First Citizens

CELEBRATING THE FIRST 25

ANNUAL REPORT 2018

a country's greatest

masterPiece


is the rhythm of our People

Vision

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

Mission

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

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First Citizens

CELEBRATING THE FIRST 25

CORPORATE INFORMATION

and Profile of Subsidiaries

First Citizens Bank Limited

BOARD OF DIRECTORS

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

Group Corporate Secretary

Lindi Ballah-Tull

Registered Office

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

Auditor

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

First Citizens Asset Management Limited

BOARD OF DIRECTORS

Courtenay Williams – Chairman
Jayselle McFarlane – Deputy Chairman
Karen Darbasie
Troy Garcia
Jason Julien
Robin Lewis
Idrees Omardeen

Registered Office

50 St. Vincent Street,
Port of Spain, Trinidad, W.I.
Tel: (868) 623-9091-7
(868) 625-8115-8
Fax: (868) 625-2349
(868) 624-8937
firstcitizenstt.com

First Citizens Trustee Services Limited

BOARD OF DIRECTORS

Franka Costelloe – Chairperson
Lindi Ballah-Tull
Dr. Sterling Frost
David Inglefield
Ingrid Melville
Ian Narine
Courtenay Williams
Brian Woo

*Shiva Manraj

*Resigned November 17, 2017

Registered Office

45 Abercromby Street,
Port of Spain,
Trinidad, W.I.
Tel: (868) 623-9091-7
(868) 625-8115-8
Fax: (868) 627-6426
firstcitizenstt.com

†First Citizens Portfolio and Investment Management Services Limited

(formerly First Citizens Securities Trading Limited)
†*(name change effective April 9, 2018)*

BOARD OF DIRECTORS

*Anthony Isidore Smart – Chairman
*Shiva Manraj
**Ian Narine
**Ryan Proudfoot

***Jason Julien
****Karen Darbasie
****Keshwar Khodai

*Appointed October 1, 2017
**Appointed January 30, 2018
***Resigned October 1, 2017
****Resigned January 30, 2018

Registered Office

1st Floor, 45 Abercromby Street,
Port of Spain, Trinidad, W.I.
Tel: (868) 624-3178
Fax: (868) 624-5981
firstcitizenstt.com

†First Citizens (St. Lucia) Limited

†*(ceased operations as at September 30, 2016)*

BOARD OF DIRECTORS

Courtenay Williams – Chairman
Karen Darbasie
Dunstan Duboulay
Shiva Manraj

First Citizens Financial Services (St. Lucia) Limited

BOARD OF DIRECTORS

Courtenay Williams – Chairman
Karen Darbasie
Dunstan Duboulay
Shiva Manraj
Sana Ragbir

Registered Office

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

First Citizens Investment Services Limited

BOARD OF DIRECTORS

Anthony Isidore Smart – Chairman
Karen Darbasie
Nicole De Freitas
Dr. Sterling Frost
Troy Garcia
David Inglefield
Jayselle McFarlane
Ian Narine
Idrees Omardeen
Ryan Proudfoot

Registered Office

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

First Citizens Brokerage & Advisory Services Limited

BOARD OF DIRECTORS

Ryan Proudfoot – Chairman
Jason Julien
Robin Lewis
Idrees Omardeen

Registered Office

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

First Citizens Investment Services (Barbados) Limited

BOARD OF DIRECTORS

Ryan Proudfoot – Chairman
Sir Trevor A. Carmichael
Franka Costelloe
Dr. Sterling Frost
David Inglefield
Jason Julien

Registered Office

One Welches,
St. Thomas, Barbados, W.I.
Tel: (246) 417-6810
Fax: (246) 421-2140
firstcitizensinvestment.com

First Citizens Bank (Barbados) Limited

BOARD OF DIRECTORS

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

**Renee-Ann Kowlessar
***Dr. Sterling Frost

*Appointed October 4, 2018
**Resigned July 31, 2018
***Resigned September 26, 2018

Registered Office

4th Floor, 2 Broad Street,
Bridgetown, Barbados, W.I.
Tel: (246) 431-2353
Fax: (246) 430-0221
firstcitizensbb.com

FCCR – First Citizens Costa Rica S.A.

BOARD OF DIRECTORS

Anthony Isidore Smart – President
Lindi Ballah-Tull
Ingrid Melville
Ian Narine
Kurt Valley

Registered Office

Oficentro Eurocenter 1,
Barreal de Heredia, Costa Rica
Tel: (506) 223-95581
Fax: (506) 223-95860
firstcitizenstt.com

Chairman's Report

Group Performance

I am extremely pleased to announce that the First Citizens Group had another successful year, recording profit before tax of just over $1 billion or growth of 15.2% when compared to 2017. This excellent result was achieved notwithstanding the impact of an impairment expense of $105 million on our Government of Barbados exposures. Profit after tax amounted to $674 million, which represents an increase of $32 million or 5%, as compared to 2017. The growth in PAT was negatively impacted by the increase in our corporation tax rate from 30% to 35%.

Total assets as at September 2018 amounted to $42.0 billion, an increase of 7.9% when compared to September 2017. This growth was in part driven by growth in the customer loans and advances portfolios of 10.9%, which resulted an increase in the net interest margin of $141 million or 9.9%. Customer deposits increased by 6.4% to $25.5 billion. Additionally the Group effectively managed its expenses, resulting in an improvement in its efficiency ratio to 47.2% as compared to 53.2% in 2017.

As a result of these financial achievements, on December 17, 2018, the Board of Directors declared a final dividend of $0.48 per share, which brings the total dividend for the fiscal year to $1.50, an increase of 7.1% when compared to 2017. This final dividend will be paid on January 30, 2019, to all shareholders on record as at January 11, 2019.

These accomplishments were underscored by Standards and Poor's reaffirming First Citizens ratings of BBB/A-2 in October 2018. Our strides in Governance were also reflected by the Group's achieving the highest rating, amongst companies headquartered in Trinidad and Tobago, in a 2018 study conduted by the University of the West Indies Arthur Lok Jack Global School of Business on the corporate disclosure practices of companies listed on the Trinidad and Tobago Stock Exchange.

International Overview and Outlook

The International Monetary Fund (IMF) has projected that the global economy will continue to expand into 2018 and 2019, consistent with growth experienced in 2017. However, the Fund has noted that the outlook faces heightened downside risks, which have increased particularly during the latter half of 2018. The global economy is forecasted to expand at a rate of 3.7% in 2018 – 2019, the same as what was recorded in 2017. There are several factors which have caused extreme uncertainties in the market, including policy divergence across economies, rhetoric on trade tariffs, slide in oil prices, highly volatile stock markets, the near-inversion of the US yield curve, Brexit and China's economic rebalancing.

The United States is expected to continue along a path of strong economic growth, driven largely by deficit spending. Private and government consumption continue to support the US economy, growing robustly in the third quarter of 2018. However, a combination of tightening monetary policy as well as increased protectionist trade policies, may counteract the impact of fiscal stimulus. In 2019, IMF projects growth of 2.9% for the US, while Business Monitor International is slightly more conservative, projecting economic growth of 2.5%.

Uncertainties continue in the United Kingdom (UK), as the Prime Minister continues to face challenges in getting approval from her Cabinet for the draft Brexit agreement with the European Union (EU). The Opposition has already stated that it will not support the deal without the ability to amend and send back to the EU, and at this point, it looks highly unlikely it will be approved. Brexit is likely to have major implications for the UK's economic and political landscape. In a study done by the Bank of England, in a 'no-deal' transition, the economy of the UK can decline by as much as 8%, while the unemployment rate can increase to as high as 7.5%. The uncertainties surrounding the Brexit scenarios have created much volatility in the currency market, with the pound losing value against the US dollar. In both the UK and the EU, economic activity fell short of projections during 2018, with lower growth in world trade and industrial production. The IMF projects growth of 2% and 1.9% in 2018 and 2019, respectively in the EU bloc, down from growth of 2.4% in 2017, while in the UK, economy growth is projected at 1.4% and 1.5% in 2018 and 2019, respectively.

In China, economic growth forecasts have been revised downwards and is expected to slow to 6.6% and 6.2% in 2018 and 2019, respectively, reflecting weaker credit growth and rising trade barriers. As at the end of September 2018, the economy recorded growth of 6.5% (year-on-year), the slowest quarter since 2009. The Chinese authorities continue to focus on gradually rebalancing the economy towards the services sector, away from industrial production. The country's official manufacturing purchasing managers' index declined for a third consecutive month in November 2018 to 50 (a reading below 50 indicates contractionary territory) and it is expected that government will provide support for the manufacturing sector over the coming quarters.

Regional

The outlook for the Caribbean region is supported by the strengthening global economic recovery, but there are significant downside risks, including volatile commodity prices, the normalization of monetary policy in the US, increased tax and compliance oversight, in addition to weather-related shocks. The IMF forecasts economic growth of 4.4% in 2018 and 3.7% in 2019, significantly up from the 2.6% in 2017. The improvement in the outlook for the region stems from expectations of better performance of the commodity exporters of the region. Further, activity is likely to be driven by ongoing reconstruction efforts following the strong hurricanes, which hit several countries in 2017. Public sector debt remains one of the major hindrances to higher economic growth, however, several countries have begun programmes of fiscal consolidation in order to improve their fiscal flexibility. During 2018, Barbados elected a new government, which almost immediately after, met with the IMF and announced a debt restructuring exercise.

Trinidad and Tobago Economic Overview and Outlook

There was moderate improvement in the Trinidad and Tobago economy in 2018, largely supported by the energy sector. The pickup in the energy sector was based on increased year-on-year natural gas production (12.7%), which supported the higher production of LNG (20.6%), and petrochemicals (13.7%). The non-energy sector slipped further, but there were positive signs emanating from the distribution, finance, insurance, real estate and other businesses, water and electricity and transport subsectors. Construction activity remains subdued, with leading indicators suggesting negative performance. The IMF forecasts real Gross Domestic Product (GDP) growth of 1% in 2018 and 0.9% in 2019, up from -2.6% in 2017. Much of the economy's outlook hinges on rising natural gas production, which is forecasted to expand 3.7% in 2018. Non-energy sector activity is likely to remain muted as the government's fiscal consolidation efforts impact consumption trends.

The latest labour market statistics from the Central Statistical Office revealed that the rate of unemployment measured 5.1% in the third quarter of 2017. This represented an increase from the 4.0% recorded in the corresponding quarter of 2016. Labour conditions are likely to worsen with the ongoing restructuring of state-owned entities as part of the fiscal consolidation efforts. Trinidad and Tobago's external accounts recorded a deficit of USD381.9 million during the period January to March 2018, larger than the deficit of USD360.4 million recorded in the corresponding period in 2017. Trinidad and Tobago's gross official reserves amounted to USD7,430.4 million at the end of October 2018, a 12.8% decline year-on-year, moving from over 9 months of import cover to just around 8 months, still adequate by international benchmarks.

The reduction in spending by 2.2% of GDP implemented through cuts in spending on transfers and subsidies, goods and services, and capital investment was partly offset by the fall in non-energy revenues from weak economic activity. Borrowing and one-off sources (from the Heritage and Stabilization Fund) helped finance the deficit. Central government debt rose to 42% of GDP and public debt, including contingent liabilities, reached 61% of GDP, approaching the government's soft target of 65%.

In June 2018, CBTT raised the repo rate by 25 basis points to 5.0%, which was the first increase since December 2015, following the US Fed's increase. Some of the local commercial banks followed with subsequent increases in interest rates, including the prime lending and the term deposit rates. The yield differential between TT and US rates continued to be negative over the September quarter as interest rates increase faster in the US. The Central Bank also removed the 2% secondary reserve requirement on banks' deposit liabilities in August 2018, which boosted liquidity in the system. This action was in keeping with the Bank's objective to increase reliance on more market-based policy measures, including open market operations.

Barbados Economic Overview and Outlook

The Barbadian economy is forecasted to decline by 0.50% in 2018 and continues to face severe challenges. International reserves have dwindled while Central Government debt is unsustainably high. The fiscal deficit has decreased over the last few years but remains large, at about 4.5% of GDP in FY2017/18. Economic activity in Barbados is estimated to have contracted by 0.5% during the first nine months of 2018 impacted by weak construction activity and constrained domestic consumption resulting from the tighter fiscal stance. Together, these factors offset the gains in the tourism sector, where long stay arrivals increased 2.9%, but was constrained by the decline in average length of stay.

Gross international reserves increased by USD52 million between March and September, following months of decline, but still ended September 2018 at USD288.6 million, almost 4% lower compared to September 2017. The improvement in reserves was partly because of the suspension of external debt service, which alleviated pressure on the foreign exchange outflows. On the fiscal account, there was some improvement as enhanced revenue measures helped to narrow the deficit.

On June 1, 2018, the new government, led by Prime Minister Mia Mottley, announced a comprehensive debt restructuring exercise, including commercial and external debt and Treasury bills. In October 2018, the local currency debt exchange was completed, having been launched on September 7, 2018. On October 1, 2018, the IMF approved a USD290 million arrangement under the Extended Fund Facility for Barbados. The facility allowed for an immediate USD49 million disbursement. To complement the IMF programme and the debt restructuring, the authorities' reform programme is intended to restore debt sustainability, strengthen external positon and improve growth prospects.

Eastern Caribbean Overview and Outlook

Data released by the Eastern Caribbean Central Bank indicates that GDP growth in the ECCU decelerated from 3.28% in 2016 to 1.35% in 2017. Growth in 2018 is projected at 2.88%. According to ECCB forecasts, growth in 2018 is expected to increase relative to 2017, except for Grenada and St. Lucia, where the ECCB expects economic activity to moderate slightly. The general improvement in economic activity is due to the improved performance of the region's main trading partner and the enhanced performance of major economic sectors such as hotels and restaurants, construction and manufacturing.

Meanwhile, the IMF in its October 2018 World Economic Outlook, estimated economic growth in the region at 2.0% in 2018 and 3.8% in 2019.

The region's external current account deficit is forecasted to widen to an average of 11.6% of GDP in 2018 from 8% of GDP in 2017. Inflation is forecasted to increase to 1.7% in 2018 from 1.1% in 2017. Public sector debt was estimated at 72% of GDP in 2016 and is forecasted to moderate further by the end of 2019.

Costa Rica Economic Overview and Outlook

Costa Rica's economic growth is expected to decelerate in 2018 as private consumption feels the strain from rising unemployment and higher borrowing costs. In the medium term, the implementation of fiscal consolidation will pose additional headwinds, though growth will remain moderate. Persistent fiscal deficits will likely see the Costa Rican government adopt austerity measures in the quarters ahead which will restrain growth in the medium term. According to Business Monitor International, the GDP growth forecast has decreased for 2018 to 3.4% from 3.6% previously. Growth is estimated at 3.3% for 2019. The Costa Rican fiscal deficit is forecasted at 6.6% and 6.2% of GDP in 2018 and 2019 respectively.

On October 10, 2018, Moody's Investor Services placed Costa Rica's credit rating on review for a downgrade due to the prospects of continued worsening of fiscal and government debt indicators, coupled with evidence of increasing funding pressures. Costa Rica's funding pressures were evident by the utilisation of an emergency financing mechanism in September 2018 when the Banco Central de Costa Rica (BCCR) announced it would purchase CRC498 billion (USD860 million or about 1.4% of 2018 GDP) in Treasury notes–a measure not used for over two decades.

The BCCR estimates that 41.6% of the 2019 budget will go to debt servicing costs, limiting government spending on social services and investment.

While Costa Rica's slow-moving legislative process and a highly contested 2018 general election prevented legislative action on fiscal reform in recent quarters, the bill was finally passed in December 2018, paving the way for much needed fiscal reforms, which contain a mix of both revenue enhancing and expenditure containing measures. The reforms also include stronger fiscal rule which will tie government spending to government debt levels.

On behalf of my Board, I would like to congratulate the staff of First Citizens on their great success over the last year. I wish, also to express my sincere gratitude to the staff, customers, investors, shareholders, my fellow Directors and all other stakeholders for their invaluable contribution towards the continuing growth and achievements of the First Citizens Group.

Anthony Isidore Smart

Anthony Isidore Smart
Chairman


First Citizens

Group Chief Executive Officer's Report

First Citizens' focus on key strategic differentiators continues to propel our brand as a recognised leader in the communities in which we invest and serve, both in Trinidad and Tobago, and in the Region.

This fiscal period was a significant one in the epic story that is First Citizens. In 2018 we celebrated our 25th anniversary and 25 years of consistent performance and growth. At this important milestone the Group reflected on its history and celebrated this achievement with customers, staff, local and regional communities. Our role in the development of individuals, business sectors and economies stands as testament to the strength of our dynamic brand. Our culture of **E**xcellence, commitment to our **P**eople, to **I**ntegrity and to our **C**ustomers decidedly remains our foundation and pride in making all First Citizens experiences… **EPIC!**

First Citizens' focus on key strategic differentiators continues to propel our brand as a recognised leader in the communities in which we invest and serve, both in Trinidad and Tobago and in the region. Our philosophy has been to find the right balance between a widespread coverage but with sufficient focus to have meaningful impact in specific areas.

Overview of Performance – Key Performance Highlights

Despite the challenges faced by the Group in several economies over the period, we have successfully navigated through increased unemployment, tightening in the foreign exchange supply, increased taxation and negative mark to market adjustments. This makes our financial results even more remarkable as we have recorded our highest ever profit before tax.

Some major highlights of our 2017/2018 financial performance include:

- Profit before tax increased by 15.2% from $876.4 million to $1.0 billion
- Profit after tax amounted to $673.7 million or 4.9% growth year-on-year
- Total assets stands at $42.0 billion
- Qualifying Capital to risk adjusted assets ratio remained best of class at 39.34%
- Efficiency ratio improved to 47.2%, as compared to 53.2% in 2017, which helped us to absorb the impact of the government of Barbados restructuring

In addition to our admirable key performance indicators, First Citizens enjoys a stable market position as the second largest bank in Trinidad and Tobago. As a result of our consistent performance, the high quality of our balance sheet and our strong capital ratios, First Citizens continues to be one of the best rated indigenous banks in the English-speaking Caribbean by international rating agency Standard and Poor's, who on October 30, 2018 re-affirmed our rating of BBB/A-2.

Business Generation

For the financial year ended September 30, 2018, profit before tax increased to $1.0 billion while profit after tax amounted to $673.7 million. The Group's total assets amounted to $42.0 billion as at year end, a 7.9% increase. The loan portfolio increased by 10.9% from $14.4 billion to $16.0 billion. The Group's funding base increased by $1.6 billion or 5.6% to $29.9 billion. Our Non-performing loans (NPLs) ratio at 2018 year end stood at 3.33% compared to 2.70% in 2017.

Our focus on booking new facilities and income generation provided growth in both our interest income and non-interest income. Along with this, our mechanisms employed towards improving operational efficiencies resulted in a significant improvement in our efficiency ratio of 47.23% from 53.16%. This base provides us with the platform required as we continue our investment in technology, premises and people. Our digital platform in particular, focused on leveraging the available technologies to satisfy our customers' needs and at the same time, meet our strategic objectives. We've provided cutting edge services with solutions for the small business owners, the savvy investors who can see all their financial holdings at a glance and #EasyBanking for banking services on the go.

Support Services

Our support services for 2018 remained focused on risk management, corporate governance and corporate social responsibility.

Risk management is one of our Strategic Pillars and with the implementation of an electronic Governance, Risk and Compliance (eGRC) programme; it remains at the forefront on our operations. The eGRC provides a centralized repository which is supported through systems, policies and procedures that enable an integrated risk, control and compliance approach to enhance our ability to properly manage crises and threats and to capitalize on opportunities.

The Group fully endorses the Trinidad and Tobago Corporate Governance Code (2013). We have already adopted many of the codes and are proud of achieving the highest ranking of companies headquartered in Trinidad and Tobago in a 2018 study by The University of the West Indies, Arthur Lok Jack Global School of Business on the corporate disclosure practices of companies listed on the Trinidad and Tobago Stock Exchange.

The pillars of our corporate social responsibility programmes continue to be: Sport, Culture, Youth and Education, the Advancement of Women and the Environment. Some of the more noteworthy projects we engaged in across the Region in this regard are described later on in the annual report.

Subsidiaries

The Group's subsidiaries continued to perform well. Our Trustee Company realised a profit before tax of $26.6 million. The First Citizens Investment Services Group and the Asset Management Company streamlined their operations which contributed $126.6 million and $84.6 million respectively, to profit before tax. The Wealth Management sector, defined as high net worth individuals and small institutions, crossed TT$1 billion in funds under management. These funds represent investments in the securities market and demonstrate our ability as a Group to offer a full range of financial services and products to our clients. We successfully managed the National Investment Fund bond issue, which was the largest bond ever to be floated in the Trinidad and Tobago market, raising not only the target funding of $4 billion but achieving an oversubscription in excess of $3 billion. Our Barbados operation remained focused on improving procedures and compliance and continued support to our clients within a difficult local economy.

Future Outlook

Our outlook is cautiously optimistic as the local economy is expected to show GDP growth of 1% in 2018 and 0.9% in 2019. This forecast is supported mostly by rising natural gas production and other energy projects projected to come on stream. Unemployment is expected to worsen owing to the ongoing restructuring exercise of the state-owned entities. This is also expected to slow overall growth in the non-energy sector.

Regionally, there are indications of upcoming challenges in other Caribbean territories which may require increased efforts at our end to maintain stability in the Group. To support this, our efforts will remain focused on managing expenses and adhering to robust risk management practices to deliver positive results to our shareholders, customers, employees and to the communities in which we operate.

In closing, I would like to express my appreciation to the Board, our employees and all our stakeholders. Together we cement the Group's position as one of the most successful financial institutions in the English-speaking Caribbean.

Karen Darbasie
Group Chief Executive Officer

Statement of Management Responsibility

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2018, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of 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 judgment 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
December 17, 2018

Shiva Manraj
Group Chief Financial Officer
December 17, 2018

10 Year Summary of Selected Financial Data (2009-2018)

TT$ million As at September 30	2018	2017	2016	2015	2014	Restated 2013	Restated 2012	2011	2010	2009
Total Assets	42,045	38,958	38,850	37,538	34,858	36,086	33,804	31,160	29,534	27,714
Total Funding	32,752	29,708	30,912	27,672	27,644	28,085	27,382	25,626	23,989	22,702
Shareholders' Equity	6,622	6,752	6,679	6,326	6,241	5,965	5,471	5,146	4,900	4,098
Total Loans	16,015	14,435	13,332	13,831	11,154	11,517	10,322	9,020	8,788	7,674
Investments	15,128	15,690	12,967	12,294	10,442	10,305	10,852	10,611	11,175	10,549
Profit Before Tax	1,010	876	817	791	773	745	714	688	671	621
Profit After Tax	674	642	637	630	627	609	446	718	627	552
Non-Performing Loans/Total Loans (%)	3.33%	2.70%	3.89%	3.39%	4.54%	4.25%	4.56%	4.55%	1.16%	1.03%
Efficiency Ratio (%)	47.23%	53.16%	55.51%	55.80%	54.31%	53.99%	49.53%	46.74%	44.89%	40.46%
Capital/ Asset (%)	15.8%	17.3%	17.2%	16.9%	17.9%	16.5%	16.2%	16.5%	16.6%	14.8%
ROAA	1.66%	1.65%	1.67%	1.74%	1.77%	1.74%	1.37%	2.37%	2.19%	2.53%
ROAE	10.08%	9.56%	9.80%	10.03%	10.27%	10.65%	8.40%	14.29%	13.94%	16.31%
Effective Tax rate	33.27%	26.71%	22.03%	20.35%	18.89%	18.26%	37.54%	-4.36%	6.56%	11.11%
Marginal Increase in Tax	6.56%	4.68%	1.73%	1.35%	0.69%	-19.28%	41.90%	-10.92%	-4.55%	3.16%

Directors' Report

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

The Directors present herewith the annual report and financial statements for the year ended September 30, 2018.

Principal Activities

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

Regulation

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

Future Developments

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

The Bank has undertaken a number of initiatives in keeping with the principles and recommendations of the Trinidad and Tobago Corporate Governance Code (2013) and these are set in the Corporate Governance section of this report.

Achievements

The Group's total assets stood at $42.0 billion as at the end of September, 2017. Profit before tax increased by 15.2% to $1,010.0 million in 2018 as compared to $876.4 million in the previous year. The profit after tax amounted to $673.7 million, as compared to $641.9 million in 2017. Total shareholders' equity recorded was $6.63 billion.

Directors' Responsibility Statement

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

a) In the preparation of the Annual Financial Statements, the applicable International Financial Reporting Standards have been followed and there have been no material departures from these standards.

b) That the risk management systems and internal controls are adequate for managing the company's risk and are being properly applied.

c) The annual financial statements have been prepared on a going concern basis.

Directors, Senior Officers and Substantial Interest

Below are the details of shareholdings of Directors and Senior Officers with an interest in the Bank as at September 30, 2018, together with the shareholdings of their connected parties and our 10 largest shareholders.

Director/Senior Officer	Ordinary Shareholdings	Connected Parties
Karen Darbasie	4,735	
Jason Julien	5,000	
Robin Lewis	23,228	
Shiva Manraj	25,000	
Lindi Joy Ballah-Tull	500	
Keshwar Khodai	21,500	
Anthony St. Clair	5,000	
Sana Ragbir	7,000	664
Richard Look Kin	1,228	1,153
Nicole De Freitas	10,000	
Troy Garcia	2,373	

The 10 Largest Shareholders

Name	Ordinary Shares	Percentage
First Citizens Holdings Limited	161,946,890	64.43%
National Insurance Board of Trinidad and Tobago	20,285,431	8.07%
T&T Unit Trust Corporation/FUS	8,511,909	3.39%
First Citizens Employee Share Ownership Plan	5,781,250	2.30%
Guardian Life of the Caribbean Limited	2,646,418	1.05%
National Enterprises Limited	1,592,395	0.63%
Republic Bank Limited - 1162	1,513,707	0.60%
RBTT Trust Limited - T964	1,342,226	0.53%
Tatil Life Assurance Limited	1,175,731	0.47%
Colonial Life Insurance Co (T'dad) Ltd	1,110,053	0.44%

Acknowledgement

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

By order of the Board

Lindi Ballah-Tull
Corporate Secretary

Anthony Isidore Smart

Anthony Isidore Smart
Chairman

First Citizens
CELEBRATING THE FIRST 25

BOARD OF DIRECTORS

Board of Directors

From left to right:

Savitree Seepersad, David Inglefield, Jayselle McFarlane, Franka Costelloe, Anthony Isidore Smart – *Chairman*, Ian Narine, Courtenay Williams – *Deputy Chairman*, Ryan Proudfoot, Idrees Omardeen, Ingrid Melville and Troy Garcia

The Board Profile

Mr. Anthony Isidore Smart
Chairman

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

He is an Attorney-at-Law who has been in private practice for 46 years, 30 of which he led the law firm of Gittens, Smart & Company. He was an elected member of the House of Representatives of the Parliament of Trinidad and Tobago from December 1986 to November 1991.

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

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

Mr. Smart was appointed as Chairman of the Board of First Citizens Bank Limited on June17, 2014 and subsequently as Chairman of First Citizens Investment Services Limited, First Citizens Bank (Barbados) Limited, First Citizens Costa Rica S.A., First Citizens Holdings Limited and First Citizens Portfolio and Investment Management Services Limited.

He also served as Executive Chairman of First Citizens Bank Limited from December 4, 2014 to April 7, 2015.

He was inducted into the Fatima College Hall of Achievement for Public Service in 2015.

Mr. Courtenay Williams
Deputy Chairman

Courtenay Williams is an Attorney-at-Law who has been in practice for 31 years, most of which have been spent at the private bar, specialising in banking, privatisation, commercial, intellectual property, project financing, capital market and debt restructuring transactions. Mr. Williams graduated from The University of the West Indies with a Bachelor of Laws Degree (Honours). He also obtained a Legal Education Certificate from the Hugh Wooding Law School in 1987.
Mr. Williams is a tutor at the Hugh Wooding Law School in the Law of Remedies and has previously also tutored in areas such as Landlord and Tenant, Conveyancing and Registration of Title, Ethics Rights and Obligations of the Legal Profession and Succession.

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

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

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

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

Ms. Franka Costelloe

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

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

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

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

Mr. Ian Narine

Ian Narine has 23 years' experience in the financial services industry. He holds an MBA from Manchester Business School and is a Fellow of the Association of Chartered Certified Accountants. He is also a member of the Chartered Institute of Securities and Investments.

Over the course of his career, Ian has fulfilled numerous roles and disciplines across the financial services industry. He has practiced as an accountant, auditor, corporate finance consultant, stock broker, investment adviser, portfolio manager, wealth manager and private banker. He has also been involved in financial analysis and research, macro-economic analysis, financial risk management and internal audit.

Mr. Narine has had over 15 years of senior management responsibility, including the Executive positions of General Manager and Managing Director of units and subsidiaries associated with four publicly listed companies in Trinidad and Tobago.

He was appointed to the Board of First Citizens Bank Limited on August 25, 2014 and subsequently to the Boards of First Citizens Trustee Services Limited, First Citizens Investment Services Limited, First Citizens Costa Rica S.A. and First Citizens Portfolio and Investment Management Services Limited.

He currently also serves as the Deputy Chairman on the Board of the Trinidad and Tobago Stock Exchange and a Director on the Board of the Telecommunications Services of Trinidad and Tobago.

Mr. Troy Garcia

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

With over 22 years of experience and success in the fields of business and entrepreneurship, he is the Chief Executive Officer of Parts World Limited, Director of United Bearings and Equipment Agencies, Managing Director of High Performance Coatings and Honorary Consul General of Finland for Trinidad and Tobago.

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

Mrs. Savitree Seepersad

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

Mrs. Seepersad is currently the Deputy Permanent Secretary, Ministry of Finance. She entered into the Public Service 34 years ago where she served in various positions in the Ministry of Finance including Treasury Accountant, Senior Treasury Accountant and Treasury Director.

She is the Chairman of the Seized Assets Advisory Committee and a member of the National Anti-Money Laundering and Counter Financing of Terrorism Committee (NAMLC). She is a member of the Permanent Double Taxation Treaty team of Trinidad and Tobago and is also responsible for coordinating all activities with respect to Trinidad and Tobago's tax transparency obligations to the Organization for Economic Cooperation and Development's (OECD) Global Forum and Base Erosion and Profit Shifting Inclusive Framework (BEPSIF) and the European Union. She is also involved in the Public Financial Management and Public Procurement reform initiatives in the Public Service. She also serves as a member on other Committees as a Ministry of Finance representative.

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

Ms. Jayselle McFarlane

Jayselle McFarlane is a member of the Association of Certified Chartered Accountants (ACCA) and has experience in various sectors such as financial services, construction, hospitality and manufacturing. Her career as a Consultant emanated from over 22 years of diverse experience; with her functioning in leading roles at various international/multinational companies. As a Chartered Accountant, she was able to hold the offices of Finance Analyst, Financial Controller and Corporate Secretary in these international/multinational companies.

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

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

Mr. Ryan Proudfoot

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

Mr. Proudfoot is the majority shareholder of Total Office, a Trinidadian headquartered company that helps people create great office spaces, with subsidiaries in Barbados, Guyana and St. Lucia, and operations in 10 other southern Caribbean countries.

Prior to this, Mr. Proudfoot had a highly successful career in banking, holding the positions of General Manager, BNB Finance & Trust Corporation and General Manager, BNB Treasury with Barbados National Bank Inc. (renamed Republic Bank (Barbados) Limited. and a subsidiary of Republic Bank Limited).

Mr. Proudfoot joined BNB after serving as Business Head and Vice President, Citicorp Merchant Bank Limited (Barbados Branch) where he was responsible for the re-establishment of Citibank in Barbados. Mr. Proudfoot started his career at Citibank Trinidad as a Relationship Manager in Corporate Banking where he served for five years before moving to Barbados.

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

Mr. Idrees Omardeen

Idrees Omardeen graduated from Presentation College San Fernando in 1989. He became a member of the Association of Chartered Certified Accountants (ACCA) in 2004, five years after which, his expertise in the field granted him Fellow Membership status within the Association. With a keen eye for management, Mr. Omardeen operates the Omardeen School of Accountancy Limited, a family owned business. Here, Mr. Omardeen devotedly lectures all levels of accounting–from entry level to professional level–while simultaneously liaising with stakeholders and planning, designing and implementing improvements to the facility.

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

Ms. Ingrid Melville

Ingrid Melville is an Attorney-at-Law who has been in practice for 23 years, leading the law firm Ingrid Melville & Company since 2012. She graduated from The University of the West Indies with a Bachelor of Laws Degree in 1993 and obtained a Legal Education Certificate from the Hugh Wooding Law School in 1995. Ms. Melville is also the Managing Director of Caribbean People Centred Development Institute and SAFA Holdings (PTY) Ltd., Botswana.

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

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

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

She is also currently the Chairman of the Board of the Tobago Regional Health Authority.

Mr. David Inglefield

David Inglefield's career in advertising has spanned 36 years. Starting in 1969 at Trinity Advertising, he became Managing Director in 1978 and in 1981 merged the business with Corbin Compton Caribbean, a major international agency in the Region. He was appointed CEO of Corbin Compton in 1982 until he resigned in 1993 and founded Inglefield, Ogilvy & Mather.

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

During the period 2005 to 2015, Mr. Inglefield served in various capacities within the ANSA McAL Group including the Group's Distribution Sector Head, President/CEO ANSA McAL (Barbados) Limited, Sector Executive Chairman of Guardian Media Limited and Sector Head/ Chairman of the Services & Retail Sectors.

Mr. Inglefield retired from the ANSA McAL Group in June 2015 and is now an active business consultant to major businesses in the Energy and Construction Sectors.

Mr. Inglefield was appointed as a Director on the Board of First Citizens Bank Limited on February 16, 2017 and subsequently as a Director of First Citizens Trustee Services Limited, First Citizens Investment Services Limited, First Citizens Investment Services (Barbados) Limited and First Citizens Bank (Barbados) Limited.

He is also the Chairman of Inglefield, Ogilvy & Mather and a Director on the Board of Trinidad Cement Limited.

First Citizens

CELEBRATING THE FIRST 25

EXECUTIVE MANAGEMENT TEAM

Executive Management Team

Ms. Karen Darbasie
Group Chief Executive Officer

Karen Darbasie has over 24 years' experience in the financial services industry and has a wide ranging academic background with both local and international qualifications, which include a Bachelor of Science (BSc) Honours degree in Electrical Engineering and Master of Business Administration with distinction from the University of Warwick. Prior to her appointment at First Citizens, Ms. Darbasie held the post of Managing Director of the Merchant Bank, Country Treasurer and Markets Head at a global financial institution based in Trinidad and Tobago. She has also been a Director of the Board of the American Chamber of Commerce of Trinidad and Tobago.

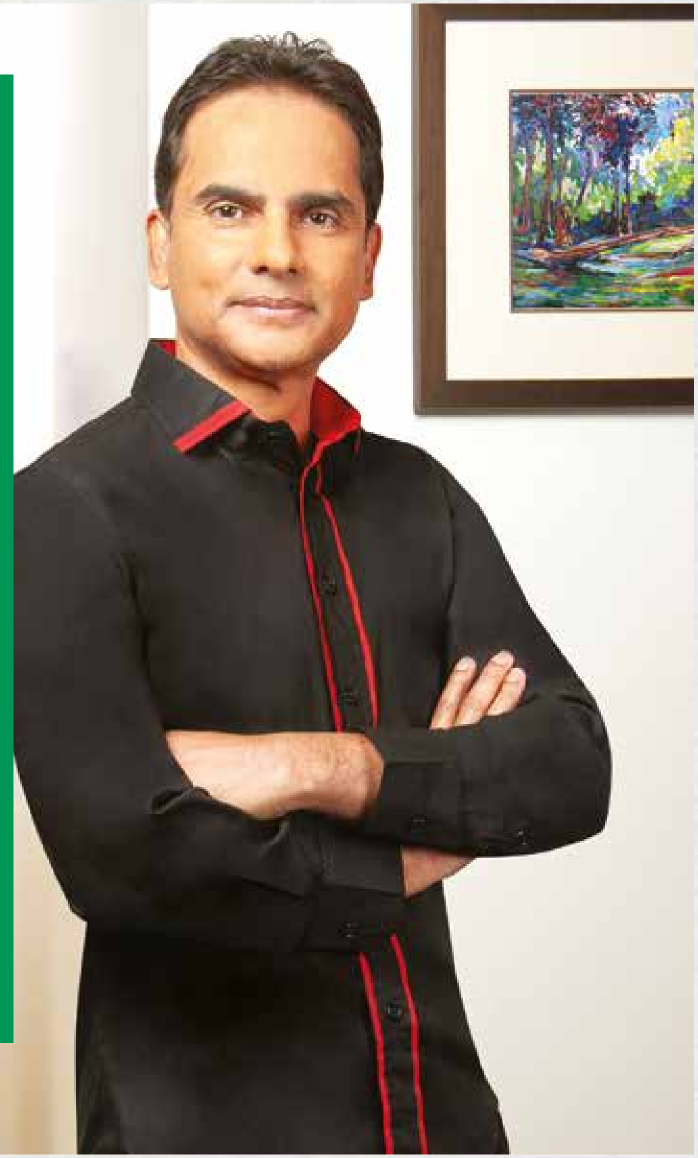
Ms. Darbasie along with her team continue to grow the First Citizens franchise both locally and regionally. She is a Director on several subsidiary boards within the First Citizens Group and is currently the Vice President of the Bankers Association of Trinidad and Tobago, a Director of the Board of St. Lucia Electricity Services Limited and Secretary of The Energy Chamber of Trinidad and Tobago.

Dr. Sterling K. Frost
Deputy Chief Executive Officer –
Operations and Administration

A career banker with over 25 years' experience locally and internationally, Dr. Sterling Frost has held senior positions in banking in the areas of Retail and Commercial Banking, Operations, Public Affairs and Human Resources. Prior to joining the First Citizens Group in 2016 as DCEO Operations and Administration, Sterling served as Director of Human Resources at the Miami-based Citibank Latin America Head Office. There he had oversight of 12,000 employees across 13 countries in the Central American and Caribbean region, serving 1.2 million clients. In addition, his past directorships include financial institutions across Trinidad and Tobago, Panama, Nicaragua and Honduras. He currently serves on the boards of several subsidiaries within the First Citizens Group.

Dr. Frost's academic qualifications include a Master's degree and a Doctorate in Business Administration from The University of the West Indies (UWI). He was also named one of 50 Inaugural Distinguished UWI graduates from a graduate student body of over 25,000, at the University's 50th anniversary celebrations.

Passionate about the need to nurture and develop human capital, Dr. Frost has for the last 14 years been an adjunct Lecturer of Organisational Behaviour and Development at The University of the West Indies for both the undergraduate and postgraduate programmes. His dedication to nurturing human welfare and talents is further reflected by his directorship on the Boards of the Foundation for Enhancement and Enrichment of Life (FEEL) in Trinidad and Tobago, the Lydian Singers, a renowned local chorale, and Vice Chair of The UWI Institute for Gender and Development Studies (IGOS) External Advisory Board.



Mr. Jason Julien
Deputy Chief Executive Officer –
Business Generation

Jason Julien is a Chartered Financial Analyst with over 20 years of experience in the financial services industry. He is the holder of a BSc in Management Studies with honours from The University of the West Indies, an MBA from Edinburgh Business School and is currently enrolled in the Stonier Graduate School of Banking.

His career has covered consultancy with PricewaterhouseCoopers and management positions at an international bank. He was also employed with one of the largest financial services conglomerates in the Caribbean, where he managed over $8 billion in assets. He is a member of the Finance Faculty at the Arthur Lok Jack Global School of Business, and is a commentator on economic, investment and financial matters. Mr. Julien was also honoured as one of the Distinguished Alumni of UWI, St Augustine. Mr. Julien is a Past President of The CFA Society of Trinidad and Tobago and has served on the Boards of the Mutual Fund Association of Trinidad and Tobago, the Securities Dealers Association of Trinidad and Tobago, as the Vice-Chairman of the Capital Markets Development Committee of the Central Bank of Trinidad and Tobago, and as Chairman of the Airports Authority of Trinidad and Tobago. He is currently a member of the Board of Directors of the Trinidad and Tobago Chamber of Industry and Commerce and the NextGen Board of the Inter-American Development Bank. Mr. Julien is also a Director on the boards of several subsidiaries within the First Citizens Group.

First Citizens
CELEBRATING THE FIRST 25

SENIOR MANAGEMENT TEAM

Senior Management Team

From left to right:

Wendell Mitchell
Chief Information Officer

Christopher Sandy
General Manager – Trustee Services

Neela Moonilal-Kissoon
General Manager – Group Human Resources

Larry Olton
Head – Brand and Marketing

From left to right:

Sana Ragbir
General Manager –
First Citizens Investment Services

Kurt Valley
General Manager –
First Citizens Asset Management

Akhenaton Marcano,
Assistant General Manager –
Group Operational Risk and Controls

Brian Woo,
General Manager –
Corporate and Investment Banking

From left to right:

Keshwar Khodai
Assistant General Manager – Group Treasury and International Trade

Kurt Headley
Head – Retail Banking

Richard Look Kin
Group Chief Risk Officer

Nicole De Freitas
General Manager – Operations

From left to right:

Robin Lewis
General Manager – Retail and Commercial Banking

Avril Edwards
Assistant General Manager – Electronic Banking

Ishwarlal Mongru
Head – Commercial Banking

From left to right:

Nesha Ramkhalawan
Assistant General Manager –
Group Credit Risk Management

Felipe Castro
Regional Manager – Central America,
First Citizens Costa Rica

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

Stephen Thomas
Assistant General Manager –
First Citizens Investment Services

From left to right:

Anthony St. Clair
Chief Internal Auditor

Shiva Manraj
Group Chief Financial Officer

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

Tariq Alli
Assistant General Manager –
Corporate and Investment Banking

Management Discussion and Analysis

Overview

The following discussion aims to offer Management's perspective on the Group's financial statements and its general operations for the year ended September 30, 2018.

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

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

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

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

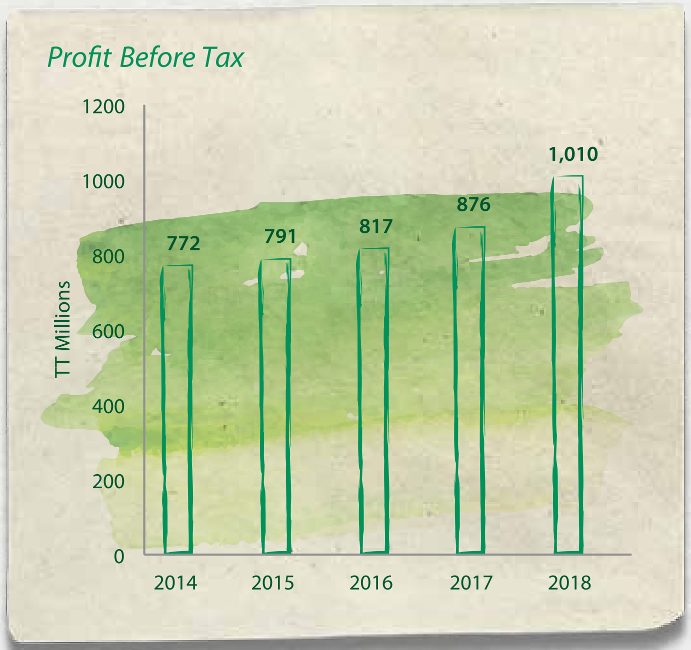
Critical Accounting Policies

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

Summary of Operations

At the end of the financial year ended September 30, 2018, First Citizens Group reported a profit before tax of $1.01 billion. This profit represented $133.6 million or 15.2% growth over the $876.4 million earned in September 2017. Total net income increased by 11.6 % to approximately $2.22 billion whereas operating or core profit increased by $137.0 million to $991.8 million (2017: $854.8 million). Profit after Tax amounted to $673.7 million as compared to $641.9 million in 2017.

Overall total assets increased by 7.9% to $42 billion in 2018. The Group's funding base increased from $29.7 billion to $32.7 billion. The Group's customers' loans and advances increased by 10.3% from $14.7 billion to $16.3 billion, while investments decreased from $15.7 billion to $15.1 billion.



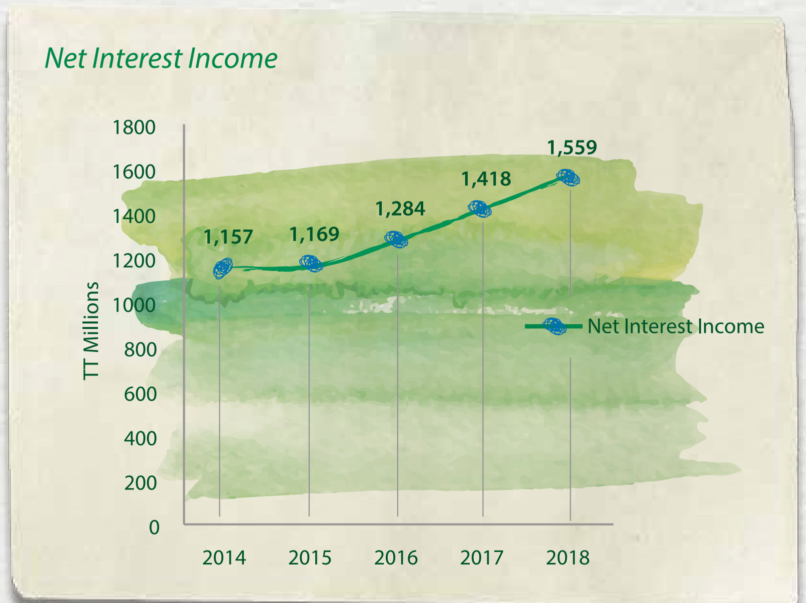
Net Interest Income

Net Interest Income has increased to $1.56 billion or a 9.9% increase from $1.42 billion in 2017. Net Interest Income continues to be the most significant contributor to the Group's net income, accounting for 70.3% of the Group's total income.

Over the financial year ended September 30, 2018, interest income increased by $196.9 million or 11.6% to $1,887.1 million, the major contributors being loan interest income which accounted for $129.5 million or 13.5% increase and investment interest income which increased by $75.9 million or 11.1%. This was partly offset by a decrease in loan note interest income by $8.5 million. The increase in the loan interest income was due to an increase in the average portfolio balance of $1.5 billion, along with higher yields on the loans portfolio from 6.68% in 2017 to 6.84% in 2018.

The investment interest income increase was due mainly to an increase in average portfolio balance of $0.5 billion, along with higher yields on the investment portfolio which moved from 4.46% in 2017 to 4.81% in 2018

Interest expense increased by $56.3 million or 20.7 % to $328.1 million. This increase was due mainly to an increase in bond payables interest expenses by $34.8 million, due mainly an increase in the average portfolio of $0.9 billion. The other funding (repo) interest expenses also increased by $19.9 million and deposits interest expenses by $1.5 million. The increase in the other funding interest expense was due mainly to higher cost of funding from 2.70% in 2017 to 3.24%.



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

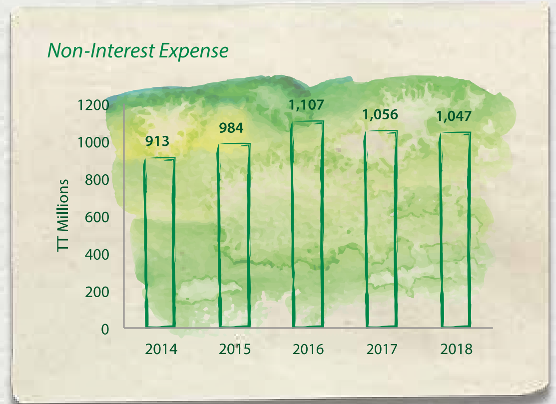
	Year Ended September 30, 2017 vs September 30, 2018				Year Ended September 30, 2016 vs September 30, 2017			
	Changes in Volume	**Changes in Rate**	**Changes in Rate/ Volume**	**Total Increase/ (Decrease)**	**Changes in Volume**	**Changes in Rate**	**Changes in Rate/ Volume**	**Total Increase/ (Decrease)**
Interest Income Attributable to:								
Investment Securities	2,520	72,878	269	75,872	45,521	28,279	2,112	75,912
Loans to Customers	87,049	38,888	3,541	129,478	19,560	53,344	1,183	74,087
Loan Notes	(8,860)	470	(85)	(8,475)	(41,339)	96,226	(66,225)	(11,338)
Total Increase in Interest Income	80,709	112,236	3,724	196,875	23,742	177,849	(62,930)	138,661
Interest Expense Attributable to:								
Customers' Deposits	846	693	7	1,545	5,132	2,405	156	7,693
Other Funding Instruments	(1,210)	2,970	(35)	1,725	(4,650)	6,072	(275)	1,147
Due to other Banks	14,218	2,608	1,398	18,224	21,101	(1,773)	(3,499)	15,830
Debt Securities in Issue	28,606	4,054	2,122	34,782	(11,929)	(10,302)	1,633	(20,598)
Total Increase in Interest Expense	42,459	10,324	3,492	56,276	9,655	(3,598)	(1,985)	4,072
Increase/(decrease) in Net Interest Income	38,436	101,912	251	140,599	14,087	181,447	(60,945)	134,589

Non-Interest Income

In the year 2018, non-interest income increased by 15.8% to $657.8 million, accounting for 29.7% of total revenues (2017: 28.6%). The major contributors to this increase were derived from increased contributions in the categories of gains from disposals of investments, transaction service fees and portfolio and other management fees.

Non-Interest Expense

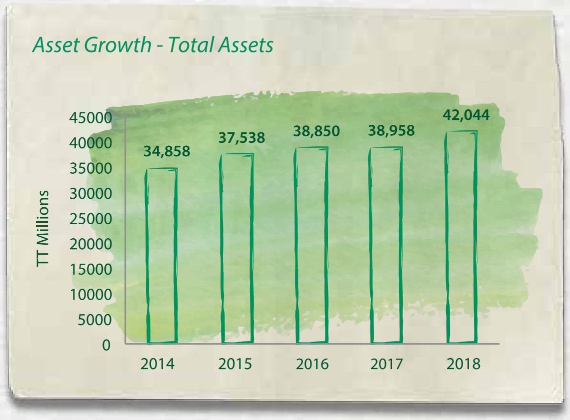
Within this period, we continued our focus on improving efficiency. Total non-interest expense decreased by $9.2 million or 0.9%, amounting to $1,047.0 million at the end of September 2018.



The Group's efficiency ratio, the ratio of non-interest expenses (excluding impairment provision) to total income improved to 47.23% in 2018. The Group continues to renew its commitment towards increasing efficiency of utilisation of resources and controlling its expense levels, while delivering superior customer service.

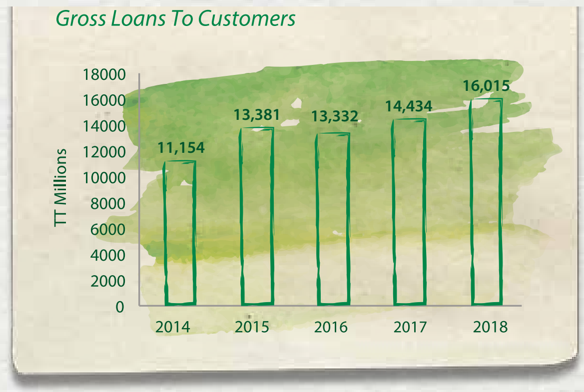
Assets and Liabilities

Total assets were $42 billion as at the end of September 2018. Significant growth was shown in loans to customers and cash and due from banks.



The Loan to Customers Portfolio

As at September 30, 2018, the gross loan portfolio increased by $1.5 billion to $16.3 billion. Loans increased within two major sectors led by finance, insurance and real estate ($544.4 million), personal ($397.6 million), transport & storage ($255.5 million), agriculture ($126.6 million) and manufacturing ($108.2 million). This was partly offset by a decrease in mortgages ($115.3 million).



Non-performing loans (NPLs) as a percentage of total gross loans deteriorated to 3.33% at the close of 2018 compared 2.70% in 2017. This was mainly due to the adoption of IFRS 9 in which the number of delinquency days after which mortgages are treated as delinquent, changed from 180 days to 90 days. If this same methodology was used in 2017, the NPL ratio would have been 3.02%. The Credit Risk department and business units continue to effectively manage our delinquency, asset quality and credit exposure by setting and ensuring compliance with our credit limits.

Loan Loss Provisions

The Group accounts for the credit risk associated with lending activities through its allowance for bad and doubtful debts. This allowance, as determined through the application of the Group's expected credit loss model, is an expense recognised in the income statement. Total provision for the Group at the end of September 2018, amounted to $245.4 million which represents 1.5% of total loans and 0.45 times coverage on the value of total non-performing loans. Due to the adoption of IFRS 9, general provisioning decreased by $156.6 million, while specific provisioning decreased by $96 million.

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

Investment Portfolio

Hold to collect and sell financial assets decreased during the year to $10.5 billion from $12.5 billion. This was mainly due to the reclassification of assets to hold to collect due to the adoption of IFRS 9.

Hold to collect financial assets increased by $1.4 billion due to the reclassification of assets as a result of the implementation of IFRS 9.

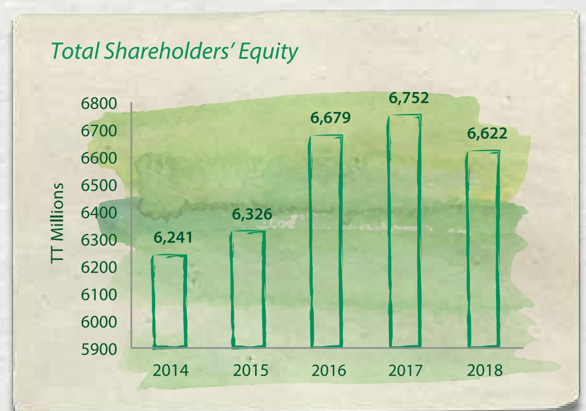
Provision for Taxation

The Group recorded a taxation charge for the year of $336.3 million compared to $234.4 million in 2017. The increase in the effective taxation rate to 33.3% (2017: 26.75%) was mainly due to the increase in the corporation tax rate in 2018 to 35%.

Shareholders' Equity

Total shareholders' equity decreased by $129.8 million over the last financial year to $6.62 billion. The decrease in the Group's capital base was mainly due to the adoption of IFRS 9, which resulted in a reduction in retained earnings of $184.4 million, along with dividend of $452.3 million paid to shareholders, partly offset by the increase in net profit for the year.

The Group and its subsidiaries are subject to various capital requirements administered by banking regulators. Such regulators require that the Bank maintains minimum amounts and ratios of total and Tier 1 capital (as defined in the regulation) to risk weighted assets (as defined). This standard corresponds with International



Basel standards wherein there is a minimum capital adequacy ratio of 8%. This is a risk-based capital measure which recognises the inherent credit risk in off-balance transactions. As at the year's end, the Group was well capitalised with a capital adequacy ratio of 39.3%.

Risk Management

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

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

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

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

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

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

Credit Risk Management

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

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

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

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

Market Risk Management

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

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

Asset/Liability Management

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

Interest Rate Risk Management

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

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

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

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

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

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

Liquidity Risk Management

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

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

Operational Risk Management

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

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

Management of Internal Controls

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

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

Compliance Risk

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

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

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

Conclusion

The First Citizens Group continued to perform strongly in 2018 with solid growth in total assets, and shareholders' equity. Despite the challenges of continued depressed economic activity, internationally, regional and locally, the Group continues to position itself as a strong financial institution. Coupled with sound management and corporate governance, the First Citizens Group continues to be well positioned to maintain its position as one of the most competitive financial institutions in the region.

First Citizens
CELEBRATING THE FIRST 25

EXCELLENCE IN GOVERNANCE

First Citizens Bank Limited and its subsidiaries ("First Citizens") remain committed to establishing itself as a leader in corporate governance in all jurisdictions in which we operate.

The Organization for Economic Cooperation and Development (OCED) principles of corporate governance describes corporate governance as a group of relationships among a company's management, board, shareholders and other stakeholders. Corporate governance supplies the framework through which a company's objectives are set, monitored and achieved. The Trinidad and Tobago Corporate Governance Code (2013) (the Code) was developed by the Caribbean Corporate Governance Institute, in conjunction with the Trinidad and Tobago Chamber of Industry and Commerce and the Trinidad and Tobago Stock Exchange Limited with a focus on public companies. The Code follows universally accepted best practices and is tailored to apply to Trinidad and Tobago's economy and business culture. First Citizens is proud to be a founding sponsor of the Caribbean Corporate Governance Institute, a Member of the Working Group which assisted with the development of the Code and a continuing Member of the Caribbean Corporate Governance Institute.

The adoption of the Code is on a discretionary basis and companies agreeing to adopt the Code are required to apply the recommendations set out therein or provide an explanation to stakeholders on any recommendation which might not be fully applied. In 2017, the First Citizens Group decided to adopt the Code as it strives to maintain a culture and reputation for good governance.

The following sections illustrate the First Citizens Group's journey as it continues to implement the recommendations contained in the Code.

Governance at First Citizens - Application of the Code

Establishing a Framework of Effective Governance

The Board of First Citizens Bank Limited ("the Bank") is comprised of 11 Directors, all of whom are non-executive and are required to exercise due diligence and independent judgment whilst making decisions objectively in the best interests of the Group.

The responsibilities of the Board include the development and maintenance of appropriate frameworks to govern the operations of the Group and the establishment of Board committees to undertake specific functions and make recommendations to the Board.

Moreover, the principal duties of the Board include:

- Establishing a vision, mission and core values which set the pace for its current operations and future development
- Setting the Group's strategy and structure whilst reviewing and evaluating current and future strengths and weaknesses related to the Group; and present and future opportunities, threats and risks in the external environment
- Understanding the interests of stakeholders and ensuring that its responsibility to the stakeholders is fulfilled
- Approving transactions exceeding certain threshold limits, whilst delegating authority for transactions below those limits to management so as to optimise operational efficiency

Ethics and Code of Conduct

It is the values enshrined in the Code of Conduct and Ethics and the core values, which set the standard of ethical conduct for the First Citizens Group. Furthermore, commitment to the Group's Code materialised in the establishment and implementation of a whistleblowing policy and an Anti-Bribery and Anti-Corruption policy. The Code details the limits on the pursuit of private interests and prescribes measures for dealing with breaches whilst the whistleblowing policy sets out the appropriate channels for disclosing concerns in a candid manner.

All new hires attest to reading the Code of Conduct and Ethics and agree to abide by its contents during the orientation process. Thereafter all employees of the Group attest to reading and adhering to the Code of Conduct and Ethics on an annual basis.

Strengthening Board Composition and Performance

The Board of First Citizens Bank Limited has delegated certain functions to various board committees: Audit, Credit, Corporate Governance, Board Enterprise Risk Management, Human Resources, Tenders and Customer Centric. Each of these committees has adopted terms of reference that are reviewed and modified periodically to ensure that practices remain relevant and that all Directors acting on behalf of the Group continue to be aware of their duties and responsibilities as Directors. Whilst the Board has delegated certain functions, the ultimate responsibility on all matters remains with the Board.

Customer Centric Committee

Our current customer centric strategy is underpinned by one of the Group's core values **- Commitment to Customer**. In January 2018 the Board of Directors of the bank established a Customer Centric committee whose function is to provide governance oversight, support and monitoring of the customer centric strategy of the First Citizens Group.

The focus of the Customer Centric committee is to:-

I. delight our target customers with our clear commitment to understanding the customer's goals and aspirations;
II. serve our target customers with excellence, care and integrity through highly engaged teams at First Citizens; and
III. generate loyalty by creating value and delivering exceptional service through innovative product offerings and financial solutions.

Customer Centric Committee Membership

Ian Narine – Chairman
Troy Garcia – Member
David Inglefield – Member
Jayselle Mc Farlane – Member

Board Size, Composition and Membership

The Company's by-laws require directors to serve a maximum term expiring no later than the close of the third annual general meeting of the shareholders next following his/her election. However, a director can be eligible for re-election provided that qualification requirements set out in paragraph 4.8 of the Bank's by-laws are met.

The Board believes that its Directors possess the necessary competencies and knowledge to lead and govern the Bank effectively. The Central Bank of Trinidad and Tobago as a regulator and supervisor of financial institutions ensures that First Citizens is compliant with the provisions of the Financial Institutions Act, Chapter 79:09 regarding the initial and ongoing fitness and propriety of persons holding key positions, which includes Directors. All Directors have been assessed as fit and proper by the Central Bank of Trinidad and Tobago. The Board's academic and professional qualifications are presented within the *Board of Directors* section of this report.

Nomination of Directors are recommended by the majority shareholder and are appointed by shareholders at annual meetings and special meetings convened for that purpose. The Chairman and Chief Executive Officer functions are performed by different individuals and there is a clear division of the responsibilities between the Chairman and the Chief Executive Officer. Further, the Chief Executive Officer is not a Member of the Board of Directors of First Citizens Bank Limited.

The duties of the Chairman include:

- Guiding the Board as it relates to its contribution towards setting, supervising the creation and implementation of, and monitoring, the First Citizens Group's key strategic initiatives and corporate performance
- Managing and providing leadership to the Board of Directors
- Acting as a direct liaison between the Board of Directors and Senior Management

The Chief Executive Officer is the highest ranking executive officer of the Group whose responsibilities include:

- Supporting and collaborating with the Board of Directors to achieve First Citizens' short, medium and long term business targets
- Leading the strategic planning process for identifying First Citizens' vision, mission and strategies
- Overseeing the fiscal activities of the First Citizens Group, including budgeting, reporting and auditing, and ensuring that these activities are concluded in accordance with stipulated timelines
- Liaising with key stakeholders locally, regionally and internationally in the interest of business development and expansion
- Directing the First Citizens Group by providing the necessary guidance and motivation, fostering effective communication and promoting high ethical values

Board Performance

The Corporate Governance committee is pivotal to developing an effective mechanism for the evaluation of the performance and effectiveness of the Boards within the First Citizens Group, the operations of sub-committees and the contributions of individual Directors every three years.

First Citizens carried out an evaluation of the Directors of its Boards, sub-committees and Individual Directors for the Group during the year 2016 with the assistance of an external consulting company. The recommendations of the evaluation were examined closely and were implemented over the last two years. Following from this evaluation, the decision was taken to assess the Board's performance every three years to allow for proper implementation of the recommendations.

Induction and Training of Directors

The Board of the Bank has an orientation programme, which is presented by the Corporate Secretary and designed to familiarise new Directors with the business and governing policies. First Citizens provides a formal letter and orientation package to each Director upon appointment setting out the director's duties and obligations and providing copies of the key pieces of legislation, policies and procedures which are critical to their roles as Directors.

A 'Directors' Corner' has been introduced as a standing item in meeting Agendas whereby all Group Directors undergo ongoing training which assists them in understanding legal, regulatory, business and other risks and obligations concomitant with their appointments.

The particulars of training attended by the directors of the Bank, as arranged during the financial year are as follows:

- Anti-Money Laundering/Counter-Financing of Terrorism
- The Trinidad and Tobago Corporate Governance Code (2013)
- Requirements under the Securities Act, Chapter 83:02
- Confidentiality in Banking – Oath of Secrecy
- Requirements under the Financial Institutions Act, Chapter 83:02 – Connected Parties and Connected Party Groups
- Requirements under the Securities Act, Chapter 83:02 – Registration Requirements

Remuneration

At the date of this report First Citizens is majority owned by the Government of the Republic of Trinidad and Tobago. Directors of the Group are remunerated in accordance with policy guidelines established by the Government of the Republic of Trinidad and Tobago referred to as the *State Enterprises Performance Monitoring Manual*. The remuneration of all directors is fixed and does not include share options or variable bonus or other similar benefits.

Reinforcing Loyalty and Independence

The Directors of First Citizens Bank Limited are independent in accordance with section 4.4 of the Central Bank of Trinidad and Tobago Corporate Governance Guideline. This attestation occurs both at inception and on an annual basis. Additionally, none of the Directors have served for a cumulative period exceeding nine years from the date of their appointment.

All First Citizens Directors have submitted information on commitments and obligations external to those at First Citizens and the Group, including information on appointments to other boards, not only for themselves but also for parties connected to them (refer to Appendix 2 for further details of the key information on Directors). Directors also demonstrate their commitment to the First Citizens Group by attending and contributing to the diverse number of meetings held every year. Appendix 3 provides details on all the Board and committee meetings held for First Citizens Bank Limited for the fiscal year ended September 30, 2018, along with the attendance of each Director or Member.

There is an established procedure regarding how conflicts of interest are treated with. Directors declare actual or potential conflicts of interest so soon as they become apparent and recuse themselves from meetings (or portions thereof) where it has been deemed that a conflict of interest might exist. A Board Conflicts of Interest register is maintained by the Company Secretary and is updated on a quarterly basis.

Loans to Directors, Officers and Relatives of Directors

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

Fostering Accountability

Access to Information

Each committee has approved Terms of Reference which provide guidelines on reporting requirements and frequency of reporting from management to committees, thereby ensuring that directors are provided with pertinent and timely information to perform their duties efficiently. To allow Directors sufficient time to prepare for meetings internal procedures require that all Board and Board committee papers are distributed to Directors in advance of any meeting. Management's proposals to the Board for approval must contain background and explanatory information such as risk, financial impact, expected outcomes, recommendations and regulatory implications. Additionally, employees who can provide additional insight into matters to be discussed are invited at the relevant time during the Board and Board committee meetings to provide the necessary information to assist the Directors in their decisions. The Board and sub-committees have access to expert advice acquired at the Group's expense through agreed upon procedures.

Accountability

As a listed company, First Citizens is required to communicate the following information:

- Quarterly financial statements approved by the Board
- Annual audited financial statements approved by the Board
- Annual reports
- Material changes in relation to its business, assets, ownership or operations
- Shareholdings in the Bank's shares by Directors, Senior Officers and their Connected Parties

Audit

The Bank has established an in-house internal audit function which is an independent function within the Group, whose Head reports to the Audit Committee functionally and to the Chief Executive Officer administratively. A Group Internal Audit Charter which was approved by the Audit Committee exists and defines the scope of authority and responsibility of the function.

The internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by the Institute of Internal Auditors. As such, the Group Internal Audit unit must comply with the requirements of the Quality Assurance Improvement Program (QAIP) which includes the completion of an External Quality Assessment (EQA) at least once every five years. The last EQA was carried out in 2017 and First Citizens received a "generally conforms" rating.

First Citizens is also a member of the Caribbean Association of Audit Committee Members (CAACM). The ultimate objective of the establishment of CAACM is to improve the investment environment in the Caribbean by increasing the level of confidence of investors in the integrity of financial reporting and investor information.

Audit Committees

The Financial Institutions within the First Citizens Group are each required by the Financial Institutions Act, Chapter 79:09 of the Revised Laws of Trinidad and Tobago to establish and appoint from among their number an Audit committee. Audit committees were established for the Bank as well as, for four out of its five subsidiaries.

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

1. **Internal Audit Function**

- To review and approve the annual internal audit plan
- To oversee the Group's internal audit

function, including reviewing reports submitted by the Chief Internal Auditor
- To monitor and review the effectiveness of the internal audit function
- To authorise the Internal Auditor to carry out special investigations into any area of the organisation's operations which may be of interest and concern to the committee
- To ensure that the Group's Internal Audit Department is aware of the important issues of the Group (including major areas of change and new ventures) and that these are incorporated into its work plans
- To ensure that internal audit has full, free and unrestricted access to all the company's activities, records, property and personnel necessary to fulfil its agreed objective

2. Management of the Engagement of the External Auditor

- To supervise the relationship with the external auditor, including recommending the firm in collaboration with the Finance department, to be engaged as the external auditor which must be appointed by the Bank's shareholders at the Annual Meeting, evaluating the external auditor's performance, determining the selection criteria for the appointment of the external auditor

- To review and discuss with management and the external auditor the Group's critical accounting policies and the quality of accounting judgments and estimates made by management

- To become familiar with and understand the Group's system of internal controls and, on a periodic basis, review with both internal and external auditors the adequacy of this system

- To review the organisation's procedures in addressing compliance with the law and important corporate policies, including the company's Code of Conduct and Ethics and Anti Money Laundering and Combating the Financing of Terrorism compliance framework

- To review and discuss the Group's annual financial statements with management and the external auditor and recommending that the Board approve these statements

The independence of the external auditors is reviewed on an annual basis. In order to maintain the independence of the external auditors, specific policies exist governing the conduct of non-audit work.

Non-Audit Services by External Auditor

External auditors might be requested to perform special non-audit services (outside of the statutory annual audit) as deemed necessary by management to the extent that such services do not in any way affect the independence of the external auditors or limit the scope of their independent audit. Such services should only be considered after consultation with and recommendation from the Chief Internal Auditor and/or Chief Financial Officer regarding the impairment of the external auditor's independence. The Audit committee of the parent company shall review the extent of such non-audit services on an annual basis to ensure that such independence is not impaired.

The fees for audit services paid to our auditors amounted to $6.24 million (2017/2018) inclusive of VAT. Fees incurred for non-audit work performed by the auditors amounted to $1.651 million (2017/2018) inclusive of VAT. A review of the non-audit services provided by the external auditor during the year was performed and the Audit committee provided its assurance that the non-audit services would not impair the objectivity and independence of the external auditors.

Composition of Audit Committees

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

(a) a qualified accountant (i.e., a Member of the Institute of Chartered Accountants of Trinidad and Tobago or such other professional association approved by the Central Bank of Trinidad and Tobago from time to time);
(b) an auditor;
(c) a chief financial officer; or
(d) a comptroller

who otherwise has a sound understanding of generally accepted accounting principles, financial statements and how financial statements are prepared and audited.

GROUP Audit Committee Membership

Bank
Jayselle McFarlane – Chairperson
Idrees Omardeen – Member
Ryan Proudfoot – Member

First Citizens Asset Management Limited
Idrees Omardeen – Chairman
Jayselle McFarlane – Member
Troy Garcia – Member

First Citizens Trustee Services Limited
Ian Narine – Chairman
Ingrid Melville – Member
David Inglefield – Member

First Citizens Investment Services Limited
Ian Narine – Chairman
David Inglefield – Member
Jayselle McFarlane – Member
Karen Darbasie – Member

First Citizens Bank (Barbados) Limited
Ryan Proudfoot – Chairman
Wayne Kirton – Member
Gregory Hinkson – Member

*David Inglefield – Member

**David Inglefield retired as a Member with effect from October 3, 2018*

Related Party Transactions

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

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

Transactions with related parties are carried out at arm's length. Additionally, related party transactions and balances have been disclosed in the financial statements in accordance with International Financial Reporting Standards (IFRS). The Audit committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of related party transactions are effective.

Risk Management and Controls

To assist the Board of Directors in fulfilling its responsibilities, the Board Enterprise Risk Management committee was established to provide oversight of the Group Chief Executive Officer's and Senior Management's responsibilities regarding the identification and management of the Group's market, operational, compliance and reputational risks, which includes the development of strategic initiatives to address changing conditions.

This committee, through the Group Chief Risk Officer, has oversight of the Group's Market Risk and Operational Risk and through the Chief Compliance Officer, has oversight for aspects of Compliance risk, while having overall responsibility for:

1. Overseeing Senior Management's implementation of an Enterprise Risk Management framework and development of a defined risk appetite, while ensuring alignment to the Group's risk profile contained within the strategic objectives for the Bank and its subsidiaries/affiliates

2. Reviewing with Senior Management, the Group's processes (including policies, procedures, guidelines, benchmarks, management committees and stress testing) for the identification and management of the risks associated with the business of the Group

3. Planning for anticipated changes in identified risks, in line with changes in the environment and changes in business strategies

4. Receiving and reviewing reports from Senior Management regarding compliance with applicable risk related policies, procedures and tolerances. Reviewing the Group's performance relative to risk related policies, procedures and tolerances

5. Reviewing and assessing the adequacy of the Group's liquidity, funding and the Group's capital (economic and regulatory and its allocation to the Group's businesses)

6. Receiving and reviewing reports on selected risk topics as management or the committee deems appropriate

7. Reviewing and discussing with management significant regulatory reports of the Group and remediation plans related to such

Board Enterprise Risk Management Committee Members

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

Rollout of the Enterprise Governance, Risk and Compliance (eGRC) software implemented last year continues to take shape and will allow directors, auditors and managers to develop, oversee and maintain a holistic view of the Group's risk and compliance programme.

Strengthening Relationships with Shareholders

Shareholders rights and responsibilities

First Citizens recognises the importance of engaging with and maintaining accountability to its shareholders. As a listed entity First Citizens is required to disclose financial information and report changes in the Group's business to the general public which could have a material impact on the Company's share price or which could influence the investing decision of an investor or shareholder in accordance with the law.

The Annual Meeting of shareholders creates an opportunity for the shareholders to engage the Board and Management on the Group's business activities, financial performance and other business related matters. At these meetings, shareholders are informed of the rules, including voting procedures that govern Annual Meetings of shareholders. The rules and voting procedures set out how shareholders can participate at meetings, are detailed in By-Law No. 1 of the Bank's By-Laws and are explained to shareholders at Annual Meetings.

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

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

Appendix 1

Principle 1 – Establish a Framework for Effective Governance
Every company should be headed by an effective Board, which is collectively responsible for the long-term success of the company.

TTGC Recommendations		Applied	Explanation/Comments
1.1	The Board should establish and make publicly available a clear outline of its roles and responsibilities, including any formal delegations to management.	√	See 'Establishing a Framework of Effective Governance' and 'Strengthening Board Composition and Performance' sections
1.2	The chairperson of the Board should be a non-executive Director and preferably an independent Director. Where the chairperson of the Board is not an independent non-executive Director, the Board should appoint a lead independent Director.	√	See 'Establishing a Framework of Effective Governance' section
1.3	The Board should demonstrate ethical leadership, which includes commitment to high ethical standards and responsible decision-making.	√	See 'Establishing a Framework of Effective Governance' section

TTGC Recommendations	Applied	Explanation/Comments
1.4 The Board should ensure that it is supplied with information in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties effectively.	√	See 'Fostering Accountability' section
1.5 The Board should take into account the legitimate interests and expectations of all stakeholders. There should be active co-operation between corporations and stakeholders in creating wealth, employment, and the sustainability of financially sound enterprises.	√	See 'Establishing a Framework of Effective Governance' section

Principle 2 – Strengthen the Composition and Performance of Board and Committees
There should be a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively.

TTGC Recommendations	Applied	Explanation/Comments
2.1 The Board should appoint a sufficient number of independent Directors capable of exercising unbiased judgment, particularly in tasks where there is a potential for conflicts of interest.	√	See 'Establishing a Framework of Effective Governance' and 'Reinforcing Loyalty and Independence' sections

TTGC Recommendations	Applied	Explanation/Comments
2.2 Directors should be selected and appointed through rigorous and formal processes designed to give the Board a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively.	√	See 'Strengthening Board Composition and Performance' and 'The Board Profile' sections
2.3 A Committee with a majority of independent non-executive Directors should lead the Board's nomination process and make recommendations to the Board.	Not Applied	The Directors are appointed at an Annual Meeting. Directors are recommended for appointment by the majority shareholder
2.4 All Directors should receive induction training upon joining the Board and should regularly update and refresh their skills and knowledge.	√	See 'Strengthening Board Composition and Performance' section
2.5 The Board should undertake a rigorous, transparent and formal annual evaluation of its own performance and that of its committees and of the individual Directors.	√	See 'Strengthening Board Composition and Performance' section
2.6 The Board should ensure that the remuneration of Directors and Senior Management is transparent, fair and reasonable.	√	See 'Strengthening Board Composition and Performance' section

Principle 3 – Reinforce Loyalty and Independence

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

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

Principle 4 – Foster Accountability

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

TTGC Recommendations	Applied	Explanation/Comments
4.1 Board should promote accurate, timely and balanced disclosure of all material matters concerning the company.	√	See 'Strengthening Relationships with Shareholders' section
4.2 Directors should state in the annual report their responsibility towards the integrity of the financial reports. This includes a statement from Directors that these reports comply with applicable financial reporting standards and present a true and fair view of the financial affairs of the company.	√	See 'Fostering Accountability' and 'Directors Report' sections
4.3 The Board should, on an annual basis, report to shareholders and stakeholders on the external auditor's involvement in non-audit work and fees paid to auditors. This disclosure should differentiate between fees for audit work and fees for non-audit work.	√	See 'Fostering Accountability' section
4.4 The Board should, on an annual basis, verify that the company has appropriate processes that identify and manage potential and relevant risks.	√	See 'Fostering Accountability' section

Principle 4 – Foster Accountability (Continued)

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

TTGC Recommendations	Applied	Explanation/Comments
4.5 Each company should establish an Audit Committee of the Board with responsibilities that include, but are not limited to: a. Recommending the appointment of external auditors; b. Assessing the suitability and independence of external auditors; c. Following-up on recommendations made by internal and external auditors; d. Overseeing all aspects of the company-audit firm relationship; e. Monitoring and reviewing the effectiveness of the internal audit function; f. Promoting integrity in financial reporting.	√	See 'Fostering Accountability' section
4.6 Boards should report annually to shareholders on how the company is implementing the Corporate Governance Principles and explain any significant departure from recommendations supporting each Principle.	√	See this section – Appendix 1

Principle 5 – Strengthen Relationships with Shareholders

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

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

Appendix 2

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Anthony Isidore Smart	June 14, 2016	First Citizens Holdings Limited – Chairman First Citizens Bank Limited – Chairman First Citizens Investment Services Limited – Chairman First Citizens Bank (Barbados) Limited – Chairman FCCR First Citizens Costa Rica S.A. – Chairman First Citizens Portfolio & Investment Management Services Limited – Chairman Koot Real Estate Limited – Director Eight Moka Fairways Development Limited – Director	First Citizens Holdings Limited – Chairman First Citizens Bank Limited – Chairman First Citizens Investment Services Limited – Chairman First Citizens Bank (Barbados) Limited – Chairman FCCR First Citizens Costa Rica S.A. – Chairman Koot Real Estate Limited – Director Eight Moka Fairways Development Limited – Chairman	Gittens, Smart & Co. Attorneys-at-Law – Senior Partner	Yes

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Courtenay B. Williams	June 14, 2016	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Chairman First Citizens Trustee Services Limited – Director First Citizens Financial Services (St. Lucia) Limited – Chairman Art Society of Trinidad & Tobago – Member Trincity College Limited – Director Legislative Committee of AMCHAM – Member Bocas Lit Fest – Director Electrical Industries Limited – Director 3 Champs Elysees Limited – Chairman Public Service Commission – Commissioner	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Chairman First Citizens Trustee Services Limited – Director First Citizens Financial Services (St. Lucia) Limited – Chairman Art Society of Trinidad & Tobago – Member Trincity College Limited – Director Legislative Committee of AMCHAM – Member Bocas Lit Fest – Director	Colonial Life Insurance Company (Trinidad) Limited – Corporate Secretary Lex Caribbean Attorneys-at-Law – Consultant Hugh Wooding Law School – Tutor	Yes

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Ryan Proudfoot	February 16, 2017	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Chairman First Citizens Investment Services (Barbados) Limited – Chairman First Citizens Bank (Barbados) Limited – Director First Citizens Portfolio & Investment Management Services Limited – Director Total Office (2006) Limited – Director Total Office Limited – Director Total Office (Caribbean) Limited – Director Total Office (St. Lucia) Limited – Director Total Office (Guyana) Inc. – Director AI Energy Limited – Director	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Chairman First Citizens Investment Services (Barbados) Limited – Chairman First Citizens Bank (Barbados) Limited – Director Total Office (2006) Limited – Director Total Office Limited – Director Total Office (Caribbean) Limited – Director Total Office (St. Lucia) Limited – Director Parex Resources (Trinidad) Limited – Director Trinidad and Tobago Chamber of Industry & Commerce – Vice Chairman Facilities Management & Maintenance Commitee	Total Office Limited – Managing Director	No

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Ian Narine	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director FCCR First Citizens Costa Rica S.A. –Director First Citizens Portfolio and Investment Management Services Limited - Director Trinidad & Tobago Stock Exchange Limited – Deputy Chairman Telecommunications Services of Trinidad & Tobago – Director Amanah Securities Limited – Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director FCCR First Citizens Costa Rica S.A. – Director Trinidad & Tobago Stock Exchange Limited – Deputy Chairman Telecommunications Services of Trinidad & Tobago – Director	N/A	No

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Franka Costelloe	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Chairperson First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Trinidad & Tobago Manufacturers Association – Director Lifetime Roofing Limited – Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Chairperson First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Trinidad & Tobago Manufacturers Association – Director	Lifetime Roofing Limited – Contracts Sales Manager	No
Savitree Seepersad	April 14, 2016	First Citizens Bank Limited – Director Seized Assets Advisory Committee – Chairperson	First Citizens Bank Limited – Director Seized Assets Advisory Committee – Chairperson	Ministry of Finance – Deputy Permanent Secretary	Yes

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Idrees Omardeen	June 14, 2016	First Citizens Bank Limited – Director First Citizens Asset Management Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Director Omardeen School of Accountancy Limited – Director Omardeen Properties Limited – Director Omardeen Professional Bookstore Limited – Director	First Citizens Bank Limited – Director First Citizens Asset Management Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Director Omardeen School of Accountancy Limited – Director	Omardeen School of Accountancy Limited - Lecturer	Yes

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Jayselle Mc Farlane	June 14, 2016	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Deputy Chairperson First Citizens Investment Services Limited – Director South West Regional Health Authority – Director Clico Trust Corporation Limited – Deputy Chairperson	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Deputy Chairperson First Citizens Investment Services Limited – Director South West Regional Health Authority – Director Clico Trust Corporation Limited – Deputy Chairperson	Mc Farlane & Associates – Consultant	Yes

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Troy Garcia	June 14, 2016	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Asset Management Limited – Director Parts World Limited – Director High Performance Coatings Limited – Director United Bearings and Equipment Agencies – Director	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Asset Management Limited – Director Parts World Limited – Director High Performance Coatings Limited – Director United Bearings and Equipment Agencies – Director	Parts World Limited – Chief Executive Officer High Performance Coatings Limited – Managing Director	Yes

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
David Inglefield	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Inglefield, Ogilvy & Mather – Chairman Trinidad Cement Limited – Director Oriole Holdings Limited – Director Sygnet DGT Limited – Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Inglefield, Ogilvy & Mather – Chairman Trinidad Cement Limited – Director	Inglefield, Ogilvy & Mather – Chairman	No

Appendix 2 (Continued)

Key Information on Directors

Name of Director	Date of Last Appointment as Director	Present Directorship or Chairmanship	Directorship or Chairmanships Held Over the Preceding Three Years	Other Principal Commitments	Due for Reappointment – Annual Meeting 2019
Ingrid Melville	February 16, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director FCCR First Citizens Costa Rica S.A – Director Tobago Regional Health Authority – Director Caribbean People Centered Development Institute – Managing Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director FCCR First Citizens Costa Rica S.A – Director Tobago Regional Health Authority – Director	Ingrid Melville & Co. Attorneys-at-Law – Private Practitioner	No

Appendix 3

Directors' attendance at Bank Board and Committee Meetings
– October 1, 2017 to September 30, 2018

Table 1: Bank Board Ordinary and Special Meetings

Name of Director /No. of Meetings Held	Bank Board Meetings (Ordinary)	Bank Board Meetings (Special)
	11	**7**
Anthony I. Smart	11	7
Courtenay Williams	11	5
Ryan Proudfoot	10	7
Ian Narine	11	6
Franka Costelloe	11	7
Jayselle Mc Farlane	9	7
Idrees Omardeen	8	5
Troy Garcia	8	4 (recused for one meeting)
Savitree Seepersad	10	4
David Inglefield	6	6 (recused for one meeting)
Ingrid Melville	5	2

Appendix 3 (Continued)

Directors' attendance at Bank Board and Committee Meetings
– October 1, 2017 to September 30, 2018

Table 2: Bank Committee Meetings (Except Audit Committee and Human Resources Committee)

Name of Director /No. of Meetings Held	Credit Committee	Board Enterprise Risk Management Committee (BERM)	Corporate Governance Committee	Board Tenders Committee	Customer Centric Committee
	9	**4**	**3**	**7**	**1**
Anthony I. Smart	-	-	-	-	-
Courtenay Williams	-	2	3	7	-
Ryan Proudfoot	9	4	-	-	-
Ian Narine	9	4	-	7	1
Franka Costelloe	-	-	3	-	-
Jayselle Mc Farlane	-	-	-	-	1
Idrees Omardeen	-	-	-	-	-
Troy Garcia	7	-	-	6	1
Savitree Seepersad	-	-	-	-	-
David Inglefield	-	3	-	-	1
Ingrid Melville	-	-	1	-	-

Appendix 3 (Continued)

Directors' attendance at Bank Board and Committee Meetings
– October 1, 2017 to September 30, 2018

Table 3: Bank Audit Meetings (Including Joint Meetings)

Name of Director /No. of Meetings Held	Audit Committee (Ordinary)	Joint Audit Committees	Joint Audit & BERM Committees
	5	**2**	**1**
Courtenay Williams	-	1	1
Ryan Proudfoot	4	2	1
Ian Narine	-	0	1
Jayselle Mc Farlane	5	2	1
Idrees Omardeen	3	2	1
Troy Garcia	-	1	0
David Inglefield	-	0	1
Ingrid Melville	-	1	0

Table 4: Bank Human Resources Committee Meetings (Ordinary and Special)

Name of Director /No. of Meetings Held	Human Resources Committee Meetings (Ordinary)	Human Resources Committee Meetings (Special)
	5	**2**
Franka Costelloe	5	2
Savitree Seepersad	5	2
David Inglefield	3	2
Ingrid Melville	1	0

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Retail Banking Unit

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Commercial Business Centre – Chaguanas

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Account Manager
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Commercial Business Centre – Gulf View

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DAVE KHAN
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Commercial Business Centre – Tunapuna

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Group Strategic and Corporate Planning

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Six Sigma Green Belt (ASQ),
ITIL Foundation & ITIL Operational
Support and Analysis,
Associate Business Continuity Planning (ABCP),
CIMA Business Accounting (currently pursing)
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Treasury/International Trade Centre

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Trustee Services Limited

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BRANCHES
Cluster Office

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Cluster Manager – South Branches
High Street, San Fernando

CHERYL-ANN LA ROCHE
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Arima

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Cert Business Management
Branch Manager
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Woodford Street, Arima

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Chaguanas

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Branch Manager
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Couva

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Southern Main Road, Couva

DEBRA PIERRE
GMDP
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Gulf View

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Marabella

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Maraval Road

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Point Fortin

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Point Lisas

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Sangre Grande

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West Court

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Cert Financial Planning
Branch Manager
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ARLENE ST LOUIS-BRAITHWAITE
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First Citizens Investment Services Barbados

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First Citizens Investment Services St. Lucia

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First Citizens Costa Rica

FELIPE CASTRO
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Oficentro Eurocenter 1,
Barreal de Heredia, Costa Rica

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First Citizens Bank (Barbados) Limited
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Processing Support

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BRANCHES

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BSc Economics & Management,
Dip Administrative Management
Branch Manager
Collymore Rock,
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Assistant Manager – Operations
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EMBA, BSc (Hons) Management Studies,
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Assistant Manager – Operations
Retail, Welches
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RODNEY MAYERS
International MBA, Dip in Management Studies
Branch Manager
Somerley,
Worthing, Christ Church, Barbados

MARIA BOWEN
Executive Dip Finance & Banking
Assistant Manager – Operations
Retail, Somerley,
Worthing, Christ Church, Barbados

MARLENE WILTSHIRE
Associate Institute of Canadian Bankers
Assistant Manager – Operations
Worthing, Christ Church, Barbados

Employee of the Year

Seth Goolcharan

It has been an honour to come to the fore as the Employee of the Year for the First Citizens Group. First Citizens has a cadre of fantastic employees and therefore this recognition is truly significant. I have spent over 17 years with First Citizens and I feel a part of its fabric having shared in its growth and success.

I am currently the Business Banking officer with the External Sales unit and can describe myself as a customer centric, high level performer with an optimistic outlook, a winning mentality and a deep industry knowledge of mortgages and consumer lending. Embracing the E.P.I.C. core values, I am able to represent this initiative as an E.P.I.C. Ambassador to the network with the belief that excellence is attainable and sustainable.

My main guidance is from my God Jehovah, my wonderful wife Natalie and fantastic past and present managers including Cindy Goolcharan and Baldath Maharaj. I love what I do which will generate memorable experiences, for as Steve Jobs aptly said "the only way to do great work is to love what you do".

Manager of the Year

Adanna Branford-Stewart

The year was 1998, when I first laid eyes on the First Citizens Corporate Centre. I remember passing in a car, pointing up at the majestic building and telling my mom that one day I would work there. Fast forward 20 years later and I, Adanna Branford-Stewart, am the First Citizens Manager of the Year 2018. Although it is the second time that I am being presented with this coveted award, I feel extremely honoured to win at the time when we are celebrating our 25th Anniversary as First Citizens. It's awe-inspiring.

People, Passion and Purpose continue to be the ingredients to my success. At First Citizens, I feel a sense of pride, stability, appreciation, fairness, respect and accomplishment. As I enter my 10th year as a member of the management team, my plans are to continue to excel in this great institution while developing as many people along the way; with a loving husband, family, friends and colleagues who support me in good and bad times.

This is for you dad, my biggest supporter. You will always be remembered.

25th Anniversary Celebrations

25th Anniversary Celebrations

Anyone familiar with the genesis of First Citizens knows that arriving at the milestone of our 25th Anniversary was a tremendous achievement of which every citizen of this country should be proud. We could not have endured a journey quarter century long without the commitment of our bold leaders, dedicated employees, loyal customers and shareholders. For this, we took great pride in sharing our celebrations with people all across Trinidad and Tobago.

The creative and infectious theme *Rhythm of Our People* exuded itself into every aspect of our celebrations. Initiated by our 25th Anniversary commemorative painting, this socio-cultural portrait celebrating the cultural diversity of our plural society and the indomitable Trinbagonian spirit was manifested at a series of concerts held in South and North Trinidad and in Tobago, where our people brought the painting to life in song, dance and drama, showing the best of who we are.

We could not have been happier to present these concerts as our gift to the nation and we were honoured by the appreciation and support that our citizens showed to us. From our gala anniversary dinner and 25th Anniversary art exhibition, to intimate celebrations with customers at our branches and special tokens, events and activities for all our employees, we will forever look back at our 25th Anniversary celebrations with great pride.

Approaching the future with our core values–Commitment to Excellence, People, Integrity and our Customers–we stand ready to serve our markets for many more years to come.

First Citizens

CELEBRATING THE FIRST 25

CORPORATE SOCIAL RESPONSIBILITY

Sport

Waiting with bated breath, every Caribbean citizen knows the feeling of cringing in anxious thrill at the prospect of a win… whether we are talking West Indies cricket or an Olympic race. Partnering with organisations, administrators, coaches, parents and athletes means that our Group doesn't just share in the glory. We invest in projects that will present sport as a mechanism of social development and a real avenue for career and personal development.

- First Citizens Sports Awards
- CARIFTA Triathlon and Aquathlon Championships
- CariFin
- T20 Grand Slam Women's Cricket
- TAFISA World Challenge Day
- UWI SPEC International Half Marathon

Environment

We cherish the space in which we live and serve our clients and shareholders and we show it by championing causes that promote clean and healthy surroundings, as critical to our overall upliftment and wellbeing. The opportunities we create also help our citizens to learn about and appreciate the vast range of plant and animal life, native to our shores.

- Pointe-à-Pierre Wildfowl Trust Boardwalk project
- United Way National Day of Caring

Women

When last have you paid tribute to a Caribbean woman? At First Citizens, that's what we seek to do all year round. We build sustainable partnerships with key stakeholders on the advancement of women and pioneer initiatives of our own which focus on liberating, empowering and protecting our mothers, sisters, daughters and friends. We show Caribbean women and girls how much they are valued and we equip them to live and lead with purpose.

- First Citizens Annual Women's Conference
- Arthur Lok Jack Global School of Business Women in Leadership and Girls in Leadership
- First Citizens Investment Services Women's Seminar
- First Citizens Girls First Conference

Culture

Homegrown and supporting our own–that is the First Citizens way! We take pride in the rich tapestry that is Caribbean culture–an amalgamation of our speech, music, dance, art and customs. With indigenous roots at the core of our history, we are a proud supporter of initiatives that seek to highlight and sustain cultural legacy in Trinidad and Tobago and throughout the Caribbean territories in which we serve.

- Crop Over Xplosion - Barbados
- Ms. Tobago Heritage Personality
- First Citizens Pan Fusion - Barbados
- 'De Big Show' Calypso Tent - Barbados
- Divali Nagar
- Republic Day Concert Tribute to Black Stalin
- Taste of Steel

Youth & Education

Educated, energised and enthusiastic youth are poised to lead our nation to a brilliant future. Each time we offer another young person the opportunity to sharpen their academic skills or hone their artistic talents we are delighted to make a difference in their lives and in our country.

- First Citizens National Poetry Slam
- School Integrity Club Project
- First Citizens Annual Scrabble Tournament
- The Consortium of Disability Organisations' Annual Arts and Music Programme
- First Citizens UWI Internship Programme
- SEA YOUth Rock Awards

About Rhythm of Our People

The work of art–*The Rhythm of Our People*–by celebrated Tobago-based artist, Martin Superville, was commissioned by First Citizens to recognise and celebrate our 25th year with his interpretation of Caribbean rhythm and our spirit of collaboration.

The painting echoes the promise First Citizens has made for two and a half decades in the Caribbean and resonates with the strong legacy we have already created as a Group that is interested not only in the financial well-being of our customers but in building a respected homegrown Caribbean brand. Like a magician, the artist has brushed in opalescence, the colours of each of the communities we support. We prosper because we are attuned to the rhythm of our people, to the needs of a society, understanding that we thrive not only on bread but on the pulsations of our heartbeats.

That heart is kept alive by cultural affirmation and recognition of worth. This painting immortalises both the spirit of a people and the vision of our bank as we mark this moment and stride confidently into the next 25 years.

Colours sequence, combine, float and move, sounds escape through crevices of paint, levitating the crowd. Shades of purple and white, dotted browns and blacks, passionate reds and flirtatious yellows, a cool lime green and songbird blue, all advance the rhythm of movement on this horizontal canvas. A rainbow shimmers beneath, and the cloudless cerulean sky is calm.

The centre of the picture plane is dominated by a parakeet green splash that transforms into a heart-shaped curve, etched from the skirts of three bélé dancers. The quickened steps of dancing women's feet, alive to the moment of creative abandonment, billowing swirls of fabric catching the breeze, conjuring up grace and beauty and the mellifluous sound of fluttering leaves and hands. The pan man plays his pan, the tassa drummers beat, the sitar frets in sympathetic melody. Each character in the painting moves to the sound of a different drum in this mosaic of colour and space that comprises the nation of Trinidad and Tobago. Yet there is a harmony in the whole composition, its beauty formed not by muted tones but by the deliberate evocations of difference that embrace the whole. In this masterpiece of impressive scale and tonal differences, the artist takes the eye from here to there, inviting you into the First Citizens world, establishing the utopian vision that advances the needs of a people. He has captured our unreserved support for the enlivening of nation culture through an imaginative transformation of the colours of our logo: green, yellow, red and blue.

This is a family photograph set against an optimistic skyline where buildings dominate the background, not looming large like giant skyscrapers shadowing the sun and repressing the trees, but subservient to the needs of community; a stance of corporate protection and responsibility to a people. The First Citizens building stands tallest on the right, dressed in white and green, a knight of service in the land.

First Citizens
CELEBRATING THE FIRST 25

FINANCIALS

Independent Auditor's Report

To the Shareholders of First Citizens Bank Limited and its subsidiaries

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

First Citizens Bank Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2018;
- 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$50 million, which represents 5% of profit before tax.

- The group audit included full scope audits of four significant components, three domiciled in Trinidad and Tobago and one in Barbados.
- The group audit covered 92% of profit before tax and 99% of total assets.

- Implementation of IFRS 9 'Financial Instruments'
- Impairment of Government of Barbados financial assets
- Expected credit loss for individually significant loans
- Valuation of unquoted investments

Independent Auditor's Report (continued)

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 judgments; 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 Asset Management 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 92% of profit before tax and 99% of total assets of the Group. We also performed Group level 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 judgment, 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$50 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$2.5 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

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
Implementation of IFRS 9 'Financial Instruments' *Refer to note 2.e.i. & 3.a. to the consolidated financial statements for disclosures of related accounting policies and balances* The Group adopted the accounting standard IFRS 9 'Financial instruments' during the financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated - measurement and classification and impairment. IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and the underlying cashflow characteristics. IFRS 9 contains three principal classification categories for financial assets: - Measured at amortised cost, - Fair value through other comprehensive income (FVOCI); and - Fair value through profit and loss (FVPL). IFRS 9 introduces new impairment rules which prescribe a new, forward looking, expected credit loss ('ECL') impairment model which takes into account reasonable and supportable forward looking information which will generally result in the earlier recognition of impairment provisions. We have focused on this area, because there are a number of significant judgments which management will need to determine as a result of the requirements in measuring ECL under IFRS 9: - Determining the criteria for a significant increase in credit risk; - Techniques used to determine probability of default (PDs) and loss given default (LGD); and - Factoring in possible future economic scenarios.	With respect to the measurement and classification of the financial assets and liabilities, we read the relevant accounting policies adopted by the Group and compared them to the requirements of the standard. We obtained an understanding of the Group's business model assessment and for a sample of instruments verified the inputs into the solely payments of principal and interest test performed by the client with original contracts. We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements. With respect to the ECL model, our audit approach was as follows: - We read the Group's impairment provisioning policies and compared them to the requirements of IFRS 9; - We tested the ratings used in the ECL model for a sample of instruments. For investment ratings, the Group's ratings were compared to publically available S&P data. For loans, source documents used in the Group's internal rating process were verified; - For a sample of instruments, we tested whether the significant increase in credit risk and default definitions were appropriately applied and the resulting impact of this on the staging of the instruments.

Independent Auditor's Report (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Implementation of IFRS 9 'Financial Instruments' *Refer to note 2.e.i. & 3.a. to the consolidated financial statements for disclosures of related accounting policies and balances (continued)* These judgments have required new models to be built and implemented to measure the expected credit losses on loans and investments measured at amortised cost in addition to investments measured at fair value through other comprehensive income. Management engaged a credit modeller expert to assist in the more complex aspects of the expected credit loss model. There is a large increase in the data inputs of these models which increases the risk that the data used to develop assumptions and operate the model is not complete or accurate. The impact on net assets from the implementation of the measurement and classification aspects of the standard was not material. Differences between previously reported and new carrying amounts of financial instruments as a result of the implementation of the new ECL model as at 1 October 2017 of TT$146M have been recognised in the opening retained earnings.	- We tested the loss given default in the ECL calculation for a sample of instruments, including the value of collateral where appropriate. - In assessing the reasonableness of the probability of default, we verified the critical data inputs into the vintage analysis against source documents. - We obtained an understanding of the method used to estimate the impact of prepayment features and undrawn commitments on the exposure at default and tested its application for a sample of instruments. - For the forward looking assumptions, we obtained an understanding of the relevance of the macro economic indicators used and tested the application of the assumptions in the model. - We tested the critical data fields used in the ECL model, such as origination date, date of maturity, credit rating, date of default if any, principal, interest rate, collateral type and value, by tracing data back to source documents. - We tested the completeness of the amounts assessed for impairment, including off balance sheet credit exposures. We utilised the services of our accounting specialists to assess whether the financial statement disclosures arising on adoption of IFRS 9 are in accordance with the requirements of the standard. Based on the procedures described above, no material exceptions were noted in our assessment of the Group's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss.

Independent Auditor's Report (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of Government of Barbados financial assets *Refer to notes 4.c. to the consolidated financial statements for disclosures of related accounting policies and balances.* Within the Group's holdings of investment securities and cash and due from banks there are financial assets amounting to TT$921 million before ECL (comprised of TT$885 million of Barbados dollar debt & TT$36 million of US dollar debt) issued by the Government of Barbados (GOB). During the financial year, GOB announced its intention to restructure both local and foreign currency denominated debt. Subsequent to the financial year end, restructure terms were agreed on for debt denominated in Barbados dollars. The restructure terms resulted in an exchange of financial instruments. As at the financial year end, the carrying value of the existing Barbados dollars instruments was based on the fair value of the new instruments. Management determined the fair value of these new instruments by applying an estimated discount rate to the future cashflows outlined in the restructure terms. The carrying value of the US dollar denominated instruments was based on an estimated loss given default which was derived from an analysis of historical sovereign defaults conducted by a reputable international rating agency. The facility was considered to be in default thereby resulting in a PD of 100%. The exposure at default was the outstanding principal and accrued interest for these instruments at the end of the financial year. We focused on this area because of the significant judgment involved in arriving at the estimated values and the limited external evidence to support the Group's valuations.	With respect to the Barbados dollar denominated debt, with the assistance of our valuation experts, we developed an independent yield curve in order to estimate the time value of money for the defaulted instruments. The independently developed yield curve was arrived at by finding the average of 3 relevant proxy curves: - Historical spread between the US curve and another regional sovereign that experienced a default in the last 5 years; - Historical spread between the US curve and the Barbados curve - Standard B rated curve from a reputable international valuation provider. The independently developed yield curve was then applied to the cashflows outlined in the restructure agreement. We inspected the restructure agreement and compared our understanding of the revised terms and conditions to management's application of the accounting for the bonds. The resulting net present value derived from the independently developed yield curve was compared to the Group's ECL was within an acceptable range of outcomes. In the absence of restructure terms for the US dollar denominated debt, the ECL model was used to estimate the impairment loss on those instruments. For the US dollar denominated debt, the loss given default percentage that was used to arrive at the expected credit loss was compared to publically available information from a reputable international credit rating agency on historical recoveries of defaulted instruments and found to be reasonable. The mathematical accuracy of the ECL calculation was also tested and no material exceptions were identified.

Independent Auditor's Report (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss for individually significant loans *Refer to notes 2.e.i. & 3.a. to the consolidated financial statements for disclosures of related accounting policies and balances.* Included in the statement of financial position are loans that have been individually assessed for impairment and provisioning amounting to TT$4.9 billion. Individually significant loans are considered by the Group to be individual credit facilities in excess of TT$100M. On an annual basis, the Group assesses whether there is objective evidence that individual loans and advances or groups of loans are impaired. The probability of default for individually significant loans was derived in accordance with the newly adopted ECL model. A vintage analysis, that allows for performance comparisons between portfolio segments was performed in order to assess the likelihood of corporate facilities defaulting in the future. In order to estimate the loss given default, management uses independent valuators to estimate the value of collateral held for these facilities. The loss given default also takes into consideration the historical recovery rate of charged off accounts. Valuation of real estate property pledged as collateral is a significant repayment source for impaired loans. The estimation of collateral values are impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills. The key assumptions used by management are: • rental rates per square foot • discount rates used in the valuation to determine the fair value of these properties. • time to liquidate the pledged collateral Another form of collateral that is material to these facilities is government guarantees. We focused on this area, because of the complex and significant judgment required by management over the assessment of the value and timing of the estimated future cash flows that contribute to the estimation of the size of such impairment.	In assessing the reasonableness of the probability of default used in the ECL calculation for individually significant loans, we tested the critical data inputs into the vintage analysis to source documents. For the loss given default, we assessed the reputation, independence, competence and experience of management's valuators and found no evidence to suggest that the objectivity of the valuator in the performance of the valuations of collateral was compromised. We examined the valuations and evaluated the reasonableness of the key assumptions such as rental rates per square foot and discount rates used in those valuations. Where comparable market data was available, we compared the values used by management and noted that they were consistent with market data. We also challenged the timing of management's forecasted cash flows by comparing their estimate to the time to dispose of similar types of collateral in the past. We tested a sample of the historical data used in arriving at the estimated recovery rates for individually significant loans. For the facilities where government guarantees were in place, we verified the guarantees for a sample of the facilities with the original unconditional guarantee issued by the government. We considered events up to the audit report date in our evaluation of management's forecasted cash flows and there were no subsequent events identified that contradicted information used in management's cash flow assessment. No material differences were noted in testing the ECL for individually significant loans.

Independent Auditor's Report (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments carried at fair value not quoted in an active market *Refer to notes 2.e., 4.a. & 8 to the consolidated financial statements for disclosures of related accounting policies and balances.* As at the financial year end, investments carried at fair value not quoted in an active market were valued at TT$9.7 billion. For financial instruments not traded in an active market, the Group determines fair value using a valuation model. The Group's internally developed model uses the discounted cash flow method to determine the fair value of financial instruments not actively traded. Some of the inputs of this model may not be market observable and are therefore based on assumptions. This method discounts the cash flows of the instrument using a yield and credit spread which requires significant management judgment. We focused on this area because of the significant judgment involved in arriving at the estimated values and the limited external evidence to support the Group's valuations.	With the assistance of our valuation experts, we compared the Group's valuation methodology, with industry practice and found it to be an acceptable model to use in valuing the unquoted instruments. We tested the data used to determine the yield curves, credit spreads and credit ratings which are used in arriving at the prices of the unquoted instruments. We also evaluated the reasonableness of the assumptions used in management's fair value calculations by comparing them to publicly available information on the issuers of the unquoted investments. We tested the inputs into the pricing formula applied within the model. There were no material differences identified. We assessed the disclosures included in the consolidated financial statements with respect to the change in valuation methodology and they are consistent with the requirements of the relevant accounting standards. We considered events up to the audit report date in our evaluation of management's fair values of the unquoted investments and no contradictory information was identified.

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.

Independent Auditor's Report (continued)

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

19 December 2018
Port of Spain,
Trinidad,
West Indies

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	2018 $'000	2017 $'000
Assets			
Cash and due from other banks	6	4,781,891	3,685,077
Statutory deposits with Central Banks	7	4,243,111	3,387,702
Investment securities			
- Hold to collect and sell	8(a)	10,524,104	12,466,933
- Fair value through profit or loss	8(b)	13,852	655
- Hold to collect	9	4,590,400	3,222,099
Loans and receivables less allowances for losses:			
- Loans to customers	10	16,014,956	14,434,583
- Loan notes	11	294,799	368,498
Other assets	12	505,666	339,870
Investment accounted for using equity methods	13	185,256	179,761
Due from parent company		249	174
Tax recoverable		67,327	70,050
Property, plant and equipment	14	603,083	590,520
Intangible assets	15	219,871	212,356
Total assets		42,044,565	38,958,278
Liabilities			
Customers' deposits	16	25,499,746	23,976,668
Other funding instruments	17	4,386,739	4,331,104
Due to other banks	18	1,512,249	1,504,340
Creditors and accrued expenses	19	748,499	542,679
Taxation payable		132,855	72,885
Retirement benefit liability	20	24,733	68,591
Bonds payable	21	2,865,766	1,400,000
Deferred income tax liability	22	194,261	252,429
Notes due to parent company	23	58,000	58,000
Total liabilities		35,422,848	32,206,696

Consolidated Statement of Financial Position (Continued)

(Expressed in Trinidad and Tobago dollars)

Share capital			
Share capital	24	458,557	458,557
Statutory reserves	25	879,335	879,335
Retained earnings	26	4,381,936	4,306,459
Other reserves	27	901,889	1,107,231
Total shareholders' equity		6,621,717	6,751,582
Total equity and liabilities		42,044,565	38,958,278

The notes on pages 169 - 277 are an integral part of these consolidated financial statements.

On 17 December 2018, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

_______________________ Director _______________________ Director

Consolidated Income Statement

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2018 $'000	Year ended 30 September 2017 $'000
Interest income	28	1,887,075	1,690,200
Interest expense	29	(328,125)	(271,849)
Net interest income		1,558,950	1,418,351
Fees and commissions	30	404,921	390,079
Gains from investment securities		77,794	19,956
Other income	31	175,116	158,188
Total net income		2,216,781	1,986,574
Credit impairment losses on loans	10	(73,013)	(44,824)
Credit impairment losses on other financial assets	32	(105,011)	(30,873)
Administrative expenses	33	(608,473)	(659,368)
Other operating expenses	34	(438,496)	(396,724)
Operating profit		991,788	854,785
Share of profit in associate	13(a)	13,919	18,376
Share of profit in joint ventures	13(b)	4,319	3,221
Profit before taxation		1,010,026	876,382
Taxation	35	(336,333)	(234,450)
Profit for the year		673,693	641,932
Earnings per share			
Basic		$2.67	$2.54
Weighted average number of shares			
Basic		251,353,562	251,353,562

The notes on pages 169 to 277 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Year ended 30 September	
	2018 $'000	2017 $'000
Profit for the year	673,693	641,932
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement of defined benefit obligation	2,567	(17,163)
Net gains on investments in equity instruments designated at FVOCI	10,887	--
Revaluation of property, plant and equipment, net of tax	3,061	9
	16,515	(17,154)
Items that may be reclassified to profit or loss		
Amortisation of loss hold to collect assets, net of tax	(1,189)	(4,841)
Exchange difference on translation	(2,201)	667
Net loss on financial assets measured at FVOCI	(102,220)	(2,596)
Reclassified to profit or loss on disposal	(77,794)	(19,956)
	(183,404)	(26,726)
Total other comprehensive loss for the year	(166,889)	(43,880)
Total comprehensive income for the year	506,804	598,052

The notes on pages 169 to 277 are 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 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 income for the year	--	--	(170,316)	2,567	3,061	(2,201)	--	(166,889)
Transfer to statutory reserve	--	--	--	--	--	--	--	--
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
Balance as at 1 October 2016	643,557	677,698	781,368	129,364	161,288	79,091	4,206,938	6,679,304
Treasury share (ESOP)	(185,000)	--	--	--	--	--	--	(185,000)
Profit for the year	--	--	--	--	--	--	641,932	641,932
Other comprehensive income for the year	--	--	(27,393)	(17,163)	9	667	--	(43,880)
Transfer to statutory reserve	--	201,637	--	--	--	--	(201,637)	--
Dividends	--	--	--	--	--	--	(340,774)	(340,774)
Balance at 30 September 2017	458,557	879,335	753,975	112,201	161,297	79,758	4,306,459	6,751,582

The notes on pages 169 to 277 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2018 $'000	2017 $'000
Profit before taxation		1,010,026	876,382
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associate		(13,919)	(18,376)
Share of profit in joint ventures		(4,319)	(3,221)
Interest income		(1,887,075)	(1,690,200)
Interest received		1,860,282	1,699,648
Interest expense		328,125	271,849
Interest paid		(305,169)	(272,526)
Depreciation	14	47,942	54,726
Loss on disposal of property, plant and equipment		372	459
Gain on sale of hold to collect and sell financial assets		(77,794)	(19,956)
Amortisation of premium on investment securities		(6,818)	18,650
Amortisation of bond issue cost		1,224	660
Amortisation of intangible asset	15	23,966	23,745
Impairment of goodwill	15	--	17,949
Impairment loss on other financial assets		105,015	12,924
Net pension expense	20	4,634	54,816
Net movement in allowance for loan loss		59,628	(35,143)
Cash flows from operating activities before changes in operating assets and liabilities		1,146,120	992,386
Net change in loans to customers		(1,519,684)	(1,067,156)
Net change in customers' deposits		1,523,077	(1,046,199)
Net change in other funding instruments		55,634	(158,470)
Net change in other assets		(139,002)	7,862
Net change in due from parent company		(75)	3,406
Net change in statutory deposits with Central Bank		(855,410)	583,764
Dividends received		404	409
Net change in creditors and accrued expenses		182,864	90,706
Pension contributions paid	20	(32,213)	(27,876)
Taxes paid		(280,710)	(223,818)
Net cash flows used in operating activities		(81,005)	(844,986)

Consolidated Statement of Cash Flow (continued)

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2018 $'000	2017 $'000
Cash flows from investing activities			
Purchase of Investments			
- Hold to collect and sell	8(a)	(10,199,821)	(9,844,080)
- Hold to collect	9	(1,084,925)	(37,994)
- Fair value through profit or loss	8(b)	(13,462)	(591)
Proceeds from sale of investments			
- Hold to collect and sell	8(a)	10,399,451	8,886,080
- Fair value through profit or loss	8(b)	618	239,960
Proceeds from maturity/redemption of Hold to collect	9	977,584	113,065
Repayment on loan notes receivable		73,700	73,700
Net change in short-term investments		24,389	867,853
Proceeds from disposal of property, plant and equipment		3,566	985
Purchase of intangible assets	15	(32,744)	(9,984)
Purchase of property, plant and equipment and intangibles	14	(59,007)	(106,615)
Net cash flows from investing activities		29,349	182,379
Cash flows from financing activities			
Net change in debt securities	21	1,465,766	--
Purchase of treasury shares (ESOP)		--	(185,000)
Ordinary dividend paid		(449,397)	(337,852)
Preference dividend paid		(2,922)	(2,922)
Net cash flows from financing activities		1,013,447	(525,774)
Effect of exchange rate changes		(10,508)	(12,102)
Net (decrease) in cash and cash equivalents		1,113,293	(1,200,483)
Cash and cash equivalents at beginning of period		1,693,532	2,894,015
Cash and cash equivalents at end of period	6	2,806,825	1,693,532

The notes on pages 169 to 277 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements 30 September 2018

(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.

Effective September 1 2018, the Bank sold First Citizens Portfolio and Investments Managements Services Limited (FCPIMSL) formerly First Citizens Securities Trading to First Citizens Investments Services Limited (FCIS).

The Group currently comprises the following entities:

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Asset Management Limited	The Company acts as custodian for the First Citizens Group and provides bond paying agent services.	Trinidad & Tobago	100%
First Citizens Bank (Barbados) Limited	Banking, including the provision of mortgages for residential and commercial properties	Barbados	100%
First Citizens Costa Rica SA	Service related transactions	Costa Rica	100%
First Citizens Financial Services (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Investment Services Limited and its subsidiaries	Investment & asset management services and repo business	Trinidad & Tobago	100%
First Citizens (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and bond 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%

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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) and liabilities.

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*

- IAS 7 - Disclosure Initiative (Amendments effective 1 January 2017.) Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- IAS 12 Income taxes (Amendment effective 1 January 2017). Recognition of Deferred Tax Assets for Unrealised Losses –This amendments is to clarify the following aspects:
  - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or use.
  - The carrying amount of the asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax assets in combination with other deferred assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax assets in combination with other deferred tax assets of the same type.

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

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

a. *Basis of preparation (continued)*

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

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

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
  - Identify the contract with the customer
  - Identify the performance obligations in the contract
  - Determine the transaction price
  - Allocate the transaction price to the performance obligations in the contracts
  - Recognise revenue when (or as) the entity satisfies a performance obligation.
- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.
- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendments is to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
- IFRIC 22 - Foreign currency transactions and advances consideration (Effective 1 January 2018). This IFRIC addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provide guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2018). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities' examinations
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - The effect of changes in facts and circumstances

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

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.

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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

b. *Consolidation (continued)*

(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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

c. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.6926 = US$1.00 (2017 - TT$6.6926 = US$1.00), 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 (2017 - 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 liabilities when negative.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

e. *Financial assets and financial liabilities*

Under IFRS9 (policy applicable 1 October 2017)

(i) *Financial assets*

The Group has early adopted IFRS 9 and 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.

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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

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

(i) *Financial assets (continued)*

(a) *Debt instruments (continued)*

Group's business model

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

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

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

Hold to Collect	Hold to Collect & Sell	Hold for Trading
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		

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

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

(i) *Financial assets (continued)*

(a) *Debt instruments (continued)*

Solely payments of principal and interest (SPPI)

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

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

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

(b) *Equity instruments*

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

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. These financial assets are presented within investment securities held to collect and sell. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be 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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

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

(i) *Financial assets (continued)*

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

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

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

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

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

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

(ii) *Financial assets (continued)*

(d) *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.

(iii) *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).

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

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

(ii) *Financial liabilities (continued)*

(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. Under IAS 39 – Policies applicable for year ended September 2017

(i) *Financial assets*

The Bank classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

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

g. *Financial assets (continued)*

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) Those that the Bank intends to sell immediately or in the short term and those that the entity upon initial recognition designates at fair value through profit or loss;
(ii) Those that the entity upon initial recognition designates as available-for-sale;
(iii) Those assets for which the holder may not recover all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

(c) *Held to maturity*

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity dates where management has the positive intention and the ability to hold to maturity.

(ii) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Bank commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income statement as 'Gains on disposal from investment securities'.

(iii) *Financial liabilities*

The Bank measures financial liabilities at amortised cost. Financial liabilities measured at amortised cost include deposits from banks or customers, debt securities in issue, other funding instruments and notes due to related parties.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

g. *Financial assets (continued)*

(iv) *Recognition and de-recognition of financial instruments*

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

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

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

(v) *Determination of fair value*

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

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

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

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

h. *Impairment of financial assets*

(i) *Assets carried at amortised cost*

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Additionally, no provisioning for impairment is recognised for assets that are supported by government guarantees even if the exposure is classified as "Non Performing".

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

h. *Impairment of financial assets (continued)*

(i) *Assets carried at amortised cost (continued)*

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the unconsolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses to the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the amount of the reversal is recognised in the consolidated income statement in impairment loss on loans net of recoveries.

(ii) *Assets classified as available-for-sale*

The Bank assesses at the year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the unconsolidated income statement. Impairment losses recognised in the unconsolidated income statement on equity instruments are not reversed through the unconsolidated income statement.

Debt securities are classified based on the criteria in Note 2 h (i). If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the unconsolidated income statement.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

h. *Impairment of financial assets (continued)*

(iii) *Renegotiated loans*

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been negotiated are no longer considered to be past due but are treated as new loans. In subsequent years the asset is considered to be past due and disclosed only if renegotiated again.

The following table reconciles the presentation of investment securities under IAS 39 to the presentation for investment securities under IFRS 9

Measurement Basis	IAS 39 Classification	IFRS 9 Classification
Amortised cost	Held to maturity	Hold to collect
Amortised cost	Loans and receivables	Hold to collect
Fair value through other comprehensive income	Available for sale	Hold to collect and sell
Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

All other financial instruments continued to be presented consistently prior to and subsequent to the adoption of IFRS 9.

i. *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.

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

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

j. *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.

k. *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.

l. *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.

(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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

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

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

n. *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.

o. *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.

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

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

o. *Employee benefits (continued)*

(i) *Pension plans (continued)*

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.

p. *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”.

q. *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. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount (i.e. net of the expected credit loss provision), being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

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

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

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

r. *Fee and commission income*

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

Asset management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

s. *Dividend income*

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

t. *Borrowings*

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

u. *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.

v. *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.

w. *Preference shares*

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

x. *Provisions*

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

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

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

y. *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.

(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.

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

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

z. *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).

aa. *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.

ab. *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.

ac. *Change in accounting policies*

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

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

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

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

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

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

ac. *Changes in accounting policies (continued)*

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

(a) *Classification and measurement of financial instruments in accordance with IAS 39 & IFRS 9*

	IAS 39		IFRS 9	
Financial assets	**Measurement**	**Carrying amount $'000**	**Measurement**	**Carrying amount $'000**
Cash and due from banks	Amortised Cost	3,525,470	Amortised Cost	3,525,470
Cash – Treasury Bills	Amortised Cost	159,608	FVOCI	151,941
Statutory Deposit with Central Banks	Amortised Cost	3,387,702	Amortised Cost	3,387,702
Hold to collect and sell - debt	FVOCI	2,045,806	Amortised Cost	1,919,513
Hold to collect and sell - debt	FVOCI	10,369,918	FVOCI	10,349,095
Hold to collect and sell - equity	FVOCI	50,813	FVOCI	50,813
Hold to collect and sell - equity	FVOCI	396	FVPL	396
Hold to collect	Amortised Cost	2,736,791	Amortised Cost	2,572,407
Loans to customers	Amortised Cost	14,434,583	Amortised Cost	14,554,900
Hold to collect	Amortised Cost	485,308	FVOCI	485,308

There were no changes in the measurement and classification of financial liabilities.

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

The Group performed a detail analysis of its business models for managing financial assets and analysis of their cash flow characteristics in line with the criteria outlined in note 2)e) above.

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

Financial assets	**IAS 39 carrying amount 30 September 2017**	**Reclassifications**	**ECL Remeasurements**	**IFRS 9 Carrying amount 1 October 2017**
Fair value through other comprehensive income				
Hold to collect and sell - debt				
Opening balance	12,433,633	(1,379,996)	--	11,053,637
Provision for impairment	(17,909)	--	(49,384)	(67,293)
Closing balance	12,415,724	(1,379,996)	(49,384)	10,986,344
Hold to collect and sell - equity				
Opening balance	51,209	(396)	--	50,813
Closing balance	51,209	(396)	--	50,813
Total amortised cost	12,466,933	(1,380,392)	(49,384)	11,037,157

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

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

ac. *Changes in accounting policies (continued)*

Financial assets	**IAS 39 carrying amount 30 September 2017**	**Reclassifications**	**ECL Remeasurements**	**IFRS 9 Carrying amount 1 October 2017**
Amortised cost				
Cash and due from banks:-				
Opening balance	3,685,077	(159,608)	--	3,525,469
Provision for impairment	--	--	--	--
Closing balance	3,685,077	(159,608)	--	3,525,469
Hold to collect				
Opening balance	3,228,053	1,539,237	(52,606)	4,714,684
Provision for impairment	(5,954)	--	(216,810)	(222,764)
Closing balance	3,222,099	1,539,237	(269,416)	4,491,920
Loans and advances				
Opening balance	14,740,622	--	--	14,740,622
Provision for impairment	(306,039)	--	120,317	(185,722)
Closing balance	14,434,583	--	120,317	14,554,900
Total amortised cost	21,341,759	1,379,629	(149,099)	22,572,289
Fair value through profit or loss				
Opening balance	655	396	--	1,051
Provision for impairment	--	--	--	--
Closing balance	655	396	--	1,051

The following explains how applying the new classification requirements of IFRS 9 led to changes in the classification of certain financials assets held by the Group as shown in the table above:-

(a) *Securities within the liquidity portfolio*

Based on the business model for securities within the Group's liquidity portfolio, the majority are held to collect the contractual cash flows and sell, and are therefore classified under as Fair Value through Other Comprehensive Income (FVOCI). Securities for which there is not an active market and which are not expected to be sold to meet liquidity requirements were classified within the Hold to Collect business model.

(b) *Syndicated loans*

The Group some acted as a lead arranger of a syndicated loan facility to one of its major customers. The facility amount requested by the customer may exceeded the Group's limit for single client exposure under the Group credit risk policy and the FIA, so the facility will be approved with the condition that the excess amount will be sold in the short to medium term. Under IFRS 9, this amount exceeding the Group's limit will be classified as part of a hold to sell business model and measured at FVPL. The balance of the loan will be measured at amortised cost in its entirety.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

ac. *Changes in accounting policies (continued)*

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

	$'000
Fair value reserve	
Closing Balance under IAS 39 as at 30 September 2017	753,975
Reclassification of investment securities (debt) from AFS to amortised cost	(38,453)
Opening Balance under IFRS 9 (1 October 2017)	715,522
Retained earnings	
Closing Balance under IAS 39 as at 30 September 2017	4,306,459
Foreign Exchange	(20)
Recognition of expected credit losses under IFRS 9 (including loan commitments and financial guarantee contracts)	(145,877)
Opening Balance under IFRS 9 (1 October 2017)	4,160,562

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 and provision for loan commitments and financial guarantees contracts in accordance with IAS 37 as at 30 September 2017, to the opening ECL allowances determined in accordance with IFRS 9 as at 1 October 2017.

Impairment allowance Measurement category	**IAS 39 carrying amount 30 September 2017**	**Reclassifications**	**Remeasurements**	**IFRS 9 Carrying amount 1 October 2017**
Loans and advances to customers	306,039	--	(120,317)	185,722
	306,039	--	(120,317)	185,722
Investment -debt securities				
Hold to collect and sell	17,909	--	49,384	67,293
Hold to collect	5,954	--	216,810	222,764
	23,863	--	266,194	290,057
Total	329,902	--	145,877	475,77 9

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

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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. 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 Committee and the Board Credit Committee; and two Senior Management Committees – the Senior Management Enterprise Risk Committee and the Asset Liability Committee.

The Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer, reports to both Sub-Committees through the Senior Management Enterprise Risk Management Committee. This unit is responsible for the management, measurement, monitoring and control of credit, market and operational risks for the Group through the Group Credit Risk Administration Unit, Group Market Risk Unit, Group Operational Risk and Controls Unit. The unit 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 (ALCO) 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 and market risks. The ALCO is also supported in some specific areas of activity by the Market Risk Committee.

As part of its mandate, the Board establishes written principles for overall risk management, as well as ensuring that policies are in place covering specific areas of risk, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Group Internal Audit Department is responsible for the independent review of risk management and the control environment, and reports its findings and 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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

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 enhancement provided, 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 a Group Credit Risk Management team which reports regularly to the Group Chief Risk Officer and the Board Credit Committee.

(i) *Credit risk management*

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

(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.iv).

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Credit risk grading*

The Group uses internal credit risk gradings that reflect its assessment of the risk profile of the individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as asset base, credit history and industry type for corporate/commercial exposures) is fed into this rating model. External data such as credit bureau scoring information is used for individual borrowers. In addition, the models enable expert judgment to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 1- 4 rating grade is lower than the difference in the PD between a 5 and 6 rating grade.

The following are additional considerations for other types of portfolio held by the Group:

Corporate/Commercial

For corporate/commercial business, the rating is determined at the borrower level. The business's relationship management team will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship management team will also update information about the creditworthiness of the borrower every year from sources such as financial statements. This will determine the updated internal credit rating and a subsequent PD is derived based on historical default experience of the grade.

Treasury and investments

For debt securities in the Treasury and the Investment portfolios, external rating agency credit grades are used.
These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default over the prior 12 months, as published by the rating agency.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iii) *Expected credit loss measurement*

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.a.iii for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.a.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 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.a.vii for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.a.viii 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.ix).

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

Change in credit quality since initial recognition

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Significant increase in credit risk (SICR)

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

Loans - FCTT

Criteria	*Retail Loans (incl Credit Cards)*	*Commercial/Corporate Loans*
Relative Measure	n/a	3- or higher- Downgrades such that the BRR gets to 4 or lower 4+ and lower- Three notches downgrade on the internal scale
Absolute Measure	31 days past due/Classified Special Mention	31 days past due/Classified Special Mention

Loans – FCBB

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

Investments – Group wide

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

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

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 (incl Credit Cards)	*Commercial/Corporate Loans*
Payments received for six months consecutively	Payments received for six months consecutively
Loan classification upgrade to Pass	Loan classification upgrade to Pass
	Borrower's BRR returned to original rate just prior to the SICR

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

Significant increase in credit risk (SICR) (continued)

Investments

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 being deemed as having an SICR	One notch upgrade (internal 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, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

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

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified Doubtful or worse as per the Group's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).

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

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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

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

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

The lifetime and 12-month PDs are determined differently for loans and investments. The investments PDs are taken from the Standard & Poors (S&P) transition matrix, while the loans' PDs are derived from the historical experience of the Group over a period, calculated using a vintage analysis methodology. The EAD is considered as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 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 exposure at default is calculated by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two year period. (Note 3.a.vi)
- The 12 month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type and are influenced by the collection strategies of the specialist units managing the process. (Note 3.a.vi)

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

Loan portfolio

For the scorecard model, the macro economic factors and the weights attached to them were 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. We note that one set of weights was developed for the Retail Loan Book and another set of weights for the Corporate/Commercial Loan book since in management's view the impact of macroeconomic factors differ significantly for these two categories of loans.

For each jurisdiction four macro-economic factors were used, three of them being consistent in all countries and one indicator being flexed based on the economic activity impact on the country. The Unemployment rate, real GDP growth and Inflation were seen to have impact on default in all countries and the Oil Price, Tourist Arrivals and FX Spot were used as the country specific indicator for Trinidad & Tobago, Barbados, and Cost Rica & LATAM respectively. In our assessment of the retail loan book unemployment was seen to have a direct impact on recoverability and thus weighted heavily on the retail portfolio. Real GDP Growth influenced the corporate/commercial loan book and was the heavier weighted factor for that portfolio. In management's view inflation would also have an impact on loan default 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 loans to reflect the macro – economic effect.

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
Oil Price	*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
Oil Price	*Tourist Arrivals*	*FX Spot*	0.15
Total			*1*

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

	Base	Upside	Downside
Loans	80%	10%	10%

The weighting assigned to each economic scenario as at 30 September 2017 were as follows:-

	Base	Upside	Downside
Loans	80%	10%	10%

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

Credit cards

The average lifetime of credit card facilities were calculated as 6 years for FCTT and 7 years for FCBB. In determining the tenor of these facilities an average of the accounts in existence to 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 all overdrafts opened and closed to date was calculated. This calculation resulted in the identification of 6 years & 7 years for personal and staff overdrafts respectively.

Recovery rates

Recovery rates used on loans represents the 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 therefore the Trinidad recovery experience was applied to those loans of other jurisdictions.

Credit conversion factors

Used to determine the undrawn element of revolving facilities, the credit conversion factors were calculated using the quarterly exposure for overdrafts and monthly exposure for credit cards over a two (2) year period. A maximum average of the quarterly or monthly exposure was taken for loans or credit cards respectively.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Determination of macroeconomic scenarios and probabilities

For each sovereign, Management determine a macroeconomic driver, which is statistically linked to the credit risk of that sovereign. Once this lead indicator is established, correlation analysis is conducted between this macroeconomic indicator and key sovereign credit risk metrics, where the sign and strength of correlation coefficients determine which are most significant. These (three) selected sovereign credit risk metrics are determined based on their importance as key sovereign credit rating drivers and are comprised of both fiscal and debt indicators as well as measures of external liquidity. To quantify the impact of the lead macroeconomic driver on each of the credit risk metric, OLS regression is conducted. To establish the alternative scenarios required by IFRS 9, the lead macroeconomic driver is 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. Once these new values are derived, they are inputted into the OLS regression equation for each of the key sovereign credit risk metric to quantify how credit risk changes in the alternative scenarios.

These data points are used in the determination of a credit rating for the sovereign in each of the different scenarios for the forecasted period. To assign probabilities, we adopt the Standard and Poor's Transition Matrix, which is computed by comparing the issuer ratings at the beginning of a period with the ratings at the end of the period. This essentially provides us with a probability of moving from the current credit rating to the forecasted rating.

Credit ratings were forecasted for the next three years using the macro-economic overlay model. 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.

Investments

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Research & Analytics team on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

Country specific indicators were used for different countries around the world in the sovereign overlay model.

Economic assumptions

The most significant period-end assumptions used for the ECL estimate as at 30 September 2018 are set out below. The scenarios base, "best" and "worst" were used for the investment portfolios.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Sensitivity analysis

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

Retail portfolios

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

Corporate/Commercial portfolios

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

Set out below are the changes to the ECL as at 30 September 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions (for example, the impact on ECL of increasing the estimated unemployment rate by [X]% in each of the base, best and worst):

Unemployment Rates PDs		
-1%	**No Change**	**1%**
"000	**"000**	**"000**
40,029	---	40,029

GDP LGDs		
-5%	**No Change**	**5%**
"000	**"000**	**"000**
2,854	--	2,854

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

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

Credit Cards Groupings for collective measurement
- All Stages

The following exposures are assessed individually:
- Retail – All stages
- Corporate/Commercial – All stages
- Investments

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk Management team.

(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 one borrower, groups of borrowers, industry and country segments. The Group monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Group. These limits are implemented and monitored by the Credit Risk Management Unit via the stipulations of 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 its standard 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 8 with 1 being the least risky. These have been consolidated into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a relatively smaller limit being assigned to the more risky industries.

(c) *Country exposure limits*

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

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

(d) *Collateral*

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or 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 finance and lending to corporate/commercial entities are 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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

(e) *Liquidity support agreement (continued)*

The Ministry of Finance continues to recognise its commitment under the LSA agreement by way of granting consecutive extensions 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 and 15 November 2017 to 14 November 2018. 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 its response in letter dated 17 September 2018 has agreed to another extension for a twelve month period effective from 15 November 2018 to 14 November 2019 commensurate under the Liquidity Support Agreement dated 15 May 2009. This was subsequently formalised via the “Fourth Supplementary Liquidity Support Agreement “dated 19 September 2018.

(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).

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

	Gross maximum exposure 2018 $'000	Gross maximum exposure 2017 $'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	4,781,891	3,685,077
Statutory Deposit with Central Bank	4,243,111	3,387,702
Investment instruments		
Hold to collect and sell	10,507,714	12,433,633
Hold to collect	4,912,938	3,228,053
Loans to customers	16,260,306	14,740,622
Loan notes	294,798	368,498
Other assets	466,507	303,964
Due from parent company	249	174
Credit Commitments	1,560,259	614,583
Financial Guarantees	209,281	266,621
Total credit risk exposure	43,237,054	39,028,927

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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

	Retail				
	30 September 2018				Sep-17
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	$'000	$'000	$'000	$'000	$'000
Installment loans	1,529,412	124,109	55,540	1,709,061	1,443,059
Demand loans	244,312	30,375	82,878	357,365	376,617
Overdrafts	3,229	581	18,665	22,475	9,406
Credit card	511,795	15,150	36,279	563,224	494,448
Mortgages	2,384,397	282,145	128,262	2,794,804	2,714,716
Gross loans	4,673,145	452,360	321,424	5,446,929	5,038,246
Loss allowance	(15,897)	(6,718)	(153,962)	(176,577)	(138,788)
Carrying balance	4,657,248	445,642	167,462	5,270,352	4,899,457

	Commercial & Corporate				
	30 September 2018				Sep-17
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	$'000	$'000	$'000	$'000	$'000
Type of facility					
Demand loan	9,710,502	493,129	206,389	10,410,020	9,280,833
Overdraft	215,728	173,763	13,866	403,357	421,543
Gross loans	9,926,230	666,892	220,255	10,813,377	9,702,376
Loss allowance	(11,771)	(7,644)	(49,358)	(68,773)	(46,934)
Carrying balance	9,914,459	659,248	170,897	10,744,604	9,655,442

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(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 2018				Sep-17
	Stage 1 12-month ECL	Sage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	$'000	$'000	$'000	$'000	$'000
Credit rating					
Investment grade	13,180,593	34,945	-	13,215,538	14,019,615
Standard monitoring	1,267,228	-	-	1,267,228	1,234,715
Special monitoring	--	83,030	-	83,030	484,978
Default	-	-	856,514	856,514	60,724
Gross investments	14,447,821	117,975	856,514	15,422,310	15,800,032
Loss allowance	(19,586)	(10,075)	(365,412)	(395,073)	(290,057)
Carrying balance	14,428,235	107,900	491,102	15,027,237	15,509,975

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a *Credit risk (continued)*

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

Retail

	30 September 2018				**30 September 2017**		
	Gross Balance	**ECL Allowance**	**Carrying Balance**		**Gross Balance**	**ECL Allowance**	**Carrying Balance**
IG	**$'000**	**$'000**	**$'000**	**IG**	**$'000**	**$'000**	**$'000**
60	106,862	(33,273)	73,589	60	122,901	(39,110)	83,791
65	80,297	(10,865)	69,432	65	39,575	(3,967)	35,608
80	54,490	(1,152)	53,338	80	42,869	(754)	42,115
85	2,023,027	(54,914)	1,968,113	85	1,840,863	(43,499)	1,797,364
90	1,931,749	(14,670)	1,917,079	90	1,848,324	(7,616)	1,840,708
95	668,552	(250)	668,302	95	634,123	(109)	634,014
98	954	--	954	98	1,348	--	1,348
Credit Cards	563,225	(43,680)	519,545	Credit Cards	499,889	(35,377)	464,512
DDA	17,773	(17,773)	--	DDA	8,354	(8,354)	--
Gross Loans	5,446,929	(176,577)	5,270,352	**Gross Loans**	5,038,246	(138,786)	4,899,460

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Commercial & Corporate
30 September 2018

BRR	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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

30 September 2017

BRR	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	100,389	--	3,058,501	2,047,910	1,491,026	1,415,946	8,113,712
Loss allowance	--	--	--	--	(2,866)	(9,928)	(12,794)
Carrying balance	100,389	--	3,058,501	2,047,910	1,488,160	1,406,018	8,100,978

Commercial & Corporate
30 September 2018

IG- ratings	***60***	***65***	**80**	**85**	**90**	**95**	**98**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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

30 September 2017

IG- ratings	***60***	***65***	**80**	**85**	**90**	**95**	**98**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross loans	46,092	73,839	84,446	722,575	569,246	91,054	1,354	1,588,606
Loss allowance	(13,557)	(12,562)	(221)	(6,545)	(1,148)	(108)	--	(34,141)
Carrying balance	32,535	61,277	84,225	716,030	568,098	90,946	1,354	1,554,465

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xij) *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 2018	Gross exposure $'000	Impairment allowance $'000	Carrying amount $'000	Fair value 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				
Other loans	194,893	(38,314)	156,579	452,322
Mortgages	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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Credit impaired assets

30 September 2017	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value collateral held**
	$'000	**$'000**	**$'000**	**$'000**
Individual (retail customers)				
Instalment loans	41,244	(32,817)	8,427	17,239
Demand loans	66,092	(24,896)	41,196	59,519
Overdrafts	9,072	(10,979)	(1,907)	211
Credit cards	29,636	(29,636)	--	--
Mortgages	115,996	(21,378)	94,618	135,658
Sub-total	262,040	(119,706)	142,334	212,627
Corporate & Commercial				
Demand loans	169,229	(29,927)	139,302	322,532
Overdrafts	13,636	(4,014)	9,622	37,601
Sub-total	182,865	(33,941)	148,924	360,133
Total loans to customers	444,905	(153,647)	291,258	572,760

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

Mortgage Portfolio -LTV distribution	**Credit-impaired (Gross carrying amount)**
	$'000
Lower than 50%	15,930
50 to 60%	21,405
60 to 70%	19,497
70 to 80%	11,556
80 to 90%	12,540
90 to 100%	12,174
greater than 100%	82,450
Total	175,552

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance*

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12 month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models; currently nine years of data for PDs are being used, however it is management's intention to have a 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).

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

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

Retail	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'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				
Financial assets derecognised during the period	--	--	--	--
Write-offs	--	--	(7,965)	(7,965)
Loss allowance as at 30 September 2018	15,897	6,718	153,962	176,577

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

Commercial & Corporate	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 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				
Financial assets derecognised during the period	--	--	--	--
Write-offs	--	--	(4,207)	(4,207)
Loss allowance as at 30 September 2018	11,771	7,644	49,358	68,773

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

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				
Financial assets derecognised during the period				
Write-offs				
Loss allowance as at 30 September 2018	19,586	10,075	365,412	395,073

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

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

- New loans facilities originated during the period, increased the gross carrying amount of the relative books by 32.6%, with a corresponding $45.4M increase in loss allowance measured.
- The write-off of loans and investments with a total gross carrying amount of $12.0M resulted in the reduction of the Stage 3 loss allowance by the same amount.

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:

	30 September 2018			
Retail	**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
Change in PDs/LGDs/EADs/Collateral App	(6,095)	5,761	(7,349)	(7,683)
Repayments	(469,909)	(67,692)	(15,260)	(552,861)
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

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

Commercial & Corporate	**30 September 2018**			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL $'000	**Lifetime ECL $'000**	**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
Change in PDs/LGDs/EADs/Collateral App	--	--	3,922	3,922
Repayments	(1,755,392)	(302,503)	(37,329)	(2,095,224)
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

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	30 September 2018			
Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	
	$'000	**$'000**	**$'000**	**$'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
Change in PDs/LGDs/EADs	(5,470)	(2,395)	3,517	(4,348)
Repayments	(11,522,151)	(35,709)	--	(11,557,860)
Unwind of discounts	(1,409)		--	(1,409)
FX and other movements	(313,009)	--	(5,954)	(318,963)
Gross carrying amount as at 30 September 2018	14,447,821	117,975	856,514	15,422,310

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiv) *Write-off policy*

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's effort to dispose of 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 2018 was $12.0 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 terms 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 continues to monitor 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 industry sectors of counter parties:

	2018 Gross maximum exposure $'000	**2017 Gross maximum exposure $'000**
Cash and due from other banks	4,781,891	3,685,077
Statutory deposits	4,243,111	3,387,702
Consumer	3,247,351	2,911,577
Agriculture	138,862	12,229
Petroleum	881,840	470,697
Manufacturing	579,083	368,539
Construction	2,378,059	2,382,749
Distribution	611,742	424,792
Hotels and guest houses	725,684	686,896
Transport, storage and communications	1,150,739	918,748
Finance, insurance and real estate	5,811,921	6,072,892
Other business services	1,188,218	1,472,194
Personal services	27,004	25,815
Real estate mortgages	3,351,935	3,352,846
Government related	11,883,568	11,671,006
Credit commitments	1,560,259	614,583
Financial Guarantee	209,281	266,621
Other assets	466,505	303,964
Total	43,237,054	39,028,927

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

b. *Market risk*

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency, 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 exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Unit who submit reports to the SMERC 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 for the consideration of the Group ALCO technical information that may be relevant to current and developing market conditions from time to time.

Trading portfolios include those portfolios arising from market-making transactions where the 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 also consist of interest rate, foreign exchange and equity risks arising from the Group's financial assets hold to collect and sell.

(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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Currency risk (continued)*

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

	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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Currency risk (continued)*

	TT$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2017				
Financial assets				
Cash and due from other banks	223,862	2,690,000	771,215	3,685,077
Statutory deposits with central banks	3,281,890	2,725	103,087	3,387,702
Investment securities				
- Hold to collect and sell	9,110,160	2,434,068	922,705	12,466,933
- Hold to collect	1,231,262	1,136,115	854,722	3,222,099
- Fair value through profit or loss	545	110	--	655
Loans to customers	9,604,376	3,250,351	1,579,856	14,434,583
Loan notes	368,498	--	--	368,498
Other assets	249,879	54,468	35,523	339,870
Due from parent	174	--	--	174
Investment accounted for using equity methods	30,314	149,447	--	179,761
Total financial assets	24,100,960	9,717,284	4,267,108	38,085,352
Financial liabilities				
Customers' deposits	17,444,477	4,048,734	2,483,457	23,976,668
Other funding instruments	4,078,143	252,961	--	4,331,104
Due to other banks	1,443,611	--	60,729	1,504,340
Note due to parent	58,000	--	--	58,000
Bonds payable	1,400,000	--	--	1,400,000
Creditors and accrued expenses	463,230	41,540	37,909	542,679
Total financial liabilities	24,887,461	4,343,235	2,582,095	31,812,791
Net on balance sheet position	(786,501)	5,374,049	1,685,013	6,272,561
Off balance sheet items	161,311	105,232	78	266,621
Credit commitments	191,408	142,635	280,540	614,583

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 $70.0 million (2017: $176.5 million). The average change for the last three (3) years was 207 basis point (2017: 207 basis points). There was no change in 2018.

(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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

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 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
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	4,759,879	40,929,867
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		

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk (continued)*

As at 30 September 2017	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	2,275,902	1,114,975	--	--	--	294,200	3,685,077
Statutory deposits with central banks	349,069	--	--	--	--	3,038,633	3,387,702
Investment securities							
- Hold to collect and sell	679,014	862,068	1,139,169	4,177,996	5,559,125	49,561	12,466,933
- Hold to collect	233,952	540,943	990,470	767,901	688,833	--	3,222,099
- Fair value through profit or loss	--	--	--	--	--	655	655
Loan to customers and finance leases	1,821,630	979,676	2,872,166	5,423,140	3,644,010	(306,039)	14,434,583
Loan notes	76,543	6,291	203,931	59,680	22,053	--	368,498
Other assets	5,175	--	--	--	252,320	82,375	339,870
Due from parent company	174	--	--	--	--	--	174
Total financial assets	5,441,459	3,503,953	5,205,736	10,428,717	10,166,341	3,159,385	37,905,591
Financial liabilities							
Customers' deposits	19,675,728	927,962	2,322,966	344,003	870	705,139	23,976,668
Other funding instruments	564,021	839,232	2,287,096	392,005	248,750	--	4,331,104
Due to other banks	333,671	676,450	1,616	431,874	--	60,729	1,504,340
Bonds payable	--	--	--	400,000	1,000,000	--	1,400,000
Notes due to parent company	--	--	--	--	--	58,000	58,000
Creditors and accrued expenses	7,599	--	--	--	--	535,080	542,679
Total financial liabilities	20,581,019	2,443,644	4,611,678	1,567,882	1,249,620	1,358,948	31,812,791
Interest sensitivity gap	(15,139,560)	1,060,309	594,058	8,860,835	8,916,721		

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 0.8 million (2017: $5.4 million) and a decrease in reserves of $345.1 million (2017: $338.2 million).

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iv) *Other price risk*

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as 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 (ALCO). The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(i) *Financial assets and liabilities*

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

As at 30 September 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)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(i) *Financial assets and liabilities (continued)*

As at 30 September 2017	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	20,445,942	931,809	2,336,579	345,818	880	24,061,027
Other funding instruments	569,600	841,806	2,325,969	441,532	248,751	4,427,658
Bonds payable	19,177	--	34,723	603,365	1,025,704	1,682,969
Due to other Banks	392,011	679,286	13,687	455,856	--	1,540,840
Creditors and accrued expenses	542,515	--	164	--	--	542,679
Notes due to related companies	58,000	--	--	--	--	58,000
Total financial liabilities	22,027,245	2,452,901	4,711,122	1,846,571	1,275,335	32,313,173
Financial assets						
Cash and due from other banks	2,562,473	1,116,082	10,383	--	--	3,688,938
Statutory deposits with central banks	452,289	--	--	--	2,935,546	3,387,835
Investment Securities						
- Hold to collect and sell	995,443	1,066,914	1,600,923	5,754,890	6,545,305	15,963,475
- Hold to collect	34,009	25,103	300,444	675,554	378,782	1,413,892
- Fair value through P&L	655	--	--	--	--	655
Loan to customers and finance leases	1,380,475	1,029,747	3,399,031	6,935,402	5,202,676	17,947,331
Other loans and Receivables	522,391	74,502	950,755	219,178	723,612	2,490,439
Loan notes	--	--	113,953	371,124	--	485,077
Other assets	339,841	22	7	--	--	339,870
Total financial assets	6,287,576	3,312,370	6,375,496	13,956,148	15,785,921	45,717,512
Liquidity gap	(15,739,669)	859,470	1,664,374	12,109,577	14,510,586	13,404,339

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(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 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

As at 30 September 2017	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	148,580	--	466,003	--	--	614,583
Acceptances	17,780	6,062	12,362	--	--	36,204
Guarantees	102,217	8,382	16,215	62,748	21	189,583
Letters of credit	7,877	5,395	22,086	5,476	--	40,834
Operating leases	2,591	5,179	23,315	56,431	21,458	108,974
Capital commitments	--	--	17,523	--	--	17,523
Total	279,045	25,018	557,504	124,655	21,479	1,007,701

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

d. *Fiduciary activities*

The Group provides custody, trustee and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. The assets under administration at 30 September 2018 totalled $29.7 billion (2017 - $30.3 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%.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

f. *Capital management (continued)*

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	**2018 $'000**	**2017 $'000**
Share capital	354,957	354,957
Statutory reserve	879,335	879,335
Retained earnings	4,381,936	4,306,459
Less: Intangible assets	(219,871)	(212,356)
Total Tier 1	5,396,357	5,328,395
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	901,889	1,065,679
Eligible reserve provision	119,784	172,029
Total Tier 2 Capital	1,125,273	1,341,308
Total Capital	6,521,630	6,669,703
Ratios		
Risk adjusted assets	16,577,673	13,731,400
Qualifying capital to risk adjusted assets	39.34%	48.57%
Core capital to qualifying capital	82.75%	79.89%

As at 30 September 2018 the Bank and its qualifying subsidiaries were in compliance with these requirements, with the exception of First Citizens Bank (Barbados) Limited.

The Ministry of Finance, Economic Affairs and Investments of the Government of Barbados, via a letter dated October 9 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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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	
	2018	2017	2018	2017
Financial assets	$'000	$'000	$'000	$'000
Cash and due from other banks	4,781,891	3,685,077	4,781,891	3,685,077
Statutory deposits with Central Banks	4,243,111	3,387,702	4,243,111	3,387,702
Financial instruments				
- Loans to customers	16,014,956	14,434,580	16,758,709	15,860,901
- investments- hold to collect	4,590,400	3,222,099	4,808,160	3,276,337
- Loan notes	294,799	368,498	348,332	448,088
Other assets	505,666	339,870	505,666	339,870
Due from parent	249	174	249	174
Financial liabilities				
Customers' deposits	25,499,746	23,976,668	25,589,599	23,926,642
Other funding instruments	4,386,739	4,331,104	4,412,974	4,424,430
Bonds payable	2,865,766	1,400,000	2,958,765	1,444,136
Notes due to parent	58,000	58,000	58,000	58,000
Due to other Banks	1,512,249	1,504,340	1,512,249	1,504,340
Creditors and accrued expenses	748,499	542,679	748,499	542,679

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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

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

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

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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

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

(ii) *Fair value hierarchy (continued)*

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

As at 30 September 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

As at 30 September 2017 **Financial assets**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets at fair value				
- Equity securities	655	--	--	655
	655	--	--	655
Fair value through OCI::				
- Investment securities – debt	743,015	10,120,435	1,552,275	12,415,725
- Investment securities – equity	39,332	2,940	8,937	51,208
	782,347	10,123,375	1,561,212	12,466,933
Total financial assets	783,002	10,123,375	1,561,212	12,467,588

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

3 **Financial risk management (continued)**

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

30 September 2018

	Debt Securities $'000	Equity $'000	Fair value $'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

30 September 2017

	Debt Securities $'000	Equity $'000	Fair value $'000	Total $'000
Opening balance	1,087,333	8,507	239,958	1,335,798
Exchange	--	19	--	19
Purchased	587,770	10	--	587,780
Settlement	(260,600)	--	(239,958)	(500,558)
Total losses - OCI	8,089	401	--	8,490
Accrued interest	1,527	--	--	1,527
Amortisation	10,858	--	--	10,858
Transfer into or out of level 3	117,298	--	--	117,298
Closing balance	1,552,275	8,937	--	1,561,212

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

4 Critical accounting estimates and judgments

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 $345.1million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2017 - $338.2million).

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

The impact of the revised credit spread methodology as at 30 September 2018 is an increase of $7.5 million (2017: TT$7.5 million).

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.!A 100bps shift in the curve would result in the market value decreasing by $40.4M

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

b. *Financial assets at fair value through profit or loss*

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regular occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. When a market becomes inactive, the valuation technique utilised makes use of the quoted price even though the market is not active.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

c. *Measurement of the expected credit loss allowance*

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

A number of significant judgments 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 2016 as reported by Moody's Investors Service (note 3.a.vi).

Valuation of Stage 3 facilities

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. A 100bps shift in the curve would result in the market value decreasing by $40.4M

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 2017, the Corporation tax rate for Trinidad and Tobago was increased from 25% to 30%. It is also expected to increase again in 2018 to 35% for financial institutions.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

e. *Retirement benefits*

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

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

The Bank's Board of Directors approved an increase in the retirement age from 60 to 65 effective January 1 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 judgment, 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.

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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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)
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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 2018 is as follows:-

Year ended 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

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

5 **Segment analysis (continued)**

a. *Segment results of operations (continued)*

Year ended 30 September 2017	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	545,807	498,393	371,576	3,589	863	1,420,228
Inter-segment net interest income	106,074	(48,076)	(57,998)	--	--	--
Net fee and commission income	171,599	25,353	30,456	165,801	3,478	396,687
Foreign exchange gains	45,728	2,169	89,861	219	1,092	139,069
Other income	1,401	57	248,057	5,935	25	255,475
Total income	870,609	477,896	681,952	175,544	5,458	2,211,459
Loan impairment charges	(20,789)	(7,145)	(32,301)	--	--	(60,235)
Depreciation and amortisation expense	(37,863)	(612)	(14,586)	(1,781)	(18,996)	(73,838)
Administrative expenses	(225,565)	(22,565)	(160,816)	(21,157)	(158,099)	(588,202)
Other operating expenses	(282,363)	(18,700)	(56,637)	(15,214)	(29,883)	(402,797)
Total non-interest expenses	(566,580)	(49,022)	(264,340)	(38,412)	(206,978)	(1,125,377)
Profit before taxation	304,029	428,874	417,612	137,392	(201,520)	1,086,388
Income tax expense	(2,786)	(365)	(194,935)	(38,672)	--	(236,758)
Profit for the year	301,243	428,509	222,677	98,720	(201,520)	849,630
As at 30 September 2017						
Total assets	8,146,015	11,718,078	18,835,278	480,661	1,903,833	41,083,865
Total liabilities	15,953,408	4,706,520	10,676,052	56,395	2,256,264	33,647,888

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

5 **Segment analysis (continued)**

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

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

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

5 **Segment analysis (continued)**

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

Year ended 30 September 2017	**Total management reporting $'000**	**Adjustments and eliminations $'000**	**Total consolidated $'000**
Net interest income	1,420,228	(1,877)	1,418,351
Non interest income	791,231	(223,008)	568,223
Impairment losses	(60,234)	(15,463)	(75,697)
Non-interest expenses	(1,064,837)	8,745	(1,056,092)
Operating profit	1,086,388	(231,603)	854,785
Share of profit of associates and joint ventures accounted for by the equity method	--	21,597	21,597
Income tax expense	(236,758)	2,308	(234,450)
Profit for the year	849,630	(207,698)	641,932
As at 30 September 2017			
Total assets	41,083,865	(2,125,587)	38,958,278
Total liabilities	33,647,888	(1,441,192)	32,206,696

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

6 Cash and due from other banks

	2018 $'000	2017 $'000
Cash and bank balances	1,633,586	1,888,952
Short-term investments	3,148,305	1,796,125
	4,781,891	3,685,077
Short-term investments:		
- Maturity within 3 months	2,685,488	1,308,920
- Maturity over 3 months	462,817	487,205
	3,148,305	1,796,125

The average effective interest rate on short-term bank deposits was 1.0% (2017: 1.0%); these deposits have an average maturity of 90 days (2017: 90 days).

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

	2018 $'000	2017 $'000
Cash and bank balances	1,633,586	1,888,952
Short-term investments – maturity within 3 months	2,685,488	1,308,920
Due from/(to) other banks	(1,512,249)	(1,504,340)
	2,806,825	1,693,532

7 Statutory deposits with central bank

Under the provisions of Financial Institutions Act 2008 (Trinidad and Tobago), the Bank and its subsidiary (First Citizens Asset Management 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 2018, the current ratio was 17% for First Citizens Bank Limited and 9% for First Citizens Asset Management 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 2018, the Central Bank discontinued the compulsory deposit account, which amounted to $346.3 million as at 2017 and carried an average interest rate of 0.53%.

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 2018, 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 2018 the Bank and its qualifying subsidiaries were in compliance with these requirements.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

8 (a) **Investments –Hold to collect and sell**

	2018 $'000	2017 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	7,982,705	7,004,323
Listed investments	2,166,547	1,894,699
Unlisted investments	447,387	3,585,819
	10,596,639	12,484,842
Portfolio allowance	(72,535)	(17,909)
	10,524,104	12,466,933
Debt securities		
Listed	3,495,621	1,855,000
Unlisted	6,939,558	10,560,724
	10,435,179	12,415,724
Equity securities		
Listed	77,594	39,699
Unlisted	11,331	11,510
	88,925	51,209
Total securities	10,524,104	12,466,933
Current portion	2,265,776	2,681,990
Non current portion	8,258,328	9,784,943
	10,524,104	12,466,933

Investment securities totalling $4,113 million (2017: $4,053 million) are pledged to secure the repurchase agreements (see Note 17). Interest rates on these repos range from 0.20% to 5.89% in 2018 (2017: 0.20% to 5.89%).

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

8 (a) **Investments –Hold to collect and sell (continued)**

	2018 $'000	2017 $'000
Balance at beginning of the year	12,466,933	11,483,930
IFRS 9 adjustments- reclassification	(1,380,392)	--
IFRS 9 adjustments- remeasurements -ECL	(49,384)	--
Revised opening balance	11,037,157	11,483,930
Exchange differences	1,400	20,207
Additions	10,199,821	9,844,080
Disposals	(10,339,451)	(8,863,368)
Reclassification to Hold to Collect	(92,611)	--
Net movements in provisions	(5,241)	(9,610)
Net amortisation of premiums	(180)	--
Gains from changes in FV	(276,791)	(8,306)
Balance at end of year	10,524,104	12,466,933
Fair value losses based on:		
Quoted market prices	(42,044)	(13,445)
Other techniques	(234,747)	5,139
	(276,791)	(8,306)
The movement in the impairment allowance is as follows:		
Allowance at beginning of the year	17,909	8,253
IFRS 9 remeasurements	49,384	--
Revised opening balance	67,293	8,253
Exchange difference	1	46
Charge for the year	5,241	9,610
Allowance at the end of year	72,535	17,909

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

8 (b) **Financial assets at fair value at OCI**

	2018 $'000	2017 $'000
Bond	13,413	655
Listed - equity	439	--
	13,852	655

The movement in investment securities may be summarized as follows:

	2018	2017
At beginning of year	655	239,958
IFRS 9 reclassifications	396	--
	1,051	239,958
Additions	13,462	559
Disposals	(618)	(229,327)
Gains from changes in fair value	(60)	(10,535)
Impairments	17	--
At end of year	13,852	655

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

9 **Investments – Hold to collect**

	2018	2017
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	1,982,195	900,926
Unlisted investments	1,905,784	516,177
Listed investments	96,366	227,732
Corporate	914,457	1,568,721
Individuals	14,136	14,497
	4,912,938	3,228,053
Provision for impairment	(322,538)	(5,954)
	4,590,400	3,222,099
Current portion	922,006	1,771,319
Non current portion	3,990,932	1,456,734
	4,912,938	3,228,053

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

9 **Investments – Hold to collect (continued)**

	2018 $'000	2017 $'000
Balance at beginning of the year	3,222,099	3,291,584
Reclassification	1,539,237	--
Reclassification of ECL	--	--
Remeasurements- Reserve	(52,606)	--
Remeasurements - ECL	(216,810)	--
Balance at start of year	4,491,920	3,291,584
Exchange differences	(14)	11,978
Additions	1,084,925	37,994
Disposals	(977,584)	(113,065)
Gains/Losses from changes in FV	(3,088)	(10,172)
Net Amortisation of discounts/(premiums)	1,404	5,465
Reclassification to Hold to collect	92,611	--
Net movement in provision	(99,774)	(1,685)
Balance at end of year	4,590,400	3,222,099

The movement in the impairment allowance is as follows:

	2018 $'000	2017 $'000
Allowance at beginning of the year	5,954	4,269
IFRS 9 reclassification	216,810	--
Revised opening balance	222,764	4,269
Charge for the year	99,774	1,685
Allowance at the end of year	322,538	5,954

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

10 **Loans to customers**

	2018 $'000	2017 $'000
Performing loans	15,718,627	14,342,218
Non-performing loans	541,679	398,404
	16,260,306	14,740,622
Allowance for loan losses	(245,350)	(306,039)
	16,014,956	14,434,583

Loans analysed by sector

	2018 $'000	2017 $'000
Consumer	3,239,170	2,841,603
Agriculture	138,862	12,229
Petroleum	418,800	457,776
Manufacturing	476,765	368,539
Construction	1,583,674	1,531,436
Distribution	611,742	424,792
Hotels and guest houses	542,039	492,015
Transport, storage and communications	1,106,286	850,794
Finance, insurance and real estate	3,954,642	3,410,240
Other business services	866,007	914,768
Personal services	27,004	25,815
Real estate mortgage	3,295,315	3,410,615
	16,260,306	14,740,622
Current portion	5,823,818	5,808,236
Non current portion	10,436,488	8,932,386
	16,260,306	14,740,622

Allowance for loan losses

	2018 $'000	2017 $'000
Allowance at beginning of the year	306,039	341,182
IFRS 9 adjustment effective October 1, 2017	(120,317)	--
Revised opening balance	185,722	341,182
Exchange difference	--	288
Charge for the year	80,017	53,585
Loans written off during the year	(20,389)	(89,016)
Allowance at the end of year	245,350	306,039

Impairment loss on loans net of recoveries

	2018 $'000	2017 $'000
Charge for the year	80,017	53,585
Amounts recovered during the year	(7,004)	(8,761)
	73,013	44,824

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

11 **Loan notes**

	2018 $'000	2017 $'000
The loan notes due to the Group comprise the following:		
(i) Taurus Services Limited	273,943	342,428
(ii) First Citizens Holdings Limited (Holdings)	20,856	26,070
	294,799	368,498

(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. On 8 November 2007, the Group was informed of the GORTT's intention to early repay these notes. To date, there have been no further developments.

(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.

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

12 Other assets

	2018 $'000	2017 $'000
Prepayments	39,161	35,906
Accounts receivable	238,397	102,649
Accrued interest	228,108	201,315
	505,666	339,870

13 Investment accounted for using equity methods

Investment in Joint Venture	32,439	30,314
Investment in Associate	152,817	149,447
	185,256	179,761

13 a. Investment in joint ventures

	2018 $'000	2017 $'000
(i) Infolink Services Limited (ISL)	31,077	29,105
(ii) Trinidad & Tobago Interbank Payment System Limited (TTIPS)	1,362	1,209
	32,439	30,314

Beginning of the year	30,314	29,901
Share of profit after tax	4,320	3,221
Dividend received from Joint Ventures	(2,195)	(2,808)
At end of year	32,439	30,314

(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 2018.

(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 2018.

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest held
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
2017						
ISL	Trinidad & Tobago	120,489	4,477	26,303	12,326	25
TTIPS	Trinidad & Tobago	8,760	293	5,551	976	14.29

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

13 b. **Investment in associates**

	2018 $'000	**2017 $'000**
Beginning of the year	149,447	141,248
Share of reserve movement	--	--
Share of profit after tax	13,919	18,376
Exchange differences	--	465
Dividend received from associate	(10,549)	(10,642)
At end of year	152,817	149,447

St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange, The investment in associate at 30 September 2018 includes goodwill of $4.6 million (2017: $4.6 million).

The reporting period for St Lucia Electricity Services Limited 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 2018, are as follows:

Name	**Country of incorporation**	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profits $'000**	**% Interest held**
2018						
St. Lucia Electricity Services Limited	St. Lucia	1,264,101	488,764	761,534	72,837	19.11
2017						
St. Lucia Electricity Services Limited	St. Lucia	1,250,006	492,298	697,600	96,097	19.11

The fair value of the investment in associate at 30 September 2018 is $152.8 million (2017: $149.4 million).

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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 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
Year ended 30 September 2017					
Opening net book amount	376,342	50,830	71,984	43,066	542,222
Additions	53,767	155	28,560	24,133	106,615
Disposals	--	--	(3,600)	--	(3,600)
Transfer	18,102	--	9,224	(27,326)	--
Revaluation surplus	9	--	--	--	9
Depreciation charge	(12,933)	(7,088)	(34,705)	--	(54,726)
Closing net book amount	435,287	43,897	71,463	39,873	590,520

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

	Freehold premises $'000	Leasehold premises $'000	Motor vehicles & equipment $'000	Work in progress $'000	Total $'000
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
As at 30 September 2016					
Cost/valuation	395,849	118,914	471,800	43,066	1,029,629
Accumulated depreciation	(19,507)	(68,084)	(399,816)	--	(487,406)
Net book amount	376,342	50,830	71,984	43,066	542,222

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

a. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgments 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 3.7(b).

	2018	2017
Level 3	**$'000**	**$'000**
Land and building	424,534	394,047
Building on Lease Land	21,769	34,684
Freehold Land	2,250	6,556
	448,553	435,287

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 2018, the Group's freehold premises were stated at revalued amounts determined by external, independent and qualified valuators. 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 (2017:$16.3M) with a corresponding entry in the reserve in shareholders' equity.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

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

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

	2018 $'000	2017 $'000
Cost	327,264	312,260
Accumulated depreciation	(103,969)	(98,057)
Net book amount	223,295	214,203

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
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)
Impairment	--	--	--	--
Closing net book amount	156,886	50,324	12,661	219,871
As at 30 September 2017				
Acquisition cost	156,886	247,297	36,284	440,467
Accumulated amortisation	--	(208,425)	(19,686)	(228,111)
Net book amount	156,886	38,872	16,598	212,356
Period ended 30 September 2017				
Opening net book amount	174,835	49,297	20,535	244,667
Additions	--	9,984	--	9,984
Disposal	--	(601)	--	(601)
Amortisation charge	--	(19,808)	(3,937)	(23,745)
Impairment	(17,949)	--	--	(17,949)
Closing net book amount	156,886	38,872	16,598	212,356

Goodwill is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred. First Citizens Barbados goodwill of $17.9M was identified as impaired in 2017.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

15 **Intangible assets (continued)**

Impairment test for goodwill

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

Goodwill	**2018 $'000**	**2017 $'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	
	2018	**2017**
Estimates used in the value for use		
Net interest margin growth	12.58%	9.23%
Growth rate	4.00%	5.00%
Discount factors	5.69%	3.37%

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 2018 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:	**2018 $'000**	**2017 $'000**
Public institutions	7,606,562	7,525,255
Private institutions	9,384,185	8,281,430
Consumers	8,508,999	8,169,983
	25,499,746	23,976,668
Current portion	25,077,361	23,631,876
Non current portion	422,385	344,792
	25,499,746	23,976,668

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $4.7 billion (2017: $4.5 billion) are at fixed rates. All other deposits amounting to $20.8 billion (2017: $19.5 billion) are at variable rates.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

17 **Other funding instruments**

	2018 $'000	2017 $'000
Loan participation	--	4,211
Repurchase agreements	4,112,559	4,052,703
Funds under management	25,429	25,439
USD Fixed Rate Note	248,751	248,751
	4,386,739	4,331,104

Other funding instruments are analysed by sector as follows:

	2018 $'000	2017 $'000
Public institutions	1,456,884	1,337,954
Private institutions	1,933,834	2,049,219
Consumers	996,021	943,931
	4,386,739	4,331,104
Current portion	3,719,197	3,690,349
Non-current portion	667,542	640,755
	4,386,739	4,331,104

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 2018 (2017: 0.20% to 5.89%).

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

18 **Due to other Banks**

	2018 $'000	2017 $'000
Short term	1,077,586	1,070,850
Medium term	434,663	433,490
	1,512,249	1,504,340

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

Medium-term borrowings represents unsecured borrowings of US$34.9 million, and TT$197.7 million from clients for a period of three years. The average interest rate for 2018 was 3.21% (2017: 3.21%).

19 **Creditors and accrued expenses**

	2018 $'000	2017 $'000
Accrued expenses	132,881	138,654
Other liabilities	229,231	266,849
Interest payable	75,310	52,353
Due to GOTT	21,478	25,531
Due to brokers	8,645	41,010
Funds payable to bondholders	280,954	18,282
	748,499	542,679

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).

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

20 **Retirement benefit asset**

	2018 $'000	2017 $'000
a. *Net liability in balance sheet*		
Present value of obligation	(1,368,439)	(1,368,808)
Pension plan assets at fair value	1,343,706	1,300,217
Value of surplus/(deficit)	(24,733)	(68,591)
Net defined benefit asset/(liability)	(24,733)	(68,591)

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

	2018 $'000	2017 $'000
Beginning of year	1,368,808	1,254,103
Current year service cost	55,935	51,177
Interest cost	75,979	69,613
Members contributions	14,041	13,617
Past service cost/(credit)	(57,215)	--
Re-measurements		
- Experience adjustments	(5,258)	21,593
- Actuarial (gains) from change in financial assumptions	(39,473)	--
Benefits paid	(44,378)	(41,295)
Defined benefit obligation at end of year	1,368,439	1,368,808

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

	2018	2017
- Active	68%	69%
- Deferred members	7%	7%
- Pensioners	25%	24%
The weighted average duration of the defined benefit obligation at year end	18.6 years	19.3 years

96% of the benefits for active members are vested
40% of the defined benefit obligation for active member is conditional on future salary increase:

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

20 **Retirement benefit asset (continued)**

	2018 $'000	2017 $'000
d. *Movement in fair value of plan assets:*		
Beginning of year	1,300,217	1,224,650
Interest income	71,523	67,324
Return of plan assets, excluding interest income	(28,452)	9,395
Company's contributions	32,213	27,876
Members contributions	14,041	13,617
Benefits paid	(44,378)	(41,295)
Expense allowance	(1,458)	(1,350)
Fair value of plan assets at end of year	1,343,706	1,300,217
Actual return on plan asset	43,071	76,719

e. *Asset allocation*

	2018 $'000	2017 $'000
Local and regional equity securities	379,434	375,551
Oversea equities (outside CARICOM)	236,052	214,788
TT$ denominated bonds	664,239	632,288
US$ denominated bonds	28,803	27,935
Cash and cash equivalents	34,924	49,418
Other (annuities, mortgages etc.)	254	237
Fair value of plan assets at end of year	1,343,706	1,300,217

All asset values as at 30 September 2018 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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

20 **Retirement benefit asset (continued)**

		2018	2017
		$'000	**$'000**
f.	*Expenses recognised in profit or loss*		
	Current service costs	55,935	51,177
	Net interest on net defined benefit liability/asset	4,456	2,289
	Past service cost/(credit)	(57,215)	-
	Administrative expenses	1,458	1,350
	Net pension income	4,634	54,816
g.	*Re-measurement recognised in other comprehensiv*		
	Experience (gains)/Losses		
	Total amount recognised in other comprehensive inc		
h.	*Reconciliation of opening and closing balance sheet entries*		
	Opening defined benefit (liability)/asset	(68,591)	(29,453)
	Net pension cost	(4,634)	(54,816)
	Re-measurements recognised in other comprehensive income	16,279	(12,198)
	Company contribution paid	32,213	27,876
	Closing defined benefit (liability)/asset	(24,733)	(68,591)

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

20 **Retirement benefit asset (continued)**

	2018 $'000	2017 $'000
i. *Summary of principal assumptions as at 30 September*		
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:

	2018	2017
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 2017 would have changed as a result of a change in the assumptions used.

	1% pa decrease	1% pa increase
Discount rate	278,942	(207,009)
Future salary increases	(90,498)	107,454
Future pension increases	(129,940)	129,940

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2018 by $23.8 million (2017: $23.0 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 $36.5 million to the Pension Plans during 2018/19.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

21 **Bonds payable**

	2018 $'000	2017 $'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	--
(v) Fixed Rate Bond TTD 860.7 Million	860,755	--
	2,865,766	1,400,000
Current portion	--	--
Non current portion	2,865,766	1,400,000
	2,865,766	1,400,000

(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 (5) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 2nd anniversary subject to the minimum notice of 60 days.

(v) TTD Fixed Rate Bond – In April 2018, this bond for $860.7 million was issued. This bond is unsecured and carries a fixed rate of 4.50 % with a tenor of seven (5) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 5th anniversary subject to the minimum notice of 60 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

	2018 $'000	2017 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(252,429)	(228,342)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on hold to collect and sell financial assets	76,805	(17,096)
- Revaluation on hold to collect due to reclassfication	476	57
- Revaluation on property, plant and equipment	(462)	-
- Remeasurement of defined benefit liability	(13,713)	(4,965)
Credit to consolidated statement of income (note 34)	(4,938)	(2,083)
At end of year	(194,261)	(252,429)

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

22 **Deferred income tax (continued)**

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

	Balance at 1.10.17	(Charge)/credit to income statement	(Charge)/credit to other comprehensive income	Balance at 30.09.18
	$'000	**$'000**	**$'000**	**$'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)

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

22 **Deferred income tax (continued)**

	Balance at 1.10.16	(Charge)/credit to income statement	(Charge)/credit to other comprehensive income	Balance at 30.09.17
	$'000	$'000	$'000	$'000
Deferred income tax assets				
Provisions	985	--	--	985
Fair value measurement of assets through profit or loss	343	23	--	366
	1,328	23	--	1,351
Deferred income tax liabilities				
Retirement benefit asset	(18,476)	8,082	--	(10,394)
Re-measurement of defined benefit liability	(43,121)	--	(4,965)	(48,086)
Fair value measurement of hold to collect and sell	(98,284)	--	(17,096)	(115,380)
Fair value measurement of hold to collect	(4,986)	--	57	(4,929)
Intangible asset recognised on business combinati	(7,674)	1,694	--	(5,980)
Zero coupon instruments	(24,584)	(8,664)	--	(33,248)
Accelerated tax depreciation	(20,886)	(2,115)	--	(23,001)
Unrealised exchange and other gains	(4,676)	(1,321)	--	(5,997)
Revaluation gain on property, plant and equipment	(3,712)	218	--	(3,494)
Revaluation of PPE – Associates	(3,271)	--	--	(3,271)
	(229,670)	(2,106)	(22,004)	(253,780)
Net deferred income tax liability	(228,342)	(2,083)	(22,004)	(252,429)

23 **Notes due to parent company**

	2018 $'000	2017 $'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)).

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

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.

	2018 $'000	2017 $'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. The anticipated first distribution, if any is 31 March 2019 and is based on the profit of the Bank for the financial period ending 30 September 2018. The Group is awaiting the Board of Inland Revenue (BIR) approval.

	2018	2017
Shares allocated to the Plan		
Opening balance	5,781,250	--
Number of shares purchased	--	5,781,250
Shares allocated to employees	--	--
	5,781,250	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.

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

27 **Other reserve**

i *Fair value reserve*

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.

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.

		2018 $'000	2017 $'000
28	**Interest income**		
	Loans to customers	1,085,494	956,016
	Financial assets (hold to collect and sell, hold to collect and FVTPL)	761,328	685,456
	Loan notes	40,253	48,728
		1,887,075	1,690,200
29	**Interest expense**		
	Customers' deposits	88,435	86,890
	Other funding instruments	140,935	120,979
	Notes payable	9,328	9,335
	Bonds payable	89,427	54,645
		328,125	271,849
30	**Fees and commissions**		
	Credit related fees	29,384	38,453
	Transaction service fees/commissions	192,002	174,681
	Portfolio and other management fees	183,535	176,945
		404,921	390,079
31	**Other income**		
	Foreign exchange transaction gains less losses	143,913	131,470
	Foreign exchange translation gains less losses	(11,308)	7,375
	Other income	42,511	19,343
		175,116	158,188

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

32 Impairment loss on other financial assets

	2018 $'000	2017 $'000
Goodwill written off	--	17,949
Impairment allowances	105,011	11,288
Directly written off/(written back) to income	--	1,636
	105,011	30,873

33 Administrative expenses

	2018 $'000	2017 $'000
Staff expenses	482,495	472,218
Pension expenses/(income) (note 20.f)	7,420	54,816
Other administrative expenses	50,585	57,799
Depreciation	67,973	74,535
	608,473	659,368

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

	2018		2017	
	Employees	%	Employees	%
First Citizens Bank Limited	1,538	83	1,472	82
Subsidiaries	326	17	331	18
	1864	100	1,803	100

34 Other operating expenses

	2018 $'000	2017 $'000
Property expenses	75,244	75,789
Technical and professional	20,469	13,206
Advertising expenses	13,741	15,527
Hardware and software maintenance	31,474	31,932
Deposit insurance (see below)	36,721	35,790
Credit card expenses	74,205	68,153
Equipment rental & maintenance	26,681	27,385
Communication charges	17,006	19,473
Security services	16,158	18,486
Stationery and service related expenses	15,337	16,981
Tax on assets	8,638	7,859
Operating expenses	102,822	66,143
	438,496	396,724

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.

Notes to the Consolidated Financial Statements (continued) 30 September 2018

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35 **Taxation**

	2018 $'000	2017 $'000
Current tax	334,815	235,200
Prior period (over)/under provision	(3,420)	(2,833)
Deferred tax (Note 22)	4,938	2,083
	336,333	234,450

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

	2018 $'000	2017 $'000
Profit before taxation	1,010,026	876,382
Tax calculated 35% (2017: 30%)	353,509	262,865
Income exempt from tax	(75,381)	(71,574)
Expenses not deductible for tax purposes	86,975	53,919
Prior year under provision	(3,420)	(2,833)
Effects of different tax rates in other countries and businesses within the group	(25,350)	(7,927)
	336,333	234,450

36 **Dividends**

	2018 $'000	2017 $'000
Ordinary dividend paid – final for 2017:$0.71 (2016:$0.67)	174,356	168,407
Ordinary dividend paid – interim for 2018:$1.12 (2017: $0.69)	275,041	169,445
Preference dividend paid	2,922	2,922
	452,319	340,774

37 **Related party transactions and balances**

a. *Directors and key management personnel*

Salaries and other short-term employee benefits	50,425	45,738
Loans and receivables	12,902	10,103
Interest income	591	1,262
Customers' deposit	11,510	11,032
Interest expense	121	99

b. *Transactions with associate*

Loans and receivables	--	25,097
Interest income	844	2,054

Notes to the Consolidated Financial Statements (continued)
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37 **Related party transactions and balances (continued)**

c. *Transactions with parent*

	2018 $'000	2017 $'000
Customers' deposit	155	256
Long term notes (Note 23)	58,000	58,000
Loan note (Note 11 (ii))	20,856	26,070
Interest income on loan notes	2,848	3,447
Due from parent	249	174

d. *Pension Plan*

	2018 $'000	2017 $'000
Employer's contribution (Note 20.d)	32,213	27,876

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. In addition, the Central Bank agreed to put specific liquidity arrangements in place by way of pro notes to facilitate CIB fixed deposits transferred to the Bank in 2009.

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

	2018 $'000	2017 $'000
Assets		
Loan notes with Taurus Services Limited (Note 11 (i))	273,942	342,428
Liabilities		
Due to GORTT (Note 19)	21,478	25,531
Interest income		
Loan notes with Taurus Services Limited	37,405	45,281

Notes to the Consolidated Financial Statements (continued) 30 September 2018

(Expressed in Trinidad and Tobago dollars)

37 **Related party transactions and balances (continued)**

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:

	2018 $'000	2017 $'000
Loans and receivables	2,915,876	2,889,140
Interest income	199,926	194,723
Customers' deposits	7,151,386	7,108,490
Interest expense	24,638	24,140
Financial assets- Hold to collect and sell	8,663,210	7,488,190
Financial assets – Hold to collect	--	457,163
Financial assets – Other Loans and Receivable	514,768	516,177
Investment income	409,655	327,486

38 **Commitments**

a. *Capital commitments*

	2018 $'000	2017 $'000
Capital expenditure approved by the Directors but not provided for in these accounts	67,255	17,523

b. *Credit commitments*

	2018 $'000	2017 $'000
Commitments for loans approved not yet disbursed	1,560,259	614,583

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.

Notes to the Consolidated Financial Statements (continued)
30 September 2018

(Expressed in Trinidad and Tobago dollars)

39 **Contingent liabilities (continued)**

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.

	2018 $'000	2017 $'000
Acceptances	18,518	36,204
Guarantees	175,786	189,583
Letters of credit	14,977	40,834
	209,281	266,621

40 **Lease rentals**

The Group leased certain premises under non-cancellable operating leases expiring in various years up to 2026. The leases contain renewal options from five to twenty-five years. Rental expense incurred under lease agreements amount to $37.3 million for the year 2018 (2017: $37.4 million).

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

	2018 $'000	2017 $'000
- Up to one year	32,425	31,085
- One year to five years	50,571	56,431
- Over five years	13,047	21,458
	96,043	108,974

41 **Subsequent events**

On 17 December 2018, the Board of Directors declared a final dividend payment of $ 0.48 per share payable to shareholders.

Notes