

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

Consolidated Financial Statements

30 September 2021

*(Expressed in Trinidad and Tobago Dollars)*

# **First Citizens Investment Services Limited And Its Subsidiaries**

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<b>Contents</b>	<b>Page</b>
Statement of Management's Responsibilities	1
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Income	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 – 75

# First Citizens Investment Services Limited And Its Subsidiaries

## Statement of Management's Responsibilities

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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 2021, 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  
22 November 2021



Head of Finance  
22 November 2021



## 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 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *What we have audited*

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2021;
- the consolidated 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 significant accounting policies and other explanatory information.

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#### Basis for opinion

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

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

#### *Independence*

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

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

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

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

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## **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.

The logo for PricewaterhouseCoopers, featuring the company name in a blue, cursive script font.

Port of Spain  
Trinidad, West Indies  
23 November 2021

# First Citizens Investment Services Limited And Its Subsidiaries

## Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 September	
		2021 \$'000	2020 \$'000
<b>Assets</b>			
Cash and due from Banks	5	265,085	476,786
Financial assets			
- Fair value through other comprehensive income	6	2,807,717	3,219,273
- Amortised cost	7	3,939,450	4,077,186
- Fair value through profit or loss	8	607	502
Intangible assets	9	8,790	6,430
Property and equipment	10	44,983	56,251
Right of use assets	10	1,269	1,905
Other assets	12	41,414	18,295
Deferred income tax asset	17	998	--
Tax recoverable		19,977	27,830
<b>Total assets</b>		<u>7,130,290</u>	<u>7,884,458</u>
<b>Liabilities</b>			
Borrowings	13	1,518,109	1,963,306
Funds under management		6,420	28,240
Securities sold under repurchase agreements	14	3,356,300	3,897,075
Creditors and accrued expenses	15	109,342	99,921
Loan from parent company	16	362,740	268,445
Lease liabilities	11	1,211	1,905
Deferred income tax liability	17	114,225	120,387
Tax payable		23,482	8,292
<b>Total liabilities</b>		<u>5,491,829</u>	<u>6,387,571</u>
<b>Shareholders' equity</b>			
Share capital	18	637,697	637,697
Retained earnings		775,911	681,099
Fair value reserves	19	224,853	178,091
<b>Total shareholders' equity</b>		<u>1,638,461</u>	<u>1,496,887</u>
<b>Total equity and liabilities</b>		<u>7,130,290</u>	<u>7,884,458</u>

The notes on pages 9 to 75 are an integral part of these consolidated financial statements.

On 22 November 2021 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	
		2021 \$'000	2020 \$'000
Interest income	20	302,326	344,702
Interest expense	21	<u>(138,434)</u>	<u>(173,533)</u>
<b>Net interest income</b>		163,892	171,169
Fees and commissions	22	107,057	77,799
Gain on financial assets	23	15,815	13,253
Foreign exchange (loss)/gain		(2,009)	991
Other income	24	<u>12,826</u>	<u>1,550</u>
<b>Total net revenue</b>		297,581	264,762
Impairment gain/(loss) on financial assets	25	13,151	(1,588)
Impairment loss on non-financial assets	26	(6,554)	(438)
Administrative expenses	27	(39,589)	(35,997)
Other operating expenses	28	<u>(49,698)</u>	<u>(37,355)</u>
<b>Profit before taxation</b>		214,891	189,384
Taxation charge	29	<u>(42,062)</u>	<u>(34,917)</u>
<b>Profit for the year</b>		<u><u>172,829</u></u>	<u><u>154,467</u></u>

The notes on pages 9 to 75 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	
		2021 \$'000	2020 \$'000
<b>Profit for the year</b>		172,829	154,467
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property and equipment	19	(403)	--
Items reclassified to retained earnings		<u>--</u>	<u>4,713</u>
		<u>(403)</u>	<u>4,713</u>
<i>Items that may be reclassified to profit or loss</i>			
Adjustment for financial assets measured at amortised cost	19	--	(2,537)
Net gains on investments in debt instruments designated at FVOCI	19	47,756	70,305
Net losses on financial assets measured at amortised cost	19	<u>(591)</u>	<u>(1,883)</u>
		<u>47,165</u>	<u>65,885</u>
<b>Total other comprehensive income for the year net of tax</b>		<u>46,762</u>	<u>70,598</u>
<b>Total comprehensive income for the year</b>		<u>219,591</u>	<u>225,065</u>

The notes on pages 9 to 75 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
<b>Balance at 1 October 2020</b>	<u>637,697</u>	<u>681,099</u>	<u>178,091</u>	<u>1,496,887</u>
Profit for the year	--	172,829	--	172,829
Other comprehensive income	--	--	46,762	46,762
Total comprehensive income for the year	--	172,829	46,762	219,591
<i>Transactions with owners</i>				
Dividends paid	--	(78,017)	--	(78,017)
Total transactions with owners	--	(78,017)	--	(78,017)
<b>Balance at 30 September 2021</b>	<u>637,697</u>	<u>775,911</u>	<u>224,853</u>	<u>1,638,461</u>
<b>Balance at 1 October 2019</b>	<u>637,697</u>	<u>603,867</u>	<u>112,206</u>	<u>1,353,770</u>
Profit for the year	--	154,467	--	154,467
Adjustment to retained earnings	--	4,713	--	4,713
Other comprehensive income	--	--	65,885	65,885
Total comprehensive income for the year	--	159,180	65,885	225,065
<i>Transactions with owners</i>				
Dividends paid	--	(81,948)	--	(81,948)
Total transactions with owners	--	(81,948)	--	(81,948)
<b>Balance at 30 September 2020</b>	<u>637,697</u>	<u>681,099</u>	<u>178,091</u>	<u>1,496,887</u>

The notes on pages 9 to 75 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	
		2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation		214,891	189,384
Adjustments to reconcile profit to net cash from operating activities:			
Impairment (gain)/loss on financial assets		(13,151)	1,588
Impairment loss on non-financial assets		6,554	438
Interest income		(302,325)	(344,702)
Interest received		308,247	342,962
Interest expense		138,434	173,533
Interest paid		(148,926)	(173,710)
Interest on right of use assets		57	109
Repayment of principal on right of use assets		(751)	(694)
Depreciation		5,722	3,054
Depreciation for right of use assets		636	694
Amortisation		984	--
Gain on disposal of property and equipment		(19)	--
Unrealised foreign exchange loss/(gain)		96	(861)
Unrealised loss on financial assets		21	19
Income taxes paid		<u>(44,853)</u>	<u>(29,801)</u>
Cash flows from operating activities before changes in operating assets and liabilities		165,617	162,013
Net change in fair value through other comprehensive income financial assets		455,213	507,347
Net change in amortised cost financial assets		146,396	(47,906)
Net change in fair value through profit or loss		(55)	22
Net change in other assets		(14,707)	83,946
Net change in securities sold under repurchase agreements		(526,142)	(4,637)
Net change in creditors and accrued expenses		22,245	(65,169)
Net change in funds under management		(21,816)	2,489
Net change in borrowings		<u>(445,198)</u>	<u>(195,533)</u>
<b>Net cash flows (used in)/generated from operating activities</b>		<u>(218,447)</u>	<u>442,572</u>
<b>Cash flows from investing activities</b>			
Net change in short term investment		(76)	(94)
Proceeds from disposal of financial assets		--	329
Proceeds from disposal of property and equipment		272	--
Purchase of financial assets		(5,459)	--
Purchase of intangible assets		--	(4,314)
Purchase of property and equipment		<u>(1,120)</u>	<u>(1,803)</u>
<b>Net cash flows used in investing activities</b>		<u>(6,383)</u>	<u>(5,882)</u>
<b>Cash flows from financing activities</b>			
Receipt/(repayment) of loan from parent company		94,295	(103,892)
Ordinary dividend paid		<u>(78,017)</u>	<u>(81,948)</u>
<b>Net cash flows used in financing activities</b>		<u>16,278</u>	<u>(185,840)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(208,552)	250,850
<b>Cash and cash equivalents at beginning of year</b>		<u>471,193</u>	<u>220,343</u>
<b>Cash and cash equivalents at end of year</b>	5	<u><u>262,641</u></u>	<u><u>471,193</u></u>

The notes on pages 9 to 75 are an integral part of these consolidated financial statements.

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 1 General information

First Citizens Investment Services Limited (“the Company”) and its subsidiaries (together “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 in the Bank and which is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the Bank’s 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.

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 (Trin city) Limited
- FCIS Nominees Limited; and
- 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.

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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*
- Amendments to IAS 1 and IAS 8 - Definition of Material (for annual periods beginning on or after 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, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform-Phase 2 (for annual periods beginning on or after 1 January 2021). The amendments in *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.
  - Amendment to IFRS 3 –Amendments in *Definition of a Business* (for annual periods beginning on or after 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 (for annual periods beginning on or after 1 June 2020)*. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The adoption of these standards do not give rise to any material impact to the financial statements.

- (ii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intend use (Effective 1 January 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
  - Amendments to IAS 37 – Onerous Contracts-Cost of fulfilling a contract (Effective 1 January 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
  - Amendment to IFRS 3 –Reference to the Conceptual Framework (Effective 1 January 2022). *The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.*

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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 IAS 1 – Classification of Liabilities as Current or Non-Current (Effective 1 January 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- Amendments IAS1, IAS 39 and IFRS Practice Statement 2 –Disclosure of Accounting Policies (Effective 1 January 2023). The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
- Amendment to IAS 8 –*Definition of Accounting Estimates (Effective 1 January 2023)*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (*Effective 1 June 2023*). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The Group is in the process of assessing the impact of the new and revised standards not yet effective on the 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.

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.

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### b. Consolidation (continued)

##### (ii) Investment in subsidiaries

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

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

##### (iii) Business combinations and goodwill

Acquisition-related costs are expensed as incurred.

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

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

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

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### c. Foreign currency translation

##### (i) Functional and presentation currency

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

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

The exchange rate between the TT dollar and the US dollar to 30 September 2021 was TT\$6.6926 = US\$1.00 (2020: TT\$6.7124 = US\$1.00), the TT dollar and the XCD dollar was TT\$2.5190 = XCD\$1.00 (2020: TT\$2.5265 = XCD\$1.00), and the TT dollar and the Barbados dollar was TT\$3.4102 = BBD\$1.00 and the TT dollar and the Jamaican dollar was TT\$0.0447 = JMD\$1.00 (2020: TT\$0.0473 = JMD\$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.

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.

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### e. Financial assets and financial liabilities

##### (i) Financial assets

The Group classifies its financial assets based on the following business models:

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

Based on these factors, the Group classifies its financial 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 are 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", except for foreign exchange on non-monetary assets which are measured in accordance to c.ii above in which case there is no recycling to the Statement of 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 (FVTPL)*

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 measured at fair value through profit or loss and is not part of a hedging relationship is recognised and presented in the statement of income within "Gains/(loss) from financial assets". All equity gains and losses are recognized in the statement of income except for those designated at initial recognition to FVOCI or for those equities which are held for the strategic business operations.

# First Citizens Investment Services Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

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

##### (i) Financial assets (continued)

##### (a) 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. 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.
- Management's 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 and sell	Hold for trading
Bonds Issued by or guaranteed by Government of Trinidad & Tobago (GORTT) more than 3 years at recognition	Bonds Issued by or guaranteed by Government of Trinidad & Tobago less than 3 years at recognition	Actively Traded (Capital Gains) Portfolio
Non-Eurobonds maturing in greater than 3 years at recognition	Eurobonds	Equities
Securities sold under repurchase agreements to clients and brokers	Non-Eurobonds maturing in less than 3 years at recognition	
Long Term Borrowings from brokers in the form of Total Return Swaps	Equities initially designated to OCI	
Medium Term Notes		

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

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

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

##### (i) Financial assets (continued)

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

###### *Hold to collect*

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

###### *Hold to collect and sell*

Where the business model is to hold assets to collect and sell, it incorporates the above assessment of SPPI. In addition, the Group manages liquidity and credit risk using both expected and contractual cash flows, through its fair value OCI portfolio and through the disposal of assets.

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 and foreign exchange 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.

###### *Hold for trading*

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

##### (b) 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

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

##### (i) Financial assets (continued)

##### (c) 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).

##### *Derecognition other than on a modification*

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

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

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### e. 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 Group's business model

##### (ii) Financial liabilities

###### *Classification and subsequent measurement of financial liabilities*

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).

###### *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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### 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 (see note 4.a.).

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

Securities sold under 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 banks or customers as appropriate.

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

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### j. Lease transactions

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

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 Repo rate. Lease liabilities include the net present value of the following lease payments:-

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

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

Payments associated with short-term leases and all low-value assets are recognised on a straight-line basis as an expenses in the Consolidated 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.

#### (ii) The Group as the lessor

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

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### k. Property and equipment

Freehold premises are shown at fair value based on assessments performed by management or by independent valuers 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 and equipment are stated at historical cost less depreciation.

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

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

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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### 1. *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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### m. *Employee benefits*

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

First Citizens Bank 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 Bank, taking account of the recommendations of independent qualified actuaries.

The Bank's defined benefit plan operates as a plan which shares risks among subsidiaries of the 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 Bank recognises a cost equal to its contribution payable for its employees in its separate financial statements.

The liability or asset is recognised in the Bank's statement of financial position. In respect of the defined benefit pension plan, as at September 2021, the defined benefit pension plan asset represented the fair value of the plan's asset less the present value of the obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The Group's contribution to the plan amounted to \$2.9M (2020: \$1.9M) (Note 27). These contributions would have been recharged by the Bank and settled through the intercompany.

##### (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 share 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 Banks*

For purposes of the consolidated statement of cash flows, cash and due from banks are comprised of cash balances on hand, deposits with banks and short-term highly liquid investments with original maturities of three months or less.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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 includes 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*

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.

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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### r. Borrowings

Borrowings are recognised initially at fair value, exclusive of transaction costs. 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 when ever there is an indication that the asset may be impaired.

#### (i) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGU"), 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### u. *Intangible assets (continued)*

##### (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 are recognised as assets when the following criteria are met:-

- It is technically feasible to complete the software and use it
- Management intends to complete the software and use it
- There 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).

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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 Board 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 Bank Board of Directors 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.

Credit risk management is extended to the subcommittee of the Board of Directors who sit on the Risk Management Committee (RMC), which has oversight and monitors the risk appetite for the investment portfolio for the First Citizens Investment Bank ("the Group").

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

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk

Credit risk is a significant 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 Unit which reports regularly to the Group Chief Risk Officer and the Board Credit Committee.

Credit risk arises mainly from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

#### (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 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.

#### (ii) Credit risk grading

The Company uses internal credit risk grading or ratings which reflect its assessment of the risk profile or PD of counterparties. The Group utilises one (1) rating model for investment securities.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

#### (ii) Credit risk grading (continued)

##### Investment securities

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

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

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

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

#### (iii) Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by The 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.
- For financial instruments in Stage 1, the respective ECL's are measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 respective ECL's are measured based on the 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.



# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (v) 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
<b>Absolute Measure</b>	PD – 12.5% or lower	PD - 25% or lower
<b>AND</b>	AND	AND
<b>Relative Measure</b>	Credit rating reverts to level just prior to the SICR	One notch upgrade (investment securities rating scale)
<b>OR</b>	OR	OR
<b>Special Consideration</b>	No credit stop loss breaches	No credit stop loss breaches

##### (vi) 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (vii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

- PD represents the likelihood of a borrower defaulting on its financial obligation (as defined in note 3.a.iv), either over the next twelve (12) months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, either over the next twelve (12) months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance of the investment.
- LGD - For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2020). 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.

##### (viii) Forward-looking information incorporated in the ECL models

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

##### *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 worst. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 September 2021 incorporate the impact of COVID-19, as such the forward looking scenarios factor in the economic shock of the pandemic.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (ix) Forward-looking information incorporated in the ECL models (continued)

##### Determination of macroeconomic scenarios and probabilities (continued)

The following are the lead sovereign indicators used in the macroeconomic overlay:

##### TRINIDAD AND TOBAGO:

Lead Indicators:

- WTI Oil Price
- T&T FX Reserves

Both indicators are negatively related to sovereign risk, suggesting that higher oil price and FX reserves will positively impact upon the economy and therefore reduce ECLs.

##### BARBADOS

Lead Indicators:

- WTI Oil Price
- US Dollar Index

Both indicators are positively related to sovereign risk, suggesting that higher oil prices and a stronger US dollar will have adverse implications for the Barbados economy and therefore will increase ECLs.

##### ST LUCIA/ ST VINCENT AND THE GRENADINES

Lead Indicators:

- US GDP Growth Rate
- US Unemployment Rate

US GDP growth rate is negatively related to sovereign risk of the ECCU members, suggesting that increases in US GDP growth reduces ECL, while US unemployment rate is positively related to sovereign risk, indicating that as US unemployment rate rises, the ECCU economies are negatively impacted, resulting in higher ECLs.

While there are other components that may impact upon the final ECLs, from a macroeconomic perspective, by using the link between the lead economic variables and sovereign risk, we generalise that once the lead indicators positively impact the economies, ECLs are likely to decline. On the other hand, if the lead indicators negatively impact the economies, ECLs are likely to increase.

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.

For example, the following credit ratings were forecasted for the next three years using these macro-economic scenarios for Barbados. 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.

	Current rating (as at September 2021)								
Current rating (as at September 2021)	2022			2023			2024		
	Base	Worst	Best	Base	Worst	Best	Base	Worst	Best
B-	B-	CCC+	B	B-	B-	B	B-	B-	B
	B-	C	B-	B-	B-	B-	B-	B-	B-
Probability of Transition (in %)	79.02%	4.71%	16.27%	76.69%		23.31%	69.65%		30.35%

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (ix) Forward-looking information incorporated in the ECL models (continued)

###### *Determination of macroeconomic scenarios and probabilities (continued)*

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.

##### (x) 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 (3) risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the 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. Investment securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

##### (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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (x) Risk limit control and mitigation policies (continued)

##### (d) Liquidity support agreement (continued)

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 successive periods from 16 May 2015 with the most recent being from 1 March 2022 to 28 February 2023.

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\$106,970,468 and the amount of the Commercial Paper due TT\$258,472,867. The LSA extension was executed on 27 September 2021 confirming the extension to the expiration of the LSA on 28 February 2023. These are classified as amortised cost in the Consolidated Statement of Financial Position.

##### (xi) Maximum exposure to credit risk before collateral held or other credit enhancement

Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows:

	Gross maximum exposure Sept 2021 \$'000	Gross maximum exposure Sept 2020 \$'000
Cash and due from banks	265,085	476,786
Financial assets		
- Fair value through other comprehensive income	2,368,082	2,967,316
- Amortised cost	3,969,442	4,115,715
Other assets	31,149	12,828
	<u>6,633,758</u>	<u>7,572,645</u>

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

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, 4% of the total maximum exposure is derived from cash and due from banks and receivables (2020: 6%); while 96% represents investments in other debt securities (2020: 94%).

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xi) Maximum exposure to credit risk before collateral held or other credit enhancement (continued)

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 banks and assets held at amortised cost portfolio and its other debt securities based on the following:

- The Group has maintained a 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 2021, more than 55.7% (2020: 57.1%) 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.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 Group, the Group would realise no losses on these assets. The amount outstanding to FCIS stood at TT\$258.5M and US\$106.97M as at 30 September 2021 (2020: TT\$249.9M and US\$103.9M) and continues to accrue interest.
- The Group's portfolio carries exposure to the credit risk of the Government of Barbados securities which at the Consolidated Statement of Financial Position date accounted for BB\$107M, 5.49% of the value of Investment Securities (2020: BB\$99.9M, 4.76%).
- The Group's exposure to the GORTT debt included in financial assets as at 30 September 2021 was TT\$1.8B, 26.6% (2020: TT\$1.6B, 22.6%).

##### (xii) Financial assets

Included in amortised cost past due but not impaired are amounts due from CL Financial and its affiliates of \$974.4M which matured but are indemnified under the Liquidity Support Agreement (LSA) (2020: \$947.3M). All principal and interest payments due on these advances are covered under the LSA as detailed in 3.a.ix.

Further, 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 #14) indicating the Bank's intention to claim the full settlement by 30 September 2021 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 27 September 2021 stated its execution of an extension of the LSA for the period 1 March 2022 to 28 February 2023.

As at the Statement of Financial Position date, the total outstanding under the LSA was: US\$107,456,001 and TT\$268,033,784.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xiii) Debt and other investment securities

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

#### 30 September 2021

	Fair value through other comprehensive income securities \$'000	Amortised cost securities \$'000	Fair value through profit or loss securities \$'000	Total \$'000
Investment grade	1,722,681	1,806,158	--	3,528,839
Speculative grade	645,401	2,163,284	--	2,808,685
<b>Total</b>	<b>2,368,082</b>	<b>3,969,442</b>	<b>--</b>	<b>6,337,524</b>

#### 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	2,220,256	1,933,572	--	4,153,828
Speculative grade	747,060	2,182,143	--	2,929,203
<b>Total</b>	<b>2,967,316</b>	<b>4,115,715</b>	<b>--</b>	<b>7,083,031</b>

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 2021				
	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	POCI \$'000	Total \$'000
Credit rating					
Investment grade	3,148,893	15,020	--	364,926	3,528,839
Non-investment grade	2,634,608	161,600	12,477	--	2,808,685
<b>Gross investments</b>	<b>5,783,501</b>	<b>176,620</b>	<b>12,477</b>	<b>364,926</b>	<b>6,337,524</b>
Loss allowance - ECL	(21,300)	(11,267)	(5,954)	--	(38,521)
<b>Carrying balance</b>	<b>5,762,201</b>	<b>165,353</b>	<b>6,523</b>	<b>364,926</b>	<b>6,299,003</b>

	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
<b>Gross investments</b>	<b>6,656,419</b>	<b>66,908</b>	<b>12,523</b>	<b>347,181</b>	<b>7,083,031</b>
Loss allowance - ECL	(24,899)	(12,499)	(5,964)	--	(43,362)
<b>Carrying balance</b>	<b>6,631,520</b>	<b>54,409</b>	<b>6,559</b>	<b>347,181</b>	<b>7,039,669</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xiv) 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 Government of Barbados bonds were recognised as at 1 October 2018 as Purchased or Originated Credit Impaired (POCI). These bonds originated at a deep discount that reflects incurred credit losses. An effective interest rate based on the expected cash flows net of expected credit losses is used. This is known as at Credit Adjusted Effective Interest Rate (CAEIR).
- The POCI value at 30 September 2021 was BBD 81.07 (2020: BBD 75.72) with a face value of BBD131,997,672 (2020: BBD131,997,672) (Refer to Note 4 d).

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	POCI \$'000	Total \$'000
<b>Loss allowance as at 1 October 2020</b>	(24,899)	(12,499)	(5,964)	--	(43,362)
<b>Movement with P&amp;L Impact</b>					
Transfer from stage 1 to stage 2	448	(448)	--	--	--
Transfer from stage 2 to stage 3	--	1,699	(1,699)	--	--
New financial assets originated	(1,557)	(8)	--	--	(1,565)
Change in PDS/LGDs/EADs	3,200	(43)	--	--	3,157
Disposal of Investment	1,444	--	--	--	1,444
Modifications of contractual cash flows	--	--	--	--	--
Unwind of discounts	--	--	--	--	--
FX and other movements	64	32	10	--	106
<b>Total net P&amp;L charge during the period</b>	<b>3,599</b>	<b>1,232</b>	<b>(1,689)</b>	<b>--</b>	<b>3,142</b>
<b>Other movement with no P&amp;L impact</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Financial assets derecognised during the period	--	--	1,699	--	1,699
Write-offs	--	--	--	--	--
<b>Loss allowance as at 30 September 2021</b>	<b>(21,300)</b>	<b>(11,267)</b>	<b>(5,954)</b>	<b>--</b>	<b>(38,521)</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xiv) Loss allowance (continued)

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	POCI \$'000	Total \$'000
<b>Loss allowance as at 1 October 2019</b>	(17,655)	(4,166)	(5,954)	--	(27,775)
<b>Movement with P&amp;L Impact</b>	--	--	--	--	--
Transfer from stage 1 to stage 2	2,424	(2,424)	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
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	(44)	(13)	(10)	--	(67)
<b>Total net P&amp;L charge during the period</b>	<b>(7,244)</b>	<b>(8,333)</b>	<b>(10)</b>	<b>--</b>	<b>(15,587)</b>
<b>Other movement with no P&amp;L impact</b>					
Financial assets derecognised during the period	--	--	--	--	--
Write-offs	--	--	--	--	--
<b>Loss allowance as at 30 September 2020</b>	<b>(24,899)</b>	<b>(12,499)</b>	<b>(5,964)</b>	<b>--</b>	<b>(43,362)</b>

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

- The derecognition of financial assets with a gross carrying amount of \$6.9M, resulted in the reduction of the Stage 3 allowance by \$1.7M.

The following table further explains changes in the gross carrying amount of the debt portfolio to help explain their significance to the changes in the loss allowance.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

a. Credit risk (continued)

(xiv) Loss allowance (continued)

Investments	Stage 1	Sage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying balance as at 1 October 2020</b>	6,656,419	66,908	12,523	347,181	7,083,031
Transfer from stage 1 to stage 2	(160,824)	160,824	--	--	--
Transfer from stage 2 to stage 3	--	(6,929)	6,929	--	--
Transfer from credit impaired to stage 1	5,329	--	--	(5,329)	--
New financial assets originated	516,067	2,484	--	--	518,551
Disposal/Maturities of investment	(1,231,609)	(42,034)	(37)	--	(1,273,680)
Unwind of discounts	15,011	(4,541)	--	24,099	34,569
FX and other movements	(16,892)	(92)	(9)	(1,025)	(18,018)
Change in the carrying value	(872,918)	109,712	6,883	17,745	(738,578)
Financial assets derecognised during the period	--	--	(6,929)	--	(6,929)
<b>Gross carrying balance as at 30 September 2021</b>	<b>5,783,501</b>	<b>176,620</b>	<b>12,477</b>	<b>364,926</b>	<b>6,337,524</b>

Investments	Stage 1	Sage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying balance as at 1 October 2019</b>	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	--	--	--	--	--
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
<b>Gross carrying balance as at 30 September 2020</b>	<b>6,656,419</b>	<b>66,908</b>	<b>12,523</b>	<b>347,181</b>	<b>7,083,031</b>

(xv) 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 2021 was nil (2020: 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xvi) 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. 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
<b>At 30 September 2021</b>						
Cash and due from Banks	--	5,118	--	259,967	--	265,085
Financial assets:						
- Fair value through other comprehensive income	89,408	564,148	344,541	1,287,108	74,348	2,359,553
- Amortised cost	--	--	--	3,939,450	--	3,939,450
Other assets	--	337	297	30,515	--	31,149
<b>At 30 September 2021</b>	<b>89,408</b>	<b>569,603</b>	<b>344,838</b>	<b>5,517,040</b>	<b>74,348</b>	<b>6,595,237</b>
	Asia \$000	North America \$000	South & Central America \$000	Caribbean \$000	Other countries \$000	Total \$000
<b>At 30 September 2020</b>						
Cash and due from 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
<b>At 30 September 2020</b>	<b>119,234</b>	<b>678,709</b>	<b>434,295</b>	<b>6,221,593</b>	<b>75,452</b>	<b>7,529,283</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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 test the portfolio at 30 September 2021 based on a 100 basis point (1%) upward parallel shift in all yield curves, this would result in mark to market losses of \$294.48M (2020: \$310.10M).

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 2021, the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

	USD \$'000	EC \$'000	JMD \$'000	BBD \$'000
<b>At 30 September 2021</b>				
Gain/(loss)	20,575	(3,778)	11,185	921
<b>At 30 September 2020</b>				
Gain/(loss)	17,747	(5,365)	6,151	305

##### Group 1-day VAR by portfolio

	30 September 2021			30 September 2020		
	Average \$'000	High \$'000	Low \$'000	Average \$'000	High \$'000	Low \$'000
Trading	10,065	15,331	6,785	30,584	117,478	10,801
Non-trading	28,380	30,314	16,564	14,401	18,693	9,980
Total VAR	38,445	45,645	23,349	44,985	136,171	20,781

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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 2021. Included in the table are the Group's financial instruments at TTD equivalents, categorised by currency.

	TT \$'000	US \$'000	EC \$'000	JMD \$'000	BBD \$'000	Other \$'000	Total \$'000
<b>At 30 September 2021</b>							
<b>Assets</b>							
Cash and due from Banks	110,813	83,025	56,653	108	14,321	165	265,085
Financial assets							
- Fair value through other comprehensive income	3,605	2,360,515	174	438,647	4,776	--	2,807,717
- Amortised cost	1,734,030	930,835	874,862	--	399,723	--	3,939,450
- Fair value through profit or loss	--	179	--	--	428	--	607
Other assets	9,233	2,966	3,272	8,850	6,828	--	31,149
<b>Total assets</b>	<b>1,857,681</b>	<b>3,377,520</b>	<b>934,961</b>	<b>447,605</b>	<b>426,076</b>	<b>165</b>	<b>7,044,008</b>
<b>Liabilities</b>							
Borrowings	200,742	1,317,367	--	--	--	--	1,518,109
Funds under management	4,801	376	13	--	1,145	85	6,420
Securities sold under repurchase agreements	1,161,132	764,796	1,047,165	--	383,207	--	3,356,300
Loan from parent company	--	362,740	--	--	--	--	362,740
Creditors and accrued expenses	43,896	17,472	42,663	--	5,311	--	109,342
<b>Total liabilities</b>	<b>1,410,571</b>	<b>2,462,751</b>	<b>1,089,841</b>	<b>--</b>	<b>389,663</b>	<b>85</b>	<b>5,352,911</b>
<b>Net on-consolidated statement of financial position</b>	<b>447,110</b>	<b>914,769</b>	<b>(154,880)</b>	<b>447,605</b>	<b>36,413</b>	<b>80</b>	<b>1,691,097</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (ii) Foreign exchange risk (continued)

	TT \$'000	US \$'000	EC \$'000	JMD \$'000	BBD \$'000	Other \$'000	Total \$'000
<b>At 30 September 2020</b>							
<b>Assets</b>							
Cash and due from Banks	132,243	282,878	55,696	108	5,728	133	476,786
Financial assets							
- Fair value through other comprehensive income	24,174	2,943,924	108	246,142	4,925	--	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
<b>Total assets</b>	<b>1,948,259</b>	<b>4,190,163</b>	<b>1,010,274</b>	<b>246,250</b>	<b>391,496</b>	<b>133</b>	<b>7,786,575</b>
<b>Liabilities</b>							
Borrowings	200,741	1,762,565	--	--	--	--	1,963,306
Funds under management	4,803	488	21,638	--	1,225	86	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
<b>Total liabilities</b>	<b>1,447,682</b>	<b>3,198,656</b>	<b>1,230,229</b>	<b>--</b>	<b>380,334</b>	<b>86</b>	<b>6,256,987</b>
<b>Net on-consolidated statement of financial position</b>	<b>500,577</b>	<b>991,507</b>	<b>-219,955</b>	<b>246,250</b>	<b>11,162</b>	<b>47</b>	<b>1,529,588</b>

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

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>At 30 September 2021</b>							
<b>Assets</b>							
Cash and due from Banks	77,375	727	2,444	--	--	184,539	265,085
Financial assets							
- Fair value through other comprehensive income	370,408	49,086	10,649	614,626	1,314,784	--	2,359,553
- Amortised cost	8,343	71,699	1,056,857	1,098,255	1,704,296	--	3,939,450
Other assets	--	--	--	--	--	31,149	31,149
<b>Total assets</b>	<b>456,126</b>	<b>121,512</b>	<b>1,069,950</b>	<b>1,712,881</b>	<b>3,019,080</b>	<b>215,688</b>	<b>6,595,237</b>
Borrowings	4,335	--	710,662	803,112	--	--	1,518,109
Funds under management	6,420	--	--	--	--	--	6,420
Securities sold under repurchase agreements	290,687	514,382	2,145,013	406,218	--	--	3,356,300
Loan from parent company	108,315	--	254,425	--	--	--	362,740
Creditors and accrued expenses	--	--	--	--	--	109,342	109,342
<b>Total liabilities</b>	<b>409,757</b>	<b>514,382</b>	<b>3,110,100</b>	<b>1,209,330</b>	<b>--</b>	<b>109,342</b>	<b>5,352,911</b>
<b>Interest sensitivity gap</b>	<b>46,369</b>	<b>(392,870)</b>	<b>(2,040,150)</b>	<b>503,551</b>	<b>3,019,080</b>	<b>106,346</b>	<b>1,242,326</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>At 30 September 2020</b>							
<b>Assets</b>							
Cash and due from Banks	280,590	718	2,412	--	--	193,066	476,786
Financial assets							
- Fair value through other comprehensive income	626,233	253,207	33,071	296,196	1,753,776	--	2,962,483
- Amortised cost	136,129	1,040,781	254,759	1,080,911	1,564,606	--	4,077,186
Other assets	--	--	--	--	--	12,828	12,828
<b>Total assets</b>	<b>1,042,952</b>	<b>1,294,706</b>	<b>290,242</b>	<b>1,377,107</b>	<b>3,318,382</b>	<b>205,894</b>	<b>7,529,283</b>
<b>Liabilities</b>							
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	--	--	--	--	--	99,921	99,921
<b>Total liabilities</b>	<b>583,304</b>	<b>799,842</b>	<b>3,006,146</b>	<b>1,767,774</b>	<b>--</b>	<b>99,921</b>	<b>6,256,987</b>
<b>Interest sensitivity gap</b>	<b>459,648</b>	<b>494,864</b>	<b>(2,715,904)</b>	<b>(390,667)</b>	<b>3,318,382</b>	<b>105,973</b>	<b>1,272,296</b>

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 would be \$18.3M (2020: \$13.7M).

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (iv) Other price risk

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

These investments are held for strategic reasons and risk is managed via exposure limits. As at 30 September 2021, the Group had the following equity positions within the jurisdictions noted.

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

#### Price sensitivity

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

#### FX sensitivity

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

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>At 30 September 2021</b>						
<b>Assets</b>						
Cash and due from Banks	265,100	--	--	--	--	265,100
Financial assets						
- Fair value through other comprehensive income	370,361	57,625	78,714	913,140	1,420,744	2,840,584
- Amortised cost	12,091	99,548	243,683	2,726,420	2,274,755	5,356,497
Other assets	31,149	--	--	--	--	31,149
<b>Total assets</b>	<b>678,701</b>	<b>157,173</b>	<b>322,397</b>	<b>3,639,560</b>	<b>3,695,499</b>	<b>8,493,330</b>
<b>Liabilities</b>						
Borrowings	5,952	--	744,525	844,776	--	1,595,253
Funds under management	6,420	--	--	--	--	6,420
Securities sold under repurchase agreements	287,712	516,173	2,173,994	421,952	--	3,399,831
Loan from parent company	108,316	--	258,855	--	--	367,171
Creditors and accrued expenses	109,342	--	--	--	--	109,342
<b>Total liabilities</b>	<b>517,742</b>	<b>516,173</b>	<b>3,177,374</b>	<b>1,266,728</b>	<b>--</b>	<b>5,478,017</b>
<b>Net liquidity position</b>	<b>160,959</b>	<b>(359,000)</b>	<b>(2,854,977)</b>	<b>2,372,832</b>	<b>3,695,499</b>	<b>3,015,313</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>At 30 September 2020</b>						
<b>Assets</b>						
Cash and due from 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
<b>Total assets</b>	<b>1,257,739</b>	<b>1,108,762</b>	<b>518,144</b>	<b>2,310,219</b>	<b>4,282,097</b>	<b>9,476,961</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>693,376</b>	<b>800,744</b>	<b>3,073,704</b>	<b>1,837,862</b>	<b>--</b>	<b>6,405,686</b>
<b>Net liquidity position</b>	<b>564,363</b>	<b>308,018</b>	<b>(2,555,560)</b>	<b>472,357</b>	<b>4,282,097</b>	<b>3,071,275</b>

Assets available to meet all of the Group's liabilities include cash and due from 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's business model allows for the management of its liquidity risk using both expected and contractual cash flows. 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 2021 the Group has no financial instruments that commit it to taking up new receivables or other debt securities (2020: nil).

#### (iii) Capital commitments

At 30 September 2021, the Group had capital commitments towards Information Communication Technology (ICT) projects to the value of \$2,634,833 (2020: \$7,174,643).

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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 2021 \$000	Sept 2020 \$000	Sept 2021 \$000	Sept 2020 \$000
<b>Financial assets</b>				
Cash and due from Banks	265,085	476,786	265,085	476,786
Financial assets at amortised cost	3,939,450	4,077,186	3,947,178	4,204,031
Other assets	31,149	12,828	31,149	12,828
<b>Financial liabilities</b>				
Short term borrowings and bank overdraft	1,518,109	1,963,306	1,772,113	2,157,517
Funds under management	6,420	28,240	6,420	28,240
Securities sold under repurchase agreement	3,356,300	3,897,075	3,423,808	4,005,459
Loan from parent company	362,740	268,445	362,740	268,986
Creditors and accrued expenses	109,342	99,921	109,342	99,921

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 banks.

#### *Cash and due from Banks*

This amount represents short term investments and 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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.

###### *Borrowings, Funds under Management and Securities sold under Repurchase Agreements*

The above include 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 2021 \$362.7M (2020: \$269.0M). These facilities accrues interest rates of 3 months LIBOR plus 275 basis point and 4%. The fair value of those amounts with maturities of less than one year is approximately equal to their carrying value.

##### (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 2021: \$nil (2020: 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>As at 30 September 2021</b>				
<b>Fair value securities</b>				
- Investment securities - debt	--	2,368,082	--	2,368,082
- Investment securities - equity	439,254	--	9,517	448,771
Total assets	439,254	2,368,082	9,517	2,816,853

#### 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

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 \$
<b>Balance as at 1 October 2020</b>	10,648	66,430	77,078
Fair value movement	(1,225)	(2,601)	(3,826)
Additions	110	17,025	17,135
Exchange differences	(16)	--	(16)
Disposals	--	(80,505)	(80,505)
Accrued interest	--	(266)	(266)
Amortisation	--	(83)	(83)
<b>Balance as at 30 September 2021</b>	9,517	--	9,517

#### Reconciliation of Level 3 items

	Equity \$	Debt \$	Total \$
<b>Balance as at 1 October 2019</b>	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
<b>Balance as at 30 September 2020</b>	10,648	66,430	77,078

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### f. Capital management

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

- To comply with the Securities Exchange Commission repo guidelines
- To comply with the capital requirements set by the regulators of the securities markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To ensure that the Group can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Group is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of regulatory capital are monitored 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 30 September 2021 and 30 September 2020.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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 \$125.45M if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2020 - \$158.13M).

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. These shares are traded in an active market and are recognised in level 1 (see note 3.e.ii). Equity financial instruments which are quoted was valued at \$438.6M as at September 2021 (2020: \$246.1M).

Included in the Group's financial assets at Fair value through other comprehensive income are equity shares held for strategic business operations:

- Equity shares held with TTSE are not traded and are recognized in level 3 (see note 3.e.ii). The share price is determined using the Dividend Discount Model (DDM), which values a share's price based on its predicted future dividend payments and discounting them back to present value. An average dividend is used over a ten-year period to mitigate against fluctuation in the annual dividends. The cost of equity is determined using the cost of equity for the US market and adjusting it by a country risk premium. The expected growth rate is calculated using a ten-year trend of return of equity by the payout ratio for the dividends received. If the cost of equity was to move by 1%, the price of the shares will fall to \$26.23 resulting in a \$6.41 price reduction.
- Equity shares held with the security exchange in other jurisdictions in which the Group operates are also not traded and recognized in level 3 (see note 3.e.ii). The share prices are determined using the current shareholders' value against the number of issued shares.

#### 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 debt instruments defaulting). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.vii. the main sensitivity to the ECL is in the macroeconomic overlay scenarios which are explained in note 3.a.viii.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### b. 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.

#### 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 received in 2018. These bonds have a duration of 35 years which attract a coupon of 1.5% from issuance through year five, 4.25% from years six to ten, 6% from years eleven to fifteen and 7.5% from year sixteen to maturity.

The GoB Series D bonds amortised price as at 1 October 2020 was 75.72 (1 October 2019: 69.76), the effective interest rate was determined at 7.56% for 2018 to 2021 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 2021, the CAEIR is 6.55% (2020: 6.55%).

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 1.87 as at September 2020 (2020: BBD 3.04). The POCI carrying value for the GoB Series D bonds was BBD 81.07 (2020: BBD 75.72) and the face value BBD 131,997,672 as at September 2021 (2020: BBD 131,997,672).

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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

#### d. 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 cash flows using a suitable yield curve. Management used judgement in the construction of the curve but using a methodology that capture 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.

#### e. 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 Bank engaged external, independent and qualified valuers to determine the fair value of The Group's land and buildings at least every three years. The valuations were performed as at September 2021.

### 5 Cash and due from Banks

	2021 \$000	2020 \$000
Cash and due from Banks	261,914	470,475
Short-term investments	3,171	6,311
	<u>265,085</u>	<u>476,786</u>
Short-term investments:		
- Maturity within 3 months	727	718
- Maturity over 3 months	2,444	5,593
	<u>3,171</u>	<u>6,311</u>

The average effective interest rate on cash and due from bank was 0.22% (2020: 0.17%).

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

Cash and due from Banks	261,914	470,475
Short-term investments – maturity within 3 months	727	718
Due from banks	<u>262,641</u>	<u>471,193</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 6 Financial assets - fair value through other comprehensive income

	2021 \$'000	2020 \$'000
<i>Debt securities</i>		
Listed	2,368,082	2,900,886
Unlisted	--	66,430
	<u>2,368,082</u>	<u>2,967,316</u>
Less provision for impairment	(8,529)	(4,833)
	<u>2,359,553</u>	<u>2,962,483</u>
<i>Equity securities</i>		
Listed	444,560	246,142
Unlisted	3,604	10,648
	<u>448,164</u>	<u>256,790</u>
	<u>2,807,717</u>	<u>3,219,273</u>

Included in listed debt securities are GORTT and state owned enterprises debt securities \$411M (2020: \$418M).

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

	2021 \$'000	2020 \$'000
At start of year	3,219,273	3,642,013
Exchange difference	(4,989)	10,129
Additions	189,935	1,019,568
Disposals	(659,928)	(1,552,145)
Gains from changes in fair value	67,036	99,864
Cost reallocation	110	--
Net movement in provisions	<u>(3,720)</u>	<u>(156)</u>
At end of year	<u>2,807,717</u>	<u>3,219,273</u>

As at 30 September 2021, there were no securities pledged under the Company's bank overdraft and short term borrowings (2020: 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 \$2.21B (2020: \$2.95B) that have been pledged to third parties under sale and repurchase agreements.

Included in these pledged assets, are financial assets amounting to \$1.5B (2020: \$1.59B) where the title was transferred under securities sold under repurchase agreements.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 7 Financial assets - amortised cost

	2021 \$'000	2020 \$'000
<i>Debt securities</i>		
Listed	1,734,442	1,801,424
Unlisted	<u>2,235,000</u>	<u>2,314,291</u>
	3,969,442	4,115,715
Less provision for impairment	<u>(29,992)</u>	<u>(38,529)</u>
	<u><u>3,939,450</u></u>	<u><u>4,077,186</u></u>

Included in listed securities amount are GORTT and state owned enterprises debt securities \$2.2B (2020: \$2.2B).

The movement in financial assets held at amortised cost for the year may be summarised as follows:

	2021 \$'000	2020 \$'000
At beginning of year	4,077,186	4,043,138
Exchange differences	(6,802)	6,603
Additions	452,425	293,176
Redemptions	(617,279)	(290,739)
Movement on GoB POCI bonds	24,098	26,837
Default in Needham's bond	(6,820)	--
Reclassification from POCI	(509)	--
Net amortisation of discounts	9,540	16,226
Amortisation of unrealised gains on reclassified assets	(844)	(2,691)
Movement of provision for impairment	<u>8,455</u>	<u>(15,364)</u>
At end of year	<u><u>3,939,450</u></u>	<u><u>4,077,186</u></u>

Included in these are financial assets amounting to \$2.9B (2020: \$3.29B) 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 \$2.5B (2020: \$2.83B) where title was transferred under securities sold under repurchase agreements.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 8 Financial assets - fair value through profit or loss

	2020 \$'000	2019 \$'000
Listed equity	607	502
	<u>607</u>	<u>502</u>

The movement for the year may be summarised as follows:

At start of year	502	543
Additions	--	--
Disposals	--	(19)
Gain/(loss) from changes in fair value	107	(23)
Exchange differences	(2)	1
	<u>607</u>	<u>502</u>

### 9 Intangible assets

This comprises an investment in computer software brought into use as at February 2021 as well as software currently in work in progress as at September 2021.

Movements are as follows:

	2021 \$'000	2020 \$'000
At beginning of the year	6,430	2,116
Additions: Work-in-Progress	3,870	4,314
Additions: Software	1,589	--
Disposals	(25,653)	--
Disposal – Accumulated depreciation	25,653	--
Reclassification to prepayments	(2,115)	--
Amortisation	(984)	--
At end of year	<u>8,790</u>	<u>6,430</u>
Cost	9,774	32,082
Accumulated amortisation and impairment	(984)	(25,652)
Net book amount	<u>8,790</u>	<u>6,430</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>Year ended 30 September 2021</b>							
Opening net book amount	52,577	861	894	1,608	311	--	56,251
Additions	--	--	95	710	317	--	1,122
Disposals	--	(13)	(672)	(638)	(321)	--	(1,644)
Revaluation	(6,413)	--	--	--	--	--	(6,413)
Depreciation charge	(3,823)	(748)	(195)	(683)	(273)	--	(5,722)
Depreciation charge on disposal	--	11	671	424	283	--	1,389
<b>Closing net book amount</b>	<b>42,341</b>	<b>111</b>	<b>793</b>	<b>1,421</b>	<b>317</b>	<b>--</b>	<b>44,983</b>
<b>At 30 September 2021</b>							
Cost/revaluation	53,226	6,224	13,890	3,206	2,753	--	79,299
Accumulated depreciation	(10,885)	(6,113)	(13,097)	(1,785)	(2,436)	--	(34,316)
<b>Net book amount</b>	<b>42,341</b>	<b>111</b>	<b>793</b>	<b>1,421</b>	<b>317</b>	<b>--</b>	<b>44,983</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 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
<b>Year ended 30 September 2020</b>							
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
<b>Closing net book amount</b>	<b>52,577</b>	<b>861</b>	<b>894</b>	<b>1,608</b>	<b>311</b>	<b>--</b>	<b>56,251</b>
<b>At 30 September 2020</b>							
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)
<b>Net book amount</b>	<b>52,577</b>	<b>861</b>	<b>894</b>	<b>1,608</b>	<b>311</b>	<b>--</b>	<b>56,251</b>
<b>At 30 September 2019</b>							
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)
<b>Net book amount</b>	<b>53,190</b>	<b>1,479</b>	<b>584</b>	<b>1,774</b>	<b>497</b>	<b>308</b>	<b>57,832</b>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 10 Property and equipment (continued)

#### a. Recognised right of use asset

	2021 \$000	2020 \$'000
Opening net book amount	1,905	2,707
Additions	--	--
Depreciation	(636)	(802)
Closing net book amount	<u>1,269</u>	<u>1,905</u>

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

Interest Expenses (included in finance cost)	57	694
Expenses related short term leases (included in rent paid)	--	4
	<u>57</u>	<u>698</u>

#### 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.

<i>Level 3</i>	2021 \$000	2020 \$000
Land and building	8,214	8,729
Building on lease land	15,900	25,750
Freehold land	1,777	1,650
	<u>25,891</u>	<u>36,129</u>

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 \$8.45M and \$8M.

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

As at 30 September 2021, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

At the end of each reporting period, management updates the 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 10 Property and equipment (continued)

#### b. Recognised fair value measurements (continued)

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

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.

##### (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. Commercial rental income of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

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

	2021 \$000	2020 \$000
Cost	44,638	50,648
Accumulated depreciation	<u>(10,885)</u>	<u>(7,062)</u>
Net book amount	<u>33,753</u>	<u>43,586</u>

### 11 Lease liabilities

Operating lease commitment	1,905	2,013
Interest in rights of use asset	57	(108)
Repayment of principal on rights of use asset	<u>(751)</u>	<u>--</u>
Lease liability	<u>1,211</u>	<u>1,905</u>
Current lease liability	729	729
Non-current lease liability	<u>482</u>	<u>1,176</u>
	<u>1,211</u>	<u>1,905</u>

### 12 Other assets

	2021 \$000	2020 \$000
Prepayments	10,265	5,467
Fees and coupons receivable	14,187	11,864
Due from parent company	--	12
Amounts due from brokers	1,133	518
Other receivables	<u>15,829</u>	<u>434</u>
	<u>41,414</u>	<u>18,295</u>

Other receivables include dividends recognised at an ex-div date of 22 September 2021 and other receivables of TT\$6.8M represents amounts receivable from the Government of Barbados, net of an ECL amount of TT\$0.8M.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 13 Borrowings

	2021 \$000	2020 \$000
Medium term borrowings	275,251	443,258
Short term borrowings	<u>1,242,858</u>	<u>1,520,048</u>
	<u><u>1,518,109</u></u>	<u><u>1,963,306</u></u>

Medium term borrowings represent unsecured borrowings: US\$11.09M, and TT\$200M from clients for a period of one to three years (2020: US\$36.09M and TT\$200M). These debt instruments accrue interest at an average rate for the year ended September 2021 of 2.9% USD and 3.3% TTD (2020: 2.6% USD and 3.3% TTD).

Short term borrowings represent 2 facilities which are secured by the Group's investment securities: Principal US\$120M (2020: US\$120M) and Principal US\$65M (2020: US\$65M). Average interest rate 2.93% (2020: 3.2%). The market value of the investment security held as collateral for these facilities amounted to \$1,772M at September 2021 (2020: \$2,157M) (Note 3 e (i)).

### 14 Securities sold under repurchase agreements

Securities sold under repurchase agreements are analysed by sector as follows:

	2021 \$000	2020 \$000
Invested principal	3,310,796	3,846,564
Accrued interest	<u>45,504</u>	<u>50,511</u>
	<u><u>3,356,300</u></u>	<u><u>3,897,075</u></u>
Public institutions	1,124,786	1,593,927
Private institutions	1,166,716	1,224,238
Consumer	<u>1,064,798</u>	<u>1,078,910</u>
	<u><u>3,356,300</u></u>	<u><u>3,897,075</u></u>
Current portion	2,950,082	3,375,879
Non-current portion	<u>406,218</u>	<u>521,196</u>
	<u><u>3,356,300</u></u>	<u><u>3,897,075</u></u>

These financial instruments accrue interest at rates between 0.03% and 4.83% (2020: 0.10% and 4%).

### 15 Creditors and accrued expenses

	2021 \$000	2020 \$000
Accrued expenses	11,410	8,600
Due to brokers	3,455	3,927
Other liabilities	67,373	62,620
Related parties	<u>27,104</u>	<u>24,774</u>
	<u><u>109,342</u></u>	<u><u>99,921</u></u>

Balances due to related parties include an amount of \$22.8M (2020: \$22.9M) 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 3.a.ix. Other liabilities balance as at 30 September 2021 includes amounts due for Equity and Bond settlements \$22.2M (2020: \$47.4M) and an amount of \$26.06M relating to discontinued products which were reclassified from funds under management to other liabilities.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 16 Loan from parent company

	2021 \$000	2020 \$000
Loan from parent company	<u>362,740</u>	<u>268,445</u>

This comprises two loan facilities:

- 1) Unsecured Medium Term US facility approved for US\$40M, at a rate of 4%. Drawn down balance as at September 2021: US\$39.2M (2020: US\$39.2M at 4%), repayable March 2022.
- 2) Line of credit approved for US\$25M at a rate of 2.8815%. Drawn down balance as at September 2021: US\$15M (2020: nil).

### 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 (2020: 30% and 5.5%).

	2021 \$000	2020 \$000
The movement on the deferred tax account is as follows:		
At beginning of year	120,387	91,355
Statement of income charge (Note 29)	(26,150)	27,670
Fair value reserves (Note 19)	<u>18,990</u>	<u>1,362</u>
	<u>113,227</u>	<u>120,387</u>

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

	Opening balance Sept 2020 \$'000	Fair value reserves \$'000	(Credit) / Charge to statement of income \$'000	Closing balance Sept 2021 \$'000
Financial assets at fair value through profit or loss	(231)	--	231	--
Fair value re-measurement	--	(173)	(188)	(361)
Corporate tax losses	--	--	(559)	(559)
Accelerated tax depreciation	--	--	(66)	(66)
Unrealised exchange losses	--	--	(12)	(12)
Provisions	(129)	--	129	--
<i>Deferred tax asset</i>	<u>(360)</u>	<u>(173)</u>	<u>(465)</u>	<u>(998)</u>
Fair value re-measurement	74,109	19,416	(748)	92,777
Amortisation	1,359	(253)	394	1,500
Unrealised exchange gains	6,401	--	25	6,426
Adjustment to zero coupon maturity	(1,466)	--	1,466	--
Zero coupon instruments	36,946	--	(25,356)	11,590
Accelerated tax depreciation	3,398	--	(1,482)	1,916
Fair value on fair value through profit and loss financial assets	--	--	16	16
<i>Deferred tax liability</i>	<u>120,747</u>	<u>19,163</u>	<u>(25,685)</u>	<u>114,225</u>
<i>Net deferred tax liability</i>	<u>120,387</u>	<u>18,990</u>	<u>(26,150)</u>	<u>113,227</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 17 Deferred tax (continued)

	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)
<i>Deferred tax asset</i>	<u>(351)</u>	<u>--</u>	<u>(9)</u>	<u>(360)</u>
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	--
<i>Deferred tax liability</i>	<u>91,706</u>	<u>27,670</u>	<u>1,371</u>	<u>120,747</u>
<i>Net deferred tax liability</i>	<u>91,355</u>	<u>27,670</u>	<u>1,362</u>	<u>120,387</u>

Deferred tax assets are expected to be recovered as follows:

	2021 \$000	2020 \$000
Within 12 months	--	--
After 12 months	998	360
	<u>998</u>	<u>360</u>

Deferred tax liabilities are expected to be realised as follows:

	2021 \$000	2020 \$000
Within 12 months	1,916	3,398
After 12 months	112,309	117,349
At end of year	<u>114,225</u>	<u>120,747</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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.

	2021 \$'000	2020 \$'000
Authorised		
An unlimited number of shares at par value		
Issued and fully paid		
637,697,000 ordinary shares of no par value	<u>637,697</u>	<u>637,697</u>

### 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.

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

19 Fair value reserves (continued)	2021 \$000	2020 \$000
Financial assets - fair value through other comprehensive income	222,121	174,365
Financial assets - amortised cost	2,144	2,735
Land and building	588	991
Foreign exchange	--	--
	<u>224,853</u>	<u>178,091</u>
<i>Financial assets - fair value through other comprehensive income</i>		
At beginning of year	174,365	104,060
Net gain from changes in fair value	67,036	99,864
Deferred tax charge (Note 17)	(19,740)	(29,564)
Deferred tax due to change in effective tax rates	324	--
Prior period adjustment 2019/2020	150	--
Exchange differences	(14)	5
At end of year	<u>222,121</u>	<u>174,365</u>
<i>Financial assets - amortised cost</i>		
At beginning of year	2,735	7,155
Adjustment	--	(3,624)
Adjustment to deferred tax	--	1,087
Amortisation	(844)	(2,691)
Deferred tax on amortisation (Note 17)	253	808
At end of year	<u>2,144</u>	<u>2,735</u>
<i>Land and building</i>		
At beginning of year	991	991
Deferred tax on building revaluation	173	--
Net losses from changes in fair value	(576)	--
At end of year	<u>588</u>	<u>991</u>
<i>Foreign exchange reserve</i>		
At beginning of year	--	--
Exchange differences	--	--
At end of year	<u>--</u>	<u>--</u>
20 Interest income		
Amortised cost	207,197	209,114
Fair value through other comprehensive income	92,847	131,165
Other	2,282	4,423
	<u>302,326</u>	<u>344,702</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

21	<b>Interest expense</b>	<b>2021 \$000</b>	<b>2020 \$000</b>
	Securities sold under repurchase agreements	72,226	89,791
	Borrowings	54,375	70,488
	Loan from parent company	10,755	12,238
	Other	1,078	1,016
		<u>138,434</u>	<u>173,533</u>
		<u><u>138,434</u></u>	<u><u>173,533</u></u>
22	<b>Fees and commissions</b>		
	Capital Markets - placement fees	6,369	7,368
	Brokerage and Advisory - other	--	903
	Wealth Management	24,261	5,221
	Brokerage & Advisory - equity	3,964	3,182
	Portfolio Management	72,462	61,026
	Other	1	99
		<u>107,057</u>	<u>77,799</u>
		<u><u>107,057</u></u>	<u><u>77,799</u></u>
	All fees and commissions are recognised over time, except for Capital Markets placement fees which are recognised at a point in time.		
23	<b>Gain on financial assets</b>		
	Net realised loss on fair value through profit or loss	(18)	(42)
	Net realised gains on bonds	15,833	13,295
		<u>15,815</u>	<u>13,253</u>
		<u><u>15,815</u></u>	<u><u>13,253</u></u>
24	<b>Other income</b>		
	Bank interest income	62	80
	Other	669	911
	Rental income	259	262
	Dividend income	11,836	297
		<u>12,826</u>	<u>1,550</u>
		<u><u>12,826</u></u>	<u><u>1,550</u></u>
25	<b>Impairment gain/(loss) on financial assets</b>		
	Write back/(write off) of impairment allowances	1,592	(17,458)
	Net gains on derecognition of financial assets	3,144	1,938
	Gain on POCI assets	8,409	13,890
	Foreign exchange difference	6	42
		<u>13,151</u>	<u>(1,588)</u>
		<u><u>13,151</u></u>	<u><u>(1,588)</u></u>
26	<b>Impairment loss on non-financial assets</b>		
	Other impairment	(717)	(438)
	Impairment due to revaluation on building	(5,837)	--
		<u>(6,554)</u>	<u>(438)</u>
		<u><u>(6,554)</u></u>	<u><u>(438)</u></u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

27	<b>Administrative expenses</b>	<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
	Staff costs (Note 27.a)	32,247	32,943
	Depreciation	6,358	3,054
	Amortisation	984	--
		<u>39,589</u>	<u>35,997</u>
	<b>a. Staff costs</b>		
	Wages and salaries	22,757	22,888
	Pension	2,955	2,261
	National insurance	1,061	1,027
	Other	5,474	6,767
		<u>32,247</u>	<u>32,943</u>
28	<b>Other operating expenses</b>		
	Information technology expenses	5,871	3,426
	Office expenses	6,108	6,552
	Consultancy & other professional services	6,723	9,780
	Management charges	22,589	12,000
	Other expenses	8,407	5,597
		<u>49,698</u>	<u>37,355</u>
29	<b>Taxation</b>		
	Corporation tax	66,531	34,805
	Prior year under/(over) provision	1,681	(1,250)
	Deferred tax (Note 17)	(26,150)	1,362
		<u>42,062</u>	<u>34,917</u>
	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	<u>214,891</u>	<u>189,384</u>
	Tax calculated at tax rates applicable to profits in respective countries	63,312	55,941
	Income exempt from tax	(42,810)	(30,727)
	Expenses not deductible for tax purposes	41,297	16,736
	Under/(over) provision prior year	1,681	(1,250)
	Net effect of other charges and allowances	(21,772)	(5,852)
	Effects of different tax rates	354	69
		<u>42,062</u>	<u>34,917</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

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### 30 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.

	2021 \$000	2020 \$000
Off-consolidated statement of financial position investments	<u>17,409,340</u>	<u>15,618,590</u>

### 31 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.

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.

	2021 \$'000	2020 \$'000
a. <i>Directors and key management personnel</i>		
<i>Statement of financial position</i>		
Securities sold under repurchase agreements	<u>(6,830)</u>	<u>(707)</u>
	<u>(6,830)</u>	<u>(707)</u>
<i>Statement of income</i>		
Interest expense	(15)	(13)
Salaries and other short-term employee benefits	<u>(5,859)</u>	<u>(6,308)</u>
	<u>(5,874)</u>	<u>(6,321)</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

### 31 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 2021:

	Parent \$'000	Related companies \$'000	GORTT \$'000
<i>Statement of income</i>			
Interest income	265	15	63,716
Interest expense	<u>(10,755)</u>	<u>(4,380)</u>	<u>--</u>
	<u>(10,490)</u>	<u>(4,365)</u>	<u>63,716</u>
<i>Statement of financial position</i>			
<i>Assets</i>			
Cash and cash equivalents	125,545	14,315	--
Financial assets	195	--	1,572,213
<i>Liabilities</i>			
Securities sold under repurchase agreements	--	(370,571)	--
Creditors and accrued expenses	(26,034)	(974)	--
Loan from parent company	<u>(362,740)</u>	<u>--</u>	<u>--</u>
	<u>(263,034)</u>	<u>(357,230)</u>	<u>1,572,213</u>

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
<i>Statement of income</i>			
Interest income	108	7	57,895
Interest expense	<u>(12,238)</u>	<u>(5,634)</u>	<u>--</u>
	<u>(12,130)</u>	<u>(5,627)</u>	<u>57,895</u>
<i>Statement of financial position</i>			
<i>Assets</i>			
Cash and cash equivalents	353,650	20,780	--
Other assets	--	12	--
Financial assets	--	--	1,353,705
<i>Liabilities</i>			
Securities sold under repurchase agreements	--	(339,041)	--
Creditors and accrued expenses	(23,066)	(1,554)	--
Loan from parent company	<u>(268,445)</u>	<u>--</u>	<u>--</u>
	<u>62,139</u>	<u>(319,803)</u>	<u>1,353,705</u>

# First Citizens Investment Services Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

**30 September 2021**

*(Expressed in Trinidad and Tobago Dollars)*

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### 32 **Contingent liabilities**

At the consolidated statement of financial position date, there were no contingent liabilities (2020: nil).

### 33 **Subsequent events**

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