *Re-measurement of defined benefit reserve*

The remeasurements of the defined benefit represents actuarial gains and losses, returns on plan assets (outside of any changes recorded as net interest) and any changes in the asset ceiling (outside of any changes recorded as net interest).

iv. *Translation reserve*

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

28 Interest income

	2019 $'000	2018 $'000
Loans to customers	1,217,088	1,085,494
Financial assets (hold to collect and sell, hold to collect and FVTPL)	785,457	761,328
Loan notes	31,753	40,253
	2,034,298	1,887,075

29 Interest expense

	2019 $'000	2018 $'000
Customers' deposits	110,876	88,435
Other funding instruments	160,454	140,935
Notes payable	9,328	9,328
Bonds payable	120,346	89,427
	401,004	328,125

30 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 2019	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group Functions $'000	Total $'000
Account service fees	42,406	836	2,019	—	—	45,261
Transaction fees	123,682	9,520	8,588	—	—	141,790
Asset Management fees	9,097	705	75,713	129,298	(8,939)	205,874
Underwriting & Brokerage fee	—	21,971	13,427	—	—	35,398
Total income	175,185	33,032	99,747	129,298	(8,939)	428,323
Financial guarantees & Loan Commitments	22,220	16,526	492	—	—	39,238
Total fees and commission	197,405	49,558	100,239	129,298	(8,939)	467,561

Year ended 30 September 2018	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group Functions $'000	Total $'000
Account service fees	48,944	934	1,873	—	—	51,751
Transaction fees	107,353	243	43,379	—	—	150,975
Asset Management fees	9,147	790	12,793	137,797	(9,166)	151,361
Underwriting & Brokerage fee	—	—	14,188	—	—	44,577
Total income	165,444	1,967	72,233	137,797	(9,166)	398,664
Financial guarantees & Loan Commitments	19,314	15,287	2,045	—	—	36,646
Total fees and commission	184,758	17,254	74,278	137,797	(9,166)	435,310

All fees and commissions are specific to the service contract and are recognised at a point in time, with the exception of asset management and agency services fee Income which are recognised as per the performance obligation and the fees are recognised over time (note 2.p).

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31 Other Income

	2019 $'000	2018 $'000
Foreign exchange transaction gains less losses	160,274	143,913
Foreign exchange translation gains less losses	(13,321)	(11,308)
Other Income	3,636	12,122
Unrealised gains on financial assets FVPL	69	—
	150,659	144,727

32 Impairment gains/(loss) on other financial assets

Charge/(write back) to impairment allowances	37,525	(105,011)
Net gains on derecognition of financial assets	296,008	—
Loss on the recognition of credit impairment on origination assets	(296,800)	—
	36,733	(105,011)

33 Administrative expenses

Staff expenses	550,843	482,495
Pension expenses	57,259	7,420
Other administrative expenses	52,441	50,587
Depreciation	87,424	47,942
Amortisation charges	17,032	20,029
	764,999	608,473

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

	2019 Employees	2019 %	2018 Employees	2018 %
First Citizens Bank Limited	1,588	82	1,538	83
Subsidiaries	345	18	326	17
	1,933	100	1,864	100

34 Other operating expenses

	2019 $'000	2018 $'000
Property expenses	92,325	75,244
Technical and professional	27,754	20,469
Advertising expenses	12,256	13,741
Hardware and software maintenance	38,466	31,474
Deposit insurance (see below)	38,000	36,721
Credit card expenses	82,553	74,205
Equipment rental & maintenance	21,252	26,681
Communication charges	14,426	17,006
Security services	17,168	16,158
Stationery and service related expenses	17,060	15,337
Tax on assets	8,270	8,638
Operating expenses	112,910	102,822
	482,440	438,496

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.

35 Taxation

	2019 $'000	2018 $'000
Current tax	310,454	334,815
Prior period under/(over) provision	12,433	(3,420)
Deferred tax (Note 22)	(11,841)	4,938
	311,046	336,333

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	1,062,775	1,010,026
Tax calculated 35% (2018: 35%)	371,972	353,509
Income exempt from tax	(114,832)	(75,381)
Expenses not deductible for tax purposes	62,915	86,975
Prior year under/(over) provision	11,802	(3,420)
Effects of different tax rates in other countries and businesses within the group	(20,811)	(25,350)
	311,046	336,333

36 Dividends

Ordinary dividend paid – final for 2018: $0.48 (2017: $0.71)	117,875	174,356
Ordinary dividend paid – interim for 2019: $1.21 (2018: $1.12)	297,142	275,041
Preference dividend paid	2,922	2,922
	417,939	452,319

37 Related party transactions and balances

a. *Directors and key management personnel*		
Salaries and other short-term employee benefits	50,843	50,425
Loans and receivables	12,063	12,902
Interest income	600	591
Customers' deposit	13,078	11,510
Interest expense	159	121
Other Funding instruments	690	676
Interest expense- other funding	11	14
b. *Transactions with associate*		
Interest income	—	844
c. *Transactions with parent*		
Customers' deposit	1,209	155
Long term notes (Note 23)	58,000	58,000
Loan note (Note 11 (ii))	15,642	20,856
Interest income on loan notes	2,248	2,848
Due from parent	363	249
d. *Pension Plan*		
Employer's contribution (Note 20.d)	29,888	32,213

e. *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).

37 Related party transactions and balances (continued)

e. *Government of the Republic of Trinidad and Tobago (continued)*

The current amount outstanding on these arrangements and obligations and the related income and expenses are disclosed below:-

	2019 $'000	2018 $'000
Assets		
Loan notes with Taurus Services Limited (Note 11 (i))	205,457	273,942
Liabilities		
Due to GORTT (Note 19)	23,171	21,478
Interest income		
Loan notes with Taurus Services Limited	29,529	37,405

f. *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:

	2019 $'000	2018 $'000
Loans and receivables	3,882,926	2,915,876
Interest income	254,995	199,926
Customers' deposits	7,399,019	7,151,386
Interest expense	32,175	24,638
Financial assets- Hold to collect and sell	7,744,061	8,663,210
Financial assets – Hold to collect	513,242	514,768
Investment income	429,255	409,655

38 Commitments

a. Capital commitments

Capital expenditure approved by the Directors but not provided for in these accounts	53,508	67,255

b. Credit commitments

Commitments for loans approved not yet disbursed	905,072	1,560,259

39 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.

	2019 $'000	2018 $'000
Acceptances	45,031	18,518
Guarantees	150,210	175,786
Letters of credit	20,454	14,977
	215,695	209,281

40 Lease rentals

The Group leased certain premises under non-cancellable operating leases expiring in various years up to 2027. The leases contain renewal options from five to twenty-five years. Rental expense incurred under lease agreements amount to $40.2 million for the year 2019 (2018: $37.3 million).

The future lease obligations under non-cancellable leases are summarised below:

	2019 $'000	2018 $'000
- Up to one year	33,341	32,425
- One year to five years	58,794	50,571
- Over five years	25,785	13,047
	117,920	96,043

41 Subsequent events

On 9 December 2019, the Board of Directors declared a final dividend payment of $0.49 per share payable to shareholders.