First Citizens Investment Services Limited
(A Subsidiary of First Citizens Bank Limited)

Unconsolidated Financial Statements

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

First Citizens Investment Services Limited

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First Citizens Investment Services Limited

Statement of Management's Responsibilities

Management is responsible for the following:

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

- Ensuring that the Company 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 Company'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

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

In preparing these audited unconsolidated 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 Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying unconsolidated financial statements have been authorised for issue, if later.

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

General Manager
2 December 2020

Head of Finance
2 December 2020

pwc

Independent Auditor's Report

To the shareholder of
First Citizens Investment Services Limited

Report on the audit of the unconsolidated financial statements

Our opinion

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

What we have audited

The Company's unconsolidated financial statements comprise:

- the unconsolidated statement of financial position as at 30 September 2020;
- the unconsolidated statement of income for the year then ended;
- the unconsolidated statement of comprehensive income for the year then ended;
- the unconsolidated statement of changes in equity for the year then ended;
- the unconsolidated statement of cash flows for the year then ended; and
- the notes to the unconsolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the unconsolidated 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

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

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

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

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 Company'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 Company'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 unconsolidated 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 Company to cease to continue as a going concern.

Independent Auditor's Report (Continued)

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

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

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
9 December 2020

First Citizens Investment Services Limited

Unconsolidated Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	As at 30 September 2020 $	2019 $
Assets			
Cash and cash equivalents	5	396,373,230	163,559,529
Financial assets			
- Fair value through other comprehensive income	6	3,214,098,461	3,636,410,587
- Amortised cost	7	4,077,186,237	4,043,137,953
- Fair value through profit and loss	8	374,804	396,115
Investment in subsidiaries	9	53,574,721	53,574,721
Intangible asset	10	5,580,985	1,267,102
Property, plant and equipment	11	48,098,593	49,511,850
Rights of use assets	12	1,904,897	--
Other assets	13	9,039,031	13,680,918
Tax recoverable		23,403,952	22,133,945
Total assets		7,829,634,911	7,983,672,720
Liabilities			
Borrowings	14	1,963,306,493	2,158,839,483
Funds under management		28,240,317	25,747,647
Securities sold under repurchase agreements	15	3,900,255,784	3,903,630,936
Creditors and accrued expenses	16	85,645,646	98,570,007
Lease liabilities	12	1,904,897	--
Deferred income tax liability	17	119,091,294	89,920,583
Tax payable		5,412,798	673,975
Loan from parent company	18	268,445,227	372,337,642
Total liabilities		6,372,302,456	6,649,720,273
Shareholders' equity			
Share capital	19	637,697,000	637,697,000
Retained earnings		644,703,519	587,508,675
Fair value reserves	20	174,931,936	108,746,772
Total shareholders' equity		1,457,332,455	1,333,952,447
Total equity and liabilities		7,829,634,911	7,983,672,720

The notes on pages 11 to 87 are an integral part of these unconsolidated financial statements.

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

Anthony Isidore Smart
Director

Director

First Citizens Investment Services Limited

Unconsolidated Statement of Income

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2020 $	2019 $
Interest income	21	344,566,832	330,259,040
Interest expense	22	(173,729,357)	(181,320,029)
Net interest income		170,837,475	148,939,011
Fees and commissions	23	12,688,566	15,320,681
Gain on financial assets	24	13,272,356	21,197,721
Foreign exchange gain/(loss)		936,822	(1,803,964)
Other income	25	21,725,376	39,849,308
Total net income		219,460,595	223,502,757
Impairment (loss)/gain net of recoveries	26	(1,874,617)	10,234,408
Administrative expenses	27	(31,157,998)	(30,936,393)
Other operating expenses	28	(34,866,268)	(30,742,064)
Profit before taxation		151,561,712	172,058,708
Taxation	29	(17,131,560)	(23,851,587)
Profit for the year		134,430,152	148,207,121

The notes on pages 11 to 87 are an integral part of these unconsolidated financial statements.

First Citizens Investment Services Limited

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

	Notes	Year ended 30 September 2020 $	2019 $
Profit for the year		134,430,152	148,207,121
Items that will not be reclassified to profit or loss			
Items reclassified to retained earnings		4,713,137	--
Items that may be reclassified to profit or loss			
Adjustment for financial assets measured at amortised cost	20	(2,536,484)	--
Net losses on financial assets measured at amortised cost	20	(1,883,645)	(2,062,993)
Net gains on investments in debt instruments measured at fair value through other comprehensive income	20	70,605,293	164,590,480
Other comprehensive income for the year, net of tax		70,898,301	162,527,487
Total comprehensive income for the year		205,328,453	310,734,608

The notes on pages 11 to 87 are an integral part of these unconsolidated financial statements.

First Citizens Investment Services Limited

Unconsolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Share capital $	Retained earnings $	Fair value reserve $	Total shareholders' equity $
Balance as at 1 October 2019	637,697,000	587,508,675	108,746,772	1,333,952,447
Total comprehensive income:				
Profit for the year	--	134,430,152	--	134,430,152
Adjustment to retained earnings	--	4,713,137	--	4,713,137
Other comprehensive income	--	--	66,185,164	66,185,164
Total comprehensive income for the year	--	139,143,289	66,185,164	205,328,453
Transactions with owners:				
Dividends paid	--	(81,948,445)	--	(81,948,445)
Total transactions with owners	--	(81,948,445)	--	(81,948,445)
Balance at 30 September 2020	637,697,000	644,703,519	174,931,936	1,457,332,455
Balance as at 1 October 2018	637,697,000	493,959,305	(53,780,715)	1,077,875,590
Total Comprehensive Income:				
Profit for the year	--	148,207,121	--	148,207,121
Other comprehensive income	--	--	162,527,487	162,527,487
Total comprehensive profit for the year	--	148,207,121	162,527,487	310,734,608
Transactions with owners:				
Dividends paid	--	(54,657,751)	--	(54,657,751)
Total transactions with owners	--	(54,657,751)	--	(54,657,751)
Balance at 30 September 2019	637,697,000	587,508,675	108,746,772	1,333,952,447

The notes on pages 11 to 87 are an integral part of these unconsolidated financial statements.

First Citizens Investment Services Limited

Unconsolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Year ended 30 September 2020 $	2019 $
Cash flow from operating activities		
Profit before tax	151,561,712	172,058,708
Adjustments to reconcile profit to net cash from operating activities:		
Depreciation	2,875,876	2,473,437
Depreciation for right of use assets	693,525	--
Loss on disposal on intangible assets	--	23
Loss on disposal of property and equipment	394	8,483
Impairment loss/(gain) on investment securities	1,874,617	(10,234,408)
Unrealised foreign exchange gain	(800,157)	(25,936)
Interest income	(344,566,832)	(330,259,040)
Interest received	342,704,326	338,414,913
Interest expense	173,729,357	181,320,029
Interest paid	(173,710,177)	(183,108,041)
Interest on right of use assets	108,585	--
Repayment of principal on right of use assets	(693,525)	--
Income taxes paid	(12,289,567)	(33,525,972)
Cash flows from operating activities before changes in operating assets and liabilities	141,488,134	137,122,196
Changes in operating assets and liabilities:		
Net change in fair value through other comprehensive income	507,346,846	(621,854,714)
Net change in amortised cost	(47,905,950)	(365,612,326)
Net change in fair value through profit and loss	22,484	13,017,240
Net change in other assets	83,817,292	(244,670,208)
Net change in creditors and accrued expenses	(62,718,830)	390,257,362
Net change in securities sold under repurchase agreements	(4,574,125)	(127,727,619)
Net change in other funding instruments	2,488,596	2,278,453
Net change in borrowings	(195,532,990)	708,101,415
Net cash flow generated from/(used in) operating activities carried forward	424,431,457	(109,088,201)

The notes on pages 11 to 87 are an integral part of these unconsolidated financial statements.

First Citizens Investment Services Limited

Unconsolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Year ended 30 September 2020 $	2019 $
Net cash flow generated from/(used in) operating activities brought forward	424,431,457	(109,088,201)
Cash flows from investing activities		
Purchase of intangible assets	(4,313,883)	(1,267,077)
Investment in subsidiary	--	81,053,733
Proceeds from disposal of property and equipment	328,859	--
Purchase of property and equipment	(1,791,872)	(3,401,354)
Net cash (used in)/generated from investing activities	(5,776,896)	76,385,302
Cash flows from financing activities		
Dividends paid	(81,948,445)	(54,657,751)
(Repayment) to/drawdown from parent company	(103,892,415)	37,094,312
Net cash used in financing activities	(185,840,860)	(17,563,439)
Net increase/(decrease) in cash and cash equivalents	232,813,701	(50,266,338)
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	163,559,529	213,825,867
Cash and cash equivalents at end of year	396,373,230	163,559,529

The notes on pages 11 to 87 are an integral part of these unconsolidated financial statements.

1 Incorporation and principal activity

First Citizens Investment Services Limited (the Company) is incorporated in the Republic of Trinidad and Tobago. The Company operates in Trinidad and Tobago as well as in St. Lucia, St. Vincent and Barbados through branches. Its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 2 February 2009, First Citizens Bank Limited (the Bank) assumed control of the Company. The Bank formally acquired 100% ownership of the Company on 22 May 2009. The Bank is a subsidiary of First Citizens Holdings Limited (Group), a company with a 64.43% controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Company's registered office is 17 Wainwright Street, St. Clair, Trinidad and Tobago.

The Company’s subsidiaries all wholly owned are:

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these unconsolidated 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 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 financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, fair value through other comprehensive income financial assets and financial assets classified at fair value through profit or loss.

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

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

a. *Basis of preparation (continued)*

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

- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance (Note 2.1)
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities' examinations
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - The effect of changes in facts and circumstances
- IFRS 9 Amendment- Prepayment Features with Negative Compensation (Effective 1 January 2019). This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- IAS 28 Amendments - Long-term Interests in Associates and Joint Ventures (Effective 1 January 2019). This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- IAS 19 Amendments - Plan Amendment, Curtailment or Settlement (effective 1 January 2019). The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:
  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

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 Company*

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

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

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

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

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

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

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

b. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').
The unconsolidated financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

The exchange rate as at the date of these statements between the TT dollar and the US dollar was TTD6.7124 = USD1.00 (2019: TTD6.6926 = USD1.00) and the TT dollar and XCD dollar was TTD2.5265 = XCD1.00 (2019: TTD2.5190 = XCD1.00) and the TT dollar and BBD dollar was TT3.4203 (2019: TTD3.4102 = BBD1.00) which represent the Company's cover rate.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the unconsolidated statement of income.
Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in the amortised cost are recognised in the profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income financial assets are included in other comprehensive income.

c. *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as 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.

d. *Financial assets and financial liabilities*

(i) *Financial assets*

The Company classifies its financial assets in the following business models:

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

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

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

(i) *Financial assets (continued)*

Debt instruments

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

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

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

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the "Statement of Income" within "Gains on financial assets" 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 Interest Income. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

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

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

(i) *Financial assets (continued)*

(a) *Business model*

The business model reflects how the Company 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 Company's objective is solely to collect the contractual cash flows from the assets or if 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, and how they are evaluated and reported to key management personnel.
- Managements identification of and response to various risks, which include but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- Management considers, in classifying its assets, the level of historical sales and forecasted liquidity requirements.

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

Hold to Collect	Hold to Collect & Sell	Hold for Trading
Bonds Issued by or guaranteed by Government of Trinidad & Tobago (GOTT)	Eurobonds	USD Sovereign and Corporate bonds
Non-Eurobonds maturing in greater than 3 years on recognition	Treasury Bills	Equity
Loans & receivables	Canadian Treasury Bills	
Securities sold under repurchase agreements to clients and brokers	At recognition non-eurobonds maturing in less than 3 years on recognition	
Long Term Borrowings from brokers in the form of Total Return Swaps	Cash	
Medium Term Notes		

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

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

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

(i) *Financial assets (continued)*

(a) *Business model (continued)*

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether cash flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Company 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 Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

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

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Gains and losses on equity investments classified as FVPL are included in the Statement of Income.

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

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

(i) *Financial assets (continued)*

(a) *Business model (continued)*

Impairment

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

Modification of financial assets

The issuer of Financial Assets sometimes renegotiates or otherwise modifies the contractual cash flows of an instrument. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Company 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 Company 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 Company 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 discontinuing the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.)

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

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

(ii) *Financial liabilities*

Classification and subsequent measurement

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments (see note 3 c).

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

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

e. *Impairment of non-financial assets*

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.

f. *Offsetting financial instruments*

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

g. *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 Company's internally developed model which is based on discounted cash flow analysis.

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

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

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

h. *Sale and repurchase agreements and lending securities*

Securities sold subject to repurchase agreements are retained on the financial statements. The corresponding liability is stated as security sold under repurchase agreement. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest yield method.

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.

i. *Lease transactions*

Policies applicable on or after 1 October 2019

The Company has adopted IFRS 16 effective 1 October 2019 which replaces IAS 17 and IFRIC 4. The comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For all new contracts entered into on or after 1 October 2019, the Company assesses whether a contract is, or contains a lease. A lease is defined as “a contract that conveys the right-of-use an asset for a period of time in exchange for consideration”. To assess whether a contract conveys the right-of-use of an asset, the company assesses whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the company has the right to obtain substantially all the economic benefits from use of the assets through the period of use
- the Company has the right to direct the use of the asset throughout the period of use. The company has this right when it has the rights to direct “how and for what purpose” the asset is used.

(i) *The Company as the lessee*

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, the Company recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Company. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

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

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

i. *Lease transactions (continued)*

(i) *The Company as the lessee (continued)*

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

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the Company is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the Company is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the Company exercising this option

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

Policies applicable prior to 1 October 2019

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

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

(i) *The Company as the lessee*

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

When assets are held subject to a finance lease, an asset and liability is recognised in the unconsolidated 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 unconsolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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

i. *Lease transactions (continued)*

(ii) *The Company as the lessor*

The Company's accounting policy under IFRS 16 has not changed

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

j. *Property, plant and equipment*

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

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

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

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

Increases in the carrying amount arising on revaluation of freehold premises are credited to fair value reserves in shareholder's 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 unconsolidated statement of income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Depreciation and amortisation are computed on all assets except land.

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

j. *Property, plant and equipment (continued)*

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

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to dispose and value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

The rights of use assets are depreciated over the term of the lease.

k. *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the unconsolidated statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. 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 base of assets and liabilities and their carrying values in the financial statements. However, deferred income 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 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 that have been enacted or substantially enacted by at the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

k. Income tax *(continued)*

Deferred income tax assets are recognised only to the extent that 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Generally the Company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Company 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.

l. *Employee benefits*

(a) *Pension plan - First Citizens defined benefit pension plan*

The First Citizens Group operates a defined benefit plan, which is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. This pension plan is funded by payments from employees and by the First Citizens Group, taking account of the recommendations of independent qualified actuaries.

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

The liability recognised in the First Citizens Group's statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated based on cash outflows allocated to current or prior periods using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Pension contributions for the year amounted to TT$2.7M (2019: TT$2.6M).

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

l. *Employee benefits (continued)*

(b) *Profit sharing and bonus plans*

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

(c) *Employee share ownership plan*

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

m. *Cash and cash equivalents*

For purposes of the 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.

n. *Net interest income and expense*

Interest income and interest expense are recognised in the unconsolidated statement of income for all interest-bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments, promissory notes (PNOTE) and accrued discount and premium on treasury bills and other discounted instruments. When a financial asset is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

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

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

For financial assets classified as Purchased or Originated Credit Impaired (POCI), interest income is calculated by applying a credit-adjusted EIR (based on an initial expectation of further credit losses) to the amortised cost of these POCI assets. Credit-Adjusted Effective Interest Rate (CAEIR) is lower than the effective interest rate as the cash flows of the instruments are adjusted downwards for the impact of expected credit losses.

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

o. *Dividend income*

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

p. *Fee and commission income*

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

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

Fees and commissions are recognised at a point in time when the service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised at a point in time on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis, which is normally on a monthly billing cycle at a point in time.

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

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

q. *Borrowings*

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

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

r. *Dividends distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders. Dividends for the year, which are declared after statement of financial position date, are disclosed in the subsequent events note when applicable.

s. *Provisions*

Provisions are recognised when the Company 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.

t. *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 unconsolidated 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 Company chooses to use the cost model for the measurement after recognition.

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

(i) *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 are as assets when the following criteria are met:-

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

t. *Intangible assets (continued)*

(i) *Computer software (continued)*

- 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 of the software 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.

u. *Fiduciary activities*

The Company 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 unconsolidated financial statements, as they are not assets of the Company.

2.1 *Change in accounting policies*

The Company has adopted IFRS 16 as issued by the IASB in January 2016, with a date of transition of 1 October 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the unconsolidated financial statements.

The Group has applied IFRS 16 using the modified retrospective approach which:-
- Requires the Company to recognise the cumulative effect initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application
- Does not permit restatement of the comparative, which continue to be presented under IAS 17 and IFIC 43

On adoption of IFRS 16, the Company recognised lease liabilities in relations to leases which had previously been classified as “operating leases”, under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 October 2019, as no implicit interest rate existed in the leases. The borrowing rate applied to the lease liabilities was 3%, being the Company’s average cost of borrowing.

For leases previously classified as finance leases, the Company recognised the carrying amount of the lease asset and lease liability immediately before the transition, as the carrying amount of the right of use asset and the lease liability at the date of initial application.

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

2.1 *Change in accounting policies (continued)*

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:-

- application of a single discount rate to a portfolio of leases with similar characteristics
- relying on previous assessments on whether leases were onerous as an alternative to performing an impairment review- there were no onerous contracts as at 1 October 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019, as a short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset as the date on initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact of the adoption of IFRS 16 on the Company is as follows:-

On transition to IFRS 16, the Company recognised the following transactions on the unconsolidated statement of financial position:-

		$
Right of use asset	Increase	1,904,897
Lease liability	Increase	(1,904,897)
Retained earnings	decrease/increase	--

Measurement of lease liability

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

	$
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	
Less than one year	--
One to five years	2,013,482
Total undiscounted lease liabilities as at September 30 2020	2,013,482
Less discount	(108,585)
	1,904,897

2 Summary of significant accounting policies (continued)

2.1 *Change in accounting policies (continued)*

Measurement of Right-of-use asset

The associated right-of-use for property leases were measured on a retrospective basis as if the new rules had always been applied.

3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company'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 Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors of First Citizens Bank Limited has overall responsibility for the establishment and oversight of the First Citizens Group's risk management framework. To assist the Board of Directors in fulfilling its duties, two Board Sub-Committees were established to monitor and report to the Board of Directors of the parent on the overall risks within the First Citizens Group - the First Citizens Group Enterprise Risk Management Committee and the Board Credit Committee; and two Senior Management Committees – the Senior Management Risk Enterprise Management Committee and the Asset Liability Committee..

The First Citizens Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer (GCRO), reports to both Sub-Committees of the Board of Directors through the Senior Management Committees. This unit is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the First Citizens Group through the Group Operational Risk and Controls Unit, Group Credit Risk Management Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The First Citizens Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Management Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

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

3 **Financial risk management (continued)**

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

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has also established a Risk Management Committee (RMC) which oversees the risk management function of the Group.
The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

a. *Credit risk*

Credit risk is the single largest risk for the Company'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 First Citizens 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 Management Committee (SMERMC), the Group Chief Risk Officer (GCRO), the Group Credit Risk Management unit (GCRM) and the Internal Audit department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management. The SMERMC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of GCRM is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's documented Credit Policy manuals. These documents set out in detail the policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Expected credit loss measurement*

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the First Citizens Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.a.iii for a description of how the First Citizens Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.a.v for a description of how the First Citizens Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.a.vi for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 3.a.vii includes an explanation of how the First Citizens Group has incorporated this in its ECL models
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

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

Change in credit quality since initial recognition

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

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

The First Citizens Group has not used the low credit risk exemption for any financial instruments for the period ended 30 September 2020.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Significant decrease in credit risk (SDCR)*

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

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD - 12.5% or lower	PD - 25% or lower
AND	AND	AND
Relative Measure	Credit rating reverts to level just prior to the SICR	One notch upgrade (investment securities rating scale)
OR	OR	OR
Special Consideration	No credit stop loss breaches	No credit stop loss breaches

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

The First Citizens Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria

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

Qualitative criteria

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

- The borrower formally files for bankruptcy or there is a commencement of foreclosure or restructure proceedings or an indication of the intention to restructure is initiated by the issuer.
- The obligation is classified doubtful or worse as per the First Citizens Group's classification process.
- A modification to terms and conditions of the original investment that would not normally be considered is executed **and** where the change in the present value of the cash flows of the new proposed investment versus the original exceeds 10%.

The criteria above have been applied to all financial instruments held by the Company 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 Company's expected loss calculations.

An investment instrument is considered to no longer be in default (i.e. to have cured) when it has been restructured. An exception exists for credit impaired facilities at origination.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PDs for sovereign and corporate investment securities are taken from the Standard & Poors' (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents The First Citizens Group expectation of the extent of loss on a defaulted exposure and is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the investment. For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2019). Corporate investment securities LGDs are based on the standard terms for North American corporate entities CDS contracts, taken from Moody's Analytics' CDS-implied EDF™ Credit Measures and Fair-value Spreads.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

Determination of macroeconomic scenarios and probabilities

For each country in which the Company has investment securities, management performs scenario analysis to determine the impact of future economic conditions on the PD in these countries. After testing multiple economic indicators, a main macro-economic variable (MEV) is determined, which is statistically linked to the credit risk of that sovereign. To increase the robustness of the model and in light of the shock from COVID-19, management adopted a bivariate model to determine two MEVs for key sovereigns. The statistical relationship is determined through regression analysis and an analysis of various measures of significance. The sign of the coefficients is also an important factor in determining the use of the two MEVs. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Three selected sovereign credit risk metrics were identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver, ordinary least squares (OLS) regression is conducted. To establish scenarios, the MEVs are ‘shocked’, such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 September 2020 incorporate the impact of COVID-19, as such the forward looking scenarios factor in the economic shock of the pandemic.

Credit ratings were forecasted for the next three years using these macro-economic scenarios. The weightings applied to the forecasted ratings were 60% for year 1, 20% each for year 2 and 3. These weightings were determined based on management’s judgment and experience.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the Economic Research Unit on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(viii) *Risk limit control and mitigation policies*

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

(a) *Single investor or industry exposure limits*

These limits have been established based on a ranking of the riskiness of various investors or industries. The ranking is guided by a model developed by the Company's for this purpose. The model utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established for the various country exposure categories based on the risk ranking.

(b) *Country exposure limits*

Exposure limits have been established for selected countries which are considered to be within the Company's target market. Three (3) risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable credit rating agencies or the Company's own internal assessment of the strategic direction of the company. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(c) *Collateral*

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

(d) *Liquidity support agreement*

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

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

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

The Ministry of Finance continues to 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, 15 November 2016 to 14 November 2017, 15 November 2017 to 14 November 2018, 15 November 2018 to 14 November 2019 and subsequently 15 November 2019 to 28 February 2022. Additionally, the Ministry of Finance has made good and settled in full subsequent claims#1 to 10 which was made for losses and expenses incurred resulting from obligations commensurate with the Liquidity Support Agreement.

The Ministry of Finance in it response in letter dated 22 October 2020 has agreed to another extension for a 12 month period effective from 1 March 2021 to 28 February 2022 commensurate under the Liquidity Support Agreement dated 15 May 2009, in which interest continues to accrue at 4% and 5% for the CL Financial USD PNOTE and the CL Financial TTD commercial paper respectively. As at the statement of financial position date, the amount of Promissory Notes due was US$103,910,336 and the amount of the Commercial Paper due TT$249,868,106. The liquidity support agreement extension was executed on 22 October 2020 confirming the extension to the expiration of the Liquidity Support Agreement 28 February 2022. These are classified as amortised cost in the Statement of Financial Position.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Credit risk exposures relating to on balance sheet assets are as follows:

	Maximum exposure 30 September	
	2020	**2019**
	$	**$**
Cash and cash equivalents	396,373,230	163,559,529
Financial assets:		
- Fair value through other comprehensive income	2,967,316,330	3,638,256,104
- Amortised cost	4,115,714,697	4,066,249,586
Other assets	3,985,719	7,788,266
	7,483,389,976	7,875,853,485

The above table represents a worst-case scenario of credit risk exposure to the Company at 30 September 2019 and 30 September 2020, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-balance sheet items.

As shown above, 5% of the total maximum exposure is derived from cash and cash equivalents and other assets (2019: 2%); while 95% represents investments in debt securities (2019: 98%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from both its cash and cash equivalents and receivables portfolio and its other debt securities based on the following:

- The Company has maintained a more stringent selection process for investing in securities with none of the impaired assets coming from new investments made in the current financial year.
- The collateral package or financial assurances in place in support of receivables minimises the probability of losses on this portfolio.
- For September 2020, more than 57.1% (2019: 58.3%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor’s Ratings.
- As per note 3a.(ix) Risk limit control and mitigation policies - Liquidity Support Agreement, management is confident that given the agreement to transfer the benefits of such assurances by First Citizens Bank Limited to the Company, the Company would realise no losses on these assets. The amount outstanding to the Company stood at TT$249,868,106 and US$103,910.336 as at 30 September 2020 (2019: TT$241,239,771 and US$100,841,821), and continues to accrue interest.
- The Company’s portfolio carries exposure to the credit risk of the Government of Barbados securities from Barbados which at the Balance Sheet date accounted for 4.76% of the value of Investment Securities (2019: 4%).
- The Company exposure to the GORTT debt included in financial assets as at September 30 2020 TT$1.6B, 22.6% (2019: TT$1.7B, 22.4%).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(x) *Financial assets*

Included in amortised cost past due but not impaired are amounts due from CL Financial and its affiliates of $947.3 million which matured but are indemnified under the Liquidity Support Agreement (LSA) (2019: $927 million). All principal and interest payments due on these advances are covered under the LSA as detailed in 3a (ii).

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

It is against this background that management made a formal claim/demand by the submissions of (Claim #12) indicating the Bank's intention to claim the full settlement by 30 September 2020 in accordance with the Bank's right to be indemnified in respect of those obligations under the terms of the LSA.

The GORTT in its letter dated 22 October 2020 stated its execution of an extension of the LSA for the period 1 March 2021 to 28 February 2022.

As at the Balance Sheet date, the amount of Promissory Notes due was US$104,396,223 and the amount of the Commercial Paper due TT$259,464,157.

(xi) *Debt and other investment securities*

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

30 September 2020

	Fair value through other comprehensive income $	Amortised Cost $	fair value through profit and loss $	Total $
Investment grade	2,170,647,934	1,901,704,738	--	4,072,352,672
Speculative grade	796,668,396	2,214,009,959	--	3,010,678,355
Total	2,967,316,330	4,115,714,697	--	7,083,031,027

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xi) *Debt and other investment securities (continued)*

30 September 2019

	Fair value through other comprehensive income $	Amortised cost $	Fair value through profit and loss $	Total $
Investment grade	2,570,168,439	1,918,512,175	--	4,488,680,614
Speculative grade	1,068,087,665	2,147,737,411	--	3,215,825,076
Total	3,638,256,104	4,066,249,586	--	7,704,505,690

(xii) *Other financial assets*

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

	2020				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	$	$	$	$	$
Credit rating					
Investment grade	3,806,647,485	--	--	347,180,762	4,153,828,247
Non-investment grade	2,849,771,716	66,907,954	12,523,110	--	2,929,202,780
Gross investments	6,656,419,201	66,907,954	12,523,110	347,180,762	7,083,031,027
Loss allowance ECL	(24,898,777)	(12,498,480)	--	--	(37,397,257)
Loss allowance PNote	--	--	(5,964,075)	--	(5,964,075)
Carrying balance	6,631,520,424	54,409,474	6,559,035	347,180,762	7,039,669,695

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Other financial assets (continued)*

	2019				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**		
	$	**$**	**$**	**$**	**$**
Credit rating					
Investment grade	4,215,119,301	--	--	316,343,066	4,531,462,367
Non-investment grade	3,110,048,277	50,408,418	12,586,628	--	3,173,043,323
Gross investments	7,325,167,578	50,408,418	12,586,628	316,343,066	7,704,505,690
Loss allowance ECL	(17,654,926)	(4,165,598)	--	--	(21,820,524)
Loss allowance PNote	--	--	(5,954,421)	--	(5,954,421)
Carrying balance	7,307,512,652	46,242,820	6,632,207	316,343,066	7,676,730,745

(xiii) *Loss allowance*

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 3.a.xv).
- The POCI value at 30 September 2020 was 75.72 (Sept 2019: 69.76) with a face value of BBD131,997,672 (Sept 2019: BBD131,997,672).(Refer to Note 4 iii)

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased or originated credit impaired $	Total $
Gross carrying balance as at October 1 2019	7,325,167,578	50,408,418	12,586,629	316,343,064	7,704,505,689
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	(32,301,500)	32,301,500	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	1,053,416,017	--	3,644	2,933,234	1,056,352,895
Disposal of investment	(1,712,288,357)	(16,280,431)	(75,710)	--	(1,728,644,498)
Unwind of discounts	8,668,851	317,249	(94)	26,967,448	35,953,454
FX and other movements	13,756,612	161,218	8,641	937,016	14,863,487
Gross carrying balance as at September 30 2020	6,656,419,201	66,907,954	12,523,110	347,180,762	7,083,031,027

Financial risk management (continued)

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased or originated credit impaired $	Total $
Gross carrying balance as at October 1 2018	6,322,146,423	22,366,812	332,231,014	--	6,676,744,249
Movement with P&L Impact					--
Transfer from stage 1 to stage 2	(36,136,915)	36,136,915	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	8,223,098	(8,223,098)	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	737,277,662	--	--	298,528,693	1,035,806,355
Change in PDS/LGDs/EADs	--	--	--	--	--
Disposal of investment	(514,954,238)	--	(314,494,057)	--	(829,448,295)
Unwind of discounts	808,611,548	127,789	1,778,544	17,814,371	828,332,252
FX and other movements	--	--	(6,928,872)	--	(6,928,872)
Gross carrying balance as at September 30 2019	7,325,167,578	50,408,418	12,586,629	316,343,064	7,704,505,689

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	September 30 2020				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	$	$	$	$	$
Loss allowance as at October 1 2019	(17,654,926)	(4,165,598)	(5,954,421)	--	(27,774,945)
Movement with P&L Impact					
Transfer from stage 1 to stage 2	2,423,936	(2,423,936)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	(1,093,096)	--	--	--	(1,093,096)
Change in PDS/LGDs/EADs	(9,558,207)	(6,807,364)	--	--	(16,365,571)
Disposal/ Maturities of investments	1,027,433	911,358	--	--	1,938,791
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements	(43,914)	(12,943)	(9,654)	--	(66,511)
Total net P&L charge during the period	(7,243,848)	(8,332,885)	(9,654)	--	(15,586,387)
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to stage 1	--	--	--	--	--
Financial assets derecognised during the period	--	--	--	--	--
Write-offs	--	--	--	--	--
Loss allowance as at September 30 2020	(24,898,774)	(12,498,483)	(5,964,075)	--	(43,361,332)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

	September 30 2019				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**originated credit impaired**	
	$	**$**	**$**	**$**	**$**
Loss allowance as at October 1 2018	(16,667,157)	(2,395,488)	(118,524,198)	--	(137,586,843)
Movement with P&L Impact					
Transfer from stage 1 to stage 2	51,079	(51,079)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	(1,040,137)	1,040,137	--	--	--
Transfer from stage 3 to credit impaired	--	--		--	--
New financial assets originated	(1,476,590)	--	--	--	(1,476,590)
Change in PDS/LGDs/EADs	1,546,565	(2,759,168)	4,092,240		2,879,637
Disposal/ Maturities of investments	587,048	--	--	--	587,048
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements	--	--	--	--	--
Total net P&L charge during the period	(332,035)	(1,770,110)	4,092,240	--	1,990,095
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Financial assets derecognised during the period	(655,734)	--	108,477,537	--	107,821,803
Write-offs	--	--	--	--	--
Loss allowance as at September 30 2019	(17,654,926)	(4,165,598)	(5,954,421)	--	(27,774,945)

(xiv) *Write-off policy*

The Company 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 Company's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full. The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2020 was nil (2019: nil). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2020. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. The Company's investment portfolio comprising cash and cash equivalents, financial assets – receivables, fair value through other comprehensive income, amortised cost, held for trading and repurchase receivables is diversified across 32 countries. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into five regional sectors and the sector concentrations within the portfolio are as follows:

30 September 2020	Asia $	North America $	South & Central America $	Caribbean $	Other countries $	Total $
Cash and cash equivalents	--	3,739,508	--	392,633,722	--	396,373,230
Financial assets:						
- Fair value through other comprehensive income	119,234,414	674,654,014	433,997,119	1,659,146,340	75,451,571	2,962,483,458
- Amortised cost	--	--	--	4,077,186,237	--	4,077,186,237
Other assets	--	314,644	297,863	3,373,212	--	3,985,719
	119,234,414	678,708,166	434,294,982	6,132,339,511	75,451,571	7,440,028,644

30 September 2019	Asia $	North America $	South & Central America $	Caribbean $	Other countries $	Total $
Cash and due from other Banks	--	8,855,671	--	154,703,858	--	163,559,529
Financial assets:						
- Fair value through other comprehensive income	408,269,024	1,107,930,337	646,717,810	1,357,282,566	113,393,055	3,633,592,792
- Amorised cost	--	--	--	4,043,137,953	--	4,043,137,953
Other assets	--	--	--	7,788,266	--	7,788,266
	408,269,024	1,116,786,008	646,717,810	5,562,912,643	113,393,055	7,848,078,540

3 **Financial risk management (continued)**

b. *Market risk*

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The market risks arising from trading and non-trading activities are measured separately by the First Citizens Group's Market Risk unit who submit reports to the Senior Management Enterprise Risk Management Committee on a regular basis and also reports via the First Citizens Group Enterprise Risk Management Unit to the Board Enterprise Risk Management Committee to enable Board oversight of market risk issues. Additionally, on a monthly basis, the First Citizens Group's Pricing Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Company ALCO. This Committee also provides for the consideration of the Company ALCO technical information that may be relevant to current and developing market conditions from time to time.

Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains.

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

(i) *Market risk measurement techniques*

As part of the management of market risk, the Company uses duration management and other portfolio strategies to manage market risk. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

The Company applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. VAR measurements capture potential losses arising from changes in interest rates and foreign exchange rates. The Board sets limits on the value of risk that may be accepted for the Company's, trading and non-trading portfolios, which are monitored on a daily basis by First Citizens Group Market Risk Unit.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Company might lose, at a certain level of confidence (99%) under normal market conditions.

3 **Financial risk management (continued)**

b. *Market risk (continued)*

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

Value at risk (continued)

The First Citizens Group Market Risk calculates VAR using a 99% confidence level therefore there is a 1% probability that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days for Eurobonds and 30 days for other securities). For comparability purposes the 1-day VAR for the portfolio segments are disclosed in the following section. A parametric approach to calculating VAR which uses the volatility, correlation and relative weights of the securities in the portfolio. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Actual exposure against limits is monitored by Risk Management on a daily basis. There are Board approved limits set on the portfolio VAR. A breach in these limits would trigger actions by the management of the company to reduce risk on the portfolio. These actions can include hedging of the portfolio or specific positions or sale of securities to bring the portfolio back within limit.

The quality of the VAR model is continuously monitored by back-testing the VAR results. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management include interest rate stress testing, where movements in the yield curve are applied to each investment.

If the Company were to stress the portfolio at 30 September 2020 based on a 100 basis point (1%) upward parallel shift in all yield curves, this would result in mark to market losses of $31.68 million (2019: $168 million).

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

3 **Financial risk management (continued)**

b. *Market risk (continued)*

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

Currency risk sensitivity

Based on net foreign currency positions at 30 September 2020, the effect of 2.5% depreciation in the Trinidad & Tobago dollar against the respective currencies is as follows:

	USD $	Euro $	XCD $	Other $
At 30 September 2020				
Gain/(loss)	18,626,030	8	(5,364,772)	6,309,669
At 30 September 2019		--		
Gain/(loss)	25,043,237	--	(5,712,459)	(5,855,892)

Company 1-day VAR by portfolio

	30 September 2020			30 September 2019		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Trading	30,584,031	117,478,238	10,800,876	12,034,260	18,786,042	8,591,657
Non-trading	14,401,027	18,692,829	9,980,442	12,900,322	16,690,407	9,253,063
Total VAR	44,985,058	136,171,067	20,781,318	24,934,582	35,476,449	17,844,720

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk*

The Company 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 Company not to engage in speculative foreign exchange activities. The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Company'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 Company does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Company's exposure to foreign currency exchange rate risk at 30 September 2020. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

At 30 September 2020	TT $	US $	Euro $	EC $	Other $	Total $
Assets						
Cash and cash equivalents	88,752,555	246,755,689	86,189	55,695,914	5,082,883	396,373,230
Financial assets:						
- Fair value through other comprehensive income	19,000,000	2,943,924,381	--	107,589	251,066,491	3,214,098,461
- Amortised cost	1,783,495,474	960,307,577	--	953,496,267	379,886,919	4,077,186,237
- Fair value through profit and loss	--	--	--	--	374,804	374,804
Investment in Subsidiary	53,574,721	--	--	--	--	53,574,721
Other assets	959,350	1,471,867	--	973,615	580,887	3,985,719
Total assets	1,945,782,100	4,152,459,514	86,189	1,010,273,385	636,991,984	7,745,593,172
Liabilities						
Borrowings	200,741,370	1,762,565,123	--	--	--	1,963,306,493
Funds under management	4,802,935	488,443	85,881	21,637,661	1,225,396	28,240,316
Securities sold under repurchase agreements	1,196,701,167	1,150,707,616	--	1,179,888,608	372,958,393	3,900,255,784
Creditors and accrued expenses	38,037,450	14,794,149	--	28,702,265	4,111,782	85,645,646
Loan from parent company	--	268,445,227	--	--	--	268,445,227
Total liabilities	1,440,282,922	3,197,000,558	85,881	1,230,228,534	378,295,571	6,245,893,466
Net on-balance sheet financial position	505,499,178	955,458,956	308	(219,955,149)	258,696,413	1,499,699,706

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk (continued)*

At 30 September 2019	**TT $**	**US $**	**Euro $**	**EC $**	**Other $**	**Total $**
Assets						
Cash and cash equivalents	43,220,555	42,257,974	79,843	69,365,139	8,636,018	163,559,529
Financial assets:						
- Fair value through other comprehensive income	77,677,621	3,457,443,295	--	100,203,300	1,086,370	3,636,410,586
- Amorised cost	1,813,513,485	968,920,907	--	919,476,378	341,227,183	4,043,137,953
- Fair value through profit and loss	--	--	--	--	396,115	396,115
Investment in subsidiary	53,574,721	--	--	--	--	53,574,721
Other assets	2,725,150	1,461,087	--	2,489,329	1,112,700	7,788,266
Total assets	1,990,711,532	4,470,083,263	79,843	1,091,534,146	352,458,386	7,904,867,170
Liabilities						
Borrowings	198,477,259	1,960,362,224	--	--	--	2,158,839,483
Funds under management	4,802,935	487,002	79,843	19,002,354	1,375,512	25,747,646
Securities sold under repurchase agreements	1,176,344,126	1,105,737,152	--	1,259,402,043	362,147,615	3,903,630,936
Creditors and accrued expenses	35,235,238	4,386,539	--	12,707,178	46,241,052	98,570,007
Loan from parent company	--	372,337,642	--	--	--	372,337,642
Total liabilities	1,414,859,558	3,443,310,559	79,843	1,291,111,575	409,764,179	6,559,125,714
Net on-balance sheet financial position	575,851,974	1,026,772,704	--	(199,577,429)	(57,305,793)	1,345,741,456

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

If the TT$ depreciates by 250 basis points against the US$, the profit would increase by $18.6 million (2019: $25.0 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk*

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise. The Company's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The table below summarises the Company's exposure to interest rate risks.

Interest rate maturities At 30 September 2020	**Up to 1 month $**	**1 - 3 months $**	**3 - 12 months $**	**1 - 5 years $**	**Over 5 years $**	**Non-interest Bearing $**	**Total $**
Assets							
Cash and cash equivalents	233,356,211	--	--	--	--	163,017,019	396,373,230
Financial assets:							
- Fair value through other comprehensive income	617,606,118	246,078,627	23,940,234	299,769,492	1,775,088,986	--	2,962,483,457
- Amortised cost	131,725,407	1,033,385,438	240,104,254	1,090,905,685	1,581,065,453	--	4,077,186,237
Investment in Subsidiary	--	--	--	--	--	53,574,721	53,574,721
Other assets	--	--	--	--	--	3,985,719	3,985,719
Total	982,687,736	1,279,464,065	264,044,488	1,390,675,177	3,356,154,439	220,577,459	7,493,603,364
Liabilities							
Borrowings	9,382,026	1,091,839	974,697,658	978,134,970	--	--	1,963,306,493
Funds under management	28,240,317	--	--	--	--	--	28,240,317
Securities sold under repurchase agreements	548,862,351	798,749,684	2,031,447,562	521,196,187	--	--	3,900,255,784
Creditors and accrued expenses	--	--	--	--	--	85,645,646	85,645,646
Loan from parent company	--	--	--	268,445,227	--	--	268,445,227
Total	586,484,694	799,841,523	3,006,145,220	1,767,776,384	--	85,645,646	6,245,893,467
Interest sensitivity gap	396,203,042	479,622,542	(2,742,100,732)	(377,101,207)	3,356,154,439	134,931,813	1,247,709,897

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk (continued)*

Interest rate maturities At 30 September 2019	**Up to 1 month $**	**1 - 3 months $**	**3 - 12 months $**	**1 - 5 years $**	**Over 5 years $**	**Non-interest bearing $**	**Total $**
Assets							
Cash and due from other Banks	50,486,573	--	--	--	--	113,072,956	163,559,529
Financial assets:							
- Fair value through other comprehensive income	7,648,381	403,344,092	121,808,407	447,466,242	2,653,325,670	--	3,633,592,792
- Amortised cost	--	937,331,179	84,346,308	901,985,359	2,119,275,107	--	4,042,937,953
Investment in Subsidiaries	--	--	--	--	--	53,574,721	53,574,721
Other assets	--	--	--	--	--	7,788,266	7,788,266
Total	58,134,954	1,340,675,271	206,154,715	1,349,451,601	4,772,600,777	174,435,943	7,901,453,261
Liabilities							
Borrowings	--	18,889,472	1,102,597,011	1,037,353,000	--	--	2,158,839,483
Funds under management	25,747,647	--	--	--	--	--	25,747,647
Securities sold under repurchase agreements	309,983,064	444,349,422	2,709,983,840	439,314,610	--	--	3,903,630,936
Creditors and accrued expenses	--	--	--	--	--	98,570,007	98,570,007
Loan from parent company	--	99,249,817	--	273,087,825	--	--	372,337,642
Total	335,730,711	562,488,711	3,812,580,851	1,749,755,435	--	98,570,007	6,559,125,715
Interest sensitivity gap	(277,595,757)	778,186,560	(3,606,426,136)	(400,303,834)	4,772,600,777	75,865,936	1,342,327,546

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. If interest rates were to move by 1%, the impact on net interest income will be $13.7 million (2019: $11.9 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iv) *Other price risk*

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is affected by changing prices of equity instruments mainly classified as fair value through other comprehensive income securities with fair value movements recognised in shareholders' equity. .

c. *Liquidity risk*

The liquidity risk is the risk that the Company will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. The Company 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 Company 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 Company's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Company's Asset/Liability Committee (ALCO). The Company's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off- statement of financial position liabilities. The Company 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 Company manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers and by maintaining ongoing access to wholesale funding. The Company would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

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

3 Financial risk management (continued)

c. *Liquidity risk (continued)*

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

Liquidity risk **At 30 September 2020**	**Up to 1 month** **$**	**1 - 3 months** **$**	**3 - 12 months** **$**	**1 - 5 years** **$**	**Over 5 years** **$**	**Total** **$**
Assets						
Cash and cash equivalents	396,378,890	--	--	--	--	396,378,890
Financial assets:						
- Fair value through other comprehensive income	626,992,281	9,654,412	115,048,107	709,091,766	2,277,958,839	3,738,745,405
- Amortised cost	141,132,802	1,099,108,288	403,096,014	1,601,127,068	2,004,137,692	5,248,601,864
Other assets	3,985,719	--	--	--	--	3,985,719
Total	1,168,489,692	1,108,762,700	518,144,121	2,310,218,834	4,282,096,531	9,387,711,878
Liabilities:						
Financial liabilities at fair value through other comprehensive income						
Borrowings	12,115,554	--	1,015,738,926	1,013,603,960	--	2,041,458,440
Funds under management	28,240,317	--	--	--	--	28,240,317
Securities sold under repurchase agreement	556,279,728	800,743,724	2,057,965,259	545,329,743	--	3,960,318,454
Creditors and accrued expenses	85,645,646	--	--	--	--	85,645,646
Loan from parent company	--	--	--	278,927,686	--	278,927,686
Total	682,281,245	800,743,724	3,073,704,185	1,837,861,389	--	6,394,590,543
Net liquidity gap	486,208,447	308,018,976	(2,555,560,064)	472,357,445	4,282,096,531	2,993,121,335

3 Financial risk management (continued)

c. *Liquidity risk (continued)*

Liquidity risk **At 30 September 2019**	**Up to 1 month** **$**	**1 - 3 months** **$**	**3 - 12 months** **$**	**1 - 5 years** **$**	**Over 5 years** **$**	**Total** **$**
Assets						
Cash and cash equivalents	163,563,509	--	--	--	--	163,563,509
Financial assets:						
- Fair value through other comprehensive income	324,057,724	123,621,273	339,234,109	931,737,299	2,942,814,214	4,661,464,619
- Amortised cost	9,044,847	991,721,273	140,855,728	1,266,874,938	2,367,473,210	4,775,969,996
Other assets	7,788,266	--	--	--	--	7,788,266
Total	504,454,346	1,115,342,546	480,089,837	2,198,612,237	5,310,287,424	9,608,786,390
Liabilities						
Financial liabilities at fair value through other comprehensive income						
Borrowings	--	20,397,967	1,120,832,760	1,037,353,000	--	2,178,583,727
Funds under management	25,747,647	--	--	--	--	25,747,647
Securities sold under repurchase agreement	310,323,920	883,031,620	2,316,388,349	468,134,883	--	3,977,878,772
Creditors and accrued expenses	98,570,007	--	--	--	--	98,570,007
Loan from parent company	--	99,898,904	--	299,322,817	--	399,221,721
Total	434,641,574	1,003,328,491	3,437,221,109	1,804,810,700	--	6,680,001,874
Net liquidity gap	69,812,772	112,014,055	(2,957,131,272)	393,801,537	5,310,287,424	2,928,784,516

Assets available to meet all of the Company's liabilities include cash and cash equivalents; receivables and liquid debt securities. In the normal course of business, a proportion of liabilities to customers under securities sold under repurchase agreements repayable within one year will be extended. The Company manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers and by maintaining ongoing access to wholesale funding. The Company would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(i) *Assets held for managing liquidity risk*

The Company 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 Company's assets held for managing liquidity risk comprise:

- Cash deposits at Bank
- Government bonds
- Secondary sources of liquidity in the form of liquid instruments in the Company's investment portfolios.

(ii) *Loan commitments*

As of 30 September 2020, the Company had no financial instruments that commit it to taking up new receivables or other debt securities (2019: nil).

(iii) *Capital commitments*

At 30 September 2020, the Company had capital commitments to the value of $7,174,643 (2019: $9,612,854).

3 **Financial risk management (continued)**

d. *Fair value of financial assets and liabilities*

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

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

	Carrying value		Fair value	
	September 2020 $	**September 2019 $**	**September 2020 $**	**September 2019 $**
Financial assets				
Cash and cash equivalents	396,373,230	163,559,529	396,373,230	163,559,529
Investment securities at amortised cost	4,077,186,237	4,043,137,953	4,204,030,557	4,144,015,148
Other Assets	3,985,719	363,725,672	3,985,719	363,725,672
Financial liabilities				
Borrowings	1,963,306,493	2,158,839,483	2,157,516,761	2,233,618,741
Funds under management	28,240,317	25,747,647	28,240,317	25,747,647
Securities sold under repurchase agreements	3,900,255,784	3,904,093,333	4,008,639,050	4,004,985,196
Loan from parent company	268,445,227	372,337,642	268,985,602	374,824,947
Creditors & accrued expenses	85,645,646	544,180,153	85,645,646	544,180,153

The fair values of the Company's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS) 9 "Financial instruments: Recognition and Measurement". The fair value of the borrowings and securities sold under repurchase agreements are based on the fair value of the financial assets of the underlying securities less the accrued interest.

Financial instruments where carrying value is equal to fair value

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

Cash and cash equivalents

This amount represents short term deposits and other bank balances. The fair value of these short-term deposits is approximately equal to their carrying amount.

Other assets

Other Assets are net of provisions for impairment. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3 **Financial risk management (continued)**

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

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

Amortised cost investments

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

Due to customers

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

Loan from parent company

The fair value of these facilities is calculated using discounted cash flow analysis of comparable GORTT borrowing rates for the term indicated TTD269.0M (2019: TTD374.8M) which accrues interest at rates of 3 month Libor plus 175 basis points and 4%.

Borrowings and Securities sold under Repurchase Agreements

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

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

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period September 2020: nil. (2019: nil).
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect The Company's market assumptions. These two types of inputs have created the following fair value hierarchy:-

- Level 1-Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2- Measurements involving inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.

3 **Financial risk management (continued)**

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

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

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

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

As at 30 September, 2020	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Fair value securities				
-Investment securities - debt	--	2,900,886,088	66,430,242	2,967,316,330
-Investment securities - equity	246,516,359	--	5,473,449	251,989,808
Total financial assets	246,516,359	2,900,886,088	71,903,691	3,219,306,138

As at 30 September, 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Fair value securities				
-Investment securities - debt	--	3,453,474,184	184,781,920	3,638,256,104
-Investment securities - equity	396,115	--	2,817,795	3,213,910
Total financial assets	396,115	3,453,474,184	187,599,715	3,641,470,014

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

	Equity $	**Debt $**	**Total $**
Balance as at 1 October 2019	2,817,795	184,781,920	187,599,715
Additions	--	19,000,000	19,000,000
Exchange differences	8,342	505,186	513,528
Disposals	--	(135,644,646)	(135,644,646)
Fair valuation movement	2,647,312	(1,326,279)	1,321,033
Accrued interest	--	(1,624,379)	(1,624,379)
Amortisation	--	738,440	738,440
Balance as at 30 September 2020	5,473,449	66,430,242	71,903,691

3 **Financial risk management (continued)**

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

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

	Equity $	**Debt** $	**Total** $
Balance as at 1 October 2018	1,731,424	239,458,015	241,189,439
Additions	1,086,371	3,230,087	4,316,458
Exchange differences	--	--	--
Disposals	--	(59,325,178)	(59,325,178)
Fair valuation movement	--	798,125	798,125
Accrued interest	--	(360,739)	(360,739)
Amortisation	--	981,610	981,610
Balance as at 30 September 2019	2,817,795	184,781,920	187,599,715

e. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. The Company 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 Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirement set by the regulators under the Financial Institutions Act (2008);
- To safeguard the Company'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 Company can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Company is adequately capitalised to cushion depositors and other creditors against losses.

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

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

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

4 Critical accounting estimates and judgements in applying accounting policies

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

(i) *Financial assets at fair value through other comprehensive income*

The Company uses the discounted cash flow method to determine the fair value of fair value through other comprehensive income financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of fair value of fair value through other comprehensive income financial assets would decrease by $158.13 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2019 - $203.47 million).

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

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

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

The Company recognises equity financial instruments in other comprehensive income to facilitate its business activities and for portfolio diversification. Equity financial instruments which are quoted was valued at $246,141,554 as at September 2020 (Sept 2019: nil). For other equities, due to the limited market information the average equity is used to determine the share price.

(ii) *Measurement of the expected credit loss allowance*

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

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

(ii) *Measurement of the expected credit loss allowance (continued)*

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Valuation of Government of Barbados (GoB) Series D Instruments

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

(iii) *Purchase Originated Credit-Impaired (POCI)*

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

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

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

(iii) *Purchase Originated Credit-Impaired (POCI) (continued)*

The GoB Series D bonds amortised price as at October 1, 2019 was 69.76 (October 1, 2018: 64.63), the effective interest rate was determined at 7.56% for both 2018 and 2019 using an adjusted blended yield curve. However, because these bonds have been recognized as POCI, the effective interest rate needed to be adjusted to reflect the *expected* cash flows- net of expected credit losses. Lifetime expected credit losses were used in the estimated cash flows for the purposes of calculating the effective interest rate– resulting in a credit-adjusted effective interest rate (CAEIR). As at September 2020, the CAEIR is 6.55% (2019: 6.55%). The POCI instruments held are Government of Barbados (GoB) Series D bonds which were purchased in 2018. These bonds have a duration of 35 years which attract a coupon of 1.5%.

Interest revenue was calculated on the net carrying amount at the credit-adjusted effective interest rate i.e. including expected credit losses. September 2020 the CAEIR interest income on the cash flows represented an accretion value of BBD 4.42 (2019: BBD 4.18). The repayment of the cash flows amounted to BBD1.50 (2019: BBD1.38) as per contractual terms. The Expected Credit Losses which are implicit in the CAEIR needed to be adjusted based on the repayments and changes to the expected cash flow projections due to changes in Probability of Default Assumptions/Macro-economic overlay scenarios (see Note 3.a.v). The ECL unwound gain stood at BBD 3.04 as at September 2020 (2019: BBD 2.32). Therefore, the POCI carrying value for the GoB Series D bonds was BBD 75.72 (2019: BBD 69.76) and the face value BBD 131,997,672 as at September 2020 (2019: BBD 131,997,672).

The impact to FCIS GOB bond exposure is as follows:

SERIES D	**POCI price movement**	**Sept 2020**	**Statement of Financial Position**	**Statement of Income**
	BBD	**BBD**	**TTD**	**TTD**
FACE VALUE		**31,997,672**		
1 October 2019 price	**69.76**			
Interest accrued	4.42	5,835,316	19,899,594	19,899,594
Cash payment received	(1.50)	(1,979,965)	(6,752,077)	--
ECL Impairment unwinding	3.04	4,014,414	13,689,956	13,689,956
Reconciled September 2020 price	**75.72**	**7,869,765**	**26,837,473**	**33,589,550**

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

(iii) *Purchase Originated Credit-Impaired (POCI) (continued)*

SERIES D	POCI price movement	Sept 2019	Statement of Financial Position	Statement of Income
	BBD	BBD	TTD	TTD
FACE VALUE		**131,997,672**		
1 October 2018 price	**64.63**			
Interest accrued	4.18	5,522,286	18,832,101	18,832,101
Cash payment received	(1.38)	(1,814,968)	(6,189,404)	--
ECL Impairment unwinding	2.33	3,062,346	10,443,212	10,443,212
Reconciled September 2019 price	**69.76**	**6,769,664**	**23,085,909**	**29,275,313**

(iv) *Income taxes*

Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Company is subject to income tax in various jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change.

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

(v) *Fair valuation of properties*

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

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using
  discount rates that reflect current market assessments of the uncertainty in the amount. The valuations are based on current market conditions and thus may change in the future.
- The Company engaged external, independent and qualified valuators to determine the fair value of The Company's land and buildings. The valuations were performed in September 2018. The Company's policy is to obtain independent valuations for its freehold land and buildings at least every three years (Note 11 a. ii).

(vi) *Loss given default*

The Loss Given Default rate on corporate senior unsecured bonds is estimated to be 60% based on the International Swaps and Derivatives Association standard Credit Default Swap contract specification for North American corporate issuers. The Loss Given Default rate on sovereign senior unsecured bonds is estimated to be 48% based on the average Loss Given Default rate on Sovereign bonds during the period 1983 to 2019 as reported by Moody's Investors Service.

(vii) *Fees and commissions*

The standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers. IFRS 15 does not distinguish between revenue from sales of goods and services or construction contracts. Instead, it defines transactions based on performance obligations satisfied over time or at a point in time. The core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services.

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

(vii) *Fees and commissions (continued)*

Revenue type	**Allocate the transaction price to separate performance obligations**	**Recognise revenue when (or as) each performance obligation is satisfied**	**Timing of revenue recognition**
Capital markets	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time
Wealth Management	Revenue are recognized over a period of time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service over a period of time
Brokerage & Advisory	For general Brokerage and Advisory revenues are recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public offerings the performance obligation maybe specific to stage of completion of the services delivered	The separation of the performance obligation would be specific to the engagement and agreement with the client	For IPO fees it would be based on separation based on performance obligation as be the contact, this would be over time
Pension Fund & Private Portfolio	Revenue are recognized in accordance with pre-approved fees as per the contract, over the period the service is provided	The separation of the performance obligation would be specific to the agreement with the client	Based on the separation of the performance obligation as per the contract, this would be overtime
Other	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time

(viii) *Leases*

The Company as the lessee

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, the company recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Company. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

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

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

(viii) *Leases (continued)*

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

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the group is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the group is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the group exercising this option

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

5 **Cash and cash equivalents**	**2020** **$**	**2019** **$**
Cash and bank balances	396,373,230	163,559,529

The average effective interest rate on bank deposits was 0.02% (2019: 0.15%).
Cash and cash equivalents include the following for purposes of the statement of cash flow:

Cash balances	28,642	33,959
Due from other banks	396,344,588	163,525,570
	396,373,230	163,559,529

6 **Financial assets at fair value through other comprehensive income**

Debt Securities		
GORTT and state owned enterprises	417,707,372	519,958,599
- Listed	2,237,037,161	2,883,078,074
- Unlisted	312,571,797	235,219,431
	2,967,316,330	3,638,256,104
Less provision for impairment	(4,832,872)	(4,663,312)
	2,962,483,458	3,633,592,792
Equity Securities		
- Listed	246,141,554	--
- Unlisted	5,473,449	2,817,795
	251,615,003	2,817,795
	3,214,098,461	3,636,410,587

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

At beginning of period	3,636,410,587	2,852,768,358
Exchange difference	10,143,267	2,063
Additions	1,019,567,833	1,156,333,426
Disposals	(1,552,029,064)	(613,176,812)
Gains from changes in fair value	100,175,398	237,084,869
Net movement in provisions	(169,560)	3,398,683
At end of year	3,214,098,461	3,636,410,587

As at 30 September 2020 there were no securities pledged under the Company's bank overdraft and short-term borrowings (2019: nil). At the balance sheet date all repurchase agreements were securitised by an underlying security.

Included in these are financial assets amounting to $2.95 billon (2019: $3.58 billion) that have been pledged to third parties under sale and repurchase agreement. These amounts do not include ECL provision and fair value movements.

Included in these pledge financial assets, are financial assets amounting to $1.59 billion (2019: $2.14 billion) where the title was transferred under securities sold under repurchase agreements.

7 Financial assets at amortised cost

	2020 $	2019 $
Debt securities		
-GORTT & state owned enterprises	1,186,451,378	1,237,530,558
- Listed	71,189,139	87,661,815
- Unlisted	1,859,044,529	1,779,112,941
Corporate	986,506,540	949,357,643
Individuals	12,523,111	12,586,629
	4,115,714,697	4,066,249,586
Provision for impairment	(38,528,460)	(23,111,633)
	4,077,186,237	4,043,137,953

The movement in financial assets at amortised cost may be summarised as follows:

	2020	2019
At beginning of period	4,043,137,953	3,674,707,118
Exchange difference	6,656,523	18,263
Additions	293,175,941	1,381,392,269
Impairment of financial assets	--	109,462,204
Redemptions	(290,739,347)	(1,140,617,019)
Net amortisation of discounts	42,117,449	9,426,879
Amortisation of unrealised losses/gains on reclassified assets	(1,745,455)	11,141,493
Net movement of provision	(15,416,827)	(2,393,254)
At end of year	4,077,186,237	4,043,137,953

Included in these are financial assets amounting to $3.29 billion (2019: $3.17 billion) that have been pledged to third parties under sale and repurchase agreements.

Included in these pledge financial assets, are financial assets amounting to $2.83 billion (2019: $2.94 billion) where title was transferred under securities sold under repurchase agreements.

8 Financial assets at fair value through profit and loss

	2020	2019
Unlisted	374,804	396,115

The movement for the year may be summarized as follows:

	2020	2019
At start of period	396,115	13,413,355
Exchange difference	1,174	--
Additions	--	399,191
Disposals	--	(13,461,653)
(Losses)/gains from changes in fair value	(22,485)	45,222
	374,804	396,115

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 Company’s financial instruments is reported to management on that basis.

9 Investment in subsidiaries

	Country of Incorporation	Percentage of Equity Capital Held
Caribbean Money Market Brokers (Trincity) Limited	Trinidad	100%
First Citizens Brokerage & Advisory Services Limited	Trinidad	100%
First Citizens Portfolio & Investment Management Services Limited	Trinidad	100%

	2020 $	2019 $
Caribbean Money Market Brokers (Trincity) Limited	8,000,000	8,000,000
First Citizens Brokerage & Advisory Services Limited	16,145,270	16,145,270
First Citizens Portfolio & Investment Management Services Limited	29,429,451	29,429,451
	53,574,721	53,574,721

10 Intangible asset

This comprises an investment in computer software that was brought into use as at 1 June 2008 and May 2012.

Movements are as follows:

	2020 $	2019 $
At beginning of period	1,267,102	49
Work in progress	4,313,883	1,267,077
Less disposals	--	(1,883,276)
Disposal - accumulated amortisation	--	1,883,252
At end of year	5,580,985	1,267,102
Cost	31,233,634	26,919,751
Accumulated amortisation	(25,652,649)	(25,652,649)
Net book amount	5,580,985	1,267,102

11 Property, plant and equipment

	Leasehold Improvements $	Freehold land and building $	Office equipment & furniture $	Motor vehicles $	Computer equipment $	Capital Work in progress $	Total $
Year ended 30 September 2020							
Opening net book amount	1,479,301	45,189,784	584,727	1,471,488	478,833	307,717	49,511,850
Additions	4,371	216,034	414,797	931,841	69,946	154,883	1,791,872
Transfers	330,513	--	132,087	--	--	(462,600)	--
Disposals	--	--	(114,914)	(1,890,559)	(61,006)	--	(2,066,479)
Disposals - acc depreciation	--	--	114,881	1,561,359	60,986	--	1,737,226
Depreciation charge	(953,726)	(829,034)	(236,663)	(603,358)	(253,095)	--	(2,875,876)
Closing net book amount	860,459	44,576,784	894,915	1,470,771	295,664	--	48,098,593
At 30 September 2020							
Cost/Revaluation	6,235,687	51,639,073	14,468,026	2,804,280	2,686,850	--	77,833,916
Accumulated depreciation	(5,375,228)	(7,062,289)	(13,573,111)	(1,333,509)	(2,391,186)	--	(29,735,323)
Net book amount	860,459	44,576,784	894,915	1,470,771	295,664	--	48,098,593
Year ended 30 September 2019							
Opening net book amount	9,715	46,016,297	1,067,217	868,644	630,542	--	48,592,415
Additions	1,683,659	--	24,301	1,272,611	113,067	307,717	3,401,355
Disposals	--	--	--	--	(28,602)	--	(28,602)
Disposals - acc depreciation	--	--	--	--	20,119	--	20,119
Depreciation charge	(214,073)	(826,513)	(506,791)	(669,767)	(256,293)	--	(2,473,437)
Closing net book amount	1,479,301	45,189,784	584,727	1,471,488	478,833	307,717	49,511,850
At 30 September 2019							
Cost/Revaluation	5,892,930	51,423,040	14,183,785	3,762,315	2,676,700	307,717	78,246,487
Accumulated depreciation	(4,413,629)	(6,233,256)	(13,599,058)	(2,290,827)	(2,197,867)	--	(28,734,637)
Net book amount	1,479,301	45,189,784	584,727	1,471,488	478,833	307,717	49,511,850
At 30 September 2018							
Cost/Revaluation	1,760,084	51,423,039	11,020,274	2,259,029	2,186,410	--	68,648,836
Accumulated depreciation	(1,750,369)	(5,406,742)	(9,953,057)	(1,390,385)	(1,555,868)	--	(20,056,421)
Net book amount	9,715	46,016,297	1,067,217	868,644	630,542	--	48,592,415

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

a. *Recognition of right of use asset*

Opening right of use assets

	$
Year ended 30 September 2020	
Opening net book amount	2,707,007
Additions	--
Depreciation	(802,110)
Closing net book amount	1,904,897

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

Interest expenses (included in finance cost)	693,525
Expenses related short term leases (included in rent paid)	4,349
	697,874

b. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company 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.d.(ii).

Level 3	**2020** **$**	**2019** **$**
Land and building	17,176,580	17,371,561
Building on lease land	25,750,451	26,168,468
Freehold land	1,649,755	1,649,755
	44,576,786	45,189,784

The Company's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Note 11 – PPE: Land and Building includes leasehold land TTD8.45M.

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

b. *Recognised fair value measurements (continued)*

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

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

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

At the end of each reporting period, management 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.

As at 30 September 2020, the Company's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income.

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

	2020 $	2019 $
Cost	50,647,859	50,431,824
Accumulated depreciation	(7,062,289)	(6,233,256)
Net book amount	43,585,570	44,198,568

12 Lease liability

	2020 $	2019 $
As at September 30 2019		
Operating lease commitment as at September 30 2019	2,013,482	--
Discounted using the average cost of funding	1,904,897	--
Lease liability	1,904,897	--
Current lease liability	728,794	--
Non current lease liability	1,176,103	--
	1,904,897	--

13 Other assets

	2020	2019
Due from related parties (Note 30)	954,163	2,245,279
Other debtors	353,086	427,012
Fee and coupon receivables	2,678,470	5,115,975
Prepayments	5,053,312	5,892,652
	9,039,031	13,680,918

14 Borrowings

	2020 $	2019 $
Medium term borrowings	443,258,248	434,710,230
Short term borrowings	1,520,048,245	1,724,129,253
	1,963,306,493	2,158,839,483

14 Borrowings (continued)

Medium term borrowings represent unsecured borrowings of USD36.09 million and TTD200.0 million from clients for a period of one to three years (2019:USD35.1 million and TTD197.7 million). These debt accrues on interest rates of 2.15%, 2.50% and 3.25% on the USD, and on the TTD at 3.3% (2019: 6 month LIBOR plus 2%,TTD 3.5%). The average rate as at the end of September 2020 was 2.80% (2019: 3.63%).

Short term borrowings represent facilities via 3 financial institutions which are secured by the Company's investment securities held by the financial institutions:

1) Principal USD40 million, 1.6 years maturity, 3.75% (2019: USD40 million)
2) Principal USD120 million, 6.5 months maturity, 2.9% (2019: USD50 million)
3) Principal USD65 million, 2 years maturity, 2.95% (2019: USD65 million)
4) Nil (2019: USD60 million)
5) Nil (2019: USD50 million))

The market value of the investment security held as collateral for these facilities amounted to $2,250 million at 30th September 2020 (2019: $2,333 million) (Note 3d (i)).

15 Securities sold under repurchase agreements

Securities sold under repurchase agreements are analysed as follows:

	2020 $	2019 $
Invested principal	3,849,744,601	3,853,813,148
Accrued interest	50,511,183	49,817,788
	3,900,255,784	3,903,630,936
Public institutions	1,597,107,854	1,113,217,749
Private institutions	1,224,238,315	1,700,438,258
Consumer	1,078,909,615	1,089,974,929
	3,900,255,784	3,903,630,936
Current portion	3,379,059,597	3,359,504,219
Non current portion	521,196,187	544,126,717
	3,900,255,784	3,903,630,936

Securities sold under repurchase agreements only include financial instruments classified as liabilities at amortised cost. These financial instruments accrue interest at rates between 0.10% and 4% (2019: 0.11% and 6.48%).

16 Creditors and accrued expenses

	2020 $	2019 $
Accrued expenses	7,456,310	9,145,956
Other liabilities	53,570,065	60,973.943
Related parties	24,619,271	28,450,108
	85,645,646	98,570,007

Balances due to related parties include an amount of $22.9 million (2019: $23.2 million) owed to the Bank. This relates to an amount owing to GORTT by the Bank in respect of payments made on claims which were subsequently recovered pursuant to the Liquidity Support Agreement discussed in Note 3a(ii). Other liabilities balance as at 30 September 2020 included amounts due for Equity and Bond settlements $47.4 million (2019: $45.2 million).

17 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using tax rates of 30% for Trinidad and 5.5% for Barbados (2019: 30% & 5.5%).

The movement on the deferred tax account is as follows:

	2020	2019
At beginning of period	89,920,583	16,424,092
Statement of income credit (Note 29)	1,372,196	3,112,486
Fair value reserves	27,798,515	69,759,094
Adjustment for deferred tax on Barbados branch restructuring	--	624,911
At end of period	119,091,294	89,920,583

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

	Opening balance 30 Septembe 2019 $	(Credit)/ charge to fair value reserves $	(Credit)/ charge to statement of income $	Closing balance 30 September 2020 $
Accelerated tax depreciation	1,851,863	--	1,611,964	3,463,827
Unrealised gains – fair value through other comprehensive income	42,470,510	29,692,856	--	72,163,366
Unrealised gains – amortised cost	3,647,276	(1,894,341)	--	1,752,935
Fair value re-measurement	(187,907)	--	--	(187,907)
Unrealised exchange gains	6,211,634	--	205,959	6,417,593
Zero coupon instruments	35,927,207	--	(445,727)	35,481,480
Deferred tax liability	89,920,583	27,798,515	1,372,196	119,091,294

17 **Deferred tax (continued)**

	Opening balance 30 September 2018 $	(Credit)/ charge to fair value reserves $	(Credit)/ charge to statement of income $	Closing balance 30 September 2019 $
Accelerated tax depreciation	440,103	--	1,411,760	1,851,863
Unrealised gains – fair value through other comprehensive income	(28,172,724)	70,643,234	--	42,470,510
Unrealised gains – amortised cost	4,531,416	(884,140)	--	3,647,276
Fair value re-measurement	(187,907)	--	--	(187,907)
Unrealised exchange gains	6,203,853	--	7,781	6,211,634
Zero coupon instruments	33,609,351	--	2,317,856	35,927,207
Deferred tax liability	16,424,092	69,759,094	3,737,397	89,920,583

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

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

The Company does not have any unrecognised losses as at 30 September 2020 (2019: nil).

Deferred tax assets are expected to be recovered as follows:

	2020 $	2019 $
Within 12 months	--	--
After 12 months	187,907	187,907
	187,907	187,907

Deferred tax liabilities are expected to be realised as follows

	2020 $	2019 $
Within 12 months	9,881,420	8,063,497
After 12 months	109,209,874	81,857,086
	119,091,294	89,920,583

18 Loan from parent company

	2020 $	2019 $
Loan from parent company	268,445,227	372,337,642

This comprises one loan facility:

(1) Unsecured Medium Term US facility approved for USD40M, at a rate of 4%. Drawn down balance as at September 2020: USD39.2M (2019: USD40 million, at 4%), repayable March 2022.
(2) Line of Credit approved for USD25M. Drawn down balance as at September 2020: nil (2019: USD14.8 million).

19 Share capital

	2020 $	2019 $
Authorised		
An unlimited number of shares of no par value		
Issued and fully paid		
637,697 shares of no par value	637,697,000	637,697,000

20 Fair value reserves

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

For debt financial assets the fair value reserve comprises the cumulative net change in the fair value of the fair value through other comprehensive income financial assets, net deferred tax, until the assets are derecognised or impaired. For equity financial assets any movement in fair value is recognised through Other Comprehensive Income and is not recycled to the Statement of Income.

ii *Fair value reserve – amortised cost*

The fair value reserve comprises the cumulative gains on amortised cost financial assets, net deferred tax. These gains are being amortised during the life of the relevant instruments. These related to instruments previously classified as AFS which were reclassified to HTM under the temporary guidance allowed under IAS 39 re reclassifications.

iii. *Fair value reserve – land and buildings*

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

		2020	2019
20	**Fair value reserves (continued)**	$	$
	Financial assets		
	Financial assets fair value through other comprehensive income	171,206,045	100,600,752
	Financial assets amortised cost	2,734,676	7,154,805
	Land and building	991,215	991,215
		174,931,936	108,746,772
	Financial assets fair value through other comprehensive income		
	At start of year IFRS 9	100,600,752	(63,989,728)
	Adjustment for FV branch acquisition	--	265,907
	Net gains from changes in fair value	100,292,133	234,967,807
	Deferred tax (charge)/credit (note 17)	(29,692,856)	(70,643,234)
	Exchange differences	6,016	--
	At end of year	171,206,045	100,600,752
	Financial assets amortised cost		
	These financial instruments refer to the reclassification from AFS assets to HTM under IAS 39 requirement		
	At beginning of year	7,154,805	9,217,798
	Adjustment	(3,623,549)	--
	Adjustment to deferred tax	1,087,065	--
	Amortisation	(2,690,921)	(2,947,133)
	Deferred tax on amortisation	807,276	884,140
	At end of year	2,734,676	7,154,805
	Building		
	At beginning of year	991,215	991,215
	At end of year	991,215	991,215

21	**Interest income**		
	Fair value through other comprehensive income	131,361,423	131,229,096
	Amortised cost	209,114,125	195,367,948
	Fair value through profit and loss	--	15,677
	Other	4,091,284	3,646,319
		344,566,832	330,259,040

22	**Interest expense**		
	Securities sold under repurchase agreements	89,987,558	110,359,511
	Borrowings	70,488,005	58,551,180
	Loan from parent company	12,238,067	11,597,464
	Other	1,015,727	811,874
		173,729,357	181,320,029

23 **Fees and commissions**	**2020** $	**2019** $
Capital markets-placement fee	7,367,919	10,958,862
Wealth management	5,221,293	4,165,197
Other	99,354	196,622
	12,688,566	15,320,681

All fees and commissions are specific to the service contract and are recognised at a point in time for 2019 and 2020 except for wealth management fees which are recognised over time.

24 Gain on financial assets

Net realised gains on bonds and other trading	13,294,838	20,452,562
Net (losses)/gains on fair value through profit and loss financial assets	(22,482)	745,159
	13,272,356	21,197,721

25 Other income

Dividends - ordinary share holdings	21,058,205	39,557,533
Other income	667,171	291,775
	21,725,376	39,849,308

26 Impairment (gain)/loss net of recoveries

	2020 $	2019 $
Statement of income		
Increase in provisions for impairment	20,185,882	10,190,255
Increase in general provision	286,819	--
Provision for impairment tax recoverable	--	356,504
Write back on impairment	--	(7,358,587)
POCI impairment write back	(13,889,593)	(8,074,450)
Direct write offs to income	(4,708,491)	(5,348,130)
	1,874,617	(10,234,408)
Statement of financial position		
Opening balances	27,774,945	137,586,843
Write off GOB provision	--	(112,569,777)
Increase in provisions for impairment	20,242,984	8,105,924
Provisions written off	(4,723,419)	(5,348,045)
Exchange difference	66,822	--
Closing balances	43,361,332	27,774,945

27 Administrative expenses

	2020 $	2019 $
Staff costs (Note 27.1)	28,282,122	28,462,956
Depreciation	2,875,876	2,473,437
	31,157,998	30,936,393

27.1 *Staff cost*

	2020 $	2019 $
Wages and salaries	19,578,544	19,107,873
Pension	1,928,812	1,777,415
National insurance	923,227	940,008
Other	5,851,539	6,637,660
	28,282,122	28,462,956

Number of permanent employed staff as at year ended 30 September 2020 was 77 (2019: 75).

28 Other operating expenses	2020 $	2019 $
Travel expenses	771,643	863,500
Consultancy & outside services	20,979,856	19,997,594
IT expenses	3,040,824	2,519,036
Office expenses	6,308,581	5,238,915
Marketing costs	235,901	588,597
Other expenses	3,529,463	1,534,422
	34,866,268	30,742,064

29 Taxation

Corporation tax	17,008,814	16,110,773
Under provision prior year	(1,249,450)	4,628,330
Deferred tax	1,372,196	3,112,484
	17,131,560	23,851,587

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

Profit before tax	151,561,712	172,058,708
Tax calculated at 30%	38,280,150	49,987,179
Income exempt from tax	(30,591,541)	(31,573,063)
Expenses not deductible for tax purposes	16,489,755	12,049,561
Net effect of other charges and allowances	(5,865,325)	(11,240,420)
Under provision prior year	(1,249,450)	4,628,330
Effect of different tax rates	67,971	--
	17,131,560	23,851,587

30 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. At 30 September 2020 the Company was a 100% subsidiary of First Citizens Bank Limited, which in turn is a subsidiary of First Citizens Holding Limited, a company owned by the Government of the Republic of Trinidad & Tobago (GORTT).

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

	2020 $	2019 $
(i) *Directors and key management personnel*		
Statement of financial position:		
Securities sold under repurchase agreements	(707,049)	--
Income statement:		
Interest income	--	112
Interest expense	(12,578)	(11,043)
Salaries and other short-term employee benefits	(6,017,415)	(4,909,285)
	(6,029,993)	(4,920,216)

(ii) *Related companies*

The following related party transactions are included in the statement of financial position and statement of income as at September 2020:

Statement of financial position	**Parent** **$**	**Subsidiaries** **$**	**Fellow Subsidiaries** **$**	**GORTT** **$**
Assets:				
Cash & cash equivalents	310,071,450	--	5,030,317	--
Other assets	--	941,857	12,306	--
Investment in subsidiaries	--	53,574,721	--	--
Financial assets	--	--	--	1,353,704,955
Liabilities:				
Securities sold under repurchase agreements	--	(23,460,600)	(339,041,325)	--
Creditors & accruals	(23,065,550)	--	(1,553,721)	--
Loan note	(268,445,227)	--	--	--
	18,560,673	31,055,978	(335,552,423)	1,353,704,955
Statement of income				
Interest income	23,282	--	6,666	57,894,819
Interest expense	(12,238,068)	(196,066)	(5,633,967)	--
	(12,214,786)	(196,066)	(5,627,301)	57,894,819

30 Related party transactions (continued)

(ii) *Related companies (continued)*

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

Statement of financial position	**Parent $**	**Subsidiaries $**	**Fellow Subsidiaries $**	**GORTT $**
Assets:				
Cash & cash equivalents	71,102,208	--	8,573,655	--
Other assets	--	2,232,994	12,285	--
Financial assets	--	--	--	1,307,422,221
Investment in subsidiaries	--	53,574,721	--	
Liabilities:				
Securities sold under repurchase agreements	--	(3,117,834)	(186,895,896)	--
Creditors & accruals	(25,285,772)	(766,903)	(2,397,433)	--
Loan note	(372,337,642)	--	--	--
	(326,521,206)	51,922,978	(180,707,389)	1,307,422,221
Statement of income				
Interest income	90,091	--	--	51,238,374
Interest expense	(11,597,464)	(15,118,596)	(4,270,358)	--
	(11,507,373)	(15,118,596)	(4,270,358)	51,238,374

31 Commitments

a. *Capital commitments*	**2020 $**	**2019 $**
Capital expenditure approved by the Directors but not provided for in these accounts	7,174,643	9,612,854

There are no capital commitments for Barbados branch.

32 Subsequent events

There were no events after the financial position date which were material to the financial statements and should have resulted in adjustment to the financial statement or disclosures when the financial statements were authorised for issue.

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

Consolidated Financial Statements

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

First Citizens Investment Services Limited And Its Subsidiaries

Contents

First Citizens Investment Services Limited And Its Subsidiaries

Statement of Management's Responsibilities

Management is responsible for the following:

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

- Ensuring that the Group keeps proper accounting records;

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

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

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

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

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

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

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

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

General Manager
2 December 2020

Head of Finance
2 December 2020

pwc

Independent Auditor's Report

To the shareholder of
First Citizens Investment Services Limited

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
12 December 2020

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

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

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

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

Director: Anthony Isidore Smart

Director:

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Income

(Expressed in Trinidad and Tobago Dollars)

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

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

First Citizens Investment Services Limited And Its Subsidiaries

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

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

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

First Citizens Investment Services Limited And Its Subsidiaries

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

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

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

First Citizens Investment Services Limited and its Subsidiaries

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

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

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

1 General information

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

Effective 2 February 2009, First Citizens Bank Limited (the Bank) assumed control of the Group. The Bank formally acquired 100% ownership of the Company on 22 May 2009. The Bank is a subsidiary of First Citizens Holdings Limited (the First Citizens Group), a company with a 64.43% controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The shares of First Citizens Investment Services (Barbados) Limited were fully redeemed by the Group on 30 June 2019. The operations of that company became a branch of First Citizens Investment Services Limited effective 1 July 2019. First Citizens Investment Services (Barbados) Limited is now a special entity.

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

The Group's subsidiaries all wholly-owned are:

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

2 Summary of significant accounting policies

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

a. *Basis of preparation*

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

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

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

a. *Basis of preparation (continued)*

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

- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance (Note 2.1)
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities' examinations
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - The effect of changes in facts and circumstances
- IFRS 9 Amendment- Prepayment Features with Negative Compensation (Effective 1 January 2019). This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- IAS 28 Amendments - Long-term Interests in Associates and Joint Ventures (Effective 1 January 2019). This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- IAS 19 Amendments - Plan Amendment, Curtailment or Settlement (effective 1 January 2019). The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:
  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

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

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

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

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

a. *Basis of preparation (continued)*

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

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

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

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

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

b. *Consolidation*

(i) *Principles of consolidation*

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

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

(ii) *Investment in subsidiaries*

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

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

b. *Consolidation (continued)*

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

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

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

c. *Foreign currency translation*

(i) *Functional and presentation currency*

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

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

The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.7124 = US$1.00 (2019: TT$6.6926 = US$1.00), the TT dollar and the XCD dollar was TT$2.5265 = XC$1.00 (2019: TT$2.5190 = XC$1.00), and the TT dollar and the Barbados dollar was TT$3.4203 = BB$1.00 (2019: TT$3.4102 = BB$1.00), which represented the Group's cover rate.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income financial assets are included in other comprehensive income.

(iii) *Group companies*

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

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

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

c. *Foreign currency translation (continued)*

(iii) *Group companies (continued)*

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

d. *Derivative financial instruments*

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

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The First Citizens Group classifies its financial assets in the following business models:
- Hold for trading
- Hold to collect and sell or
- Hold to collect

Debt instruments

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

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

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

Amortised cost

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

Fair value through other comprehensive income (FVOCI)

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

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

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

(i) *Financial assets (continued)*

Fair value through profit or loss

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

(a) *Group’s business model*

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

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

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

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

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

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

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

(i) *Financial assets (continued)*

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

Solely payments of principal and interest (SPPI)

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

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

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

Equity instruments

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

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments classified as FVPL are included in the Statement of Income.

Impairment

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

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

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

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

(i) *Financial assets (continued)*

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

Modification of financial assets

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

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

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

Classification and subsequent measurement

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

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

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

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

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

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

(ii) *Financial liabilities*

Derecognition

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

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

f. *Impairment of non-financial assets*

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

g. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

h. *Determination of fair value*

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

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

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

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

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

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

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

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

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

j. *Lease transactions*

Policies applicable on or after 1 October 2019

The Group has adopted IFRS 16 effective 1 October 2019, which replaces IAS 17 and IFRIC 4. The comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For all new contracts entered into on or after 1 October 2019, the Group assesses whether a contract is, or contains a lease. A lease is defined as “a contract that conveys the right-of-use an asset for a period of time in exchange for consideration”. To assess whether a contract conveys the right-of-use of an asset, the Group assesses whether:

- the contract contains an identified assets, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all the economic benefits from use of the assets through the period of use
- the Group has the right to direct the use of the asset throughout the period of use. The Group has this right when it has the rights to direct “how and for what purpose” the asset is used.

(i) *The Group as the lessee*

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the group is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the group is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the group exercising this option

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

j. *Lease transactions (continued)*

Policies applicable after 1 October 2019 (continued)

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

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

Policies applicable prior to 1 October 2019

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

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

(i) *The Group as the lessee*

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

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

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

(ii) *The Group as the lessor*

The Group's accounting policy under IFRS 16 has not changed

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

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

k. *Property, plant and equipment*

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

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

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

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

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

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

Depreciation and amortisation are computed on all assets except land.

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

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

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

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

The rights of use assets are depreciated over the term of the lease.

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

l. *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Bank and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

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

m. *Employee benefits*

(i) *Pension plan – First Citizens defined pension plan*

The First Citizens Group operates a defined benefit plan, which is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. This pension plan is funded by payments from employees and by the First Citizens Group, taking account of the recommendations of independent qualified actuaries.

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

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

The Bank's defined benefit plan operates as a plan which shares risks among subsidiaries of the First Citizens Group which are under common control. The Bank's policy is to recognise the net defined benefit cost of the plan in the separate financial statements of First Citizens Bank Limited, the entity which is legally considered the sponsoring employer of the plan. The Group recognises a cost equal to its contribution payable for its employees in its separate financial statements. Pension contributions for the year amounted to $2.3 million (Sept 2019: $2 million).

(ii) *Profit sharing and bonus plans*

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

(iii) *Employee share ownership plan*

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

n. *Cash and due from other Banks*

For purposes of the consolidated statement of cash flows, cash and due from other banks comprise of cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased net of balances "due to other banks".

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

o. *Net interest income and expense*

Interest income and interest expense are recognised in the consolidated statement of income for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments, Promissory Notes (PNotes) and accrued discount and premium on treasury bills and other discounted instruments. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

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

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

For financial assets classified as Purchased or Originated Credit Impaired (POCI), interest income is calculated by applying a credit-adjusted EIR (based on an initial expectation of further credit losses) to the amortised cost of these POCI assets. The Credit-Adjusted Effective Interest Rate (CAEIR) is lower than the effective interest rate as the cash flows of the instruments are adjusted downwards for the impact of expected credit losses.

p. *Dividend income*

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

q. *Fee and commission income*

IFRS15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

IFRS 15 's core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of the transfer of goods and services to customers. The Group's performance obligations are very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

Fees and commissions are recognised at a point in time when the service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised at a point in time on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis, which is normally on a monthly billing cycle at a point in time.

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

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

q. *Fee and commission income (continued)*

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

r. *Borrowings*

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

s. *Dividend distribution*

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

t. *Provisions*

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

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

u. *Intangible assets*

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

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

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

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

u. *Intangible assets (continued)*

(i) *Goodwill*

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

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

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

(ii) *Other Intangible assets*

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

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

(iii) *Computer software*

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

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

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

v. *Fiduciary activities*

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

2.1 *Change in accounting policies*

The Group has adopted IFRS 16 as issued by the IASB in January 2016, with a date of transition of 1 October 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements.

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

2.1 *Change in accounting policies (continued)*

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

- Requires the Group to recognise the cumulative effect initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application
- Does not permit restatement of the comparative, which continue to be presented under IAS 17 and IFIC 43

On adoption of IFRS 16, the Group recognised lease liabilities in relations to leases which had previously been classified as “operating leases”, under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 October 2019, as no implicit interest rate existed in the leases. The borrowing rate applied to the lease liabilities was 3%, being the Group’s average cost of borrowing.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before the transition, as the carrying amount of the right of use asset and the lease liability at the date of initial application.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:-

- application of a single discount rate to a portfolio of leases with similar characteristics
- relying on previous assessments on whether leases were onerous as an alternative to performing an impairment review- there were no onerous contracts as at 1 October 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019, as a short term leases
- excluding initial direct costs for the measurement of the right-of-use asset as the date on initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact of the adoption of IFRS 16 on the Group is as follows:-

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

		$’000
Right of use asset	Increase	1,905
Lease liability	Increase	(1,905)
Retained earnings	Decrease/increase	--

Measurement of lease liability

The following table shows the operating lease commitment disclosed applying IAS 17 as at 30 September2019, discounted using the borrowing rate at the date of the initial application and the lease liabilities recognised in the statement of financial position at the date of initial application:-

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

2.1 *Change in accounting policies (continued)*

Lease liabilities	**$000**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	--
One to five years	2,013
Total undiscounted lease liabilities as at 30 September 2020	2,013
Less: Discount	(108)
	1,9055

Measurement of Right-of-use asset

The associated right-of-use for property leases were measured on a retrospective basis as if the new rules had always been applied.

3 Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors of First Citizens Bank Limited has overall responsibility for the establishment and oversight of the First Citizens Group risk management framework. To assist the Board of Directors in fulfilling its duties, two Board sub-committees were established to monitor and report to the Board of Directors of the parent on the overall risks within the First Citizens Group - the First Citizens Group Enterprise Risk Management Committee and the Corporate Credit Committee; and two Senior Management Committees- the Senior Management Enterprise Risk Management Committee and the Asset Liability Committee.

The First Citizens Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer (GCRO), reports to both Sub-Committees of the Board of Directors through the Senior Management Committees. This unit is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the First Citizens Group through the First Citizens Group Operational Risk and Controls Unit, Group Credit Risk Management Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The First Citizens Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Management Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

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

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

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has also established a Risk Management Committee (RMC) which oversees the risk management function of the Group.

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

3 **Financial risk management (continued)**

a. *Credit risk*

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

(i) *Credit risk management*

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Expected credit loss measurement*

IFRS9 outlines a ‘three stage’ mode; for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by The First Citizens Group.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Please refer to note 3.a.iii for a description of how The First Citizens Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Please refer to note 3.a.v for a description of how The First Citizens Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.a.v for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 3.a.vii includes an explanation of how The First Citizens Group has incorporated this in its ECL models
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

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

Change in credit quality since initial recognition

$\longleftrightarrow$

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

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

The First Citizens Group has not used the low credit risk exemption for any financial instruments in the year ended 30 September 2020.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Significant decrease in credit risk (SDCR)*

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

Criteria	Investment Grade Portfolio	Single “B” Speculative Grade Portfolio
Absolute Measure	PD – 12.5% or lower	PD - 25% or lower
AND	AND	AND
Relative Measure	Credit rating reverts to level just prior to the SICR	One notch upgrade (investment securities rating scale)
OR	OR	OR
Special Consideration	No credit stop loss breaches	No credit stop loss breaches

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

The First Citizens Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria

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

Qualitative criteria

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

- The borrower formally files for bankruptcy or there is a commencement of foreclosure or restructure proceedings or an indication of the intention to restructure is initiated by the borrower.
- The obligation is classified doubtful or worse as per The First Citizens Group’s classification process.
- A modification to terms and conditions of the original investment that would not normally be considered is executed and where the change in the present value of the cashflows of the new proposed investment versus the original exceed 10%.

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

An investment instrument is considered to no longer be in default (i.e. to have cured) when it has been restructured. An exception exists for credit impaired facilities at origination.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PDs for sovereign and corporate investment securities are taken from Standard & Poors' (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.
- EAD is based on the amounts The Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents The First Citizens Group's expectation of the extent of loss on a defaulted exposure and is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the investment. For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2019). Corporate investment securities LGDs are based on the standard terms for North American corporate entities CDS contracts, taken from Moody's Analytics' CDS-implied EDF™ Credit Measures and Fair-value Spreads.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

Determination of macroeconomic scenarios and probabilities

For each country in which the Group has investment securities, management performs scenario analysis to determine the impact of future economic conditions on the PD in these countries. After testing multiple economic indicators, a main macro-economic variable (MEV) is determined, which is statistically linked to the credit risk of that sovereign. To increase the robustness of the model and in light of the shock from COVID-19, management adopted a bivariate model to determine two MEVs for key sovereigns. The statistical relationship is determined through regression analysis and an analysis of various measures of significance. The sign of the coefficients is also an important factor in determining the use of the two MEVs. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Three selected sovereign credit risk metrics were identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver, ordinary least squares (OLS) regression is conducted. To establish scenarios, the MEVs are 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 September, 2020 incorporate the impact of COVID-19, as such the forward looking scenarios factor in the economic shock of the Credit ratings were forecasted for the next three years using these macro-economic scenarios. The weightings applied to the forecasted ratings were 60% for year 1, 20% each for year 2 and 3. These weightings were determined based on management's judgment and experience.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Economic Research Unit on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(viii) *Risk limit control and mitigation policies*

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

(a) *Single investor or industry exposure limits*

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed by the Company for this purpose. The model utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established for the various country exposure categories based on the risk ranking.

(b) *Country exposure limits*

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

(c) *Collateral*

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

(d) *Liquidity support agreement*

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

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

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

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

The Ministry of Finance in its response in letter dated 22 October 2020 has agreed to another extension for a 12 month period effective from 1 March 2021 to 28 February 2022 commensurate under the Liquidity Support Agreement dated 15 May 2009, in which interest continues to accrue at 4% and 5% for the CL Financial USD PNOTE and the CL Financial TTD commercial paper respectively. As at the statement of financial position date, the amount of Promissory Notes due was US$103,910,336 and the amount of the Commercial Paper due TT$249,868,106. The liquidity support agreement extension was executed on 22 October 2020 confirming the extension to the expiration of the Liquidity Support Agreement 28 February 2022. These are classified as amortised cost in the Statement of Financial Position.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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

	Gross maximum exposure Sept 2020 $'000	**Gross maximum exposure Sept 2019 $'000**
Cash and due from other banks	476,786	225,842
Financial assets		
- Fair value through other comprehensive income	2,967,316	3,638,256
- Amortised cost	4,115,715	4,066,250
Other assets	12,828	17,057
	7,572,645	7,947,405

The above table represents a worst case scenario of credit risk exposure to the Group at 30 September 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-consolidated statement of financial position assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-consolidated statement of financial position items.

As shown above, 6% of the total maximum exposure is derived from cash and due from other banks and receivables (Sept 2019: 3%); while 94% represents investments in other debt securities (Sept 2019: 97%).

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

- The Group has maintained a more stringent selection process for investing in securities with none of the impaired assets coming from new investments made in the current financial year.
- The collateral package or financial assurances in place in support of receivables minimises the probability of losses on this portfolio.
- For September 2020, more than 57.1% (Sept 2019: 58.3%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor's Ratings.
- As per Note 3.a.vii 'Risk limit control and mitigation policies- Liquidity Support Agreement', management is confident that given the agreement to transfer the benefits of such assurances by First Citizens Bank Limited to the Group, the Group would realise no losses on these assets. The amount outstanding to FCIS stood at TT$249.9m and US$103.9m as at 30 September 2020 (Sept 2019: TT$241.2 million and US$100.8 million) and continues to accrue interest.
- The Group's portfolio carries exposure to the credit risk of the Government of Barbados securities from Barbados which at the Balance Sheet date accounted for 4.76% of the value of Investment Securities (Sept 2019: 4%).
- The Company exposure to the GORTT debt included in financial assets as at September 30 2020 TT$1.6B, 22.6% (2019: TT$1.7B, 22.4%).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(x) *Financial assets*

Included in amortised cost are amounts due from CL Financial and its affiliates of $947.3 million which matured but are indemnified under the Liquidity Support Agreement (LSA) (Sept 2019: $916 million). All principal and interest payments due on these advances are covered under the LSA as detailed in note 3.a.ix.

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

It is against this background that management made a formal claim/demand by the submissions of (Claim #12) indicating the Bank's intention to claim the full settlement by 30 September 2020 in accordance with the Bank's right to be indemnified in respect of those obligations under the terms of the LSA.

The GORTT in its letter dated 22 October 2020 stated its execution of an extension of the LSA for the period 1 March 2021 to 28 February 2022.

As at the Balance Sheet date, the amount of Promissory Notes due was US$103,910,336 and the amount of the Commercial Paper due TT$249,868,106.

(xi) *Debt and other investment securities*

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

30 September 2020

	Fair value through other comprehensive income securities $'000	**Amortised cost securities $'000**	**Fair value through profit or loss securities $'000**	**Total $'000**
Investment grade	2,170,648	1,901,705	--	4,072,353
Speculative grade	796,668	2,214,010	--	3,010,678
Total	2,967,316	4,115,715	--	7,083,031

30 September 2019

	Fair value through other comprehensive income securities $'000	**Amortised cost securities $'000**	**Fair value through profit or loss securities $'000**	**Total $'000**
Investment grade	2,570,168	1,918,512	--	4,488,680
Speculative grade	1,068,088	2,147,737	--	3,215,825
Total	3,638,256	4,066,249	--	7,704,505

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Other financial assets*

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

Investments 30 September 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Credit rating					
Investment grade	3,806,647	--	--	347,181	4,153,828
Non-investment grade	2,849,772	66,908	12,523	--	2,929,203
Gross investments	6,656,419	66,908	12,523	347,181	7,083,031
Loss allowance - ECL	(24,899)	(12,499)	--	--	(37,398)
Loss allowance -PNOTES	--	--	(5,964)	--	(5,964)
Carrying balance	6,631,520	54,409	6,559	347,181	7,039,669

Investments 30 September 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Credit rating					
Investment grade	4,215,119	--	--	316,343	4,531,462
Non-investment grade	3,110,049	50,408	12,586	--	3,173,043
Gross investments	7,325,168	50,408	12,586	316,343	7,704,505
Loss allowance	(17,655)	(4,166)	--	--	(21,821)
Loss allowance -PNOTES	--	--	(5,954)	--	(5,954)
Carrying balance	7,307,513	46,242	6,632	316,343	7,676,730

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance*

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.
- The POCI value at 30 September 2020 was 75.72 (Sept 2019: 69.76) with a face value of BBD131,997,672 (Sept 2019: BBD131,997,672) (Refer to Note 4 d).

Investments

	Stage 1 12-month ECL $'000	Sage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $’000	Total $'000
Gross carrying balance as at 1 October 2019	7,325,167	50,408	12,587	316,343	7,704,505
Transfer from stage 1 to stage 2	(32,302)	32,302	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
New financial assets originated	1,053,416	--	4	2,933	1,056,353
Disposal/Maturities of investment	(1,712,289)	(16,280)	(76)	--	(1,728,645)
Unwind of discounts	8,669	317	--	26,967	35,953
FX and other movements	13,758	161	8	938	14,865
Gross carrying balance as at 30 September 2020	6,656,419	66,908	12,523	347,181	7,083,031

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

Investments

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

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Loss allowance as at 1 October 2019	(17,655)	(4,166)	(5,954)	--	(27,775)
Movement with P&L Impact	--	--	--	--	--
Transfer from stage 1 to stage 2	2,424	(2,424)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
New financial assets originated	(1,093)	--	--	--	(1,093)
Change in PDS/LGDs/EADs	(9,558)	(6,807)	--	--	(16,365)
Disposal of Investment	1,027	911	--	--	1,938
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements (Maturities/Sales)	(44)	(13)	(10)	--	(67)
Total net P&L charge during the period	(7,244)	(8,333)	(10)	--	(15,587)
Other movement with no P&L impact					
Provision Transfer from stage 1 to stage 2	--	--	--	--	--
Provision Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to credit impaired	--	--	--	--	--
Financial assets derecognised during the period	--	--	--	--	--
Write-offs	--	--	--	--	--
Loss allowance as at 30 September 2020	(24,899)	(12,499)	(5,964)	--	(43,362)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Loss allowance (continued)*

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

(xiv) *Write-off policy*

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2020 was nil (2019: nil). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2020. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. The Group's investment portfolio comprising cash and cash equivalents, financial assets – receivables, fair value through other comprehensive income, amortised cost, held for trading and repurchase receivables is diversified across 32 countries. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into five regional sectors and the sector concentrations within the portfolio are as follows:

	Asia $000	North America $000	South & Central America $000	Caribbean $000	Other countries $000	Total $000
At 30 September 2020						
Cash and due from other Banks	--	3,740	--	473,046	--	476,786
Financial assets:						
- Fair value through other comprehensive income	119,234	674,654	433,997	1,659,146	75,452	2,962,483
- Amortised cost	--	--	--	4,077,186	--	4,077,186
Other assets	--	315	298	12,215	--	12,828
At 30 September 2020	119,234	678,709	434,295	6,221,593	75,452	7,529,283

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

3 **Financial risk management (continued)**

b. *Market risk*

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The market risks arising from trading and non-trading activities are measured separately by the First Citizens Group Market Risk department who submit reports to the Senior Management Enterprise Risk Management Committee on a regular basis and also reports via the First Citizens Group Enterprise Risk Management Unit to the Board Enterprise Risk Management Committee to enable Board oversight of market risk issues. Additionally, on a monthly basis, the First Citizens Group's Pricing Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Group ALCO. This Committee also provides for the consideration of the Group ALCO technical information that may be relevant to current and developing market conditions from time to time.

Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains.

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

(i) *Market risk measurement techniques*

As part of the management of market risk, the Group uses duration management and other portfolio strategies to manage market risk. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

The Group applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. VAR measurements capture potential losses arising from changes in interest rates and foreign exchange rates. The Board sets limits on the value of risk that may be accepted for the Group's, trading and non-trading portfolios, which are monitored on a daily basis by First Citizens Group Market Risk Unit.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, at a certain level of confidence (99%) under normal market conditions.

The First Citizens Group Market Risk calculates VAR using a 99% confidence level therefore there is a 1% probability that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days for Eurobonds and 30 days for other securities). For comparability purposes the 1-day VAR for the portfolio segments are disclosed in the following section. A parametric approach is used in calculating VAR which uses the volatility, correlation and relative weights of the securities in the portfolio. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

3 **Financial risk management (continued)**

b. *Market risk (continued)*

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

Value at risk (continued)

Actual exposure against limits is monitored by Risk Management on a daily basis. There are Board approved limits set on the portfolio VAR. A breach in these limits would trigger actions by the management of the Group to reduce risk on the portfolio. These actions can include hedging of the portfolio or specific positions or sale of securities to bring the portfolio back within limit.

The quality of the VAR model is continuously monitored by back-testing the VAR results. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by risk management include interest rate stress testing, where movements in the yield curve are applied to each investment.

If the Group were to stress the portfolio at 30 September 2020 based on a 100 basis point (1%) upward parallel shift in all yield curves, this would result in mark to market losses of $31.68 million (Sept 2019: $168 million).

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

Based on net foreign currency positions at 30 September 2020, the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

	US $'000	Euro $'000	EC $'000	Other $'000
At 30 September 2020				
Gain/(loss)	17,140	--	(5,365)	6,370
At 30 September 2019				
Gain/(loss)	25,490	--	(6,052)	(5,860)

Group VAR by portfolio

	30 September 2020			30 September 2019		
	Average $'000	High $'000	Low $'000	Average $'000	High $'000	Low $'000
Trading	30,584	117,478	10,801	12,034	18,786	8,592
Non-trading	14,401	18,693	9,980	12,900	16,690	9,253
Total VAR	44,985	136,171	20,781	24,934	35,476	17,845

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk*

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Group not to engage in speculative foreign exchange activities, The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Group's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Group does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2020. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

	TT $'000	US $'000	Euro $'000	EC $'000	Other $'000	Total $'000
At 30 September 2020						
Assets						
Cash and due from other Banks	132,243	282,878	86	55,696	5,883	476,786
Financial assets						
- Fair value through other comprehensive income	24,174	2,943,924	--	108	251,067	3,219,273
- Amortised cost	1,783,495	960,308	--	953,496	379,887	4,077,186
- Fair value through profit or loss	--	127	--	--	375	502
Other assets	8,347	2,926	--	974	581	12,828
Total assets	1,948,259	4,190,163	86	1,010,274	637,793	7,786,575
Liabilities						
Borrowings	200,741	1,762,565	--	--	--	1,963,306
Funds under management	4,803	488	86	21,638	1,225	28,240
Securities sold under repurchase agreements	1,193,520	1,150,708	--	1,179,889	372,958	3,897,075
Loan from parent company	--	268,445	--	--	--	268,445
Creditors and accrued expenses	48,618	16,450	--	28,702	6,151	99,921
Total liabilities	1,447,682	3,198,656	86	1,230,229	380,334	6,256,987
Net on-consolidated statement of financial position	500,577	991,507	--	(219,955)	257,459	1,529,588

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Foreign exchange risk (continued)*

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

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

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would decrease by $17.1 million (September 2019: $25.5 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk*

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise. The Group's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The table below summarises the Group's exposure to interest rate risks.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2020							
Assets							
Cash and due from other Banks	288,639	--	6,310	--	--	181,837	476,786
Financial assets							
- Fair value through other comprehensive income	617,606	246,079	23,940	299,769	1,775,089	--	2,962,483
- Amortised cost	131,726	1,033,385	240,104	1,090,906	1,581,065	--	4,077,186
Other assets	532	--	--	--	--	12,296	12,828
Total assets	1,038,503	1,279,464	270,354	1,390,675	3,356,154	194,133	7,529,283
Borrowings	9,382	1,092	974,698	978,134	--	--	1,963,306
Funds under management	28,240	--	--	--	--	--	28,240
Securities sold under repurchase agreements	545,682	798,750	2,031,448	521,195	--	--	3,897,075
Loan from parent company	--	--	--	268,445	--	--	268,445
Creditors and accrued expenses	4,345	--	--	--	--	95,576	99,921
Total liabilities	587,649	799,842	3,006,146	1,767,774	--	95,576	6,256,987
Interest sensitivity gap	450,854	479,622	(2,735,792)	(377,099)	3,356,154	98,557	1,272,296

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iii) *Interest rate risk (continued)*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2019							
Assets							
Cash and due from other Banks	80,602	--	6,206	--	--	139,034	225,842
Financial assets							
- Fair value through other comprehensive income	7,648	403,344	121,808	447,466	2,653,326	--	3,633,592
- Amortised cost	--	937,331	84,346	901,985	2,119,476	--	4,043,138
Other assets	404	--	--	--	--	16,653	17,057
Total assets	88,654	1,340,675	212,360	1,349,451	4,772,802	155,687	7,919,629
Borrowings	--	18,889	1,102,597	1,037,353	--	--	2,158,839
Funds under management	25,748	--	--	--	--	--	25,748
Securities sold under repurchase agreements	306,865	444,349	2,709,984	439,315	--	--	3,900,513
Loan from parent company	--	99,250	--	273,088	--	--	372,338
Creditors and accrued expenses	74,079	--	--	83	--	41,135	115,297
Total liabilities	406,692	562,488	3,812,581	1,749,839	--	41,135	6,572,735
Interest sensitivity gap	(318,038)	778,187	(3,600,221)	(400,388)	4,772,802	114,552	1,346,894

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. If interest rates were to move by 1%, the impact on net interest income will be $13.7 million (Sept 2019: $11.9 million).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(iv) *Other price risk*

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as fair value through other comprehensive income securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as fair value through other comprehensive income is immaterial at the end of both periods reported.

c. *Liquidity risk*

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

Liquidity risk management process

The First Citizens Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset/Liability Committee (ALCO). The First Citizens Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off-statement of financial position liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised. The Group manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers and by maintaining ongoing access to wholesale funding. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

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

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

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

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 month $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2020						
Assets						
Cash and due from other Banks	476,786	--	--	--	--	476,786
Financial assets						
- Fair value through other comprehensive income	626,992	9,654	115,048	709,092	2,277,959	3,738,745
- Amortised cost	141,133	1,099,108	403,096	1,601,127	2,004,138	5,248,602
Other assets	12,828	--	--	--	--	12,828
Total assets	1,257,739	1,108,762	518,144	2,310,219	4,282,097	9,476,961
Liabilities						
Borrowings	12,116	--	1,015,739	1,013,604	--	2,041,459
Funds under management	28,240	--	--	--	--	28,240
Securities sold under repurchase agreements	553,099	800,744	2,057,965	545,330	--	3,957,138
Loan from parent company	--	--	--	278,928	--	278,928
Creditors and accrued expenses	99,921	--	--	--	--	99,921
Total liabilities	693,376	800,744	3,073,704	1,837,862	--	6,405,686
Net liquidity gap	564,363	308,018	(2,555,560)	472,357	4,282,097	3,071,275

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

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

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

(i) *Assets held for managing liquidity risk*

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

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

(ii) *Loan commitments*

As at 30 September 2020 the Group has no financial instruments that commit it to taking up new receivables or other debt securities (Sept 2019: nil).

(iii) *Capital commitments*

At 30 September 2020, the Group had capital commitments to the value of $7,174,643 (Sept 2019: $9,612,854).

3 **Financial risk management (continued)**

d. *Fiduciary activities*

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

e. *Fair value of financial assets and liabilities*

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

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

	Carrying value		Fair value	
	Sept 2020 $000	**Sept 2019 $000**	**Sept 2020 $000**	**Sept 2019 $000**
Financial assets				
Cash and due from other Banks	476,786	225,842	476,786	225,842
Financial assets at amortised cost	4,077,186	4,043,138	4,204,031	4,144,015
Other assets	12,828	17,057	12,828	17,057
Financial liabilities				
Short term borrowings and bank overdraft	1,963,306	2,158,839	2,157,517	2,233,619
Funds under management	28,240	25,748	28,240	25,748
Securities sold under repurchase agreement	3,897,075	3,900,513	4,005,459	4,001,867
Loan from parent company	268,445	372,338	268,986	374,825
Creditors and accrued expenses	99,921	115,297	99,921	115,297

The fair values of the Group's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS) 9 "Financial instruments: Recognition and Measurement". The fair value of the borrowings and securities sold under repurchase agreements are based on the fair value of the financial assets of the underlying securities less the accrued interest.

Financial instruments where carrying value is equal to fair value

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

Cash and due from other Banks

This amount represents short term investments and other bank balances. The fair value of these short term deposits is approximately equal to their carrying amount.

Other assets

Other assets are net of provisions for impairment. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3 **Financial risk management (continued)**

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

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

Amortised cost investments

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

Borrowings and Securities sold under Repurchase Agreements

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

Due to customers

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

Loan from parent company

The fair value of these facilities is calculated using discounted cash flow analysis of comparable GORTT borrowing rates for the term indicated, plus a spread consistent with the parent company credit rating September 2020 $269.0million (Sept 2019: $374.8million). These facilities accrues interest rates of 3 months LIBOR plus 175 basis point and 4%.

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

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period September 2020: $nil (Sept 2019: nil).

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect The Group's market assumptions. These two types of inputs have created the following fair value hierarchy:-

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

3 **Financial risk management (continued)**

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 September 2020				
Fair value securities				
- Investment securities - debt	--	2,900,886	66,430	2,967,316
- Investment securities - equity	246,644	--	10,648	257,292
Total assets	246,644	2,900,886	77,078	3,224,608
As at 30 September 2019				
Fair value securities				
- Investment securities - debt	--	3,453,474	184,782	3,638,256
- Investment securities - equity	543	--	8,421	8,964
Total assets	543	3,453,474	193,203	3,647,220

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

Reconciliation of Level 3 items

	Equity $	Debt $	Total $
Balance as at 1 October 2019	8,421	184,782	193,203
Fair value movement	2,219	(1,326)	893
Additions	--	19,505	19,505
Exchange differences	8	--	8
Disposals	--	(135,645)	(135,645)
Accrued interest	--	(1,624)	(1,624)
Amortisation	--	738	738
Balance as at 30 September 2020	10,648	66,430	77,078

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

3 **Financial risk management (continued)**

f. *Operational risk*

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

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

g. *Capital management*

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

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

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

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

The Group complied with all of the externally imposed capital requirements to which it is subject for the periods ending September 30, 2020 and September 30, 2019.

4 **Critical accounting estimates and judgements in applying accounting policies**

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

a. *Financial assets at fair value through other comprehensive income*

The Group uses the discounted cash flow method to determine the fair value of fair value through other comprehensive income financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of fair value of fair value through other comprehensive income financial assets would decrease by $158.13 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2019 - $203.47 million).

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

There were no changes to the Credit Spread Methodology this year.
The models used to determine fair values are validated and periodically reviewed by experienced personnel at Group Market Risk.

The Group recognises equity financial instruments in other comprehensive income to facilitate its business activities and for portfolio diversification. Equity financial instruments which are quoted was valued at $246.1M as at September 2020 (Sept 2019: nil). For other equities, due to the limited market information the average equity is used to determine the share price.

b. *Measurement of the expected credit loss allowance*

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

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate 6models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Valuation of Government of Barbados (GoB) Series D Instruments

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

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

c. *Loss given default*

The Loss Given Default rate on corporate senior unsecured bonds is estimated to be 60% based on the International Swaps and Derivatives Association standard Credit Default Swap contract specification for North American corporate issuers. The Loss Given Default rate on sovereign senior unsecured bonds is estimated to be 48% based on the average Loss Given Default rate on Sovereign bonds during the period 1983 to 2019 as reported by Moody's Investors Service.

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

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

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

The POCI instruments held are Government of Barbados (GoB) Series D bonds which were purchased in 2018. These bonds have a duration of 35 years which attract a coupon of 1.5%.

The GoB Series D bonds amortised price as at 1 October 2019 was 69.76 (1 October 2018: 64.63), the effective interest rate was determined at 7.56% for both 2018 and 2019 using an adjusted blended yield curve. However, because these bonds have been recognised as POCI, the effective interest rate needed to be adjusted to reflect the *expected* cash flows- net of expected credit losses. Lifetime expected credit losses were used in the estimated cash flows for the purposes of calculating the effective interest rate – resulting in a credit-adjusted effective interest rate (CAEIR). As at September 2020, the CAEIR is 6.55% (2019: 6.55%).

Interest revenue was calculated on the net carrying amount at the credit-adjusted effective interest rate i.e. including expected credit losses. At September 2020 the CAEIR interest income on the cash flows represented an accretion value of BBD 4.42 (Sept 2019: BBD 4.18). The repayment of the cash flows amounted to BBD 1.50 as per contractual terms (Sept 2019: BBD 1.38). The Expected Credit Losses which are implicit in the CAEIR needed to be adjusted based on the repayments and changes to the expected cash flow projections due to changes in Probability of Default Assumptions/Macro-economic overlay scenarios (see Note 3.a.v). The ECL unwound gain stood at BBD 3.04 as at September 2020 (Sept 2019: BB 2.32). Therefore, the POCI carrying value for the GoB Series D bonds was BBD 75.72 (Sept 2019: BBD 69.76) and the face value BBD 131,997,672 as at September 2020 (Sept 2019: BBD 131,997,672).

The impact to FCIS GoB bond exposure is reflected below:

FCIS SERIES D	POCI price movement	Sept 2020	Statement of Financial Position	Statement of Income
	BBD	BBD	TTD	TTD
FACE VALUE		**131,997,672**		
1 October 2019 price	**69.76**			
Interest accrued	4.42	5,835,316	19,899,594	19,899,594
Cash payments received	(1.50)	(1,979,965)	(6,752,077)	--
ECL Impairment unwinding	3.04	4,014,414	13,689,956	13,689,956
Reconciled September 2020 price	**75.72**	**7,869,765**	**26,837,473**	**33,589,550**

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

d. *Purchase Originated Credit-Impaired (POCI) (continued)*

The impact to FCIS GoB bond exposure is reflected below:

FCIS SERIES D	POCI price movement	Sept 2020	Statement of Financial Position	Statement of Income
	BBD	BBD	TTD	TTD
FACE VALUE		**131,997,672**		
1 October 2018 price	**64.63**			
Interest accrued	4.18	5,522,286	18,832,101	18,832,101
Cash payments received	(1.38)	(1,814,968)	(6,189,404)	--
ECL Impairment unwinding	2.33	3,062,346	10,443,212	10,443,212
Reconciled September 2019 price	**69.76**	**6,769,664**	**23,085,909**	**29,275,313**

e. *Income taxes*

Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Group is subject to income tax in various jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change.

f. *Fair valuation of properties*

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

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

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

g. *Fees and commissions*

The standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers. IFRS 15 does not distinguish between revenue from sales of goods and services or construction contracts. Instead, it defines transactions based on performance obligations satisfied over time or at a point in time. The core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services.

Revenue type	Identification of performance obligation	Satisfaction of performance obligation	Timing of revenue recognition
Capital markets	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time
Wealth Management	Revenue are recognized over a period of time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service over a period of time
Brokerage & Advisory	For general Brokerage and Advisory revenues are recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public offerings the performance obligation maybe specific to stage of completion of the services delivered	The separation of the performance obligation would be specific to the engagement and agreement with the client	For IPO fees it would be based on separation on the performance obligation as per the contact, this would be over time
Pension Fund & Private Portfolio	Revenue are recognized in accordance with pre-approved fees as per the contract, over the period the service is provided	The separation of the performance obligation would be specific to the agreement with the client	Based on the separation of the performance obligation as per the contract, this would be over time
Other	Revenue are recognized at a point in time upon full completion of the scope of works to the contract	There is no separation of performance obligation	Completion of full service at a point in time

h. *Leases*

The Group as the lessee

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

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

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

h. *Leases (continued)*

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

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the group under residual value guarantees
- the exercise price under a purchase option, if the group is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the group is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the group exercising this option

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

5 Cash and due from other Banks

	2020 $000	2019 $000
Cash and bank balances	450,263	219,636
Short-term investments	26,523	6,206
	476,786	225,842
Short-term investments:		
- Maturity within 3 months	20,930	707
- Maturity over 3 months	5,593	5,499
	26,523	6,206

The average effective interest rate on bank deposits was 0.17% (2019: 0.24%).

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

Cash balances	53,918	56,110
Short-term investments – maturity within 3 months	20,930	707
Due from other banks	396,345	163,526
	471,193	220,343

6 **Financial assets - fair value through other comprehensive income**

	2020 $'000	2019 $'000
Debt securities		
GORTT and state owned enterprises	417,707	519,959
Listed	2,237,037	2,580,808
Unlisted	312,572	537,488
	2,967,316	3,638,255
Less provision for impairment	(4,833)	(4,663)
	2,962,483	3,633,592
Equity securities		
Listed	246,142	--
Unlisted	10,648	8,421
Subtotal equities	256,790	8,421
	3,219,273	3,642,013

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

	2020 $'000	2019 $'000
At start of year	3,642,013	2,855,144
Exchange difference	10,143	2
Additions	1,019,568	1,156,333
Disposals	(1,552,029)	(613,177)
Gains from changes in fair value	99,747	240,312
Net movement in provisions	(169)	3,399
At end of year	3,219,273	3,642,013

As at 30 September 2020 there were no securities pledged under the Company's bank overdraft and short term borrowings (2019: nil). At the statement of financial position date all repurchase agreements were securitised by an underlying security.

Included in these are financial assets amounting to $2.95 billon (2019: $3.58 billion) that have been pledged to third parties under sale and repurchase agreement. These amounts do not include ECL provision and Fair Value Movements.

Included in these pledged assets, are financial assets amounting to $1.59 billion (2019: $2.14 billion) where the title was transferred under securities sold under repurchase agreements.

7 Financial assets - amortised cost

Debt securities	**2020 $'000**	**2019 $'000**
GORTT & state owned enterprises	1,186,451	1,237,531
Listed	71,189	87,662
Unlisted	1,859,045	1,779,111
Corporate	986,507	949,358
Individuals	12,523	12,587
	4,115,715	4,066,249
Less provision for impairment	(38,529)	(23,111)
	4,077,186	4,043,138

The movement in financial assets held at amortised cost for the year may be summarised as follows:

	2020 $'000	**2019 $'000**
At beginning of year	4,043,138	3,795,721
Exchange differences	6,657	18
Additions	293,176	1,260,379
Redemptions	(290,740)	(1,140,617)
Impairment of financial assets	--	109,462
Net amortisation of discounts	42,117	9,427
Amortisation of unrealised gains on reclassified assets	(1,745)	11,141
Movement of provision for impairment	(15,417)	(2,393)
At end of year	4,077,186	4,043,138

Included in these are financial assets amounting to $3.29 billion (2019: $3.17 billion) that have been pledged to third parties under sale and repurchase agreements. These amounts do not include ECL provision.

Included in these pledged assets, are financial assets amounting to $2.83 billion (2019: $2.94 billion) where title was transferred under securities sold under repurchase agreements.

8 Financial assets - fair value through profit or loss

	2020 $'000	2019 $'000
Bonds	--	--
Listed equity	502	543
	502	543

The movement for the year may be summarised as follows:

At start of year	543	13,852
Additions	--	109
Disposals	(19)	(13,465)
(Loss)/gain from changes in fair value	(23)	47
Exchange differences	1	--
	502	543

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

9 Intangible assets

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

	2020 $'000	2019 $'000
At beginning of the year	2,116	849
Additions	--	1,267
Less: Disposals	--	(1,883)
Disposal – Acc depreciation	--	1,883
Work in progress	4,314	--
At end of year	6,430	2,116
Cost	32,082	27,768
Accumulated amortisation and impairment	(25,652)	(25,652)
Net book amount	6,430	2,116

10 Property and equipment

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2020							
Opening net book amount	53,190	1,479	584	1,774	497	308	57,832
Additions	216	--	257	932	81	155	1,641
Disposals	--	--	(115)	(2,195)	(64)	--	(2,374)
Transfer	--	331	289	--	--	(463)	157
Depreciation charge	(829)	(954)	(236)	(768)	(267)	--	(3,054)
Depreciation charge on disposal	--	--	115	1,865	64	--	2,044
Exchange difference	--	5	--	--	--	--	5
Closing net book amount	52,577	861	894	1,608	311	--	56,251
At 30 September 2020							
Cost/revaluation	59,639	6,237	14,459	3,135	2,764	--	86,234
Accumulated depreciation	(7,062)	(5,376)	(13,565)	(1,527)	(2,453)	--	(29,983)
Net book amount	52,577	861	894	1,608	311	--	56,251

10 **Property and equipment (continued)**

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Total $'000
Year ended 30 September 2019							
Opening net book amount	54,017	2,321	1,074	1,393	673	--	59,478
Additions	--	--	20	1,273	120	308	1,721
Disposals	--	--	--	--	(30)	--	(30)
Depreciation charge	(827)	(842)	(510)	(892)	(286)	--	(3,357)
Depreciation charge on disposal	--	--	--	--	20	--	20
Closing net book amount	53,190	1,479	584	1,774	497	308	57,832
At 30 September 2019							
Cost/revaluation	59,423	5,893	14,176	4,397	2,746	308	86,943
Accumulated depreciation	(6,233)	(4,414)	(13,592)	(2,623)	(2,249)	--	(29,111)
Net book amount	53,190	1,479	584	1,774	497	308	57,832
At 30 September 2018							
Cost/revaluation	59,423	5,893	14,156	3,124	2,656	--	85,252
Accumulated depreciation	(5,406)	(3,572)	(13,082)	(1,731)	(1,983)	--	(25,774)
Net book amount	54,017	2,321	1,074	1,393	673	--	59,478

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

a. *Recognition of right of use asset*

Opening right of use assets

Year ended 30 September 2020	**$000**
Opening net book amount	2,707
Additions	--
Depreciation	(802)
Closing net book amount	**1,905**

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

Interest Expenses (included in finance cost)	694
Expenses related short term leases (included in rent paid)	4
	698

b. *Recognised fair value measurements*

(i) *Fair value hierarchy*

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

Level 3	**2020 $000**	**2019 $000**
Building on lease land	17,177	26,168
Land and building	25,750	17,371
Freehold land	1,650	1,650
	44,577	45,189

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Note 10 – PPE: Land and Building includes leasehold land TTD$8.45 million.

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

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

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

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

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

b. *Recognised fair value measurements (continued)*

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

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

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

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

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

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

As at 30 September 2020, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income.

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

	2020 $000	2019 $000
Cost	50,648	50,432
Accumulated depreciation	(7,062)	(6,233)
Net book amount	43,586	44,199

11 **Lease liability**

	2020 $000	2019 $000
As at 30 September 2019		
Operating lease commitment as at 30 September 2019	2,013	--
Discounted using the average cost of funding	1,905	--
Lease liability	1,905	--
Current lease liability	729	--
Non-current lease liability	1,176	--
	1,905	--

12 Other assets

	2020 $000	2019 $000
Prepayments	5,467	6,045
Fees and coupons receivable	11,864	15,710
Due from parent company	12	456
Amounts due from brokers	518	309
Other receivables	434	582
	18,295	23,102

13 Borrowings

	2020 $000	2019 $000
Medium term borrowings	443,258	434,710
Short term borrowings	1,520,048	1,724,129
	1,963,306	2,158,839

Medium term borrowings represent unsecured borrowings of US$36.09 million, and TT$200 million from clients for a period of one to three years (2019: US$35.1 million and TT$197.7 million). These debt accrues on interest rates of 2.15%, 2.5% and 3.25% on the USD, and on the TTD at 3.3% (2019: 6 month LIBOR plus 2% and 3.5% on the TTD). The average rate as at the end of September 2020 was 2.80% (2019: 3.63%).

Short term borrowings represent facilities via 3 financial institutions which are secured by the Group's investment securities held by the financial institutions:
(1) Principal US$40 million, 1.6 years maturity, 3.75% (2019: US$40 million)
(2) Principal US$120 million, 6.5 months maturity, 2.9% (2019: US$50 million)
(3) Principal US$65 million, 2 years maturity, 2.95% (2019: US$65 million)
(4) Nil (2019: US$60 million)
(5) Nil (2019: US$50 million)

The market value of the investment security held as collateral for these facilities amounted to $2,250 million at September 2020 (2019: $2,233 million) (Note 3e (i)).

14 Securities sold under repurchase agreements

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

	2020 $000	2019 $000
Invested principal	3,846,564	3,850,695
Accrued interest	50,511	49,818
	3,897,075	3,900,513
Public institutions	1,593,927	1,110,100
Private institutions	1,224,238	1,700,437
Consumer	1,078,910	1,089,976
	3,897,075	3,900,513
Current portion	3,375,879	3,356,386
Non-current portion	521,196	544,127
	3,897,075	3,900,513

Securities sold under repurchase agreements only include financial instruments classified as liabilities at amortised cost. These financial instruments accrue interest at rates between 0.1% and 4% (2019: 0.20% and 5.89%).

15 Creditors and accrued expenses

	2020 $000	2019 $000
Accrued expenses	8,600	8,000
Due to brokers	3,927	5,247
Other liabilities	62,620	73,855
Related parties	24,774	28,195
	99,921	115,297

Balances due to related parties include an amount of $22.9 million (2019: $23.2 million) owed to the Bank. This relates to an amount owing to GORTT by the Bank in respect of payments made on claims which were subsequently recovered pursuant to the Liquidity Support Agreement discussed in Note 3a(ii). Other liabilities balance as at 30 September 2020 includes amounts due for Equity and Bond settlements $47.4 million (Sept 2019: $45.2 million).

16 Loan from parent company

	2020 $000	2019 $000
Loan from parent company	268,445	372,338

This comprises two loan facilities:

1) Unsecured Medium Term US facility approved for US$40M, at a rate of 4%. Draw down balance as at September 2020: US$39.2M (Sept 2019: US$40M at 4%), repayable Mar 2022.

2) Line of credit approved for US$25M. Drawn down balance as at September 2020: nil (Sept 2019: US$14.8M).

17 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using tax rates of 30% for Trinidad and 5.5% for Barbados (2019: 30% and 5.5%).

The movement on the deferred tax account is as follows:	2020 $000	2019 $000
At beginning of year	91,355	17,555
Fair value reserves (Note 18)	27,670	70,727
Statement of income charge (Note 27)	1,362	3,124
Adjustment for deferred tax on Barbados branch restructuring	--	(51)
	120,387	91,355

17 **Deferred tax (continued)**

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

	Opening balance Sept 2019 $'000	Fair value reserves $'000	(Credit) / Charge to statement of income $'000	Closing balance Sept 2020 $'000
Financial assets at fair value through profit or loss	(222)	--	(9)	(231)
Provisions	(129)	--	--	(129)
Deferred tax asset	(351)	--	(9)	(360)
Fair value re-measurement	44,811	29,564	(266)	74,109
Amortisation	3,253	(1,894)	--	1,359
Unrealised exchange gains	6,213	--	188	6,401
Adjustment to zero coupon maturity	--	--	(1,466)	(1,466)
Zero coupon instruments	35,926	--	1,020	36,946
Accelerated tax depreciation	1,554	--	1,844	3,398
Adjustment for Barbados branch restructuring	(51)	--	51	--
Deferred tax liability	91,706	27,670	1,371	120,747
Net deferred tax liability	91,355	27,670	1,362	120,387

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

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

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

17 **Deferred tax (continued)**

The Group does not have any unrecognised losses as at September 2020 (Sept 2019: nil). Deferred tax assets are expected to be recovered as follows:

	2020 $000	2019 $000
Within 12 months	--	--
After 12 months	360	351
	360	351

Deferred tax liabilities are expected to be realised as follows:

Within 12 months	9,799	7,767
After 12 months	110,588	83,588
At end of year	120,387	91,355

18 **Share capital**

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

	2020 $'000	2019 $'000
Authorised		
An unlimited number of shares at par value		
Issued and fully paid		
637,697,000 ordinary shares of no par value	637,697	637,697

19 **Fair value reserves**

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

For debt financial assets the fair value reserve comprises the cumulative net change in the fair value of the fair value through other comprehensive income financial assets, net deferred tax, until the assets are derecognised or impaired. For equity financial assets, any movement in fair value is recognised through other comprehensive income and are not recycled to the Statement of Income.

ii *Fair value reserve – Amortised cost*

The fair value reserve comprises the cumulative gains on amortised cost financial assets, net deferred tax. These gains are being amortised during the life of the relevant instruments. These related to instruments previously classified as AFS which were reclassified to HTM under the temporary guidance allowed under IAS 39 re reclassifications.

iii *Fair value reserve - Land and buildings*

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

19 Fair value reserves (continued)

	2020 $000	2019 $000
Financial assets - fair value through other comprehensive income	174,365	104,060
Financial assets - amortised cost	2,735	7,155
Land and building	991	991
Foreign exchange	--	--
At end of year	178,091	112,206

Financial assets - fair value through other comprehensive income

	2020 $000	2019 $000
At the beginning of year	104,060	(62,790)
Adjustment for FV branch acquisition	--	266
Net gain from changes in fair value	99,864	238,195
Deferred tax charge (Note 16)	(29,564)	(71,611)
Exchange differences	5	--
At end of year	174,365	104,060

Financial assets - amortised cost
These financial instruments refer to reclassification from AFS assets to HTM under IAS 39 requirement

	2020 $000	2019 $000
At beginning of year	7,155	10,494
Adjustment for FV branch acquisition	--	168
Adjustment	(3,624)	--
Adjustment to deferred tax	1,087	
Amortisation	(2,691)	(4,391)
Deferred tax on amortisation (Note 16)	808	884
At end of year	2,735	7,155

Land and building

	2020 $000	2019 $000
At beginning of year	991	991
Net gains from changes in fair value	--	--
At end of year	991	991

Foreign exchange reserve

	2020 $000	2019 $000
At beginning of year	--	10,539
Exchange differences	--	(10,539)
At end of year	--	--

20 Interest income

	2020 $000	2019 $000
Amortised cost	209,114	201,972
Fair value through other comprehensive income	131,165	131,229
Fair value through profit or loss	--	16
Other	4,423	4,041
	344,702	337,258

21 Interest expense

	2020 $000	2019 $000
Securities sold under repurchase agreements	89,791	101,480
Borrowings	70,488	58,159
Loan from parent company	12,238	11,597
Other	1,016	815
	173,533	172,051

22 Fees and commissions

Capital Markets - placement fees	7,368	10,959
Brokerage and Advisory - other	903	752
Wealth Management	5,221	4,165
Brokerage & Advisory - equity	3,182	1,716
Pension Fund & Private Portfolio	61,026	69,755
Other	99	196
	77,799	87,543

All fees and commissions are specific to the service contract and are recognised at a point in time, except for Brokerage and Advisory services for initial public offering (IPO) which are recognised over time. Pension and Private Portfolio, Wealth Management and Other fees and commissions are recognised as per the performance obligation and the fees are recognised over time.

23 Gain on financial assets

Net realised (loss)/gain on fair value through profit or loss	(42)	746
Net realised gains on bonds and other trading	13,295	20,454
	13,253	21,200

24 Other income

Bank interest income	80	82
Other	911	220
Rental income	262	137
Dividend income	297	435
	1,550	874

25 Impairment

Statement of income		
Increase in provisions for impairment	20,186	4,860
Increase in general provision	287	--
POCI impairment write back	(13,890)	(10,443)
Direct write offs to income	(4,557)	(5,348)
Provision for impairment – tax recoverable	--	357
	2,026	(10,574)
Statement of financial position		
Balance as at 1 October	27,774	184,708
Written off GoB provision (Note 4(iv))	--	(112,570)
Increase in provisions for impairment	20,243	8,106
Provisions written off	(4,723)	(53,126)
Transferred to parent	--	656
Exchange differences	67	--
Balance as at 30 September	43,361	27,774

26 Administrative expenses

	2020 $000	2019 $000
Staff costs (Note 26.a)	32,943	35,857
Depreciation	3,054	3,357
	35,997	39,214

a. *Staff costs*

	2020 $000	2019 $000
Wages and salaries	22,888	24,575
Pension	2,261	2,078
National insurance	1,027	1,223
Other	6,767	7,981
	32,943	35,857

27 Other operating expenses

	2020 $000	2019 $000
Information technology expenses	3,426	3,876
Office expenses	6,552	7,056
Consultancy & outside services	9,780	9,228
SLA Management charges	12,000	12,000
Other expenses	5,597	3,873
	37,355	36,033

28 Taxation

	2020 $000	2019 $000
Corporation tax	34,805	36,354
Prior year (over)/under provision	(1,250)	4,977
Deferred tax (Note 16)	1,362	3,124
	34,917	44,455

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

	2020 $000	2019 $000
Profit before tax	189,384	208,351
Tax calculated at tax rates applicable to profits in respective countries	55,941	70,238
Income exempt from tax	(30,727)	(31,777)
Expenses not deductible for tax purposes	16,736	12,066
Under provision prior year	(1,250)	4,594
Net effect of other charges and allowances	(5,852)	(12,176)
Effects of different tax rates	69	1,510
	34,917	44,455

29 Assets under management

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

	2020 $000	2019 $000
Off-consolidated statement of financial position investments	15,618,590	14,946,630

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

Effective 1 September 2018, First Citizens Investment Services Limited (FCIS) acquired the Company at its net book value of TT$29 million. The ultimate parent company is First Citizens Holdings Limited, a company with a 64.43 % controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Company’s registered office is 17 Wainwright Street, St. Clair, Port of Spain.

30 Related party transactions

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

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

	2020 $’000	2019 $’000
a. *Directors and key management personnel*		
Statement of financial position		
Loan and receivable	--	--
Securities sold under repurchase agreements	(707)	(690)
	(707)	(690)
Statement of income		
Interest income	--	--
Interest expense	(13)	(11)
Salaries and other short-term employee benefits	(6,308)	(5,386)
	(6,321)	(5,397)

30 **Related party transactions (continued)**

b. *Related companies*

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2020:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	108	7	57,895
Interest expense	(12,238)	(5,634)	--
	(12,130)	(5,627)	57,895
Statement of financial position			
Assets			
Cash and cash equivalents	353,650	20,780	--
Other assets	--	12	--
Financial assets	--	--	1,353,705
Liabilities			
Securities sold under repurchase agreements	--	(339,041)	--
Creditors and accrued expenses	(23,066)	(1,554)	--
Loan from parent company	(268,445)	--	--
	62,139	(319,803)	1,353,705

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

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	161	--	51,238
Interest expense	(11,597)	(4,270)	--
	(11,436)	(4,270)	51,238
Statement of financial position			
Assets			
Cash and cash equivalents	132,503	8,574	--
Other assets	--	374	--
Financial assets	--	--	1,307,422
Liabilities			
Securities sold under repurchase agreements	--	(186,896)	--
Creditors and accrued expenses	(25,520)	(2,625)	--
Loan from parent company	(372,338)	--	--
	(265,355)	(180,573)	1,307,422

31 **Contingent liabilities**

At the consolidated statement of financial position date there were no contingent liabilities (2019: nil).

32 **Subsequent events**

There were no events after the financial position date which were material to the financial statements and should have resulted in adjustment to the financial statement or disclosures when the financial statements were authorised for issue.