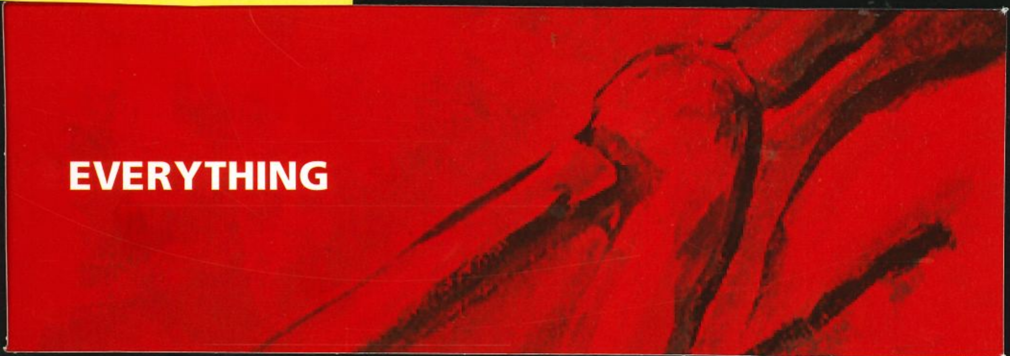
EXCELLENCE

IN



EVERYTHING

ANNUAL REPORT 2017

First Citizens

EXCELLENCE

IN

ANNUAL REPORT 2017

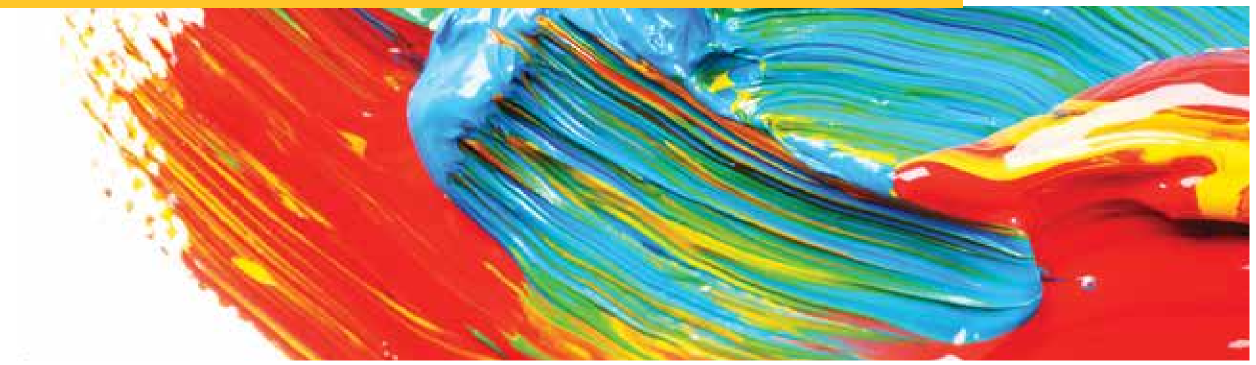
First Citizens

EVERYTHING

THE POWER OF THE GROUP

Excellence is a key component of our commitment to great service. Our people throughout the First Citizens Group help us deliver this with integrity, ensuring we always put our customers first.

Artwork © Calvert Jones



VISION

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

MISSION

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

Commitment to Excellence

Commitment to People

Integrity

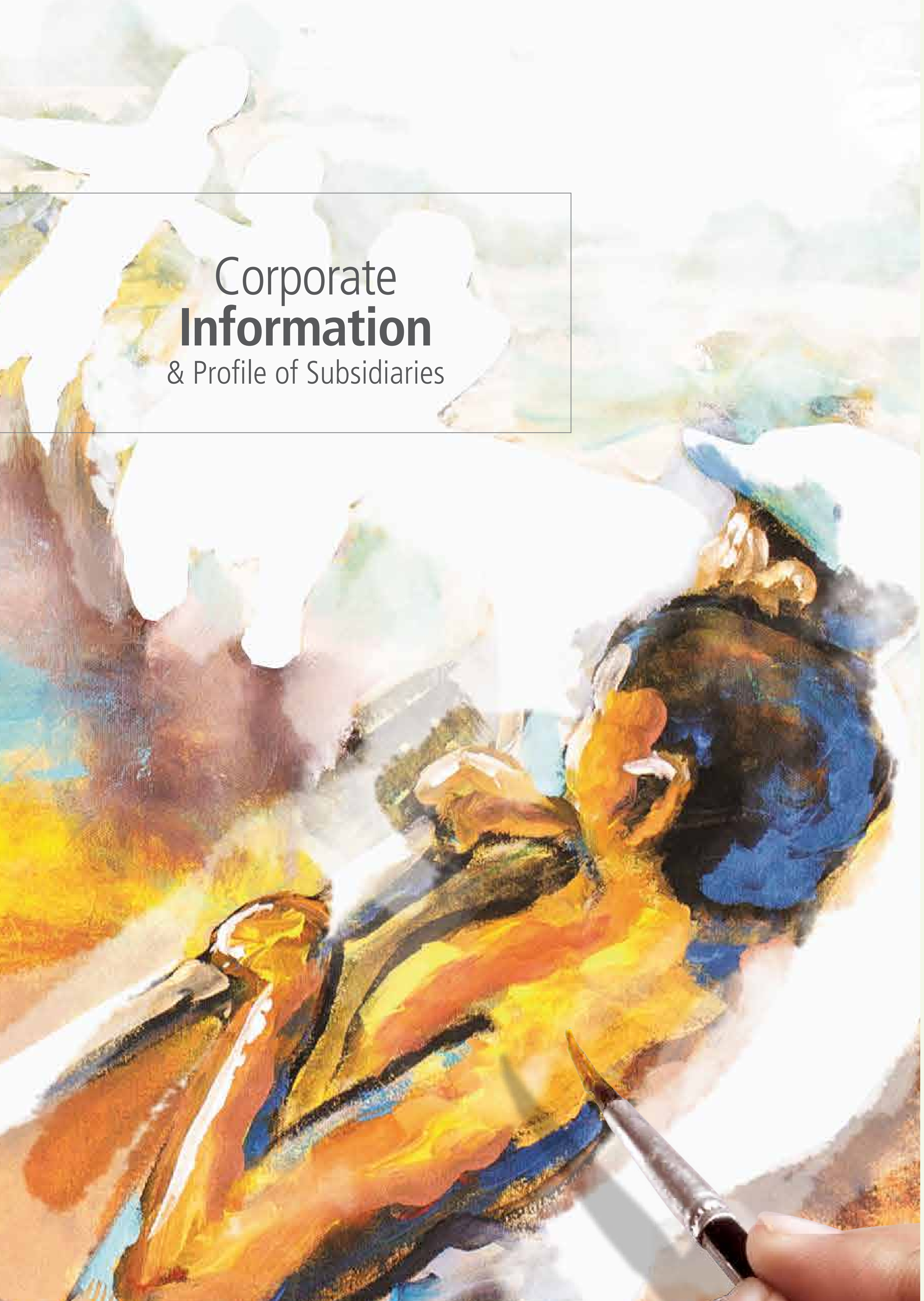
Commitment to Customers

First Citizens

Contents

It's all in the details

Corporate **Information**
& Profile of Subsidiaries



First Citizens Bank Limited

BOARD OF DIRECTORS
For the year ended September 30th, 2017

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

» Re-appointed February 16th, 2017
»» Appointed February 16th, 2017

Group Corporate Secretary
Lindi Ballah-Tull
LLB, LEC

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

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

First Citizens Asset Management Limited

BOARD OF DIRECTORS
Current Directors

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

Retired Directors
» Joseph Toney
» Feona Lue Ping Wa
» Narinejit Pariag
» Susan Romano-Davis

» Retired December 31st, 2016
»» Appointed December 31st, 2016
»»» Appointed February 23rd, 2017

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

First Citizens Trustee Services Limited

BOARD OF DIRECTORS
Current Directors

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

Resignation
» Jayselle McFarlane

» Resigned March 16th, 2017
»» Appointed March 16th, 2017

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

First Citizens Securities Trading Limited

(*reactivated as at October 1st, 2017)

BOARD OF DIRECTORS
Current Directors

» Anthony Isidore Smart – Chairman
» Karen Darbasie
» Shiva Manraj
Keshwar Khodai

Resignation
»» Jason Julien

» Appointed October 1st, 2017
»» Resigned October 1st, 2017

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

First Citizens (St. Lucia) Limited

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

BOARD OF DIRECTORS

» Courtenay Williams – Chairman
Shiva Manraj
Dunstan Duboulay
»» Karen Darbasie
»»» Sharon Christopher

» Appointed Chairman on September 1st, 2015
»» Appointed August 23rd, 2016
»»» Retired August 22nd, 2016

First Citizens Financial Services (St. Lucia) Limited

BOARD OF DIRECTORS

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

» Appointed March 8th, 2017

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

First Citizens Investment Services Limited

BOARD OF DIRECTORS
Current Directors

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

Resignation
» Franka Costelloe

» Resigned March 21st, 2017
»» Appointed March 21st, 2017

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

First Citizens Brokerage & Advisory Services Limited

BOARD OF DIRECTORS
Current Directors

Ryan Proudfoot – Chairman
Robin Lewis
Jason Julien
» Idrees Omardeen

Resignation
»» Rajesh Rajkumarsingh

» Appointed April 4th, 2017
»» Resigned February 15th, 2017

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

First Citizens Investment Services (Barbados) Limited

BOARD OF DIRECTORS
Current Directors

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

Resignation
» Robin Lewis

» Resigned April 3rd, 2017
»» Appointed April 3rd, 2017

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

First Citizens Bank (Barbados) Limited

BOARD OF DIRECTORS

Anthony Isidore Smart – Chairman
Peter Williams
Sir Trevor Carmichael
Renee-Ann Kowlessar
Ryan Proudfoot
Jon Martineau
Karen Darbasie
Jason Julien
Sterling Frost
» David Inglefield
» Franka Costelloe

» Appointed June 22nd, 2017

Registered Office
4th Floor
No. 2 Broad Street
Bridgetown
Barbados, W.I.
Tel: (246) 431-2353
Fax: (246) 430-0221
firstcitizensbb.com

FCCR – First Citizens Costa Rica S.A.

BOARD OF DIRECTORS
Current Directors

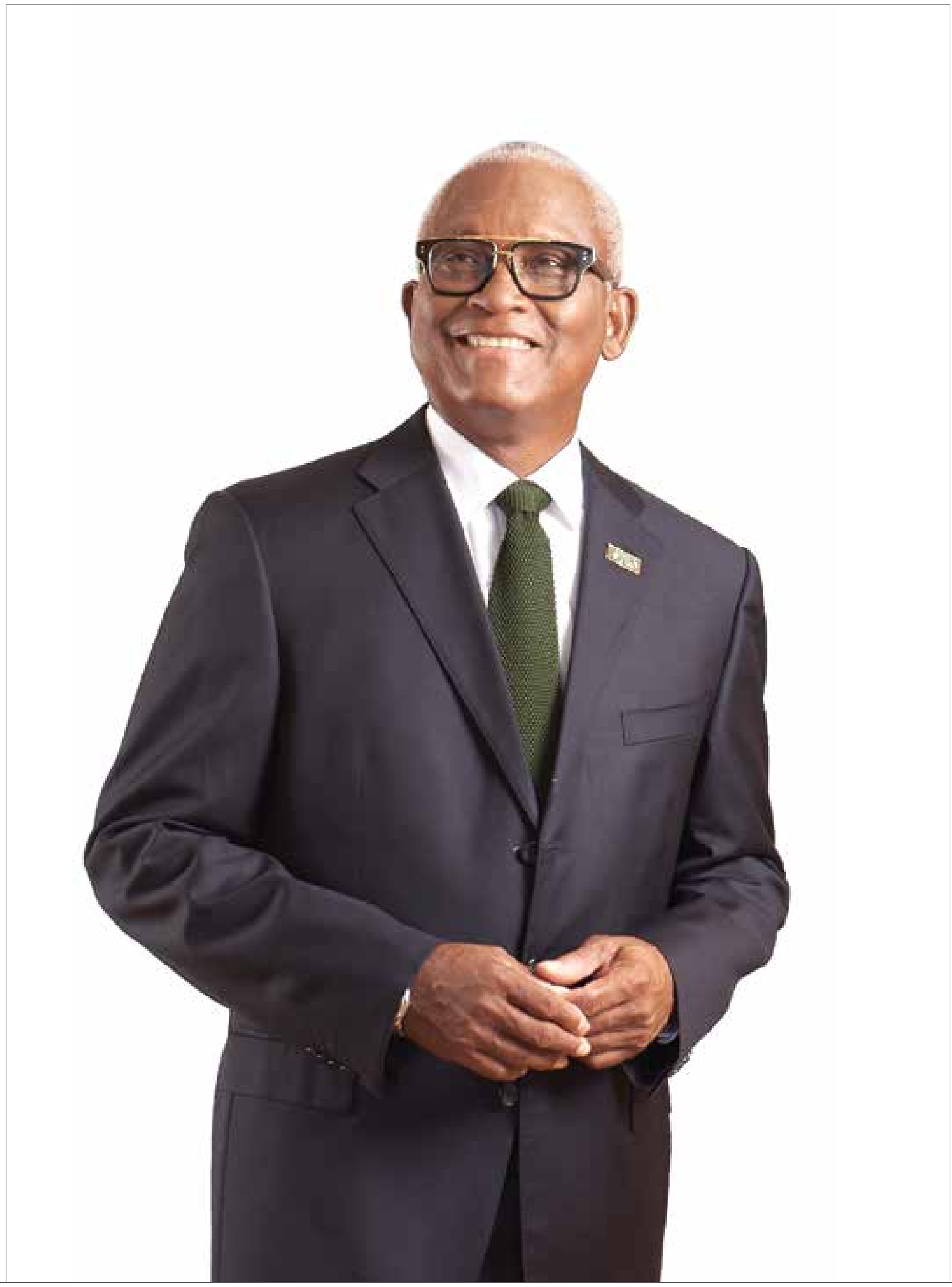
Anthony Isidore Smart – President
Ian Narine
Lindi Ballah-Tull
»» Ingrid Melville
»» Kurt Valley

Resignations
» Karen Darbasie
» Shiva Manraj

» Resigned May 7th, 2017
»» Appointed May 7th, 2017

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

Anthony Isidore Smart
Chairman



Chairman's Report

I am very pleased to announce that the First Citizens Group had another successful year, recording profit before tax of $876.4 million, representing growth of 7.2% compared to 2016. Profit after tax amounted to $641.9 million, which represents an increase of $4.7 million or 0.7% compared to 2016.

The Group's total assets amounted to $38.9 billion as at year-end. With an increase in its capital base of 1.1% to $6.75 billion, First Citizens remains one of the best capitalised banks in the industry.

As a result of these financial achievements, the Board of Directors declared a final dividend of $0.71 per share, which brings the total dividend for the fiscal year to $1.40. This equates to a payout of 55.0% (2016: 52.5%). These accomplishments were underscored by First Citizens receiving for the fifth time, the prestigious international award in 2017 for "Bank of the Year – Best Bank in Trinidad and Tobago" from *The Banker Magazine*. The Bank was also awarded "Safest Bank in Trinidad and Tobago" by Global Finance. Added to this, in October 2017, Standard and Poor's affirmed First Citizens ratings of BBB/A-2 with a stable outlook.

International Overview and Outlook

The prospect of tax reform in the US in early 2018, as well as already-strong leading indicators for business investment, point to potential for fixed capital formation being a bright spot over the next several quarters. However, in August 2017, industrial production contracted by 0.9% m-o-m on a seasonally-adjusted basis, from a 0.4% gain in July. This was the weakest reading since the US emerged from recession in 2009, due in large part to disruptions caused by Hurricane Harvey to oil and gas output in and around Houston and the Gulf Coast. Despite the dip, the impact on Q3, 2017 output is expected to be largely offset by a rebound in Q4, 2017. Regardless, real GDP growth is expected to remain above the long-term 1.9% potential trend. It is expected that private fixed investment will grow 3.4% in 2017 and 4.0% in 2018—the highest since the height of the oil investment boom in 2014. Part of this positive outlook in 2018 reflects federal tax reform including business tax rate cuts to be passed and implemented in H118. The US Congress will successfully pass new tax legislation by the middle of 2018, which will provide a boost to economic growth. However, political and procedural obstacles mean that comprehensive tax reform is unlikely to come to full fruition, leaving only a few key items intact, including corporate and income tax cuts.

The Eurozone is anticipated to grow at a healthy pace in 2018, while the UK heads into an extended slowdown highlighting the increasing divergence between the continent and the British economy. The European Commission expects the Eurozone will expand by 2.1% in 2018. With regard to inflation, while the Eurozone rate is projected to remain below the European Central Bank's goal for the foreseeable future, the UK's is expected to exceed the Bank of England's (BoE) target through 2019. Even with political risks subsiding, the European Union is still trying to deal with President Donald Trump's more protectionist trade stance in the US, while negotiations over Britain's withdrawal from the bloc have failed to make the desired headway. After years of dealing with the financial crisis, the Eurozone economy has managed to ensure 18 straight quarters of growth with survey evidence pointing to continued solid expansion. The positive economic momentum provides further support for the currency union after a critical electoral year that saw anti-EU populists defeated in a series of key votes.

Regional

The outlook for the Caribbean region is supported by the strengthening global economic recovery, but there are significant downside risks, including volatile commodity prices, the normalisation of monetary policy in the US, increased tax and compliance oversight and a very active hurricane season. The region's performance has moderated, with the tourism sector providing the main impetus for overall economic activity. The Caribbean region is forecasted to grow by an average of 2.8% in 2017 compared to 3.4% in 2016. The commodity-exporters have suffered due to the relatively bearish market and is estimated to have declined by 3.3% in 2016, however, growth in 2017 is estimated to pick up to 1.7%. Tourism-dependent economies are forecasted to expand by 2.4%, up from 2.1% in 2016. This estimate will face downward pressure due to the passage of Hurricanes Harvey, Irma and Maria through the region in the latter half of the year. The Dominican Republic, St. Kitts and Nevis, and Grenada are all expected to post economic growth in excess of 2.5% in 2017, while Trinidad and Tobago is projected to deliver the weakest performance, with a contraction of 3.2%.

Trinidad and Tobago Economic Overview and Outlook

The Trinidad and Tobago economy is estimated to have contracted 6% in 2016, after increasing by 1.5% in 2015, as key sectors declined. According to the CSO, there is expected to be a further contraction in real GDP of 2.3% for 2017. Energy sector activity in the first half of 2017 was characterised by declines across the majority of sub-sectors. While crude oil output was relatively maintained, natural gas production declined 6.8% as the slump in production seen in previous years extended into the first half of 2017. Headline Inflation has remained relatively subdued for 2017. It is expected that some fiscal measures announced in the FY 2017/18 budget will result in direct price rises for several products, with spill-over effects in some cases.

The unemployment rate increased to 4.5% in the first quarter of 2017 from 3.8% in the corresponding quarter of 2016. Between March 2016 and March 2017, the number of persons employed declined by 6,700 persons. The highest rates of unemployment during the first quarter of 2017 were observed in the petroleum and gas (9.1%) and construction (8.0%) industries. During the second quarter of 2017, labour productivity in the manufacturing sector continued to trend downward, driven by a faster fall in domestic production than in the number of hours worked.

Trinidad and Tobago's external accounts recorded an overall deficit of US$729.8 million (6.6% of GDP) over the first six months of 2017, larger than the deficit of US$367.3 million (3.2% of GDP) registered in the corresponding period of 2016. Following a deficit of US$982.6 million (8.7% of GDP) over the period January to June 2016, the external current account posted a narrowed estimated deficit of US$246.9 million (2.2% of GDP) in the similar period of 2017. As at the end of October 2017, gross official reserves stood at US$8,516.7 million, compared with US$9,465.8 million as at December 31st, 2016. This represents 9.8 months of prospective imports of goods and nonfactor services. With regard to the country's debt position, the Ministry of Finance estimates that as at September 2017, Trinidad and Tobago's net public sector debt stood at 62.6 % of GDP whilst the external public sector debt was 16.9% of GDP. The total net asset value of the Heritage and Stabilisation Fund as at the end of June 2017 was US$5,619.3 million, compared with US$5,473.0 million at the end of the previous quarter. Conditions in the foreign currency market remain tight in the context of lower foreign currency inflows, particularly from the energy sector. Both purchases and sales of foreign exchange by authorised forex dealers from and to the public (i.e., excluding the Central Bank) have seen some declines throughout 2017.

Natural gas supplies should be boosted by key energy sector projects such as EOG's Sercan and BPTT's Trinidad Onshore Compression (TROC) which came on-stream in the first half of the year. Additionally, the sector will receive a significant boost from BPTT's Juniper project which commenced operations in the third quarter of 2017. As noted by CBTT's Monetary Policy Report in November 2017, should higher energy production be maintained, there is expected to be a positive spillover effect for the non-energy sector.

Barbados Economic Overview and Outlook

The Barbadian economy grew by an estimated 1.4% over the first nine months of 2017, as economic growth moderated in the third quarter of the year. Tourism output, which fueled the stronger growth performance over the first half of the year, fell during the third quarter, due to a reduction in the average length-of-stay of visitors and hurricane-related disruptions to tourist arrivals in September. The improved tourism performance for the first nine months of the year helped support the external current account. However, external debt service, coupled with a lack of major foreign inflows to offset those payments, contributed to a further decline in the level of international reserves, which reached 8.6 weeks of import cover as at the end of the third quarter. The external current account was relatively stable, but international reserves declined by Bds$133.9 million to Bds$549.7 million. The reserve loss was greater than that of 2016, principally due to a decline in net short-term private inflows that offset a modest improvement in net public sector flows.

Government made some progress in reducing the fiscal deficit, due to the increased revenue arising from fiscal measures implemented over the past two years and the stabilisation of its expenditure. However, the on-going financing constraint and the weakening of the foreign reserves position underscore the need for continued strengthening of the fiscal accounts to restore the reserves to desired levels and create a platform for sustainable economic growth over the medium term.

Activity in the tourism sector expanded by 4.1% during the first three quarters of the year, compared to 2.8% growth for the corresponding period in 2016. While September arrivals fell by 3.3%, data for the January to September period of 2017 showed cumulative growth in long-stay visitors of 6.2%, relative to the same period in 2016. Arrivals from the US and Canada remained robust, expanding by 14.4% and 10.7%, respectively, but the performance of the UK market was on par with 2016. Regional travel continued to contribute significantly to arrivals, with visitors from Trinidad and Tobago and other CARICOM countries rising by 6.6% and 3.6%, respectively. For the first nine months of the year, the average length-of-stay contracted by 4.3%, the third consecutive year of decline. This pattern is in part related to the increased share of shorter-staying North American visitors in the overall arrivals.

Growth in the non-traded sectors of the economy slowed to 0.9% at the end of the third quarter of 2017. Construction output at 4.6%, is estimated to have contributed over one-third of the non-traded sector's growth and this was mainly attributed to activity in tourism-related and other on-going commercial construction. The twelve-month moving average unemployment rate ending March 2017 remained below the average for the comparable 2016 period at 9.7%. For the first seven months of the year, the twelve-month moving average rate of inflation increased to 3.4%. The main category driving this upward movement in prices was food and non-alcoholic beverages, which was up 8% on a moving average basis, largely due to price increases in the latter half of 2016, and early 2017.

The Central Bank of Barbados announced a further tightening of its monetary policy stance. The policy change will be applied to the Barbados Dollar securities reserve requirement ratio for commercial banks licensed under Part II of the Financial Institutions Act and it will be implemented in two phases. Effective December 1st, 2017, commercial banks were required to hold 18% of their domestic deposits in stipulated securities. From January 1st, 2018, commercial banks will be required to hold 20% of their domestic deposits in stipulated securities. This is the second increase for the year and complements the fiscal initiatives introduced by the Minister of Finance in his Financial Statement and Budgetary Proposals earlier in the year. The cash reserve requirement for commercial banks remains unchanged at 5%. The reserve requirements for deposit-taking trust and finance companies, and merchant banks also remain unchanged.

Eastern Caribbean Overview and Outlook

Data released by the ECCB indicates that Real Gross Domestic Product (GDP) in the ECCU decreased from 2.83% in 2015 to 2.57% in 2016. Growth in 2017 is projected at 3.18%. The hotel and restaurant sector is expected to expand 1.48% in 2017, following a 2.39% expansion in 2016. Output of agriculture, livestock and forestry is forecasted to grow by 3.53% in 2017, following 0.32% growth in 2016. The construction sector is expected to grow by 7.76% in 2017 after growth of 9.95% in 2016 and the transport, storage and communications sector is forecasted to grow by 3.73% in 2017 from a decline of 1.32% in 2016.

According to initial ECCB forecasts, growth in 2017 is expected to increase relative to 2016, except for St. Kitts and Nevis, and Antigua and Barbuda, where the ECCB expects economic activity to moderate slightly. Due to the passage of strong hurricanes through the region in the latter half of the year, this forecast can be expected to be revised downwards particularly for the islands of Antigua and Barbuda, and Dominica. Meanwhile, the International Monetary Fund (IMF) in its October 2017 World Economic Outlook, estimated economic growth in the region at 2.6% in 2017 and 2.8% in 2018.

The region's current account deficit is forecasted to widen to an average of 6.6% of GDP in 2017 from 5.4% of GDP in 2016. Inflation is forecasted to recover to 1.3% in 2017 (-0.2% in 2016). The IMF directors agreed that while low commodity prices continue to support tourism, fiscal vulnerabilities and the strengthening of the financial sector must be addressed. Total public debt (as a % of GDP) was expected to decline slightly from 82.3% in 2015 to 80.4% in 2016 and then forecasted to moderate further by the end of 2019.

Costa Rica Economic Overview and Outlook

The Costa Rican economy grew by 4.3% in 2016 supported by its diversified export base and the strong performance of its tourism sector. Data as at June 2017 indicate the Costa Rican economy averaged growth of 4.1% (3.4 %: June 2016) continuing the momentum that began since April 2016. Contributing to this growth was the services industries (72%), manufacturing (19%), agricultural (5.6%) and construction sector (3.2%). Inflation measured 0.91% as at August 2017. The Costa Rican trade deficit of goods measured 4.2% of GDP in the first half of 2017, unchanged from the same period of 2016. Imports growth in the first quarter was 11.2% year-on-year, but subsequently decreased 0.9% in the second quarter. In terms of exports, growth remained relatively stable measuring 6.9% and 6.3% in first and second quarters respectively. By destination of sales, the most dynamic markets were the United States and Asia. The Latin American market showed a decline of 11.8% particularly due to the Dominican Republic (-13.7%) and Venezuela (-71.7%). The current account deficit is forecasted to expand modestly in 2017 due to a rebound in energy prices. The Central Government deficit measured 2.4% of GDP for the second quarter 2017 (2.2%: 2Q16), with a primary deficit (excluding interest service) of 0.9% of GDP (0.8%: 2Q16). This was due to an acceleration of total expenditure (10.0%) and lower growth in tax revenues (6.8%). Contributing to the increase in government expenditure was an acceleration of current and capital transfers and greater service of debt interest. The uptick in current transfers was due to settlement of public sector salaries. Central Government debt to GDP stood at 45.5% (42.2%: 2Q17) for the period.

The fragmented nature of Costa Rica's congress has made it very difficult for the government to pass the important VAT and income tax reforms. With congressional and presidential elections approaching in February 2018, the likelihood of these reforms passing through parliament is diminishing. While the central government fiscal deficit improved to 5.1% of GDP in 2016 mainly due to administrative measures, the expectation is for a further widening over the next two years due to a higher interest burden and spending rigidities. These fiscal imbalances have contributed to Costa Rica's debt burden doubling over the past eight years and in the absence of tax reform the debt burden is expected to reach over 60% of GDP within the next decade. Economic growth has been projected at 4.1% and 4.0% in 2017 by the Central Bank of Costa Rica and the IMF respectively.

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

Anthony Isidore Smart

Anthony Isidore Smart
Chairman

OUR RESULTS ARE
OUR MASTERPIECE

Karen Darbasie
Group Chief Executive Officer

Group Chief Executive Officer's **Report**

The year 2017 was pivotal for the First Citizens Group. Twenty-four years of solid performance and growth have now put the organisation in the right place to springboard into the next chapter of building a strong legacy as a homegrown Caribbean brand.

We established the First Citizens **house** which clearly articulated our foundation, strategic priorities, actionable mission and uniting vision. To this end we rolled out our new core values – "foundation" principles that guide our internal conduct as well as our relationship with our stakeholders. Our staff embraced this EPIC mantra because it speaks to who we have been, are today and steadfastly will be – **EPIC.** We will proudly live by our Commitment to **Excellence**, Commitment to **People**, **Integrity** and Commitment to **Customers**.

Upon this solid base we have defined our strategic differentiators, the pillars of our success and catalysts for growth:

- Delighting our varied customers and generating loyalty through superior products and services delivery is pivotal to our success. We believe in our brand promise, "We Put You First." We know that our customers are the reasons for our success and it is why we are investing in excelling at providing consistent yet unique **Customer Experiences**. This year, the Group continued to focus on the development of its local retail banking network with its continued expansion of our ATM network. Our Electronic Banking Unit was able to launch additional services that increased usage in the alternative delivery channels.

- At the centre of what we do is the **Employee Experience,** crystalising our belief that our organisation's services and future are built on investment in, and development of, a diverse, engaged and competent workforce. Not only have we focused on enhancing the financial wellbeing of all staff through profit sharing but also exposed our employees to wellness programmes and personal safety training. We are an employer-of-choice, motivated and empowered by our people.

- We have always been a Bank of firsts! We will leverage our proud history and continue to establish ourselves as the distinct technology leader in the financial services industry.

  The **Electronic/Digital** pillar means continued investments in technology to provide easy, secure and convenient banking products and services to our valuable clients. Initiatives like Easy Banking ensure accessibility on your time, any time; a robust mobile banking app; card security and Call Centre access 16/7 are just some of what it means to be a leader in banking technology.

- Even with tremendous organic growth due to customer loyalty and business efficiencies, our **Diversification** strategy focuses us on growing through financial, geographical, product, client and people opportunities. Our plans to leverage our solid funding base, footprint, lines of business, broad customer base and employee skill-set will serve to mitigate risk and drive sustainable growth.

- As a responsible financial institution, we aim to have a risk-intelligent organisation. We continue to build systems, policies and procedures that enable an integrated **Risk, Control** and compliance approach that enhances our ability to properly manage crises and threats and also allows us to capitalise on opportunities.

These strategic pillars are all informed by our new Vision Statement which is reinforced by the ring-beam of the First Citizens **house** in our new Mission Statement. The early pages of this report articulate the new statements.

We continue to invest in the communities that we serve, both in Trinidad and Tobago, and in the region. Our philosophy has been to find the right balance between as broad a scope as possible to provide as much help as possible, but with sufficient focus to have meaningful impact in specific areas. In this regard, our specific areas of community focus are sport, culture, youth and education, and women's issues. Some of the more noteworthy projects we engaged in across the region are described in our chapter on Corporate Social Responsibility later in this report.

In our Vision, we establish that our actions set us apart, engendering our customers, employees, shareholders and communities to choose to partner with us due to the quality of our interactions – done with excellence, care and undisputed code of conduct. The First Citizens Mission affirms that our stakeholder interactions are relationships which are healthy, enduring and provide value through our people who are committed to the organisation's goals and values, and motivated to contribute to our customers' success.

We will harness the enabling power, efficiency and convenience of technology, incorporating the relevant risks and controls and be creative – in our processes, thinking and business models. All demonstrated in our output: our products and services.

The values, strategies and guiding principles of our newly established and endorsed First Citizens **house** will redound to the success of this great organisation and will reinforce our brand's first-place standing among our investors and customers alike.

KEY PERFORMANCE HIGHLIGHTS

The First Citizens Group continued to perform robustly in 2017. Some highlights of this performance include:

Profit before tax increased
7.2% to $876.4 million
from $817.4 million in 2016

Profit after tax amounted to
7.2% to $641.9 million
or 0.7% growth year-on-year

Total assets
$38.9 billion

Standard & Poor's affirmed the First Citizens rating of BBB/A-2 in October 2017.

The Group's capital base increased by
1.1% to $6.75 billion

Qualifying Capital to risk adjusted assets ratio remained best of class at
48.28%

OVERVIEW OF PERFORMANCE

BUSINESS GENERATION

For the financial year ended September 30th, 2017, profit before tax increased to $876.4 million while profit after tax amounted to $641.9 million. The Group's total assets amounted to $38.9 billion as at year end. There was growth in the loan portfolio and the investments' portfolios of 8.3% and 4.9% respectively. The Group's funding base declined by $1.2 billion or 3.9% to $29.7 billion. We have been able to grow our loan portfolio $1.1 billion and the investment portfolio by $0.6 billion. Our non-performing loans (NPLs) ratios, at year end 2017, stood at 2.70%, improving from 3.89% in 2016.

As a result of the our consistent performance, the high quality of our balance sheet and our strong capital ratios, First Citizens continues to be one of the best rated indigenous banks in the English-speaking Caribbean by international rating agency, Standard and Poor's, who on October 2nd, 2017 re-affirmed our rating of BBB/A-2. Our Capital Adequacy Ratio of 48.28 % is one of the best in the local financial sector.

Our drive to book new facilities resulted in growth in the net interest income. Along with this, we continued to focus on improving efficiency within the period. Our fee-generating businesses including Electronic Banking, which provides efficiency saves for our clients, and Local Capital Markets businesses have grown. In addition we are seeing the positive results from our businesses in Costa Rica within the context of our group diversification strategy.

First Citizens also received for the fifth time, the prestigious international award and recognition for 2017, *The Banker,* "Bank of the Year Award – Best Bank in Trinidad and Tobago", along with the award for being "Safest Bank in Trinidad and Tobago 2017", from Global Finance.

SUPPORT SERVICES

This year our support services remained focused on risk management, corporate governance and corporate social responsibility. We have streamlined our risk and compliance operations with improved responsibilities to protocols and functions under the umbrella of risk management best practices. The Group also implemented credit card anti-money laundering and fraud monitoring applications that monitors payments to credit cards and generates alerts for review and action. This feature allows us to identify and alert our clients to transactions outside their normal parameter profile.

The Group has fully endorsed the Trinidad and Tobago Corporate Governance Code and is proud to announce that many of the recommendations noted in the code have already been adopted by the Group.

SUBSIDIARIES

The Group's subsidiaries continued to perform well, expanding the range of products and services which they offer and growing in market share and profitability. The Asset Management Company has assets under management of $13.7 billion and recorded profit before tax of $111.1 million. Trustee Company focused on streamlining its operations and realised a profit before tax of $26.3 million. The First Citizens Investment Services Group also contributed $126.7 million to profit before tax. Our Barbados operation focused on improving procedures and compliance and continued support to our clients within a difficult local economy.

FUTURE OUTLOOK

Focus Economics is citing that next year, the local economy GDP growth appears poised to pick up and the economy is expected to exit its years-long recession. This GDP is projecting a growth of 2.5% in 2018 and 2.7% in 2019. The uptick in natural gas supply which was seen in the latter part of 2017 is expected to support growth in the energy sector, while knock-on effects should give the non-energy sector a much-needed boost.

The condition of the local and regional economies will require the Group to continue its efforts at managing its expenses and adhering to robust risk management practices. Focus remains on these two main areas in order to ensure that the growth and stability of the Group continues.

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

Karen Darbasie
Group Chief Executive Officer

Statement of Management's **Responsibility**

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2017, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act and the Financial Institution Act (FIA) 2008; and
- Using reasonable and prudent 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.

Group Chief Executive Officer
12 December 2017

Group Chief Financial Officer
12 December 2017

10-year Summary of Selected Financial Data 2008-2017

TT$ million

As at September 30th	**2017**	**2016**	**2015**	**2014**	**Restated 2013**	**Restated 2012**	**2011**	**2010**	**2009**	**2008**
Total Assets	38,958	38,850	37,538	34,858	36,086	33,804	31,160	29,534	27,714	15,843
Total Funding	29,708	30,912	27,672	27,644	28,085	27,382	25,626	23,989	22,702	12,351
Shareholders' Equity	6,752	6,679	6,326	6,241	5,965	5,471	5,146	4,900	4,098	2,672
Total Loans	14,435	13,332	13,831	11,154	11,517	10,322	9,020	8,788	7,674	6,559
Investments	13,603	12,967	12,294	10,442	10,305	10,852	10,611	11,175	10,549	4,121
Profit Before Tax	876	817	791	773	745	714	688	671	621	503
Profit After Tax	642	637	630	627	609	446	718	627	552	463
Non-Performing Loans /Total Loans (%)	2.70%	3.89%	3.39%	4.54%	4.25%	4.56%	4.55%	1.16%	1.03%	0.80%
Efficiency Ratio (%)	53.16%	55.51%	55.80%	54.31%	53.99%	49.53%	46.74%	44.89%	40.46%	43.70%
Capital/ Asset (%)	17.3%	17.2%	16.9%	17.9%	16.5%	16.2%	16.5%	16.6%	14.8%	16.9%
ROAA	1.65%	1.67%	1.74%	1.77%	1.74%	1.37%	2.37%	2.19%	2.53%	3.00%
ROAE	9.56%	9.80%	10.03%	10.27%	10.65%	8.40%	14.29%	13.94%	16.31%	19.03%

Directors' Report

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

The Directors present herewith the annual report and financial statements for the year ended September 30th, 2017.

PRINCIPAL ACTIVITIES

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

REGULATION

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

FUTURE DEVELOPMENTS

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

The Bank has undertaken a number of initiatives in keeping with the Principles and Recommendations of the Corporate Governance Code (CG) 2013 and these are set in the CG section of this report.

ACHIEVEMENTS

The Group's total assets
$38.9 billion
September, 2017

Profit before tax increased
7.2% to $876.4 million
in 2017 as compared to $817.4 million in 2016

The profit after tax
$641.9 million
as compared to $637.2 million in 2016

Total shareholders' equity increased approx.
$72.3 million
to $6.7 billion

DIRECTORS' RESPONSIBILITY STATEMENT

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

a) In the preparation of the Annual Financial Statements, the applicable International Financial Reporting Standards have been followed and there have been no material departures from these standards.
b) That the risk management systems and internal controls are adequate for managing the company's risk and are being properly applied.
c) The annual financial statements have been prepared on a going concern basis.

DIRECTORS, SENIOR OFFICERS AND SUBSTANTIAL INTEREST

Below are the details of shareholdings of Directors and Senior Officers with an interest in the Bank as at September 30th, 2017, together with the shareholdings of their connected parties and our ten (10) largest shareholders.

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

The ten (10) largest shareholders

NAME	Ordinary Shares	Percentage
First Citizens Holdings Limited	161,946,890	64.43%
National Insurance Board of Trinidad and Tobago	20,285,431	8.07%
First Citizens Employee Share Ownership Plan	5,781,250	2.30%
T&T Unit Trust Corporation/FUS	5,663,909	2.25%
T&T Unit Trust Corporation/FUS	3,500,000	1.39%
Guardian Life of the Caribbean Limited	2,646,418	1.05%
National Enterprises Limited	1,592,395	0.63%
Republic Bank Limited – 1162	1,513,707	0.60%
RBTT Trust Limited – T964	1,319,830	0.53%
Tatil Life Assurance Limited	1,175,731	0.47%

ACKNOWLEDGMENT

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

By order of the Board

Lindi Ballah-Tull
Corporate Secretary

Anthony Isidore Smart

Anthony Isidore Smart
Chairman

Courtenay Braemar Williams
Deputy Chairman

Board of Directors

From left to right:

Franka Costelloe
Ingrid Melville
Ryan Proudfoot

Jayselle McFarlane
Anthony Isidore Smart – Chairman
Idrees Omardeen
Courtenay Williams – Deputy Chairman
Savitree Seepersad

Troy Garcia
David Inglefield
Ian Narine

The Board Profile

Like a work of art, our success is the product of many elements combining cohesively.

Mr. Anthony Isidore Smart
Chairman

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

He is an attorney-at-law who has been in private practice for 45 years, for 30 of which he has led the law firm of Gittens, Smart & Company. He was an elected member of the House of Representatives of the Parliament of Trinidad and Tobago from December 1986 to November 1991.

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

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

Mr. Smart was appointed as Chairman of the Board of First Citizens Bank Limited on June 17th, 2014 and subsequently as:

- Chairman of First Citizens Investment Services Limited
- First Citizens Bank (Barbados) Limited
- First Citizens Costa Rica S.A.
- First Citizens Holdings Limited.

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

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

Mr. Courtenay Williams
Deputy Chairman

Courtenay Williams is an attorney-at-law who has been in practice for 30 years, most of which have been spent at the private bar, specialising in banking, privatisation, commercial, intellectual property, project financing, capital market and debt restructuring transactions. Mr. Williams graduated from The University of the West Indies with a Bachelor of Laws Degree (Hons). He also obtained a Legal Education Certificate from the Hugh Wooding Law School in 1987.

Mr. Williams is a tutor in Remedies at the Hugh Wooding Law School and has previously also tutored in areas such as Landlord and Tenant, Conveyancing and Registration of Title, Ethics, Rights and Obligations of the Legal Profession and Succession.

He was appointed to the Board of First Citizens Bank Limited on June 17th, 2014 and subsequently as:

- Deputy Chairman of First Citizens Bank Limited
- Chairman of the Boards of First Citizens Asset Management Limited
- First Citizens Financial Services (St. Lucia) Limited
- Director on the Boards of
  - First Citizens Holdings Limited and
  - First Citizens Trustee Services Limited.

Mr. Williams, a certified mediator, is currently also the Chairman of the Legislative Committee of the American Chamber of Commerce of Trinidad and Tobago, a senior ordinary member of the Law Association of Trinidad and Tobago, and a member of the Disciplinary Committee of the Law Association of Trinidad and Tobago.

He is a past President of the Art Society of Trinidad and Tobago, Deputy Chairman of the Trinidad and Tobago Film Company Limited, and currently sits on the Boards of the Bocas Literary Festival, Trincity College Limited and Electrical Industries Limited.

He is a consultant with Lex Caribbean, Attorneys-at-Law and Notaries Public.

Ms. Franka Costelloe

Franka Costelloe holds a MSc in Building and Construction Management (Distinction), an (MBOS) Associate Degree in Project Management and BSc in Business Administration with a major in Human Resources.

Ms. Costelloe is a Director of Lifetime Roofing Ltd, a manufacturer, distributor and contractor specialised in metal and flat roof waterproofing.

She has experience in various departments including: Human Resources, Project Management, Contracts, Budget Planning and Administration, Sales and Marketing.

She currently is also:

- Chairperson of First Citizens Trustee Services Limited
- Director on the Boards of
  - First Citizens Bank Limited
  - First Citizens Investment Services (Barbados) Limited
  - First Citizens Bank (Barbados) Limited
  - Trinidad and Tobago Manufacturers' Association.

Troy Garcia

Mr. Troy Garcia holds a BBA from Stetson University, Florida, USA.

With over 21 years of experience and success in the fields of business and entrepreneurship, he is the Chief Executive Officer of Parts World Limited, Director of United Bearings and Equipment Agencies, Managing Director of High Performance Coatings and Honorary Consul General of Finland for Trinidad and Tobago.

Mr. Garcia was appointed to the Board of First Citizens Bank Limited on June 16th, 2016 and subsequently to the Boards of:

- First Citizens Investment Services Limited
- First Citizens Asset Management Limited.

David Inglefield

Mr. David Inglefield spent 35 years in advertising. Starting in 1969 at Trinity Advertising, he became Managing Director in 1978, and in 1981 merged the business with Corbin Compton Caribbean. He was appointed CEO of Corbin Compton in 1982 until he resigned in 1993 and founded Inglefield, Ogilvy & Mather.

He is recognised as one of the leaders in the Caribbean on Strategic Business and Brand Development. In October 2003, he joined the ANSA McAL Group as a Parent Board Director and member of the Group's Executive Committee. As Group Marketing Director, he played a decisive role in the acquisition of the Bryden's Group in Barbados and its successful integration into the Group's distribution business there.

From 2005 to 2015, Mr. Inglefield served as Group Distribution Sector Head, President/CEO ANSA McAL (Barbados) Limited; Sector Executive Chairmen of Guardian Media Limited; and Head, Chairman of the Services & Retail/Sectors. He retired from the Group in June 2015.

His is now a consultant to major businesses in the energy and construction sectors.

He was appointed as a Director on the Board of First Citizens Bank Limited on February 16th, 2017 and subsequently as a Director of:

- First Citizens Trustee Services Limited
- First Citizens Investment Services Limited
- First Citizens Investment Services (Barbados) Limited
- First Citizens Bank (Barbados) Limited.

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

Jayselle McFarlane

Jayselle McFarlane is a member of the Association of Certified Charted Accountants (ACCA) and has experience in various sectors such as financial services, construction, hospitality and manufacturing. Her career as a consultant emanated from over 21 years of diverse experience, with her functioning in leading roles at various international/multinational companies. As a chartered accountant, she was able to hold the offices of Finance Analyst, Financial Controller and Corporate Secretary in these international/multinational companies.

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

She was appointed to the Board of First Citizens Bank Limited as a Director on June 16th, 2016 and subsequently as:

- Deputy Chairperson on the Board of First Citizens Asset Management Limited
- Director on the Boards of
  - First Citizens Holdings Limited
  - First Citizens Investment Services Limited.

Ingrid Melville

Ms. Ingrid Melville is an attorney-at-law who has been in practice for 22 years, leading the law firm Ingrid Melville & Company since 2012. She graduated from the University of the West Indies with a Bachelor of Laws Degree in 1993 and obtained a Legal Education Certificate from the Hugh Wooding Law School in 1995. Ms. Melville is also the Managing Director of Caribbean People Centred Development Institute and the Deputy Chairman of the Tobago Regional Health Authority.

A true pioneer of human rights issues, Ms. Melville has presented at several key seminars in Botswana, South Africa, Zimbabwe and Egypt and has published research papers and other works on topics such as human dignity, volunteerism, and HIV in the workplace. Ms. Melville has made many meaningful collaborations in respect of human rights and youth issues from early on in her life (being a Member of the Tobago Youth Council from 1985 to 1990) and has been actively involved in youth development and human rights issues ever since.

Ms. Melville was appointed as a Director on the Board of First Citizens Bank Limited on February 16th, 2017 and subsequently as Director of:

- First Citizens Trustee Services Limited
- First Citizens Costa Rica S.A.

Mr. Ian Narine

Ian Narine has 22 years experience in the financial services industry. He holds a MBA from Manchester Business School and is a Fellow of the Association of Chartered Certified Accountants. He is also a Member of the Chartered Institute of Securities and Investments.

Over the course of his career, Mr. Narine has practised as an accountant, auditor, corporate finance consultant, stock broker, investment adviser, portfolio manager, wealth manager and private banker. He has also been involved in financial analysis and research, macro-economic analysis, financial risk management and internal audit.

Mr. Narine has over 10 years of senior management responsibility, including the positions of General Manager and Managing Director of units and subsidiaries associated with four publicly listed companies in Trinidad and Tobago.

He was appointed to the Board of First Citizens Bank Limited on August 25th, 2014 and subsequently to the Boards of:

- First Citizens Trustee Services Limited
- First Citizens Investment Services Limited
- First Citizens Costa Rica S.A.

He currently also serves as a Member of the Investment Committee of the National Insurance Board of Trinidad and Tobago, a Director on the Board of the Trinidad and Tobago Stock Exchange and a Director on the Board of the Telecommunications Services of Trinidad and Tobago.

Idrees Omardeen

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

Mr. Omardeen was appointed as a Director of First Citizens Bank Limited on June 17th, 2016 and subsequently as a Director on the Boards of:

- First Citizens Investment Services Limited
- First Citizens Asset Management Limited
- First Citizens Brokerage and Advisory Services Limited.

Mr. Ryan Proudfoot

Ryan Proudfoot holds a BA (Hons) in Accounting from the University of Kent at Canterbury, UK and an MBA in International Management from the University of Exeter, UK.

Mr. Proudfoot is the majority shareholder of Total Office, a Trinidad head-quartered company that helps people create great office spaces, with subsidiaries in Barbados, and operations in 12 other southern Caribbean countries.
Prior to this Mr. Proudfoot had a highly successful career in banking, holding the positions of General Manager, BNB Finance and Trust Corporation; and General Manager, BNB Treasury with Barbados National Bank Inc. (renamed Republic Bank (Barbados) Ltd and a subsidiary of Republic Bank Limited).

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

He was appointed to the Board of First Citizens Bank Limited on July 3rd, 2014 and subsequently to the Boards of:

- First Citizens Investment Services Limited
- First Citizens Bank (Barbados) Limited
- Chairman of the Boards of
  - First Citizens Investment Services (Barbados) Limited
  - First Citizens Brokerage and Advisory Services Limited.

Savitree Seepersad

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

Mrs. Seepersad is currently the Deputy Permanent Secretary, Ministry of Finance. She entered into the public service 33 years ago where she served in various positions in the Ministry of Finance including Treasury Accountant, Senior Treasury Accountant and Treasury Director.

She is the Chairperson of the Seized Assets Advisory Committee and a member of the National Anti-Money Laundering and Counter Financing of Terrorism Committee (NAMLC). She is also involved in the Public Financial Management and Public Procurement reform initiatives in the public service.

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

Our Executive Management

Karen Darbasie has over **23** years of experience in the financial services industry.

She holds a BSc (Hons) degree in Electrical Engineering from The University of the West Indies, a MSc with distinction in Telecommunications and Information Systems from the University of Essex, England and a MBA with distinction from University of Warwick, England.

Prior to her appointment at First Citizens in 2015, Ms. Darbasie held the post of Managing Director of the Merchant Bank, Country Treasurer and Markets Head at the local subsidiary of a multinational bank. She has also sat on the Board of the American Chamber of Commerce of Trinidad and Tobago.

With such a diverse educational background, Ms. Darbasie will continue growing the First Citizens brand throughout Trinidad and Tobago, St. Lucia, St. Vincent and the Grenadines, Barbados and Central America through the initial extension into Costa Rica. In addition, she sits on the boards of several subsidiaries within the First Citizens Group.

She is currently Treasurer of the Bankers Association of Trinidad and Tobago and a Director of the Board of St. Lucia Electricity Services Limited.

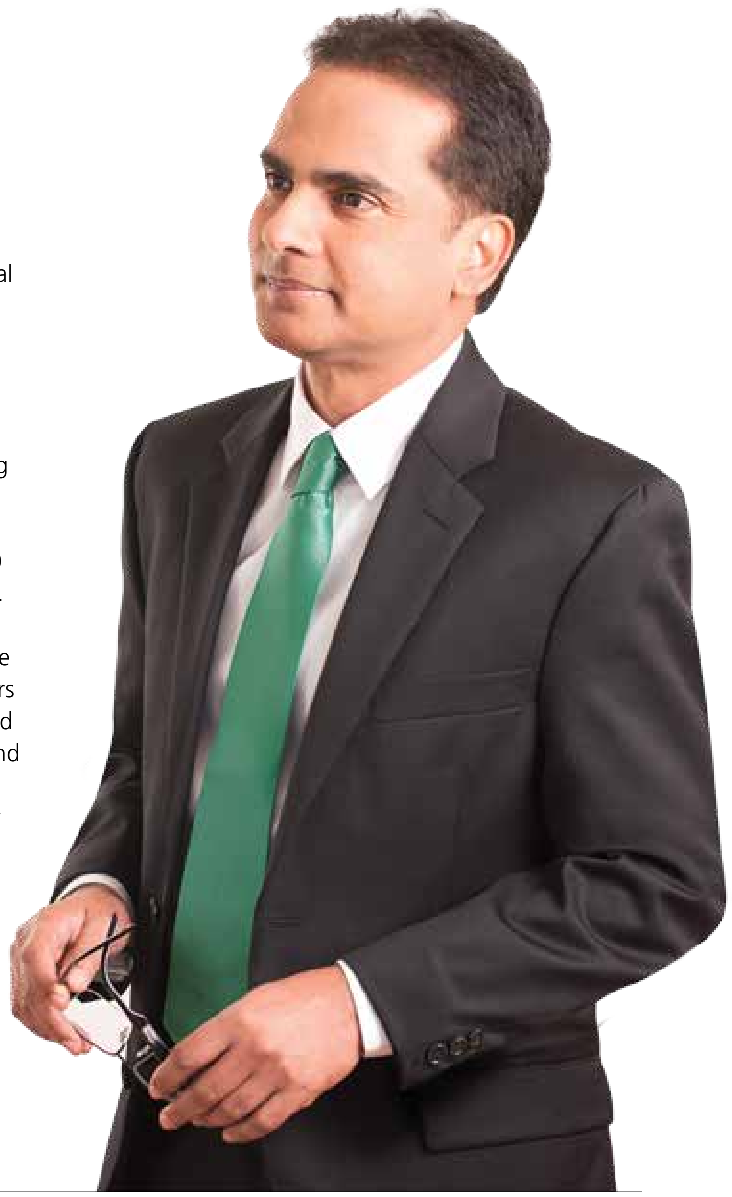
Karen Darbasie
Group Chief Executive Officer

Sterling Frost is a career banker of over **25** years locally and internationally, he has held senior positions in major banks in areas of Retail and Commercial Banking, Operations, Public Affairs, and Human Resources.

Before joining the First Citizens Group in 2016 as DCEO Operations and Administration, Mr. Frost served as Director of Human Resources, Citibank Latin America Head Office based in Miami overseeing a workforce of 12,000 employees across 13 countries in the Central America and Caribbean region, serving 1.2 million clients. In addition, his past directorships include financial institutions across Trinidad and Tobago, Panama, Nicaragua and Honduras. He serves on the boards of several subsidiaries within the First Citizens Group.

His academic qualifications include an MBA from The University of the West Indies and he is currently pursuing his Doctorate in Business Administration also from UWI. He was named one of 50 Inaugural Distinguished UWI graduates from a graduate student body of over 25,000 persons at the University's 50th anniversary celebrations.

As a firm believer in the need to nurture and develop the value of human capital, Mr. Frost has for the last 13 years been an adjunct lecturer of Organisational Behaviour and Development at The UWI for both the undergraduate and postgraduate programmes. He also dedicates his talents and energies to nurturing human welfare and talents by giving back through his directorship on the Boards of both the Foundation for Enhancement and Enrichment of Life (FEEL) in Trinidad and Tobago, and on the Board of the Lydian Singers, one of the most respected local chorales.



Sterling Frost
Deputy Chief Executive Officer – Operations and Administration

Jason Julien is a Chartered Financial Analyst with over **20** years of experience in the financial services industry.

He is the holder of a BSc in Management Studies with honours from The University of the West Indies, and an MBA from Edinburgh Business School. His career has covered consultancy with PricewaterhouseCoopers and management positions at an international bank. He was also employed with one of the largest financial services conglomerates in the Caribbean, where he managed over $8 billion in assets.

He is a member of the Finance Faculty at the Arthur Lok Jack Graduate School of Business, and is a commentator on economic, investment and financial matters. Mr. Julien was also honoured as one of the Distinguished Alumni of UWI, St. Augustine. Mr. Julien is a past president of the CFA Society of Trinidad and Tobago and has served on the Boards of the Mutual Fund Association of Trinidad and Tobago, the Securities Dealers Association of Trinidad and Tobago, as the Vice-Chairman of the Capital Markets Development Committee of the Central Bank of Trinidad and Tobago, and as Chairman of the Airports Authority of Trinidad and Tobago. He is currently a member of the Board of Directors of the Trinidad and Tobago Chamber of Industry and Commerce. Mr. Julien is also a Director on the boards of several subsidiaries within the First Citizens Group.

Jason Julien
Deputy Chief Executive Officer – Business Generation

Our Senior Management

From left to right: Wendell Mitchell, Chief Information Officer – Information and Communications Technology;
Neela Moonilal-Kissoon, General Manager, Human Resources;
Christopher Sandy, General Manager – Trustee Services;
Larry Olton, Head – Brand & Marketing

From left to right: Brian Woo, General Manager – Corporate and Investment Banking Unit; Akhenaton Marcano, Assistant General Manager – Group Operational Risk and Controls; Sana Ragbir, General Manager – Investment Services; and Kurt Valley, General Manager, First Citizens Asset Management Limited

Our Senior Management Team (CONTINUED)

From left to right: Keshwar Khodai, Assistant General Manager – Treasury/ International Trade Centre; Kurt Headley, Head – Retail Banking; Anthony St. Clair, Chief Internal Auditor – Group Internal Audit; Richard Look Kin, Chief Risk Officer – Group Enterprise Risk Management

From left to right: Nesha Ramkhalawan, Assistant General Manager (Ag) Credit Administration; Carole Eleuthere-Jn Marie – Interim CEO, First Citizens Bank (Barbados) Limited; Felipe Castro, Regional Manager, Central America, First Citizen Costa Rica

From left to right: Avril Edwards, Head – Electronic Banking; Ishwarlal Mongru, Head – Commercial Banking; Robin Lewis, General Manager – Retail and Commercial Banking

From left to right: Lindi Ballah-Tull, Head – Legal, Compliance, Governance and Group Corporate Secretary; Shiva Manraj, Group Chief Finance Officer; Nicole De Freitas, General Manager – Operations

Management Discussion and Analysis

OVERVIEW

The following discussion aims to offer Management's perspective on the Group's financial statements and its general operations for the year ended September 30th, 2017.

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

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

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

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

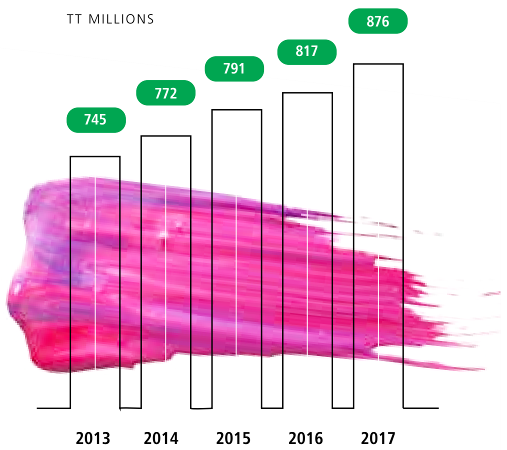
Critical Accounting Policies

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

SUMMARY OF OPERATIONS

At the end of the financial year ended September 30th, 2017, First Citizens Group reported a profit before tax of $876.4 million. This profit represented $59.0 million or 7.2% growth over the $817.4 million earned in September 2016. Total net income decreased by 0.4 % to approximately $1.99 billion whereas operating or core profit increased by $53.3 million to $854.8 million (2016: $801.5 million). Profit after tax amounted to $641.9 million as compared to $637.2 million in 2016.

PROFIT BEFORE TAX



Overall total assets increased by 0.3% to $38.96 billion in 2017. The Group's funding base decreased from $30.9 billion to $29.7 billion. The Group's customers' loans and other advances increased by 7.4% from $15.4 billion to $16.5 billion, investments also increased from $12.97 billion to $13.6 billion.

The Group continues to identify threats to the financial sector and formulate strategies to mitigate risks. In the local economy, indicators suggest slow activity in the energy and non-energy sectors for the first six months of 2017. However, the energy sector will receive a significant boost from BPTT's Juniper project which commenced operations in the third quarter of 2017. The improved performance in the energy sector is expected to spill over into increased demand for goods and services with a corresponding positive effect on the non-energy sector. Although unemployment and inflation rates have not significantly increased during the year, given the global outlook for increase in interest rates, First Citizens will continue to take proactive measures to manage our loan and investment portfolios.

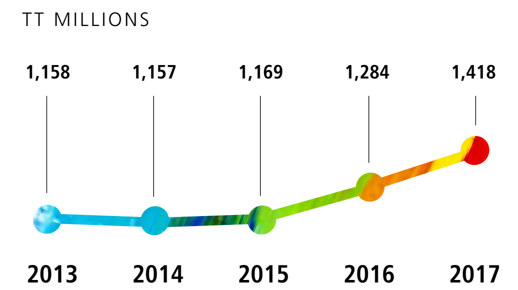
Net Interest Income

Net interest income has increased to $1.42 billion or a 10.5% increase from $1.28 billion in 2016. Net interest income continues to be the most significant contributor to the Group's net income, accounting for 71.4% of the Group's total income.

Over the financial year ended September 30th, 2017, interest income increased by $138.7 million or 8.9% to $1,690.2 million, the major contributors being investment interest income which accounted for $75.9 million or 12.5% increase and loan interest income which increased by $74.1 million or 8.4%. This was partly offset by a decrease in loan note interest income by $11.3 million. The increase in investment interest income was due mainly to an increase in average portfolio balance of $1.4 billion, along with higher yields on the investment portfolio which moved from 4.36% in 2016 to 4.46% in 2017. Loan interest income increase was due to an increase in the average portfolio balance, along with higher yields on the loans portfolio from 6.39% in 2016 to 6.68% in 2017.

Interest expense increased by $4.1 million or 1.5 % to $271.8 million. This increase was due mainly to an increase other funding (repo) interest expenses by $12.2 million and deposits interest expenses by $7.7 million. This was partly offset by a decrease in bond payables interest expenses by $20.6 million. The decrease in the bond payable interest expense was due mainly to the repayment of the US$175 million international fixed rate bond in 2016.

NET INTEREST INCOME



Non-Interest Income

In the year 2017, non-interest income decreased by 20.1% to $568.2 million, accounting for 28.6% of total revenues (2016: 35.6%). The major contributors to this reduction were derived from decreased contributions in

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

	Year Ended September 30, 2016 vs September 30, 2017				Year Ended September 30, 2015 vs September 30, 2016			
	Changes in Volume	Changes in Rate	Changes in Rates/ Volume	Total increase/ (decrease)	Changes in Volume	Changes in Rate	Changes in Rate/ Volume	Total increase/ (decrease)
Interest Income Attributable to:								
Investment Securities	45,521	28,279	2,112	75,912	68,734	14,372	1,883	84,989
Loans to Customers	19,560	53,344	1,183	74,087	72,489	(26,427)	(2,286)	43,776
Loan Notes	(41,339)	96,226	(66,225)	(11,338)	(38,301)	18,783	(8,195)	(27,713)
Total increase in interest income	23,742	77,849	(62,930)	138,661	102,922	6,728	(8,598)	101,052
Interest Expense Attributable to:								
Customers' Deposits	5,132	2,405	156	7,693	7,019	952	94	8,065
Other funding instruments	(4,650)	6,072	(275)	1,147	(3,309)	6,895	(230)	3,357
Due to other banks	21,101	(1,773)	(3,499)	15,830	7,242	(855)	(1,138)	5,248
Debt securities in issue	(11,929)	(10,302)	1,633	(20,598)	(14,892)	(18,107)	2,551	(30,448)
Total increase in interest expense	9,655	(3,598)	(1,985)	4,072	(3,940)	(11,115)	1,277	(13,778)
Increase/(decrease) in net interest income	14,087	181,447	(60,945)	134,589	106,862	17,843	(9,875)	114,830

the categories of foreign exchange gains and portfolio and other management fees.

Non-Interest Expense

Within this period, great focus was put into improving efficiency. Total non-interest expense decreased by $51.2 million or 4.6%, amounting to $1,056.2 million at the end of September 2017. This decrease was mainly due to the decrease in salaries and staff expenses ($46.7 million).

The Group's efficiency ratio, the ratio of non-interest expenses (excluding impairment provision) to total income improved to 53.16% in 2017. The Group continues to renew its commitment towards increasing efficiency of utilisation of resources and controlling its expense levels, while delivering superior customer service.

Assets and Liabilities

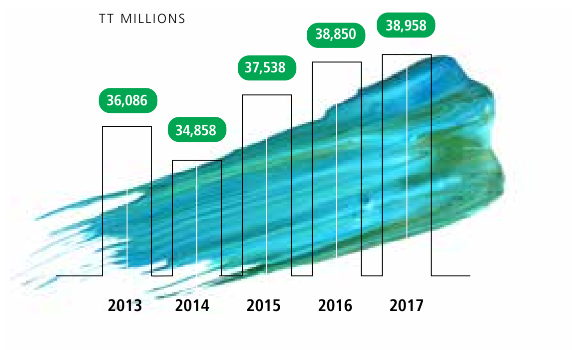
Total Assets were $38.9 billion as at the end of September 2017. Significant growth was shown in loans to customers and the investment portfolios.

Loan to Customers Portfolio

As at September 30th, 2017, the gross loan portfolio increased by $1.0 billion to $14.7 billion. Loans increased within two major sectors led by finance, insurance and real estate ($1,712.8 million), personal ($252.8 million), partly offset by a decrease in the construction sector ($911.2 million). There were increases in the other sectors, such as distribution ($140.9 million), other business ($35.6 million) and mortgages ($12.7 million).

Non-performing loans as a percentage of total gross loans improved to 2.70% at the close of 2017 compared 3.89% in 2016. The credit risk department and business units continue to effectively manage our delinquency, asset quality and credit exposure by setting and ensuring compliance with our credit limits.

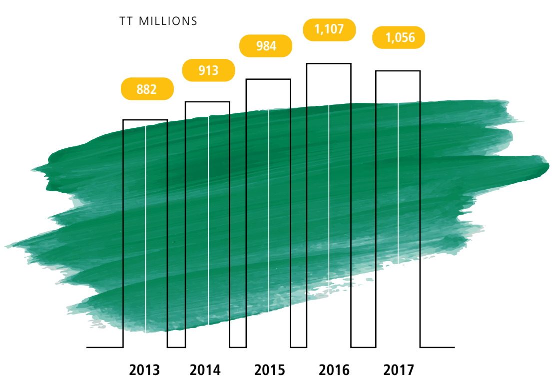
ASSET GROWTH – TOTAL ASSETS



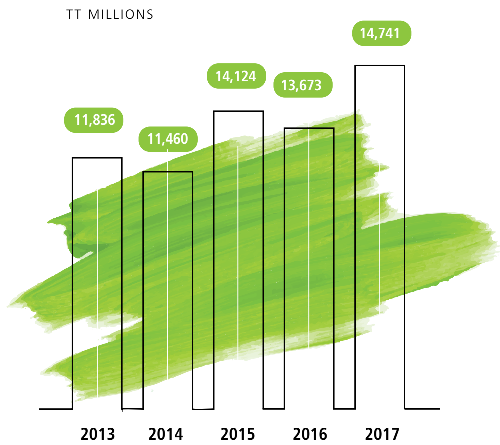
Loan Loss Provisions

The Group accounts for the credit risk associated with lending activities through its allowance for bad and doubtful debts. This allowance, as determined through the application of the Group's loan loss provision model, is an expense recognised in the income statement. Total provision for the Group at the end of September 2017 amounted to $306.0 million, which represents 2.1% of total loans and 0.77 times coverage on the value of total non-performing loans. General provisioning increased by $21.8 million, while specific provisioning decreased by $57.0 million. The Group continues to demonstrate a prudent risk management approach in the current economic conditions.

NON-INTEREST EXPENSE



GROSS LOANS TO CUSTOMERS



Other Loans and Receivables

Other Loans and Receivables increased during the year to $2.1 billion from $2.0 billion, an increase of 1.9%.

Investment Portfolio

Available for sale financial assets increased during the year to $12.5 billion from $11.5 billion. This increase of $1.0 billion or 8.6% was mainly driven by the purchase of GORTT bonds.

Provision for Taxation

The Group recorded a taxation charge for the year of $234.4 million compared to $180.2 million in 2016. The increase in the effective taxation rate to 26.75% (2015: 22.0%) was mainly due to the increase in the corporation tax rate in 2017 to 30%.

Shareholders' Equity

Total shareholders equity increased by $72.2 million over the last financial year to $6.75 billion. The increase in the Group's capital base was as a result of the increase in net profit for the year, offset by dividend of $340.8 million paid to shareholders and the purchase of shares for the Employee Share Option Plan (ESOP) of $185 million.

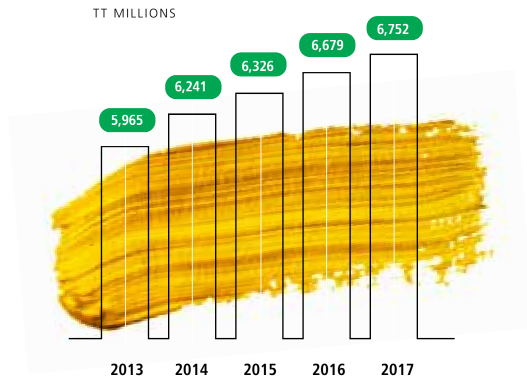
The Group and its subsidiaries are subject to various capital requirements administered by banking regulators. Such regulators require that the Bank maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulation) to risk weighted assets (as defined). This standard corresponds with International Basel standards wherein there is a minimum capital adequacy ratio of 8%. This is a risk-based capital measure which recognises the inherent credit risk in off-balance transactions. As at the year's end, the Group was well capitalised with a capital adequacy ratio of 48.28%.

RISK MANAGEMENT

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

The Enterprise Risk Management framework integrates all aspects of risks across the Group and supports the various business units within the Group in the effective

TOTAL SHAREHOLDERS' EQUITY



management of risks. It has been developed in accordance with:

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

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

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

An integral part of any control framework is monitoring and assessing its effectiveness over time. The First Citizens Board acknowledges and understands that it has ultimate responsibility for ensuring and providing oversight for the effectiveness of the overall risk management and control framework and policies for the First Citizens Group.
The Credit Risk Management function is responsible for the development of credit policy as well as the fostering of a credit culture that is aligned to the Group's strategic objectives and its overall risk appetite. The team critically

evaluates individual facilities on a regular basis to determine their quality and the extent of any reserve or write-off that may be needed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

The First Citizens Group continued to perform strongly in 2017 with solid growth in Total Asset, and Shareholders' Equity. Despite the challenges of continued depressed economic activity, internationally, regionally and locally, the Group continues to position itself as a strong financial institution. Coupled with sound management and corporate governance, the First Citizens Group continues to be well positioned to maintain its position as one of the most competitive financial institutions in the region.

Excellence In Governance

First Citizens Bank Limited and its subsidiaries ("First Citizens") remain committed to compliance with the requirements of the various laws and regulations governing corporate governance in all jurisdictions in which we operate and to achieving sound corporate governance.

The Trinidad and Tobago Corporate Governance Code (2013) ("the Code") was developed by the Caribbean Corporate Governance Institute, in conjunction with the Trinidad and Tobago Chamber of Industry and Commerce and the Trinidad and Tobago Stock Exchange Limited with a focus on public companies. First Citizens is proud to be a founding sponsor of the Caribbean Corporate Governance Institute, a Member of the Working Group which assisted with the development of the Code and a continuing Member of the Caribbean Corporate Governance Institute.

Apart from statutory and other obligations with which the First Citizens Group complies, it has taken the additional step to adopt the Code as it strives to maintain a culture and reputation for good governance. The adoption of the Code is on a discretionary basis and companies agreeing to adopt the Code are required to apply the recommendations set out therein or provide an explanation to stakeholders on any recommendation which might not be fully applied.

The following sections are meant to describe, in narrative form, the First Citizens Group's advancements of the recommendations contained in the Code.

BOARD MATTERS

The Board's conduct of its affairs

The Board of First Citizens Bank Limited ("the Bank") is comprised of 11 Directors, all of whom are non-executive and are required to exercise due diligence and independent judgment whilst making decisions objectively in the best interests of the Group.
The responsibilities of the Board include the development and maintenance of appropriate frameworks to govern the operations of the Group in addition to establishing Board committees to undertake specific functions and make recommendations to the Board.

Moreover, the principal duties of the Board include:

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

Delegation by the Board

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

Our Corporate Governance Committee is central to the effective functioning of the Board of First Citizens, as it provides a leadership role in shaping the corporate governance for the Group.

1. **Membership** – The Company's by-laws require directors to serve a maximum term expiring no later than the close of the third annual general meeting of the shareholders next following his/her election. However, a director can be eligible for re-election provided that qualification requirements set out in paragraph 4.8 of the Bank's by-laws are met.
2. **Training** – The Directors of the Bank's board undergo training inclusive of legal training on the key pieces

of legislation and guidelines (for e.g., the Companies Act, Chapter 81:01; the Financial Institutions Act, Chapter 79:09; Integrity in Public Life Act, Chapter 22:01; Central Bank of Trinidad and Tobago 'Fit and Proper' Guideline;Central Bank of Trinidad and Tobago Corporate Governance Guideline and the Prevention of Corruption Act, Chapter 11:11).

3. **Evaluation of performance** – The Corporate Governance Committee is pivotal to developing an effective mechanism for a biennial evaluation of the performance and effectiveness of the Boards within the First Citizens Group, the operations of sub-committees and the contributions of individual Directors.

CORPORATE GOVERNANCE COMMITTEE

- Courtenay Braemar Williams – Chairman
- Franka Costelloe – Member
- Ingrid Melville – Member
- Renee Kowlessar – Member

Induction and training of directors

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

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

- Anti-Money Laundering/Counter-Financing of Terrorism
- Training on requirements under the Financial Institutions Act, Chapter 79:09
- Training on requirements under the Companies Act, Chapter 81:01 including Powers and Duties of Directors
- Training on requirements under the Integrity in Public Life Act, Chapter 22:01
- Training on requirements under the Prevention of Corruption Act, Chapter 11:11
- Confidentiality in Banking
- Strategy Implementation and Formulation
- Balancing Shareholders' Interests

Board size, composition and membership

The Board believes that its directors possess the necessary competencies and knowledge to lead and govern the Bank effectively. The Central Bank of Trinidad and Tobago as a regulator and supervisor of financial institutions ensures that First Citizens is compliant with the provisions of the Financial Institutions Act, Chapter 79:09 regarding the initial and ongoing fitness and propriety of persons holding key positions, which includes Directors. All Directors have been assessed as fit and proper by the Central Bank of Trinidad and Tobago. The Board's academic and professional qualifications are presented within the "Board of Directors' section" of this report. Nomination for Directors are recommended by the majority shareholder and are appointed by shareholders at annual meetings and special meetings convened for that purpose. The Chairman and Chief Executive Officer functions are performed by different individuals and there is a clear division of the responsibilities between the Chairman and the Chief Executive Officer. Further, the Chief Executive Officer is not a Member of the Board of Directors of First Citizens Bank Limited.

The duties of the Chairman include:

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

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

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

Independence of Directors

All First Citizens Directors have submitted information on commitments and obligations external to those at First Citizens and the Group, including information on appointments to other boards. Refer to Appendix 2 and 3 for further details of the key information on Directors and the number of meetings held and attended during the year. The Directors of First Citizens Bank Limited are independent in accordance with section 4.4 of the Central Bank of Trinidad and Tobago Corporate Governance Guideline. This attestation occurs both at inception and on an annual basis. Additionally, none of the Directors have served for a cumulative period exceeding nine years from the date of their appointment. Other directorships held by directors are disclosed in the "Board of Directors' profile" section of this Annual Report. Directors declare actual or potential conflicts of interest upfront and recuse themselves from the portion of the meeting where it has been deemed that a conflict of interest might exist. Appendix 2 will have more details.

Board Performance

First Citizens carried out an evaluation of the Directors of its Boards, sub-committees and Individual Directors for the Group during the year 2016, with the assistance of an external consulting company, demonstrating its support for the performance and effective functioning of Directors of its Boards and sub-committees. The external consultant does not have any connection with the Group or any of its directors. The findings of the evaluation were shared with the Chairpersons of the respective Boards and the individual Directors. The evaluation was conducted in three phases which focused on mobilisation, analysis and design, and assessed the following four key areas:

- Board Functions
- Collective Enablers
- Individual Enablers
- Specialty Topics

The evaluation of the Board's performance will continue to be assessed every two years.

Access to Information

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

Remuneration

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

Accountability

Board members receive financial and business reports from management on a periodic basis in order to keep Directors informed of the Group's performance together with explanations for significant variances.

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

- Quarterly financial statements
- Annual audited financial statements approved by the Directors
- Annual Reports

- Material Changes in relation to its business, assets, ownership or operations
- Shareholdings in the Bank's shares by Directors, Senior Officers and their Connected Parties.

Audit

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

The annual internal audit plan is established by the in-house internal audit function and approved by the AC. All internal audit findings, recommendations and status of remediation are circulated to the AC, the Chief Executive Officer and the relevant senior management by the Chief Internal Auditor as the reports are issued.

The internal audit function adopts the International Standards for Professional Practice of Internal Auditing (the IIA Standards) issued by the Institute of Internal Auditors. As such, the unit must comply with the requirements of the Quality Assurance Improvement Program (QAIP) which includes the completion of an external quality assessment (EQA) at least once every five years. Therefore, in keeping with the requirements of its QAIP, First Citizens Bank Limited ("First Citizens") engaged an external provider in the financial year to conduct the EQA. This report was issued on November 5th, 2017 with a "generally conforms" rating. "Generally conforms" means the evaluator has concluded that the relevant structures, policies, and procedures of the unit, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects.

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

Audit Committees

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

1. Quality and integrity of the Group's financial statements
2. Independence, qualifications, engagement and performance of the external auditors
3. Review of the performance of the Group's internal auditors
4. Integrity and adequacy of internal controls and the quality and adequacy of disclosures to shareholders
5. Scope and results of audits performed by the external auditor and the Group Internal Audit Department, as well as reports of the Inspector of Banks.

The roles and responsibilities of the Audit Committees of the Boards of the First Citizens Group are:

1. Internal Audit Function

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

2. Management of the Engagement of the External Auditor

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

- With respect to material accounting judgments and estimates – Reviewing and discussing with management and the external auditor the Group's critical accounting policies and the quality of accounting judgments and estimates made by management
- With respect to Internal controls – Becoming familiar with and understanding the Group's system of internal controls and, on a periodic basis, reviewing with both internal and external auditors the adequacy of this system
- With respect to Compliance – Reviewing the organisation's procedures in addressing compliance with the law and important corporate policies, including the company's Code of Conduct and AML/CFT compliance framework
- With respect to Financial statements – Reviewing and discussing the Group's annual financial statements with management and the external auditor and recommending that the Board approve these statements.

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

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

Composition of Audit Committees

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

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

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

GROUP AUDIT COMMITTEES

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

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

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

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

First Citizens Bank (Barbados) Limited
Renee Kowlessar – Chairperson
David Inglefield – Member
Ryan Proudfoot – Member

3. Non-Audit Services by External Auditor

The fees for audit services paid to our auditors amounted to $4.6M (2016/2017) inclusive of VAT. Fees incurred for non-audit work performed by the auditors amounted to $6.4M (2016/2017) inclusive of VAT. A review of the non-audit services provided by the external auditor during the year was performed and the Audit Committee provided its assurance that the non-audit services would not impair the objectivity and independence of the external auditors.

4. Related Party Transactions

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

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

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

Loans to Directors, Officers and Relatives of Directors

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

Risk Management and Controls

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

In fulfilling its mandate, this Committee, through the Group Chief Risk Officer, has oversight of the Group's Market Risk and Operational Risk and through the Chief Compliance Officer, has oversight for aspects of Compliance Risk, while having overall responsibility for:

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

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

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

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

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

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

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

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

During the year, Enterprise Governance, Risk and Compliance (eGRC) software was implemented to allow directors, auditors and managers to develop, oversee and maintain a holistic view of the Group's risk and compliance programme and the rollout of the software has been carded for the year 2017-2018. Additionally, a risk register was developed which identifies the material risks facing the Group and the internal controls in place to manage or mitigate those risks. This risk register is reviewed on a periodic basis by the BERM Committee.

The Group's internal audit plan is prepared on an annual basis, taking into consideration risks identified and assessed from the risk management systems. The risk based audit plan is approved by the Audit Committee and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks.

Material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit as required by the Financial Institutions Act, Chapter 79:09 of the Revised Laws of Trinidad and Tobago. This Act also requires directors to attest to the internal control systems and compliance with applicable financial reporting standards as can be seen in the "Directors Report" section of this Annual Report.

Shareholders rights and responsibilities

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

The Annual Meeting of Shareholders creates an opportunity for the shareholders to engage the Board and management on the Group's business activities, financial performance and other business related matters. The wider public also has the opportunity to comment on the Group's business activities since media representatives are also invited to attend and report on the proceedings of Annual Meetings of Shareholders. Additionally, shareholders are informed of the rules, including voting procedures that govern Annual Meetings of Shareholders. The rules and voting procedures are detailed in By-Law No. 1 of the Bank's By-Laws and are explained to Shareholders at Annual Meetings.

Ethics and Code of Conduct

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

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

The Human Resources Committee of the Board consists of seven members, of which the Group Chief Executive Officer, the Group Corporate Secretary and the General Manager – Human Resources are ex officio members. The Board selects the Chair of the Human Resources Committee, and he/she serves in that capacity for a period as determined by the Board.

The role of the Committee is to:

1. Approve and monitor the implementation of the Human Resources Strategic Plan in support of the Company's Business Plan.

2. Provide guidance for the development of key Human Resources Policies and review and approve as necessary.
3. Consider and make policy recommendations to the Board as appropriate with reference to:
   - Recruitment, Selection and Succession Planning
   - Terms and Conditions of Employment
   - Learning and Growth
   - Occupational Health and Safety
   - Culture and Core Values
   - Organisational Structure

HUMAN RESOURCES COMMITTEE
Franka Costelloe – Chairperson
Savitree Seepersad – Member
Ingrid Melville – Member
Jon Martineau – Member
David Inglefield – Member

A list of the recommendations contained in the Code, details on which recommendations have been fully or partially applied, and appropriate recommendations are shown here, in tabular form, at Appendix 1.

Appendix 1

Principle 1 – Establish a Framework for Effective Governance

Every company should be headed by an effective Board, which is collectively responsible for the long-term success of the company.

	TTGC Recommendations	Applied	Explanation/ Comments
1.1	The Board should establish and make publicly available a clear outline of its roles and responsibilities, including any formal delegations to Management.	✓	Delegation by the Board paragraph
1.2	The chairperson of the Board should be a non-executive Director and preferably an independent Director. Where the chairperson of the Board is not an independent non-executive Director, the Board should appoint a lead independent Director.	✓	Board conduct of its affairs' paragraph
1.3	The Board should demonstrate ethical leadership, which includes commitment to high ethical standards and responsible decision-making.	✓	Ethics and code of conduct section, paragraph 1
1.4	The Board should ensure that it is supplied with information in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties effectively.	✓	Access to information paragraph
1.5	The Board should take into account the legitimate interests and expectations of all stakeholders. There should be active co-operation between corporations and stakeholders in creating wealth, employment, and the sustainability of financially sound enterprises.	✓	Shareholder rights and responsibilities paragraph

Checklist

Principle 2 – Strengthen the Composition and Performance of Board and Committees

There should be a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively.

	TTGC Recommendations	Applied	Explanation/ Comments
2.1	The Board should appoint a sufficient number of independent Directors capable of exercising unbiased judgment, particularly in tasks where there is a potential for conflicts of interest.	✓	Independence of directors paragraph
2.2	Directors should be selected and appointed through rigorous and formal processes designed to give the Board a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively.	✓	Board size, composition and membership paragraph
2.3	A Committee with a majority of independent non-executive Directors should lead the Board's nomination process and make recommendations to the Board.	Not Applied	The Directors are appointed at an Annual Meeting. Directors are recommended for appointment by the majority shareholder
2.4	All Directors should receive induction training upon joining the Board and should regularly update and refresh their skills and knowledge.	✓	Induction and training of directors paragraph
2.5	The Board should undertake a rigorous, transparent and formal annual evaluation of its own performance and that of its committees and of the individual Directors.	✓	Board performance paragraph
2.6	The Board should ensure that the remuneration of Directors and Senior Management is transparent, fair and reasonable.	✓	Remuneration paragraph

Checklist

Principle 3 – Reinforce Loyalty and Independence
All Directors should act honestly and in good faith, in the best interest of the company, ahead of other interests.

TTGC Recommendations	Applied	Explanation/Comments
3.1 The Board should undertake an assessment of its independence on an annual basis and disclose in the annual report each non-executive Director it considers to be independent.	✓	Independence of directors report, paragraph 2
3.2 All Directors should be candidates for re-election, at intervals of no more than three years, subject to continued satisfactory performance.	✓	Board size, composition and membership paragraph
3.3 Members of the Board and Senior Management should disclose to the Board whether they, directly or indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.	✓	Independence of directors, paragraph 1
3.4 Directors should demonstrate the capacity to commit the time needed to be fully effective in their roles.	✓	Independence of directors, paragraph 1

Principle 4 – Foster Accountability
The Board should present an accurate, timely, balanced and understandable assessment of the company's performance, position and prospects.

TTGC Recommendations	Applied	Explanation/Comments
4.1 Board should promote accurate, timely and balanced disclosure of all material matters concerning the company.	✓	Accountability paragraph Shareholders, rights and responsibilities, paragraph 1
4.2 Directors should state in the annual report their responsibility towards the integrity of the financial reports. This includes a statement from Directors that these reports comply with applicable financial reporting standards and present a true and fair view of the financial affairs of the company.	✓	Directors report

Principle 4 – Foster Accountability (continued)
The Board should present an accurate, timely, balanced and understandable assessment of the company's performance, position and prospects.

TTGC Recommendations	Applied	Explanation/Comments
4.3 The Board should, on an annual basis, report to shareholders and stakeholders on the external auditor's involvement in non-audit work and fees paid to auditors. This disclosure should differentiate between fees for audit work and fees for non-audit work.	✓	Audit section, point 5
4.4 The Board should, on an annual basis, verify that the company has appropriate processes that identify and manage potential and relevant risks.	✓	Risk management and controls, paragraph 6
4.5 Each company should establish an Audit Committee of the Board with responsibilities that include, but are not limited to: a. Recommending the appointment of external auditors; b. Assessing the suitability and independence of external auditors; c. Following-up on recommendations made by internal and external auditors; d. Overseeing all aspects of the company-audit firm relationship; e. Monitoring and reviewing the effectiveness of the internal audit function; f. Promoting integrity in financial reporting.	✓	Internal Audit bullet 1 and External Audit bullet 3
4.6 Boards should report annually to shareholders on how the company is implementing the Corporate Governance Principles and explain any significant departure from Recommendations supporting each Principle.	✓	Checklist section

Principle 5 – Reinforce Loyalty and Independence
The Board should promote constructive relationships with all shareholders that facilitate the exercise of their ownership rights and encourage their engagement with the company.

TTGC Recommendations	Applied	Explanation/Comments
5.1 The Board should facilitate the exercise of ownership rights by all shareholder groups, including minority or foreign shareholders and institutional investors.	Partially Applied	Board is currently discussing development of a shareholder policy
5.2 The Board should ensure that all shareholders have the opportunity to engage with the company and participate effectively in annual and special meetings.	✓	Shareholders, rights and responsibilities paragraph 2
5.3 During the annual and special meetings, the Board should facilitate questioning of external auditors and Senior Management by shareholders, as moderated by the chairperson.	✓	Shareholders, rights and responsibilities paragraph 2

Appendix 2

Key Information on Directors

Name of Director	Academic and Professional qualifications	Date of first appointment as Director	Date of last appointment as Director	Present directorship or chairmanship	Directorship or chairmanship held over the preceding three years	Other principal commitments	Due for re-appointment at the Annual Meeting 2018
Anthony Isidore Smart	LLB, Attorney-at-law, BA Economics	June 17th, 2014	June 14th, 2016	First Citizens Holdings Limited – Chairman First Citizens Bank Limited – Chairman First Citizens Investment Services Limited – Chairman First Citizens Bank (Barbados) Limited – Chairman FCCR First Citizens Costa Rica S.A. – Chairman Koot Real Estate Limited – Director Eight Moka Fairways Development Limited – Director	First Citizens Holdings Limited – Chairman First Citizens Bank Limited – Chairman First Citizens Investment Services Limited – Chairman First Citizens Bank (Barbados) Limited – Chairman FCCR First Citizens Costa Rica S.A. – Chairman Koot Real Estate Limited – Director Eight Moka Fairways Development Limited – Chairman	Gittens, Smart & Co. Attorneys-at-Law – Senior Partner	No
Courtenay B. Williams	LLB (Hons), LEC	June 17th, 2014	June 14th, 2016	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Chairman First Citizens Trustee Services Limited – Director First Citizens Financial Services (St. Lucia) Limited – Chairman Art Society of Trinidad & Tobago – Member Trincity College Limited – Director Legislative Committee of AMCHAM – Member Bocas Lit Fest – Member Electrical Industries Limited – Director	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Chairman First Citizens Trustee Services Limited – Director First Citizens Financial Services (St. Lucia) Limited – Chairman Art Society of Trinidad & Tobago – Member Trincity College Limited – Director Legislative Committee of AMCHAM – Member Bocas Lit Fest – Member	Colonial Life Insurance Company (Trinidad) Limited – Corporate Secretary Lex Caribbean Attorneys-at-Law – Consultant Tutor – Hugh Wooding Law School	No

Appendix 2 (CONTINUED)

Key Information on Directors

Name of Director	Academic and Professional qualifications	Date of first appointment as Director	Date of last appointment as Director	Present directorship or chairmanship	Directorship or chairmanship held over the preceding three years	Other principal commitments	Due for re-appointment at the Annual Meeting 2018
Ryan Proudfoot	BSc (Honours) Accounting, MBA (International Management)	July 3rd, 2014	February 16th, 2017	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Chairman First Citizens Investment Services (Barbados) Limited – Chairman First Citizens Bank (Barbados) Limited – Director Total Office (2006) Ltd – Director Total Office Ltd – Director Total Office (Caribbean) Ltd – Director Total Office (St. Lucia) Ltd – Director	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Chairman First Citizens Investment Services (Barbados) Limited – Chairman First Citizens Bank (Barbados) Limited – Director Total Office (2006) Ltd – Director Total Office Ltd – Director Total Office (Caribbean) Ltd – Director Total Office (St. Lucia) Ltd – Director Parex Resources (Trinidad) Limited – Director Trinidad and Tobago Chamber of Industry & Commerce – Deputy Chairman FMMC Committee	Total Office (2006) Ltd – Managing Director	No
Ian Narine	ACCA (Fellow), MBA, Member of the Chartered Institute of Securities & Investments	August 25th, 2014	February 16th, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director FCCR First Citizens Costa Rica S.A. – Director Trinidad & Tobago Stock Exchange Limited – Deputy Chairman Telecommunications Services of Trinidad & Tobago – Director Crane Resorts Holdings Limited – Director National Insurance Board of Trinidad and Tobago –Member	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director FCCR First Citizens Costa Rica S.A. –Director Trinidad & Tobago Stock Exchange Limited – Deputy Chairman Telecommunications Services of Trinidad & Tobago – Director Crane Resorts Holdings Limited – Director National Insurance Board of Trinidad and Tobago – Member	N/A	No

Appendix 2 (CONTINUED)

Key Information on Directors

Name of Director	Academic and Professional qualifications	Date of first appointment as Director	Date of last appointment as Director	Present directorship or chairmanship	Directorship or chairmanship held over the preceding three years	Other principal commitments	Due for re-appointment at the Annual Meeting 2018
Franka Costelloe	Associate Degree in Project Management (MBOS), BSc Business Administration (major in Human Resources), MSc in Building Construction (with distinction), Master's Certificate in Corporate Governance	July 3rd, 2014	February 16th, 2017	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Chairperson First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Trinidad & Tobago Manufacturers Association – Director Industrial Estates Tenants Association – Member	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Chairperson First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Trinidad & Tobago Manufacturers Association – Director Industrial Estates Tenants Association – Member	Lifetime Roofing Limited – Contracts Sales Manager	No
Savitree Seepersad	FCCA, ACCA (Member)	April 14th, 2016	N/A	First Citizens Bank Limited – Director Seized Assets Advisory Committee – Chairperson	First Citizens Bank Limited – Director Seized Assets Advisory Committee – Chairperson	Ministry of Finance – Deputy Permanent Secretary	No
Idrees Omardeen	ACCA (Fellow)	June 14th, 2016	N/A	First Citizens Bank Limited – Director First Citizens Asset Management Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Director Omardeen School of Accountancy Limited – Director	First Citizens Asset Management Limited – Director First Citizens Investment Services Limited – Director First Citizens Brokerage & Advisory Services Limited – Director Omardeen School of Accountancy Limited – Director	Omardeen School of Accountancy Limited – Lecturer	No
Jayselle McFarlane	ACCA (Member), AAT, MBA (Heriot Watt – currently pursuing)	June 14th, 2016	N/A	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Deputy Chairperson First Citizens Investment Services Limited – Director South West Regional Health Authority – Director Clico Trust Corporation Limited – Deputy Chairperson	First Citizens Holdings Limited – Director First Citizens Bank Limited – Director First Citizens Asset Management Limited – Deputy Chairperson First Citizens Investment Services Limited – Director South West Regional Health Authority – Director Clico Trust Corporation Limited – Deputy Chairperson	McFarlane & Associates – Consultant	No

Appendix 2 (CONTINUED)

Key Information on Directors

Name of Director	Academic and Professional qualifications	Date of first appointment as Director	Date of last appointment as Director	Present directorship or chairmanship	Directorship or chairmanship held over the preceding three years	Other principal commitments	Due for re-appointment at the Annual Meeting 2018
Troy Garcia	Bachelor's Degree in Business Administration	June 14th, 2016	N/A	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Asset Management Limited – Director Parts World Limited – Director High Performance Coatings Limited – Director United Bearings and Equipment Agencies – Director	First Citizens Bank Limited – Director First Citizens Investment Services Limited – Director First Citizens Asset Management Limited – Director Parts World Limited – Director High Performance Coatings Limited – Director United Bearings and Equipment Agencies – Director Parts World Limited – Chief Executive Officer	High Performance Coatings Limited – Managing Director	No
David Inglefield	Forty-six years business experience at CEO, Chairman and Director levels in multiple sectors within the Caribbean and USA	February 16th, 2017	N/A	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Inglefield, Ogilvy & Mather – Chairman Trinidad Cement Limited - Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director First Citizens Investment Services Limited – Director First Citizens Investment Services (Barbados) Limited – Director First Citizens Bank (Barbados) Limited – Director Trinidad Cement Limited – Director Inglefield, Ogilvy & Mather – Chairman	Inglefield, Ogilvy & Mather – Chief Executive Officer Prince of Wales Trust in the United Kingdom Youth Business of T&T – Member	No
Ingrid Melville	LLB, LEC, Certificate in Human Rights Education, Certificate in Active Labour Market Policy	February 16th, 2017	N/A	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director FCCR First Citizens Costa Rica S.A – Director Tobago Regional Health Authority - Director	First Citizens Bank Limited – Director First Citizens Trustee Services Limited – Director FCCR First Citizens Costa Rica S.A – Director Tobago Regional Health Authority – Director	Ingrid Melville & Co. Attorneys-at-Law – Private Practitioner	No

Appendix 3
Directors attendance at meetings for the period October 1st, 2016 to September 30th, 2017

Name of Director	Date of Initial Appointment	Bank Board Meetings (General and Special)	
		No. Held	No. Attended
Anthony Isidore Smart	June 17th, 2014	15	13
Courtenay B. Williams	June 17th, 2014	15	14
Ryan Proudfoot	July 3rd, 2014	15	14
Ian Narine	August 25th, 2014	15	12
Franka Costelloe	July 3rd, 2014	15	10
Savitree Seepersad	April 14th, 2016	15	10
Idrees Omardeen	June 14th, 2016	15	10
Jayselle McFarlane	June 14th, 2016	15	11
Troy Garcia	June 14th, 2016	15	13
David Inglefield	February 16th, 2017	15	10 (13 meetings held since Mr. Inglefield was appointed)
Ingrid Melville	February 16th, 2017	15	7 (13 meetings held since Ms. Melville was appointed)

Name of Director	Date of Initial Appointment	Audit Committee (General and Joint)	
		No. held	No. attended
Jayselle McFarlane	June 14th, 2016	6	6
Ryan Proudfoot	July 3rd, 2014	6	6
Idrees Omardeen	June 14th, 2016	6	5

Name of Director	Date of Initial Appointment	BERM Committee (General and Joint)	
		No. held	No. attended
Ryan Proudfoot	July 3rd, 2014	7	6
Courtenay B. Williams	June 17th, 2014	7	7
Ian Narine	August 25th, 2014	7	6
David Inglefield	February 16th, 2017	7	2 (4 meetings held since Mr. Inglefield was appointed)

Name of Director	Date of Initial Appointment	Corporate Governance Committee	
		No. held	No. attended
Courtenay B. Williams	June 17th, 2014	2	2
Franka Costelloe	July 3rd, 2014	2	1
Ingrid Melville	February 16th, 2017	2	1 (1 meeting held since Ms. Melville was appointed)
Renee Kowlessar	February 16th, 2017	2	1 (1 meeting held since Ms. Kowlessar was appointed)

Name of Director	Date of Initial Appointment	Human Resources Committee (General and Special)	
		No. held	No. attended
Franka Costelloe	July 3rd, 2014	10	10
Savitree Seepersad	April 14th, 2016	10	8
Ingrid Melville	February 16th, 2017	10	4 (6 meetings held since Ms. Melville was appointed)
Jon Martineau	February 16th, 2017	10	4 (6 meetings held since Mr. Martineau was appointed)
David Inglefield	June 27th, 2017	10	3 (3 meetings held since Mr. Inglefield was appointed)

EVERY EMPLOYEE
CONTRIBUTES TO OUR
WORK OF ART

Our Group Profile

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BSc Economics, (Minor in Psychology)
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TYRONE FORDE
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EMERALD HOLDER
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(Specialisation in Engineering Management)
Facilities and Health & Safety Officer
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KATHY HOWELL
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Assistant Manager – Operations
Retail Banking & Central Services
Sargeants Village,
Christ Church, Barbados

LISA BRANCH
Executive Dip Banking & Finance, Associate Degree Hotel Management
Assistant Manager – Operations
Sargeants Village
Christ Church, Barbados

DAWN HENDRICKS
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Branch Manager
Welches, St Thomas, Barbados

MARIA BOWEN
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DEBORAH JONES-WILSON
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Dip Administrative Management
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Collymore Rock, St Michael, Barbados

RAMONA STUART
BSc Accounting & Finance
Assistant Manager – Operations
Welches
St Thomas, Barbados

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Branch Manager
Worthing, Christ Church, Barbados

RYAN HUNTE
International Masters – Sports Management
Branch Manager
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Bridgetown, Barbados

Beverley Hoolasie's name is synonymous throughout the First Citizens Group for her meticulous work and excellent people skills. Always willing to lend a helping hand to those in need and always willing to impart her knowledge to others, it is clear to all around her why Beverley Hoolasie was chosen as the **Employee of the Year.**

Employee of the Year

How does it feel to win Employee of the Year?
I am humbled to know that my service to our customers can be rewarded with such a great honour.

What are some of the ingredients to your success?
a) Consideration to others by providing quality service
b) Dedication to my work via feedback to/from fellow staff and customers
c) Attention to timeliness and accuracy
d) Willingness to learn from my experiences

Finish the sentence: I love working at First Citizens because...?
Our Organisation offers the best financial services in the country and is owned by fellow citizens whom we serve.

Most memorable moment working at First Citizens and why?
Undoubtedly, this single honour has been the most memorable moment for me. It is the realisation of a wish I had when I first joined the bank – to be the best at what I was hired to do.

What is the strongest quality you bring to your job?
I am passionate about customer service to both our internal and external customers. I strongly believe that the Bank's focus on the EPIC experience will bear great results.

If you had to advise someone on how to win "Employee of the Year," what would you tell them?
Give of your best, work closely with superiors and peers, and follow our organisation's guidelines to achieve desired output and quality. I would also share my parents' reminder: "an honest day's work for an honest day's pay." Losing focus is very easy – the challenge is to keep focused.

Who would you like to thank for this achievement?
The Almighty through whom all things are possible. My family for inculcating in me those values I live by, and I thank ALL my colleagues over the years at First Citizens. In particular, I thank Susan Sawh, Elizabeth Maharaj, Sharad Mangray, Valarie Marcano, Michelle Clarke-Sealy, Vandana Singh-Maharaj, Angela Butcher, Francesca Walters, Lisa Maharaj and Giselle De Verteuil.

What are some of your hobbies?
I enjoy travelling, assisting the less fortunate and communicating and keeping in touch with family and friends.

Finish this sentence: In five years I would like to...
God willing, I will be retired. I look forward to time with my family and friends. I also look forward to intensifying my contribution to assisting with charitable causes in my community.

Beverley Hoolasie

Winning **Manager of the Year** is no minor accomplishment, but Maureen Craig-Rousseau is living proof that hard work and perseverance brings even greater rewards. Constantly demonstrating that commitment to excellence, people, integrity and customers are more than just watchwords but a way of life it is no surprise to many that Maureen has copped this coveted title.

Manager of the Year

How does it feel to win Manager of the Year?
I felt a sense of pride and satisfaction and really humbled, particularly so for my Unit Payment Processing Center (PPC) with whom I could not have achieved this milestone.

What are some of the ingredients to your success?
I focus a lot of my time on the people aspect of the job: mentoring, coaching and engaging the staff in my Unit, as well as other staff members in the organisation. This allows me to achieve the projects and deliverables for which I am responsible.

What is the motivation behind your total loyalty to the bank?
I have grown with the Bank, and a significant part of my personal and professional development have been gained through training and opportunities provided by the organisation.

What is the happiest/proudest moment of your life?
When I got married.

What is the strongest quality you bring to your job?
Independent critical thinking.

If you had one lesson to teach your co-workers what would it be?
Emotional intelligence.

Who has the most profound influence on your life?
My mother.

What are some of your hobbies?
Sport, event management, reading, research, travel and meeting people.

Finish this sentence: In 5 years I would like to...
Be enjoying my retirement (God spare).

Maureen Craig-Rousseau

IS GREATNESS!

On July 1st, 2017, First Citizens held a family meeting, which we fondly called "FUNvention 2017" at which we enthusiastically embraced our new vision and mission, and recommitted ourselves to a focus on our competitive advantage.

Our core values are:
Commitment to Excellence,
Commitment to People,
Integrity, and
Commitment to our Customers.

EPIC is Greatness!

"We chose to be great and so our behaviours and attitudes form a culture that is unique to the First Citizens family."

Sterling Frost,
Deputy Chief Executive Officer – Operations and Administration

"Organisational sustainability hinges primarily on our competitive advantage. Competitive advantage is what differentiates us in the marketplace. Contrary to popular thinking our competitive advantage goes beyond our service. It is our culture – our organisational culture. When we speak of organisational culture, we speak of our widely shared values, attitudes and beliefs that shape our behaviour as employees of First Citizens.

Our organisational culture, therefore, is invaluable because it is invisible and as a result, cannot be replicated because it is about how we behave. Our behaviour differentiates us and sets us apart from the competition. – Karen Darbasie, Group CEO"

Corporate Social **Responsibilty**

WE ADD COLOUR TO
THE COMMUNITIES
WE SERVE

Enlivening our Culture and Community

Celebrating Divali at the Divali Nagar 2016

Mr. Sterling Frost, Deputy CEO – Operations & Administration and Ms. Cheryl-Ann La Roche, East, Central & Tobago Cluster Manager (centre) accompanied by staff members at the First offsite branch

First Citizens was once again a major sponsor in the annual NCIC hosted Divali Nagar Festival. The Group has been playing a pivotal role in keeping the iconic Divali Nagar Festival alight since 2007. Sterling Frost, Deputy CEO, Operations and Administration delivered greetings on behalf of the Group at the opening night ceremony on October 20th, 2017. As is customary, the First Citizens offsite branch catered to the needs of the Divali Nagar booth holders and visitors.

Ms. Tobago Heritage Personality

2017 Ms. Tobago Heritage Personality – Camryn Bruno with supporters

For the past 30 years First Citizens has sponsored the most anticipated event of the Tobago Heritage Calendar: Miss Heritage Personality Pageant. On July 28th, 2017 ten young ladies representing villages in Tobago vied for the coveted title of at the Cyd Gray Complex, Roxborough. Under the theme "Len Hand," the contestants showcased their talent, evening gowns and intelligence. After many weeks of training and appearances, Mason Hall Village Council representative, Camryn Bruno copped the Ms. Tobago Heritage Personality crown. The first runner-up was Garve Sandy (Buccoo Academy of the Performing Arts) and second runner-up was Kennicia Andrews (Mt. St. George).

First Citizens Continues the Development of **Green Spaces**

Ms. Karen Darbasie, Group CEO (right) and Mr. Timmel Ramdhanie, Assistant Branch Manager, Chaguanas present a banner to Ms. Kelesi St. Louis and Ms. Sharron De Le Rosa (principal) at Guaico Government Secondary

First Citizens staff members joined forces with thousands of volunteers to ensure the success of United Way's National Day of Caring initiative which was celebrated on May 21st, 2017. This is the fifth year the Group has partnered on this initiative, with volunteers from its branches and units across Trinidad and Tobago, developing "Green Spaces" at various children's homes and schools. Beds of vegetable and herb crops were planted and youths were exposed to a workshop on "How to grow what you eat," to encourage their sense of economic and environmental responsibility.

This year's projects were completed to the pleasure of the beneficiaries at the St. Stephen's Anglican Primary, Castara Government Primary and Guaico Government Secondary Schools. The principals and teachers at each location lauded First Citizens community efforts and appreciated the fact that their respective institutions were considered. Ms. Shelly-Ann Woods-Alexander, Ag. Principal at St. Stephen's added, "such a project encourages children to eat healthy and maintain a healthy lifestyle while enhancing our environment."

First Citizens is committed to youth and community development and continues to demonstrate so through initiatives such as this.

Sterling Frost – DCEO, Operations and Administration planting grow a box

Taste of Steel

Entertainment by Supernovas Steel Orchestra

On February 13th, 2017 our Corporate Centre became the hub of cultural fusion. The night called, "A Taste of Steel" saw the launch of *A Handbook of Trinidad Cookery 1907*, edited by Danielle Delon.

The event also featured First Citizens sponsored Steel Orchestra Supernovas who entertained guests with a set of calypsos both old and new.

De Big Show **Calypso Tent Sponsorship**

After the successful launch of De Big Show Tent on June 3rd, the first show kicked off on Saturday June 24th at the Sea Rocks Dome, Dover, Christ Church with spectacular performances from popular artistes. This high-quality display continued for six spectacular shows including judging night and live recordings. As one of the biggest calypso tents on the island for the 2017 Crop Over season, the entertainment did not disappoint as the finale, "First Citizens Night", held on the 22nd of July was a huge success. In attendance was cricket legend Sir Garfield Sobers who mingled with specially invited guests.

Crop Over Opening Gala & **Ceremonial Delivery of the Last Canes** (Previously City Fest)

The First Citizens Crop Over Gala was the official launch of the Crop Over festival in Barbados. This annual event hosted by the National Cultural Foundation portrays the heritage of Barbados, embodying cultural antiquities and evolutions. Traditionally, the city of Bridgetown is closed to traffic and the capital comes alive with a street fair displaying the colour, music and culinary delights of the season. This year the Opening Gala was held on June 24th at the popular King George V Memorial Park, St. Phillip with the parade jumpstarting the event, followed by the cultural display which continued well into the late evening. Some of the key events included multiple tuk bands, the police tattoo (an outdoor night show featuring the Royal Barbados Police Force displaying various skills including horse training), line dancing and the sunset concert featuring young and seasoned calypso artistes.

Market Outlook **2017**

From L to R: Dr. Clyde Mascoll, Mr. Jeremy Stephen, Mrs. Vangie Bhagoo-Ramrattan, Mr. David Ellis and Mrs. Sana Ragbir

FCIS Barbados hosted members of the business community and clients at its Market Outlook Seminar and Panel Discussion on Friday, March 24th at the Hilton Barbados Resort.

The seminar featured insightful presentations from FCIS General Manager Mrs. Sana Ragbir and Head of Research Mrs. Vangie Bhagoo-Ramrattan which summarised the state of the local, regional and international markets and outlined factors which are expected to influence market trends.

Local economists Dr. Clyde Mascoll and Mr. Jeremy Stephen also delivered presentations surrounding the state of the local economy and the way forward for the island. All presenters engaged in a panel discussion on a range of topics and fielded questions from the moderator Mr. David Ellis and members of the audience.

Elevating
Women

Women's Conference **2016**

T&T Women Rock!
From left to right: Cleopatra Borel, T&T Olympic Athlete; Senator the Honourable Paula Gopee-Scoon, Minister of Trade and Industry; former Deputy CEO of First Citizens, Ms. Sharon Christopher; Ms. Sharon Rowley, wife of Prime Minister Dr. Keith Rowley; Ms. Karen Darbasie, Group CEO, First Citizens; and soca artiste Fay-Ann Lyons-Alvarez.

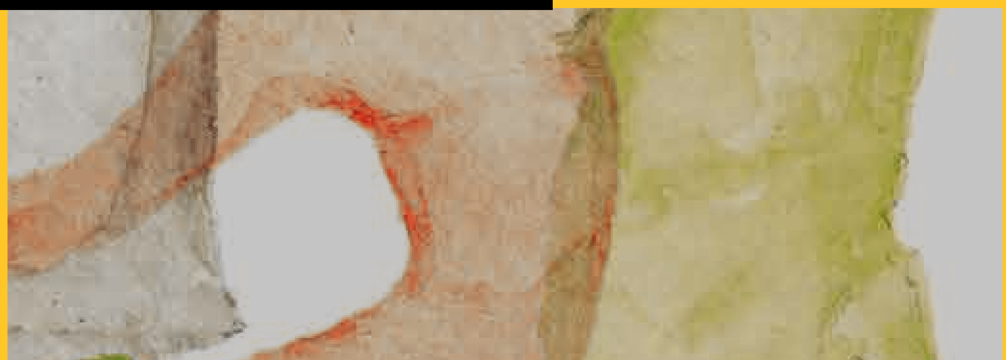
"T&T Women Rock" was the theme for the fourth Annual Women's Conference which was held at the MovieTowne Banquet Hall, MovieTowne, Port of Spain.

The multifaceted conference was dedicated to elevating women and placing a spotlight on the achievements of successful and inspirational women within the local environment. This annual conference continues to target women of all ages and walks of life, and featured motivational speakers such as the former Deputy CEO of First Citizens, Ms. Sharon Christopher now Leadership and Development Consultant, Fay-Ann Lyons- Alvarez, soca artiste; Cleopatra Borel, T&T Olympic Athlete; Sana Ragbir, General Manager, First Citizens Investment Services T&T, to name a few.

The conference also provided educational information and exhibitors who exposed participants to a wide range of products and services geared towards addressing the needs and concerns of women and improving their lives.

Philomena entertains guests at the conference.

Empowering Youth through Development and Education



First Steps to **Real-World Experience**

Interns pose with Sterling Frost, Deputy CEO, Operations and Administration, (second from right) and The UWI faculty members.

First Citizens Computer Science Internship programme

In keeping with our commitment to creating opportunities for the younger generation, First Citizens in partnership with The University of the West Indies, St. Augustine (UWI) welcomed 15 of UWI's brightest computer science students for a 12-week workplace immersion programme.

The internship allowed students to put classroom theory into real-world practice resulting in work that is "…robust, implementable and impressive" as described by First Citizens Deputy CEO, Operations and Administration, and project champion, Sterling Frost.

The programme's conclusion saw the interns sharing highlights of their much-lauded work and expressing gratitude for the opportunity to take these first steps to future success.

TUCO Junior Calypso **2017**

On February 20th, 2017 young calypsonians from across the island competed for the auspicious title of Junior Calypso Monarch at the Queen's Park Savannah. The competition was once again patronised by His Excellency President of the Republic of Trinidad and Tobago, Anthony Carmona S.C., while First Citizens was represented by Shiva Manraj, Chief Financial Officer; Keshwar Khodai, Head, Group Treasury and International Trade Centre; and Nola Drayton-Smith, Group Finance Manager. The competition was truly a keen one and host Sunny Bling expressed that the content and quality of the performances could rival those of the senior calypsonians. Shervonne Rodney of Arima Central Government Secondary walked away with the title while Sharissa Camejo from Holy Name Convent and Deslie Julien from St. Mary's College rounded out the top three in second and third place respectively.

On February 21st the cast of the 2017 Junior Calypso Roving Tent closed their season with a grand finale on the Brian Lara Promenade, Port of Spain. The open air performance drew a crowd of shoppers and commuters who all enjoyed the passionate performances of the reigning Junior Calypso Monarch, Shervonne Rodney and the entire Roving Tent cast.

TUCO 2017 Junior Calypso Monarch Shervonne Rodney with Nola Drayton-Smith, First Citizens, Group Finance Manager

Scrabble Tournament

First Citizens hosted its twenty-second Annual National School Scrabble Tournament on June 24th, 2017 at the Torenia Hall, Centre of Excellence, Macoya. The event attracted over 100 participants with an Opening Address by Mrs. Cheryl Ann La Roche – East, Central and Tobago Cluster Manager who emphasised First Citizens' commitment to youth development in the areas of education and sport. For the first time in many years, members of the National Scrabble Association were present to lend their support to our annual tournament which is highly anticipated by members of the national scrabble playing fraternity, both young and old.

On the day students competed for a variety of individual, special and school prizes. Taking home the top prize of TT$10,000, for the third consecutive year was the six-student team of Zoe Fairman, Syeira Rudden, Sydney Mills, Aida Harrilal, Samantha Khan and Aaron Darmanie of The University School, St. Augustine. When asked about the key to their success, the students credited their teachers and their year-long, consistent practice. Rounding out the top three was Curepe Presbyterian in second place and St. Joseph's Convent (St. Joseph) in third respectively.

Ms. Cheryl-Ann La Roche, East, Central & Tobago Cluster Manager presents top individual with trophy


Your turn!


What should be my next play?

Poetry **Slam**

The 2017 edition of The First Citizens National Poetry Slam took place at the Lord Kitchener (Aldwyn Roberts) Auditorium NAPA on April 30th. Nineteen-year-old Camryn Bruno of Mason Hall, Tobago defeated 2016 champ Seth Sylvester and 11 other rivals walking away with the nation's largest spoken word cash prize of TT$50,000.

Camryn is the second female champion in the competition's five-year history. Crystal Skeete, who took home first place in 2013, like Bruno, proudly represented Tobago in the competition. Idrees Saleem, one of the competitions most consistent poets, who already has one slam title under his belt, placed third for the second consecutive year. Alexandra Stewart took home the second place prize of TT$20,000.

The Group officially brought the curtains down on the First Citizens National Poetry Slam by celebrating the competition's 13 finalists at a "Lunch and Chat Session" held at Group Corporate Communications Office.

Deputy CEO Business Generation, Jason Julien was on hand to dine with the poets and extend to them his congratulations and offer them some advice on money management for young performers. "Money is a horrible master but a wonderful servant," Julien cautioned and went on to encourage the creative work of the poets by adding: "Trinidad and Tobago has an infinite amount of talent…work hard at your craft, be professional, treat it with the respect that it deserves and don't sell yourselves short."

Winner Camryn Bruno (centre) with Alexander Stewart and Idrees Saleem (second and third place respectively)

Congratulations, Camryn!

Engaging
In Sport

Team First Citizens

CariFin Games **2017**

The fuse that ignited this year's twenty-sixth edition of CariFin Games at the Torch Run on April 1st, 2017, travelled through the urban challenges; the cricket, football and all fours competitions; and exploded into fun, fitness and friendship at the CariFin Family and Fun day on May 28th, 2017.

"Great is the art of beginning, but greater is the art of ending."

FA Cup 2016

Dexter Charles, Manager, Group Corporate Communications (left) and Dexter Skeene, CEO of the T&T Pro League (right) present Marvin Gordon, Coach of the Defence Force team, with the "Coach of the Year" Award.

First Citizens Cup 2016 Finals – December 3rd, Hasely Crawford Stadium

The field was set, the supporters were ready and the remaining two teams, Ma Pau Stars and Defence Force, were warmed up to campaign for the First Citizens Cup 2016 title. It was a narrow 1-0 win for the Defence Force Team who was victorious over the Ma Pau Stars. First Citizens managers and staff attended in their numbers to cheer on the teams in their final quest for the title. First Citizens and the TT Pro League continues to enjoy the fruitfulness of their partnership, as the First Citizens Cup attracts hundreds of spectators and has always been one of the breeding grounds for present and future Soca Warriors.

Medals, trophies and special prizes were presented to winners at the well-attended special prize-giving that was held in the Brian Lara Pavilion at the Oval in June.

Windball Cricket Tournament **2017**

First Citizens sponsorship of QPCC annual Windball Cricket Tournament 2017

The Queen's Park Cricket Club's annual members' windball tournament took place on the outfield of the hallowed Oval ground from May 8th to 26th. First Citizens long time sponsorship of an over-55 team continued as usual. Over the past six years the First Citizens team has won the division four times but had to settle for silver this year even though its captain, Nasser Khan, once again picked up the Most Runs and MVP trophies.

Medals, trophies and special prizes were presented to winners at a special prize-giving ceremony held at the Brian Lara Pavilion at the Oval on June 3rd.

Team First Citizens about to conquer 13.1 miles

First Citizens UWI SPEC International Half Marathon

On October 23rd more than 1,300 participants dared to conquer the 13.1 miles at the thirteenth UWI SPEC International Half Marathon. The total distance was measured from the UWI SPEC Building, St Augustine, east on the Priority Bus Route to the turning point in La Resource, and back west to finish at the starting point. This race was a melting pot of genders, races, ages and levels of fitness and ability, all with the single goal of finishing strong.

Thirty of our First Citizens staff made us proud as they were cheered on by Jason Julien, Deputy CEO, Business Generation; Ishwarlal Mongru, Head Commercial Banking; Kurt Headley, Head Retail; and Cheryl-Ann La Roche, Cluster Manager E.C.T.

Sports Award Gala 2016

President of Trinidad and Tobago, His Excellency Anthony Carmona, S.C. (third from right) and Mrs Carmona (second from left) share the stage with Racquel Ahye, mother of Sportswoman of the Year, Michelle Lee-Ahye and Kabir Hosein, NAAA Chief Administrative Officer, who collected the Sportsman of the Year award on behalf of Keshorn Walcott. Also in the spotlight were Group CEO, Karen Darbasie (first left); Chairman Anthony Smart (first right) and Dr. Keith Clifford, Chairman of First Citizens Sports Foundation (second right).

Lystra Lewis Award Winners

First Citizens Sports Awards 2016 gala event held under the aptly chosen theme, "The hope, the inspiration, the beginning…" A total of 57 athletes were recognised for their outstanding contributions in sport across 32 disciplines. The show's production highlighted the athletes, their families and coaches who have contributed to their overall success. The show also featured some sports Hall of Fame greats who had words of wisdom to offer to the athletes. Feature speaker, Brian Lewis, President of the Trinidad and Tobago Olympic Committee, and Chairman of the Sports Foundation, Dr. Keith Clifford, both delivered speeches that offered hope and inspiration for our country and our sports men and women.

Walking away with the top prizes were:
- The Trinidad and Tobago Women's Cricket team with the Lystra Lewis Award, presented by Petal-Dawn Hinkson, niece of the late Lystra Lewis;
- The Trinidad and Tobago Chess Association with the Jeffrey Stollmeyer Award (small category) and the Trinidad and Tobago Cycling Federation with the Jeffrey Stollmeyer Award (large category) both presented by Allan Stollmeyer, son of the late Jeffrey Stollmeyer;
- Top Ten nominees were presented by the Tobago House of Assembly Chief Secretary Kelvin Charles;
- The prestigious Sportsman of the Year title was awarded to Keshorn Walcott, while Michelle-Lee Ahyee copped the Sportswoman of the Year award.

TAFISA World Challenge Day **2017**

As part of its commitment to supporting and contributing to the development of sports in Trinidad and Tobago, the First Citizens Sports Foundation hosted the TAFISA World Challenge Day celebrations at the Centre of Excellence on May 31st.

The TAFISA World Challenge Day is an initiative for global communities to engage in physical activity for a minimum of 15 minutes on a single day. It is organised by The Association for International Sport for All (TAFISA), an international association recognised by the International Olympic Committee (IOC). The emphasis is teaching people that physical activity does not always require competitive or rigorous activity, but is about participation and being healthy. It also demonstrates that physical activity is not limited to a particular age, gender or level of ability, *anyone* can be active!

The event saw approximately 170 students from the Lady Hochoy Homes in Penal and Gasparillo, as well as vocational and special schools; Eshe's Learning Centre, Memisa Centre, Life Centre, Immortelle Centre and the National Centre for Persons with Disabilities engage in fun-filled interactive games such as soca cardio and aqua aerobics. The activities were enjoyed by the gathering who relished the opportunity to get out of the classroom and be active.

First Citizens staff embracing two young participants.

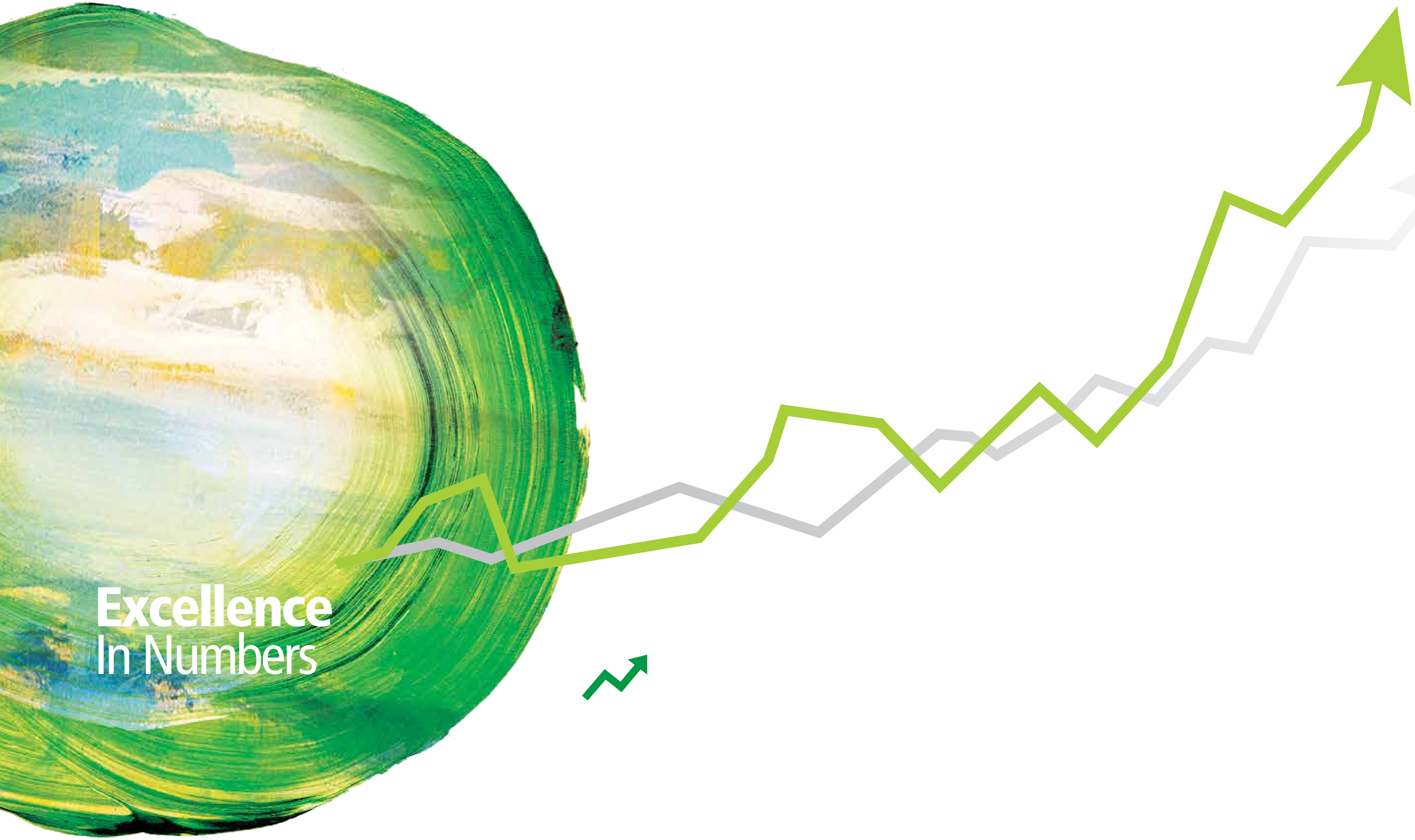
Youth Awards **2016**

Chairman of First Citizens Sports Foundation, Dr. Keith Clifford presents Kalifa St. Fort with her trophy.

The First Citizens Sports Foundation hosted its seventh annual Youth Awards themed "Imagine…Believe… Achieve…" on January 27th, 2017 at the Grand Ballroom, Hilton Trinidad. The Award Ceremony recognised the achievements of 45 of Trinidad and Tobago's outstanding youth athletes in 28 sporting disciplines. The recipients of the top awards were: Female Youth of the Year 2016 – Khalifa St. Fort (Athletics) and Male Youth of the Year 2016 – Kristan Ajay Kallicharan (Cricket).

First Citizens Group CEO, Karen Darbasie presents Kristan Ajay Kallicharan with a trophy.

EVERY YEAR WE
TRANSFORM OUR CANVAS



Excellence
In Numbers

To the shareholders of
First Citizens Bank Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of First Citizens Bank Limited (the "Bank") and its subsidiaries (together, the "Group"), as at 30 September, 2017, and its consolidated financial performance and its 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, 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

- Overall group materiality: $42 million, which represents 5% of profit before tax.

- The group audit included full scope audits of 3 significant components, all Trinidad and Tobago subsidiaries
- The group audit also included specified procedures on the loan loss provision of a Barbadian subsidiary audited by a PwC Network Firm.
- The group audit covered 93% of profit before tax and 94% of total assets.

- Impairment of individually significant loans and advances to customers
- Valuation of financial instruments carried at fair value not quoted in an active market
- Recoverability of assets secured by the Liquidity Support Agreement
- Impairment of financial assets held to maturity

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	$42 million (2016: $40 million)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable quantitative materiality thresholds in auditing standards.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of individually significant loans and advances to customers *(See notes 2.f.i, 4.c and 9) to the consolidated financial statements* Included in the statement of financial position are loans that have been individually assessed for impairment and provisioning amounting to TT$3.4 billion. Individually significant loans are defined by the Group to be individual credit facilities in excess of 1% of the Group's loan portfolio. On an annual basis, the Group assesses whether there is objective evidence that individual loans and advances or groups of loans are impaired. For facilities that have impairment indicators, Management uses independent valuators to estimate the value of collateral held for these facilities. Valuation of real estate property pledged as collateral is the most significant repayment source for impaired retail and impaired commercial loans. The estimation of collateral values are impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills.	We challenged management's process by examining a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate including using external evidence in respect of the relevant counterparties. No facilities were identified that were not already flagged for impairment testing by management. We assessed the reputation, independence, competence and experience of management's valuators and found no evidence to suggest that the objectivity of the valuator in the performance of the valuations was compromised. We examined the valuations and evaluated the reasonableness of the key assumptions such as rental rates per square foot and discount rates used in those valuations. Where comparable market data was available, we compared the values used by management and noted that they were consistent with market data. We also challenged the timing of management's forecasted cash flows by comparing their estimate to the time to dispose of similar types of collateral in the past.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of individually significant loans and advances to customers (continued) *(See notes 2.f.i, 4.c and 9) to the consolidated financial statements* The key assumptions used by management are: • rental rates per square foot • discount rates used in the valuation to determine the fair value of these properties. • time to liquidate the pledged collateral We focused on this area, because of the complex and significant judgement required by management over the assessment of the value and timing of the estimated future cash flows that contribute to the estimation of the size of such impairment.	We considered events up to the audit report date in our evaluation of management's forecasted cash flows and there was no subsequent event identified that contradicted information used in management's cash flow assessment. In the case of certain impairment provisions, we formed a different view from that of management, but in our view, the differences were not material and within a reasonable range of outcomes in the context of the overall loans and advances and the uncertainties disclosed in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments carried at fair value not quoted in an active market *(See notes 2.e.v, 4.a and 8.a) to the consolidated financial statements.* As at the financial year end, investments carried at fair value not quoted in an active market were valued at TT$10.5 billion. For financial instruments not traded in an active market, the Group determines fair value using a valuation model. The Group's internally developed model uses the discounted cash flow method to determine the fair value of financial instruments not actively traded. Some of the inputs of this model may not be market observable and are therefore based on assumptions. This method discounts the cash flows of the instrument using a yield and credit spread which requires significant management judgement. In order to enhance the assumptions used to derive fair value, management made an amendment to the valuation methodology effective 30 June 2017 for the application of credit spreads in pricing Agency and Corporate Non-Eurobond Fixed Income Securities. The revised methodology moves from applying a single credit spread based on term to maturity, to multiple credit spreads based on each cash flow's term to maturity. We focused on this area because of the significant judgement involved in arriving at the estimated values and the limited external evidence to support the Group's valuations.	With the assistance of our valuation experts, we compared the Group's valuation methodology, including the amendment to the methodology made during the financial year, with industry practice and found it to be an acceptable model to use in valuing the unquoted instruments. We tested the data used to determine the yield curves, credit spreads and credit ratings which are used in arriving at the prices of the unquoted instruments. We also evaluated the reasonableness of the assumptions used in management's fair value calculations by comparing it to publicly available information on the issuers of the unquoted investments, where available. We tested the inputs into the pricing formula applied within the model. There were no material differences identified. The disclosures included in the consolidated financial statements with respect to the change in valuation methodology are consistent with the requirements of the relevant accounting standards. We recomputed the impact of the change in valuation methodology disclosed by management in the consolidated financial statements and no material difference was noted. We considered events up to the audit report date in our evaluation of management's fair values of the unquoted investments and no contradictory information was identified.

Key audit matter	How our audit addressed the key audit matter
Recoverability of assets secured by the Liquidity Support Agreement (LSA) *(See notes 3.a.iv.e and 18) of the consolidated financial statements.* As at the financial year end, there are investments past due but not impaired which were covered by the LSA in the amount of TT$858 million as per note 3.a iv.e of the consolidated financial statements. The terms of the Liquidity Support Agreement (LSA) under which 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. The LSA provided for the indemnification of the Bank against various claims if incurred by FCIS within a stipulated period of time after the date of acquisition. The claims covered are in relation to obligations existing or default on assets owned by FCIS at the date of the acquisition. The Ministry of Finance in its response to the letter dated 13 September 2017 has agreed to another extension for a twelve month period effective from 15 November 2017 to 14 November 2018 commensurate under the Liquidity Support Agreement dated 15 May 2009. This was subsequently formalized via the "Third Supplementary Liquidity Support Agreement "dated 19 September 2017. This is an area of focus for our audit based on the unusual nature of the transactions and the material nature of the assets covered by the LSA.	When evaluating whether the LSA was still in effect, we inspected a signed copy of the addendum confirming the GORTT's extension of the claim period. We reconciled the movement schedule to the balance as per financial year end taking into account any movements in the instruments. We tested the completeness of balances covered by the LSA by testing a sample of investments that were impacted based on the terms of the LSA and whether they were included within management's population. No material exceptions were identified. We examined the payment history on past claims to assess the recoverability of the balance and found them to be settled in a timely manner. We tested the accuracy of claims made during the year by comparing amounts to the underlying support documents including tracing to bank statements where settlement had occurred and no material exceptions were identified. We considered events up to the date of the audit report in assessing management's valuation of assets covered by the LSA and no contradictory information was identified.

Key audit matter	How our audit addressed the key audit matter
Impairment of financial assets held to maturity *(See notes 2.f.i, 3.a, 4.e, and 8.b) to the consolidated financial statements.* Within the Group's holdings of financial assets held to maturity of TT$1.13 billion there are financial assets in the amount of TT$796 million invested with a single issuer. During the financial year, the credit rating of this issuer was down-graded twice by an international rating agency. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debt securities before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The Group also makes judgements on the mitigating factors impacting the probability of impairment losses. Using the criteria outlined in IAS 39 and the Group's accounting policy, management did not identify objective evidence of impairment of the financial assets held with this issuer as at the financial year end. We focused on this area because of the significant judgement involved in assessing whether objective evidence of impairment exists.	We tested the payment history for both principal and interest regarding these financial assets held to maturity and found that there was no default or delinquency in interest or principal repayments at the financial year end. We also examined publically available information with regards to the financial condition of the issuer and noted no indicators of default or intent to restructure issued debt. We evaluated management's assessment of whether other objective evidence of impairment existed at the financial year end. While we consider the credit rating down-grade to be an impairment indicator, as per IAS 39, this is not the only indicator and we did not identify objective evidence of impairment at the financial year end. We found management's key assumptions in the impairment assessment were supportable in light of available and comparable internal and other market evidence.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our assessment of the components of the Group focused primarily on the Group's legal entities. The following components below were considered individually financially significant components and were subject to full scope audits for group audit purposes:

- First Citizens Bank Limited
- First Citizens Investment Services Limited
- First Citizens Asset Management Limited

An audit of the loan loss provision for First Citizens Bank Barbados Limited was also part of our group audit scoping. In establishing the overall group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. The audits of the individually financially significant components, were performed by PwC Network Firms. Our group scoping provided coverage of approximately 93% of profit before tax and 94% of total assets of the Group. We also performed Group level risk assessment analytical procedures over the remaining components.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

PricewaterhouseCoopers

12 December 2017
Port of Spain,
Trinidad,
West Indies

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	2017 $'000	2016 $'000
Assets			
Cash and due from other banks	6	3,685,077	4,708,544
Statutory deposits with Central Banks	7	3,387,702	3,971,466
Financial assets			
- Available-for-sale	8(a)	12,466,933	11,483,930
- Held to maturity	8(b)	1,134,909	1,242,923
- Fair value through profit or loss	8(c)	655	239,958
- Loans and receivables less allowances for losses:			
Loans to customers	9	14,434,583	13,332,282
Other loans and receivables	10	2,087,190	2,048,661
Loan notes	11	368,498	442,198
Other assets	12	339,870	357,181
Investment accounted for using equity methods	13	179,761	171,149
Due from parent company		174	3,580
Tax recoverable		70,050	61,595
Property, plant and equipment	14	590,520	542,222
Intangible assets	15	212,356	244,667
Total assets		38,958,278	38,850,355
Liabilities			
Customers' deposits	16	23,976,668	25,022,867
Other funding instruments	17	4,331,104	4,489,574
Due to other banks		1,504,340	459,470
Creditors and accrued expenses	18	542,679	452,650
Taxation payable		72,885	30,695
Retirement benefit liability	19	68,591	29,453
Bonds payable	20	1,400,000	1,400,000
Deferred income tax liability	21	252,429	228,342
Notes due to parent company	22	58,000	58,000
Total liabilities		32,206,696	32,171,051
Share capital	23	458,557	643,557
Statutory reserves	24	879,335	677,698
Retained earnings	25	4,306,459	4,206,938
Other reserves	26	1,107,231	1,151,111
Total shareholders' equity		6,751,582	6,679,304
Total equity and liabilities		38,958,278	38,880,355

The notes on pages 133 to 204 are an integral part of these consolidated financial statements.

On 12 December 2017, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Anthony Isidore Smart
Director

Director

Consolidated Income Statement

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2017 $'000	2016 $'000
Interest income	27	1,690,200	1,551,539
Interest expense	28	(271,849)	(267,777)
Net interest income		1,418,351	1,283,762
Fees and commissions	29	390,079	430,716
Gains from investment securities		19,956	36,494
Other Income	30	158,188	244,120
Total net income		1,986,574	1,995,092
Impairment loss on loans, net of recoveries	9	(44,824)	(86,976)
Impairment loss on other financial assets, net of recoveries	31	(30,873)	754
Administrative expenses	32	(659,368)	(700,450)
Other operating expenses	33	(396,724)	(406,910)
Operating profit		854,785	801,510
Share of profit in associate	13(b)	18,376	11,655
Share of profit in joint ventures	13(a)	3,221	4,210
Profit before taxation		876,382	817,375
Taxation	34	(234,450)	(180,153)
Profit for the year		641,932	637,222
Earnings per share			
Basic		$2.54	$2.52
Weighted average number of shares			
Basic		251,353,562	251,353,562

The notes on pages 133 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Year ended 30 September 2017 $'000	2016 $'000
Profit for the year	641,932	637,222
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement of defined benefit obligation	(17,163)	17,160
Revaluation of property, plant and equipment, net of tax	9	35,401
	(17,154)	52,561
Items that may be reclassified to profit or loss		
Amortisation of loss held to maturity assets, net of tax	(4,841)	(3,772)
Exchange difference on translation	667	61,686
Transfer of net realised gain to current year income	(19,956)	(36,494)
Change in fair value of available for sale assets, net of tax	(2,596)	(2,972)
	(26,726)	18,448
Total other comprehensive (loss)/income for the year	(43,880)	71,009
Total comprehensive income for the year	598,052	708,231

The notes on pages 133 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Re-measurement of Defined Benefits $'000	Revaluation Surplus $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 October 2016	643,557	677,698	781,368	129,364	161,288	79,091	4,206,938	6,679,304
Treasury Share (ESOP)	(185,000)	—	—	—	—	—	—	(185,000)
Profit for the year	—	—	—	—	—	—	641,932	641,932
Other comprehensive income for the year	—	—	(27,393)	(17,163)	9	667	—	(43,880)
Transfer to statutory reserve	—	201,637	—	—	—	—	(201,637)	—
Dividends	—	—	—	—	—	—	(340,774)	(340,774)
Balance at 30 September 2017	458,557	879,335	753,975	112,201	161,297	79,758	4,306,459	6,751,582
Balance as at 1 October 2015	643,557	675,726	824,606	112,204	125,887	17,405	3,926,505	6,325,890
Profit for the year	—	—	—	—	—	—	637,222	637,222
Other comprehensive income for the year	—	—	(43,238)	17,160	35,401	61,686	—	71,009
Transfer to statutory reserve	—	1,972	—	—	—	—	(1,972)	—
Dividends	—	—	—	—	—	—	(354,817)	(354,817)
Balance at 30 September 2016	643,557	677,698	781,368	129,364	161,288	79,091	4,206,938	6,679,304

The notes on pages 133 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2017 $'000	2016 $'000
Profit before taxation		876,382	817,375
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associate		(18,376)	(11,655)
Share of profit in joint ventures		(3,221)	(4,210)
Interest income		(1,690,200)	(1,551,539)
Interest received		1,699,648	1,519,610
Interest expense		271,849	267,777
Interest paid		(272,526)	(260,143)
Depreciation and amortisation	14, 15	54,726	49,522
Loss on disposal of property, plant and equipment		459	219
Gain on sale of available-for-sale financial assets		(19,956)	(36,494)
Amortisation of premium on investment securities		18,650	5,652
Amortisation of bond issue cost		660	1,720
Amortisation of intangible asset	15	23,745	26,447
Impairment of goodwill	15	17,949	—
Impairment loss on other financial assets		12,924	(754)
Net pension expense	19	54,816	59,828
Net movement in allowance for loan loss		(35,143)	47,596
Cash flows from operating activities before changes in operating assets and liabilities		992,386	930,951
Net change in loans to customers		(1,067,156)	451,246
Net change in customers' deposits		(1,046,199)	4,028,340
Net change in other funding instruments		(158,470)	(260,044)
Net change in other assets		7,862	71,712
Net change in due from parent company		3,406	(645)
Net change in statutory deposits with Central Bank		583,764	451,789
Dividends received		409	1,115
Net change in creditors and accrued expenses		90,706	(2,525,768)
Pension contributions paid	19	(27,876)	(27,654)
Taxes paid		(223,818)	(164,733)
Net cash flows (used in)/generated from operating activities		(844,986)	2,956,309

The notes on pages 133 to 204 are an integral part of these consolidated financial statements.

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

	Notes	Year ended 30 September 2017 $'000	2016 $'000
Cash flows from investing activities			
Purchase of financial assets			
- Available for sale	8(a)	(9,844,080)	(12,944,352)
- Held to maturity	8(b)	(3,988)	(26,749)
- Fair value through profit or loss	8(c)	(591)	—
- Other loans and receivable	10	(34,006)	(723,988)
Proceeds from sale of investments			
- Available for sale	8(a)	8,886,080	12,029,927
- Fair value through profit or loss	8(c)	239,960	—
Proceeds from maturity/redemption of held to maturity	8(b)	113,065	443,944
Repayment on loan notes receivable		73,700	1,715,856
Net change in short-term investments		867,853	(1,054,882)
Proceeds from disposal of property, plant and equipment		985	1,937
Purchase of intangible assets	15	(9,984)	(27,035)
Purchase of property, plant and equipment and intangibles	14	(106,615)	(114,956)
Net cash flows from investing activities		182,379	(700,298)
Cash flows from financing activities			
Net change in debt securities		—	(527,574)
Purchase of treasury shares (ESOP)		(185,000)	—
Ordinary dividend paid		(337,852)	(351,895)
Preference dividend paid		(2,922)	(2,922)
Net cash flows from financing activities		(525,774)	(882,391)
Effect of exchange rate changes		(12,102)	(200,036)
Net (decrease)/increase in cash and cash equivalents		(1,200,483)	1,173,584
Cash and cash equivalents at beginning of period		2,894,015	1,720,431
Cash and cash equivalents at end of period	6	1,693,532	2,894,015

The notes on pages 133 to 204 are an integral part of these consolidated financial statements.

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

1 General information

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

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

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

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

The Group currently comprises the following entities:

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Asset Management Limited	Investment & asset management services for corporate benefit plans, mutual funds and other parties	Trinidad & Tobago	100%
First Citizens Bank (Barbados) Limited	Banking, including the provision of mortgages for residential and commercial properties	Barbados	100%
First Citizens Costa Rica SA	Service related transactions	Costa Rica	100%
First Citizens Financial Services (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Investment Services Limited	Investment & asset management services and repo business	Trinidad & Tobago	100%
First Citizens Securities Trading Limited	Financial management services and repo business	Trinidad & Tobago	100%
First Citizens (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and bond paying agency services	Trinidad & Tobago	100%

The Group also has investments in the following entities:

Infolink Services Limited	Provision of automated banking reciprocity services	Trinidad & Tobago	25%
Trinidad and Tobago Interbank Payment System Limited	Automated clearing house	Trinidad & Tobago	14%
St. Lucia Electricity Services Limited	Provision of electrical power to consumers	St. Lucia	19%

2 Summary of significant accounting policies

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

a. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, available-for-sale financial assets and financial assets designated 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.

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

- IFRS 10 – Consolidated Financial Statements – (Amendment effective January 1 2016). This amendment clarifies the accounting for loss of control of a subsidiary when the subsidiary does not constitute a business.

- IFRS 11 – Joint Arrangements- (Amendment effective January 1 2016). This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
  - Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
  - Disclose the information required by IFRS 3 and other IFRSs for business combinations.
  - The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured.

- IAS 1 – Disclosure Initiative – (amendment effective 1 January 2016) This amendment is to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
  - clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
  - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

- IAS 27 – Equity Method in Separate Financial Statements – (Amendment effective 1 January 2016). This amendment permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

- IAS 28 – Investments in Associates and Joint Venture – (Amendment effective 1 January 2016). This amendment clarifies the accounting for loss of control of a subsidiary when the subsidiary does not constitute a business.

- IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets (amendment effective 1 January 2016) This amendment is to:
  - clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
  - introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2016 and have not been early adopted by the Group:

- IAS 7 – Disclosure Initiative (Amendments effective 1 January 2017.) Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

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

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

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):

- IAS 12 – Income taxes (Amendment effective 1 January 2017). Recognition of Deferred Tax Assets for Unrealized Losses –This amendments is to clarify the following aspects:
  - Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or use.
  - The carrying amount of the asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax assets in combination with other deferred assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax assets in combination with other deferred tax assets of the same type.

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

- IFRIC 22 – Foreign currency transactions and advances consideration (Effective 1 January 2018). This IFRIC addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provide guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

b. *Consolidation*

(i) *Principles of consolidation*

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

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

(ii) *Investment in subsidiaries*

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

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

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

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

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

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

(iv) *Transactions and non-controlling interests*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(v) *Investment in joint ventures*

The Group has applied IFRS 11 to all joint arrangements as of 1 October 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

(vi) *Investment in associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investment in associates includes goodwill identified on acquisition.

2 Summary of significant accounting policies (continued)

b. *Consolidation (continued)*

(vi) *Investment in associates (continued)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.6926 = US$1.00 (2016 - TT$6.6553 = US$1.00), which represent the Group's cover rate. The exchange rate between the TT dollar and the Barbados dollar as at the date of these statements was TT$3.4102 = BB$1 (2016 - TT$3.3883 = BB$1.00), which represent the Group's cover rate.

(ii) *Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale 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 available-for-sale 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

Notes to the Consolidated Financial Statements
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translated into the presentation currency as follows:

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

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

(c) all resulting exchange differences are recognised in other comprehensive income.

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

d. *Derivative financial instruments*

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

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The Group classifies its financial assets in the following categories: financial assets designated as at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Loans and receivables*

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

- Those that the Group intends to sell immediately or in the short term and those that the entity upon initial recognition designates at fair value through profit or loss;

- Those that the entity upon initial recognition designates as available-for-sale;

- Those assets for which the holder may not recover all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

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

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

(c) *Financial assets at fair value through profit or loss*

This category includes financial assets designated by the Group as fair value through profit or loss upon initial recognition.

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

(d) Held to maturity

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

(ii) *Recognition and measurement*

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

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

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

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

(iii) *Financial liabilities*

The Group measures financial liabilities at amortised cost. Financial liabilities measured at amortised cost include deposits from banks or customers, bonds payables, other funding instruments and notes due to related parties.

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

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

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

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

(v) *Determination of fair value*

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

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

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

The 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.

f. *Impairment of financial assets*

(i) *Assets carried at amortised cost*

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

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

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

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

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

2 Summary of significant accounting policies (continued)

f. *Impairment of financial assets (continued)*

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

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

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

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

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

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

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

(iii) *Renegotiated loans*

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

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g. *Impairment of non-financial assets*

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

h. *Offsetting financial instruments*

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

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

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

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

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

j. *Lease transactions*

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

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

(i) *The Group as the lessee*

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

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

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

2 Summary of significant accounting policies (continued)

j. *Lease transactions (continued)*

(ii) *The Group as the lessor*

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

k. *Property, plant and equipment*

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

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

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

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

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

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

Depreciation and amortisation are computed on all assets except land.

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

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

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

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

l. *Income tax*

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

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

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

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

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

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

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

m. *Employee benefits*

(i) *Pension plans*

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

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

2 Summary of significant accounting policies (continued)

m. *Employee benefits (continued)*

(i) *Pension plans (continued)*

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

(ii) *Profit sharing and bonus plans*

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

(iii) *Employee stock option plan*

The Group operates a cash-settled based remuneration plan for its employees. A liability is recognized 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 recognized in the income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

n. *Cash and cash equivalents*

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

o. *Interest income and expense*

Interest income and interest expense are recognised in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments, loans and accrued discount and premium on treasury bills and other discounted instruments. When a loan and receivable 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 method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cashflows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

p. *Fee and commission income*

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

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

q. *Dividend income*

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

r. Borrowings

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

s. *Acceptances*

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

t. *Dividend distribution*

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

u. *Preference shares*

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

v. *Provisions*

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

2 Summary of significant accounting policies (continued)

v. *Provisions (continued)*

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

w. *Intangible assets*

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

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

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

(i) *Goodwill*

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

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

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

(ii) *Other Intangible assets*

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

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

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(iii) Computer software

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

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

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

x. *Fiduciary activities*

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

y. *Earning per share*

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

z. *Segment reporting*

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

3 Financial risk management

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

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

Risk management framework

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

3 Financial risk management (continued)

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

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

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

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

a. *Credit risk*

Credit exposure arises principally in lending activities that lead to loans and advances and in investment activities that bring debt securities and other bills into the Group's asset portfolio. Credit risk also occurs in off balance sheet financial instruments such as loan commitments. This risk relates to the possibility that a counter party will cause a financial loss to the Group by failing to discharge an obligation. All the Group's lending and investment activities are conducted with various counter parties and it is in pursuing these activities that the Group becomes exposed to credit risk.

It is expected that these areas of business will continue to be the principal ones for the Group in the future and with loans and advances currently comprising a significant portion of the Group's assets and being responsible for a substantial portion of the revenue generated, it is anticipated that the Group will continue to be exposed to credit risk well into the future. The management of credit risk is therefore of utmost importance to the Group and an appropriate organisational structure has been put in place to ensure that this function is effectively discharged for the Group's business; management therefore carefully manages its exposure to credit risk. Exposure to credit risk is managed through appropriate credit policies, procedures, practices and audit functions, together with approved limits. Exposure is also mitigated by obtaining collateral and corporate and personal guarantees.

(i) *Credit risk management*

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Group Chief Risk Officer (CRO), the Group Credit Risk Administration Unit and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management.

The SMERC together with the CRO 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 Administration Unit is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's written Credit Policy Manual. This document sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Major areas of focus are General Credit Policy Guidelines, Exercise of Lending Authority, Credit Review Process, Credit Risk Rating and Classification System, among others.

(ii) *Credit risk measurement*

As part of the on-going process of prudent risk management, the Group's policy is to risk rate credit facilities at the time of approval and on a regular basis. The rating process partitions the portfolio into un-criticised (higher quality loan assets) and criticised sections (the lower quality/impaired assets evaluated under the Credit Classification System). The Credit Classification System is in place to assign risk indicators to credits in the criticised portfolio and engages the traditional categories utilised by regulatory authorities.

(iii) *Credit classification system*

(a) *Loans to customers*

The Group's Credit Classification System is outlined as follows:

Criticised Loans

Rating	**Description**
Pass	Standard
SM	Special Mention
SS	Substandard
D	Doubtful
L	Loss

(b) *Debt securities and other bills*

The Group utilises external ratings from local and international credit rating agencies or their equivalent in risk rating credit risk exposures for debt securities and other bills.

(c) *Other loans and receivables*

In measuring credit risk of debt securities and receivables at a counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. Securities of the Group are segmented into three rating classes or grades. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

3 Financial risk management

a. *Credit risk (continued)*

(iii) *Credit classification system (continued)*

(c) *Other loans and receivables (continued)*

Group's internal ratings scale and mapping of external ratings

Group's rating	Description of the grade	External rating: Standard & Poor's equivalent
A, B+	Investment grade	AAA, AA, A, BBB
B, C	Speculative grade	BB, B, CCC, C
D	Default	D or SD

The ratings of the major rating agency shown in the table above are mapped to our rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark our internal credit risk assessment.

(iv) *Risk limit control and mitigation policy*

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

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

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

(b) *Industry exposure limits*

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for the Group for this purpose. The model utilises a scale incorporating scores of 1 to 8 with 1 being the least risky. These have been consolidated into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a smaller limit being assigned to the more risky industries.

(c) *Country exposure limits*

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

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(d) *Collateral*

The principal collateral types for loans and advances are:
- Cash deposits;
- Mortgages over residential properties;
- Charges over business assets such as premises and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Government guarantees and indemnities.

The Group does not take a second or inferior collateral position to any other lender on advances outside the lending value calculated as per the Group's stipulated guidelines. The Group recognises that the value of items held as collateral may diminish over time resulting in loans being less protected than initially intended. To mitigate the effect of this, margins are applied to collateral in evaluating coverage. The Group assesses the collateral value of credits at the point of inception and monitors the market value of collateral as well as the need for additional collateral during periodic reviews of loan accounts as per the Credit Policy.

(e) *Liquidity support agreement*

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

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

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

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

The Ministry of Finance in its response in letter dated 13 September 2017 has agreed to another extension for a twelve month period effective from 15 November 2017 to 14 November 2018 commensurate under the Liquidity Support Agreement dated 15 May 2009. This was subsequently formalized via the "Third Supplementary Liquidity Support Agreement" dated 19 September 2017.

(f) *Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

3 Financial risk management

a. *Credit risk (continued)*

(v) *Impairment and provisioning policies*

The Group's impairment provision policy is covered in detail in Note 2(f).

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the year end on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed portfolio allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques. The quarterly assessment of the impairment allowances are approved by the Audit Committee of the Board.

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

	Gross maximum exposure 2017 $'000	Gross maximum exposure 2016 $'000
Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows:		
Cash and bank balances	3,685,077	4,708,544
Statutory Deposit with Central Bank	3,387,702	3,971,466
Financial assets		
Available-for-sale	12,433,633	11,452,596
Held to maturity	1,134,909	1,242,923
Loans to customers	14,740,622	13,673,464
Other loans and receivables	2,093,144	2,052,930
Loan notes	368,498	442,198
Other assets	303,964	316,916
Due from parent company	174	3,580
Credit Commitments	614,583	568,223
Acceptances	9,331	33,155
Total credit risk exposure	38,771,637	38,465,995

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.

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

Loans to customers and other financial assets are summarised as follows:

30 September 2017

	Loans to customers $'000	Other loans and receivables $'000	Financial assets available-for-sale $'000	Held-to-maturity $'000	Loan notes $'000	Fair value through profit and loss $'000
Neither past due nor impaired	10,839,515	1,222,591	12,391,424	1,134,909	368,498	655
Past due but not impaired	3,505,913	857,731	—	—	—	—
Individually impaired	398,802	12,822	42,209	—	—	—
Gross	14,744,230	2,093,144	12,433,633	1,134,909	368,498	655
Unearned interest	(3,608)	—	—	—	—	—
Less: Portfolio Allowance	(306,039)	(5,954)	(17,909)	—	—	—
Net	14,434,583	2,087,190	12,415,724	1,134,909	368,498	655

30 September 2016

	Loans to customers $'000	Other loans and receivables $'000	Financial assets available-for-sale $'000	Held-to-maturity $'000	Loan notes $'000	Fair value through profit and loss $'000
Neither past due nor impaired	10,993,455	1,214,093	11,444,343	1,242,923	442,198	239,958
Past due but not impaired	2,149,947	827,872	—	—	—	—
Individually impaired	532,925	10,965	8,253	—	—	—
Gross	13,676,327	2,052,930	11,452,596	1,242,923	442,198	239,958
Unearned interest	(2,863)	—	—	—	—	—
Less: Portfolio Allowance	(341,183)	(4,269)	(8,253)	—	—	—
Net	13,332,281	2,048,661	11,444,343	1,242,923	442,198	239,958

Included in receivable past due but not impaired are loans and receivables due from CL Financial and its affiliates which has not yet been claimed under the LSA. The amount outstanding stood at TTD 224.0 million and USD 94.7 million as at 30 September 2017 (2016: TTD 215.4 million and USD 91.6 million). Interest continues to accrue on these amounts.

3 Financial risk management

a. *Credit risk (continued)*

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

(a) *Neither past due nor impaired*

The credit quality of the portfolio of loans to customers and other financial assets that were neither past nor impaired on an individual basis can be assessed by reference to the internal rating system adopted by the Group.

30 September 2017 Loans to customers

	Individual $'000	**Corporate $'000**	**Total $'000**
Standard	3,384,908	5,603,371	8,988,279
Special mention	217,163	1,634,073	1,851,236
	3,602,071	7,237,444	10,839,515

30 September 2016 Loans to customers

	Individual $'000	**Corporate $'000**	**Total $'000**
Standard	3,156,942	5,920,501	9,077,443
Special mention	219,562	1,696,450	1,916,012
	3,376,504	7,616,951	10,993,455

30 September 2017 Other Loans and Receivables

	Individual $'000	**Corporate $'000**	**Total $'000**
Investment grade	7	1,001,485	1,001,492
Speculative grade	2,002	219,097	221,099
	2,009	1,220,582	1,222,591

30 September 2016 Other Loans and Receivables

	Individual $'000	**Corporate $'000**	**Total $'000**
Investment grade	14	963,036	963,050
Speculative grade	4,887	246,155	251,043
	4,901	1,209,192	1,214,093

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The composition of the portfolio of loans to customers that were neither past due nor impaired on an individual basis is illustrated below by loan type and borrower categorisation. All facilities are inclusive of unearned interest.

30 September 2017

	Individual (retail customers) $'000	**Corporate $'000**	**Total $'000**
Instalment loans	1,106,813	13,660	1,120,473
Demand loans	216,289	6,611,487	6,827,776
Overdrafts	1,514	75,693	77,207
Credit cards	436,176	14,194	450,370
Mortgages	1,841,279	522,410	2,363,689
Loans to customers	3,602,071	7,237,444	10,839,515
Portfolio allowance	(72,602)	(83,465)	(156,067)
Loans net of allowances	3,529,469	7,153,979	10,683,448
Total fair value of collateral	6,640,896	4,352,046	10,992,942

30 September 2016

	Individual (retail customers) $'000	**Corporate $'000**	**Total $'000**
Instalment loans	994,607	16,779	1,011,386
Demand loans	216,857	6,881,879	7,098,735
Overdrafts	5,119	149,066	154,185
Credit cards	384,335	14,580	398,915
Mortgages	1,775,587	554,647	2,330,233
Loans to customers	3,376,504	7,616,951	10,993,455
Portfolio allowances	(46,210)	(83,283)	(129,493)
Loans net of allowances	3,330,294	7,533,668	10,863,962
Total fair value of collateral	5,442,935	4,633,275	10,076,210

3 Financial risk management

a. *Credit risk (continued)*

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

(b) *Past due but not impaired*

Loans to customers less than 90 days past due and 180 days for mortgage facilities are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans to customers and other financial assets that were past due but not impaired on an individual basis are as follows:

30 September 2017	**Up to 30 days $'000**	**30 to 60 days $'000**	**60 to 90 days $'000**	**> 90 days $'000**	**Total $'000**
Individual (retail customers)					
Instalment loans	257,479	27,712	10,412	—	295,603
Demand loans	74,283	18,610	5,035	3,659	101,587
Overdrafts	2,895	298	98	—	3,291
Credit cards	5,930	8,634	3,705	—	18,269
Mortgages	645,148	69,260	38,565	26,304	779,277
Sub-Total	985,735	124,514	57,815	29,963	1,198,027
Corporate					
Other Loans	1,628,760	68,329	6,844	—	1,703,933
Mortgages	564,454	23,209	16,290	—	603,953
Sub-Total	2,193,214	91,538	23,134	—	2,307,886
Total loans to customers	3,178,948	216,051	80,948	29,962	3,505,913
Fair value of collateral					
Individual (retail customers)	1,330,834	146,540	69,106	44,002	1,590,482
Corporate	2,811,641	90,397	37,483	—	2,939,520
Total Fair Value of collateral	4,142,474	236,937	106,589	44,002	4,530,002
Portfolio allowance					
Individual (retail customers)	(13,508)	(2,290)	(1,256)	(727)	(17,781)
Corporate	(32,428)	(1,322)	(479)	—	(34,229)
Total portfolio allowance	(45,936)	(3,612)	(1,735)	(727)	(52,010)
Other loans and receivables	—	—	—	857,731	857,731

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30 September 2016	**Up to 30 days $'000**	**30 to 60 days $'000**	**60 to 90 days $'000**	**> 90 days $'000**	**Total $'000**
Individual (retail customers)					
Instalment loans	174,412	18,847	5,244	—	198,503
Demand loans	69,235	24,917	13,000	2,382	109,534
Overdrafts	3,266	171	82	—	3,365
Credit cards	4,398	9,337	3,797	—	17,532
Mortgages	653,317	76,660	51,925	23,264	805,166
Sub-Total	904,628	129,778	74,048	25,646	1,134,100
Corporate					
Other Loans	452,729	17,317	8,743	41	478,830
Mortgages	495,755	24,781	16,481	—	537,017
Sub-Total	948,484	42,098	25,224	41	1,015,847
Total loans to customers	1,853,112	171,876	99,272	25,687	2,149,947
Fair value of collateral					
Individual (retail customers)	1,237,831	154,685	117,565	37,975	1,548,056
Corporate	1,627,904	134,672	38,409	50	1,801,035
Total Fair Value of collateral	2,865,735	289,536	155,974	38,025	3,349,091
Portfolio allowance					
Individual (retail customers)	(8,322)	(1,417)	(716)	(244)	(10,699)
Corporate	(15,178)	(631)	(194)	—	(16,003)
Total portfolio allowance	(23,500)	(2,048)	(910)	(244)	(26,702)
Other loans and receivables	—	—	—	827,872	827,872

(c) *Individually impaired*

	Individual (retail customers)					**Corporate**		
	Instalment $'000	**Demand Loans $'000**	**Overdrafts $'000**	**Credit Cards $'000**	**Mortgages $'000**	**Other Loans $'000**	**Mortgages $'000**	**Total $'000**
30 September 2017								
Loans to customers	40,629	60,748	717	29,472	88,518	120,119	58,599	398,802
Fair value of collateral	15,148	111,024	169	—	111,653	248,396	45,083	531,224
Portfolio allowance	(32,350)	(9,609)	(736)	(21,536)	(5,974)	(21,455)	(6,302)	(97,962)
30 September 2016								
Loans to customers	32,976	55,515	1,115	26,461	69,393	304,640	42,825	532,925
Fair value of collateral	14,067	128,513	16	—	92,789	542,449	47,181	825,015
Portfolio allowance	(26,268)	(12,199)	(753)	(19,675)	(19,928)	(92,746)	(13,419)	(184,988)

3 Financial risk management

a. *Credit risk (continued)*

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

(c) *Individually impaired (continued)*

Upon initial recognition of loans to customers, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In the subsequent periods, the fair value is updated by reference to market price or indices of similar assets.

(d) *Loans to customers renegotiated*

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payment. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. In some cases, restructuring results in the assets continuing to be impaired but in a number of cases restructuring is geared to facilitate a correction of the root cause of impairment which eventually improves collectability of the assets.

(viii) *Credit quality of available for sale and held to maturity securities and other loans and receivables*

The table below represents an analysis of fair value through profit or loss, available for sale and held to maturity securities and other loans and receivables, by internal, external and equivalent rating agency designation.

30 September 2017

S&P	Other loans & receivables $'000	Available for sale securities $'000	Held to maturity $'000	Fair Value through Profit & Loss $'000
Investment grade	1,001,493	10,827,962	489,032	655
Speculative grade	1,085,697	1,587,763	645,877	—
	2,087,190	12,415,725	1,134,909	655

30 September 2016

S&P	Other loans & receivables $'000	Available for sale securities $'000	Held to maturity $'000	Fair Value through Profit & Loss $'000
Investment grade	963,375	10,014,844	593,885	239,958
Speculative grade	1,085,286	1,429,499	649,038	—
	2,048,661	11,444,343	1,242,923	239,958

(ix) *Repossessed collateral*

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The Group does not assume title of these assets, and as a result, they are not included in the consolidated statement of financial position.

(x) *Concentration of risks of financial assets with credit risk exposure*

The following table breaks down the Group's main credit exposure as categorised by industry sectors of counter parties excluding Statutory Deposit with Central Bank:-

	2017 Gross maximum exposure $'000	2016 Gross maximum exposure $'000
Cash and due from other banks	3,685,077	4,708,544
Statutory Deposits	3,387,702	3,971,466
Consumer	2,911,577	2,601,152
Agriculture	12,229	18,082
Petroleum	470,697	541,285
Manufacturing	368,539	386,635
Construction	2,382,749	3,358,413
Distribution	424,792	283,897
Hotels and guest houses	686,896	528,074
Transport, storage and communications	918,748	1,223,091
Finance, insurance and real estate	6,120,088	4,175,349
Other business services	1,472,194	1,281,665
Personal services	25,815	26,415
Real estate mortgages	3,352,846	3,619,700
Government related	11,671,006	10,823,933
Other assets	303,964	316,916
	38,194,919	37,864,616

b. *Market risk*

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

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

Trading portfolios include those portfolios arising from market-making transactions where the Group acts as a principal with clients or with the market. Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains.

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Group's financial assets available-for-sale.

3 Financial risk management (continued)

b. *Market risk (continued)*

(i) *Currency risk*

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Group not to engage in speculative foreign exchange activities, since its primary focus is to supply foreign currency to customers at a profit with the US dollar dominating trading. However, as supply usually lags behind customer demand, the Group may find itself in an overbought or oversold position.

The Group's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Group does not currently engage in any hedging activities to mitigate currency risk.

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

	TT$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2017				
Financial assets				
Cash and due from other banks	223,862	2,690,000	771,215	3,685,077
Statutory deposits with central banks	3,281,890	2,725	103,087	3,387,702
Financial assets:				
- Available-for-sale	9,110,160	2,434,068	922,705	12,466,933
- Held to maturity	482,174	6,811	645,924	1,134,909
- Fair value through profit or loss	545	110	—	655
- Loans and receivables less allowances for losses:				
- Loans to customers	9,604,376	3,250,351	1,579,856	14,434,583
- Other loans and receivables	749,088	1,129,304	208,798	2,087,190
Loan Notes	368,498	—	—	368,498
Other assets	249,879	54,468	35,523	339,870
Due from parent	174	—	—	174
Investment accounted for using equity methods	30,314	149,447	—	179,761
Total financial assets	24,100,960	9,717,284	4,267,108	38,085,352
Financial liabilities				
Customers' deposits	17,444,477	4,048,734	2,483,457	23,976,668
Other funding instruments	4,078,143	252,961	—	4,331,104
Due to other banks	1,443,611	—	60,729	1,504,340
Note due to parent	58,000	—	—	58,000
Bonds Payable	1,400,000	—	—	1,400,000
Creditors and accrued expenses	463,230	41,540	37,909	542,679
Total financial liabilities	24,887,461	4,343,235	2,582,095	31,812,791
Net on balance sheet position	(786,501)	5,374,049	1,685,013	6,272,561
Off balance sheet items	161,311	105,232	78	266,621
Credit commitments	191,408	142,635	280,540	614,583

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	TT$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2016				
Financial assets				
Cash and due from other banks	257,362	3,691,247	759,935	4,708,544
Statutory deposits with central banks	3,870,373	37,424	63,669	3,971,466
Financial assets:				
- Available-for-sale	8,552,111	2,089,006	842,813	11,483,930
- Held to maturity	511,188	82,697	649,038	1,242,923
- Fair value through profit or loss	7	88	239,863	239,958
- Loans and receivables less allowances for losses:				
- Loans to customers	8,435,940	3,429,760	1,466,581	13,332,281
- Other loans and receivables	742,876	1,058,847	246,938	2,048,661
Loan Notes	442,198	—	—	442,198
Other assets	277,257	46,042	33,883	357,182
Due from parent	3,580	—	—	3,580
Investment accounted for using equity methods	30,035	141,114	—	171,149
Total financial assets	23,122,927	10,576,225	4,302,720	38,001,872
Financial liabilities				
Customers' deposits	17,179,191	5,470,790	2,372,886	25,022,867
Other funding instruments	1,270,621	1,732,769	1,486,184	4,489,574
Due to other banks	—	—	459,470	459,470
Note due to parent	58,000	—	—	58,000
Bonds Payable	1,400,000	—	—	1,400,000
Creditors and accrued expenses	346,764	60,416	45,470	452,650
Total financial liabilities	18,732,914	8,741,478	4,408,169	31,882,561
Net on balance sheet position	4,389,946	1,834,815	(105,448)	6,119,311
Off balance sheet items	164,985	64,044	680	229,709
Credit commitments	230,152	—	338,071	568,223

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

If the TT$ appreciates by 250 basis points against the US$, the profit would decrease by $176.5 million (2016: 43.2 million). The average change for the last three (3) years was 207 basis point (2016: 267 basis points). The change for 2017 was 56 basis points.

(ii) *Interest rate risk*

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in market interest rates. Cashflow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks.

3 Financial risk management (continued)

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

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

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

As at 30 September 2017	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and due from other banks	2,275,902	1,114,975	—	—	—	294,200	3,685,077
Statutory deposits with central banks	349,069	—	—	—	—	3,038,633	3,387,702
Financial assets:							
- Available-for-sale	679,014	862,068	1,139,169	4,177,996	5,559,125	49,561	12,466,933
- Held to maturity	176	42,837	88,005	686,899	316,992	—	1,134,909
- Fair value through profit or loss	—	—	—	—	—	655	655
- Loan to customers and finance leases	1,821,630	979,676	2,872,166	5,423,140	3,644,010	(306,039)	14,434,583
- Other loans and receivables	233,776	498,106	902,465	81,002	371,841	—	2,087,190
- Loan notes	76,543	6,291	203,931	59,680	22,053	—	368,498
Other assets	5,175	—	—	—	252,320	82,375	339,870
Due from parent company	174	—	—	—	—	—	174
Total financial assets	5,441,459	3,503,953	5,205,736	10,428,717	10,166,341	3,159,385	37,905,591
Financial liabilities							
Customers' deposits	19,675,728	927,962	2,322,966	344,003	870	705,139	23,976,668
Other funding instruments	564,021	839,232	2,287,096	392,005	248,750	—	4,331,104
Due to other banks	333,671	676,450	1,616	431,874	—	60,729	1,504,340
Bonds payable	—	—	—	400,000	1,000,000	—	1,400,000
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	7,599	—	—	—	—	535,080	542,679
Total financial liabilities	20,581,019	2,443,644	4,611,678	1,567,882	1,249,620	1,358,948	31,812,791
Interest sensitivity gap	(15,139,560)	1,060,309	594,058	8,860,835	8,916,721		

As at 30 September 2016	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and due from other banks	3,038,550	497,071	898,466	—	—	274,456	4,708,543
Statutory deposits with central banks	344,111	—	310,026	—	—	3,317,329	3,971,466
Financial assets:							
- Available-for-sale	387,804	238,420	2,276,777	3,752,705	4,788,553	39,671	11,483,930
- Held to maturity	75,819	9,433	8,994	807,715	340,962	—	1,242,923
- Fair value through profit or loss	—	—	—	171,220	68,643	95	239,958
- Loan to customers and finance leases	2,277,008	1,079,774	2,780,967	4,636,835	2,898,880	(341,182)	13,332,282
- Other loans and receivables	154,590	990,928	39,532	264,269	599,342	—	2,048,661
- Loan notes	73,208	74,240	150,915	69,144	73,700	992	442,199
Other assets	2,159	22	—	—	—	354,999	357,180
Due from parent company	—	—	—	—	—	3,580	3,580
Total financial assets	6,353,249	2,889,888	6,465,677	9,701,888	8,770,080	3,646,940	37,830,722
Financial liabilities							
Customers' deposits	19,657,295	1,486,380	2,953,304	374,051	6,285	545,555	25,022,870
Other funding instruments	654,559	1,025,644	2,146,450	415,557	247,364	—	4,489,574
Due to other banks	267,790	—	—	166,826	—	24,854	459,470
Bonds payable	—	—	—	1,400,000	—	—	1,400,000
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	15,932	—	—	—	—	436,718	452,650
Total financial liabilities	20,595,576	2,512,024	5,099,754	2,356,434	253,649	1,067,127	31,882,564
Interest sensitivity gap	(14,242,327)	377,864	1,365,923	7,345,454	8,516,431		

Interest rate risk management focuses on the potential changes in net interest income resulting from changes in interest rates, product spreads and mismatch in the re-pricing between interest rate sensitive assets and liabilities.

A 100 basis point increase in interest rates will cause a decrease in profit of $5.4 million (2016: $17.9 million) and a decrease in reserves of $338.2 million (2016: $337.3 million).

(iii) *Other price risk*

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

3 Financial risk management (continued)

c. *Liquidity risk*

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

Liquidity risk management process

The Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset and Liability Committee (ALCO). The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised. The Group manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers, by maintaining ongoing access to wholesale funding and by maintaining a liquid pool of marketable securities dedicated to mitigating liquidity risk as a contingency measure. Fallback mechanisms include access to the local interbank and institutional markets and stand-by lines of credit with external parties and the ability to close out or liquidate market positions.

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

(i) *Financial assets and liabilities*

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

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

3 Financial risk management (continued)

As at 30 September 2016	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	20,195,251	1,494,716	2,984,060	386,681	7,140	25,067,848
Other funding instruments	661,405	1,030,445	2,184,857	466,718	252,002	4,595,427
Bonds payable	—	—	53,900	1,682,970	—	1,736,870
Due to other Banks	320,346	—	5,430	166,383	—	492,159
Creditors and accrued expenses	447,907	4,743	—	—	—	452,650
Notes due to related companies	58,000	—	—	—	—	58,000
Total financial liabilities	21,682,909	2,529,904	5,228,247	2,702,752	259,142	32,402,954
Financial assets						
Cash and due from other banks	2,845,258	423,592	916,315	—	—	4,185,165
Statutory deposits with central banks	443,200	—	310,026	—	3,218,282	3,971,508
Financial assets:						
- Available-for-sale	387,978	299,875	2,687,949	5,063,545	6,216,262	14,655,609
- Held-to-maturity	86,477	25,640	64,169	956,068	399,193	1,531,547
- Fair Value thru P&L	95	—	6,945	192,226	—	199,266
- Loan to customers and finance leases	2,047,926	1,262,317	3,153,169	6,105,517	4,506,614	17,075,543
- Other Loans and Receivables	373,989	1,015,062	111,228	467,390	168,060	2,135,729
- Loan notes	73,452	152,413	290,857	605,092	80,050	1,201,864
Other assets	484,385	120	958	17,750	1,137	504,350
Total financial assets	6,742,760	3,179,019	7,541,616	13,407,588	14,589,598	45,460,581
Liquidity gap	(14,940,151)	649,115	2,313,369	10,704,836	14,330,456	13,057,627

(ii) *Assets held for managing liquidity risk*

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

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's investment portfolios.

(iii) *Off-Balance sheet items*

The table below analyses the contingent liabilities and commitments of the Group into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date.

As at 30 September 2017	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Credit commitments	148,580	—	466,003	—	—	614,583
Acceptances	17,780	6,062	12,362	—	—	36,204
Guarantees	102,217	8,382	16,215	62,748	21	189,583
Letters of credit	7,877	5,395	22,086	5,476	—	40,834
Operating leases	2,591	5,179	23,315	56,431	21,458	108,974
Capital commitments	—	—	17,523	—	—	17,523
Total	279,045	25,108	557,504	125,655	21,479	1,007,701

As at 30 September 2016	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Credit commitments	7,370	—	560,853	—	—	568,223
Acceptances	11,653	7,980	13,522	—	—	33,155
Guarantees	87,449	5,653	13,097	74,075	21	180,295
Letters of credit	8,653	1,281	7,500	620	—	18,054
Operating leases	2,379	4,762	21,538	59,413	31,099	119,190
Capital commitments	—	—	19,477	—	—	19,477
Total	117,504	19,676	635,987	134,108	31,120	938,394

d. *Fiduciary activities*

The Group provides custody, trustee and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. The assets under administration at 30 September 2017 totalled $30.3 billion (2016 - $30.3 billion).

e. *Operational risk*

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

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

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 capital requirement set by the regulators in the differing jurisdictions in which the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To ensure that the Group can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Group is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group ALCO, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory practices, as implemented by the Central Bank of Trinidad and Tobago for supervisory purposes. The required information is filed with the Central Bank of Trinidad & Tobago on a monthly basis.

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

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

The Group's regulatory capital is comprised of:-

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

Tier 1 (Core) Capital	**2017 $'000**	**2016 $'000**
Share capital	354,957	539,957
Statutory reserve	879,335	677,697
Retained earnings	4,306,459	4,206,938
Less: Intangible assets	(245,579)	(227,344)
Total Tier 1	5,295,172	5,197,248
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	1,059,034	1,039,450
Eligible reserve provision	172,029	167,116
Total Tier 2 Capital	1,334,663	1,310,166
Total Capital	6,629,835	6,507,414
Ratios		
Risk adjusted assets	13,731,400	13,357,562
Qualifying capital to risk adjusted assets	48.28%	48.72%
Core capital to qualifying capital	79.87%	79.87%

g. *Fair value of financial assets and liabilities*

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

The following table summarises the carrying amounts and fair values of those financial assets and liabilities presented on the Group's consolidated statement of financial position at an amount other than their fair value.

	Carrying value		**Fair value**	
Financial assets	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Cash and due from other banks	3,685,077	4,708,544	3,685,077	4,708,544
Statutory deposits with Central Banks	3,387,702	3,971,466	3,387,702	3,971,466
Financial assets:-				
- Loans to customers	14,434,580	13,332,281	15,860,901	14,739,513
- Held to maturity	1,134,909	1,242,923	1,170,694	1,265,879
- Other loans and receivables	2,087,190	2,048,661	2,105,643	2,055,834
- Loan notes	368,498	442,198	448,088	554,110
Other assets	339,870	357,182	339,870	357,182
Due from parent	174	3,580	174	2,935
Financial liabilities				
Customers' deposits	23,976,668	25,022,867	23,926,642	25,159,502
Other funding instruments	4,331,104	4,489,574	4,424,430	4,327,032
Bonds payable	1,400,000	1,400,000	1,444,136	1,405,869
Notes due to parent	58,000	58,000	58,000	58,000
Due to other Banks	1,504,340	459,470	1,504,340	459,470
Creditors and accrued expenses	542,679	452,650	542,679	452,650

All fair values fall into level 3 of the fair value hierarchy except for Held to Maturity investments which are level 2.

The fair values of the Group's financial instruments are determined in accordance with International Accounting Standard (IAS) 39 "Financial instruments: Recognition and Measurement". See note 4 for further details of the fair value measurements.

Financial instruments where carrying value is equal to fair value

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

Loans to customers less allowance for loan losses

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

Held to maturity investments

Fair value for held-to-maturity 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 held to maturity portfolio is computed for disclosure purposes only. See note 3.g.(ii) for Fair Value Hierarchy.

3 Financial risk management (continued)

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

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

Other loans and receivables

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

Loan notes

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

Customer deposits

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

Bonds payable

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

Note due to parent company

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

(ii) *Fair value hierarchy*

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

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

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

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

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

As at 30 September 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at fair value				
- Debt securities	—	—	239,958	239,958
	—	—	239,958	239,958
Available-for-sale financial assets:				
- Investment securities – debt	653,324	9,703,687	1,087,332	11,444,343
- Investment securities – equity	30,770	310	8,507	39,587
	684,094	9,703,997	1,095,839	11,483,930
Total financial assets	684,094	9,703,997	1,335,797	11,723,888

Transfer of debt securities to level 3 were due to observable inputs being less readily available.
There were no transfers between Level 1 and Level 2 during the year. Reconciliation of Level 3 items are as follows:-

30 September 2017	**Securities $'000**	**Debt Equity $'000**	**Fair Value $'000**	**Total $'000**
Opening balance	1,087,333	8,507	239,958	1,335,798
Exchange	—	19	—	19
Purchased	587,770	10	—	587,780
Settlement	(260,600)	—	(239,958)	(500,558)
Total losses – OCI	8,089	401	—	8,490
Accrued interest	1,527	—	—	1,527
Amortisation	10,858	—	—	10,858
Transfer into or out of level 3	117,298	—	—	117,298
Closing balance	1,552,275	8,937	—	1,561,212

3 Financial risk management (continued)

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

(ii) *Fair value hierarchy (continued)*

30 September 2016

	Debt Securities $'000	Equity $'000	Fair Value $'000	Total $'000
Opening balance	928,903	7,373	227,957	1,164,233
Exchange	—	100	13,173	13,273
Purchased	393,311	—	—	393,311
Settlement	(380,745)	—	—	(380,745)
Total losses – OCI	22,858	1,034	(1,172)	22,720
Transfer into or out of level 3	123,005	—	—	123,005
Closing balance	1,087,332	8,507	239,958	1,335,797

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

a. *Fair value of available for sale financial instruments*

The Group uses the discounted cash flow method to determine the fair value of available-for-sale 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 available-for-sale financial assets would decrease by $ 338.2 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2016 - $337.3 million).

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

The impact of the revised credit spread methodology as at 30 September 2017 is an increase of $7.5 million (2016: TT$11.7 million).

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

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

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

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

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

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

c. *Estimation of the impairment loss on the loan portfolio*

The Group estimates the impairment loss on its loan portfolio by comparing the present value of the future cashflows to the carrying amounts in the consolidated financial statements. The Group makes assumptions about the amount and timing of future cashflows as well as the loss experience of the portfolio. The loss experience considers both the recovery rate on the portfolio as well as the probability of default by the customer. Management considers both the market and economic conditions at the year end and may modify the loss experience on the portfolio if necessary, to reflect current conditions. The Group uses five (5) years of historical data in its assessment.

Future cashflows for the individually significant loans and loans in arrears are estimated based on credit reviews performed by management and management's estimate of the value of the collateral held.

If the Group's estimation of the loss experience on the portfolio of loans not considered individually impaired were adjusted by 100 basis points upwards, the impairment provision for loans and receivables would increase by $2.1 million (2016: $1.9 million), and if the historical period is adjusted from 5 years to 3 years, the provision will decrease by $9.7 million (2016: decrease by $8.6 million).

d. *Impairment losses of debt securities*

The Group reviews its debt securities portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debt securities before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The Group also makes judgements on the mitigating factors impacting the probability of impairment losses.

4 Critical accounting estimates and judgements (continued)

e. *Held to maturity investments*

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category of $1,134.9 million (2016: $1,266 million) as available for sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value of investments would increase by $35.8 million (2016: $22.9 million), with a corresponding entry in the fair value reserve in shareholders' equity.

f. *Income taxes*

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

The Group is subject to income tax in variance jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change. In January 2017, the Corporation tax rate for Trinidad and Tobago was increased from 25% to 30%. It is also expected to increase again in 2018 to 35% for financial institutions.

g. *Retirement benefits*

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

The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds, and where no deep corporate market exist, the Government bonds are used, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. In determining the salary increases, the Group considered long-term salary inflation, age, merit and promotion (note 19.j for sensitivity).

h. *Fair valuation of properties*

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

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
(ii) Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

i. *Estimated impairment of goodwill*

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

5 Segment analysis

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

- **Retail banking**: includes loans and mortgages, deposit, foreign exchange transactions, credit and debit cards and card merchant acquiring business with retail and commercial customers.
- **Corporate banking**: loans and credit facilities and deposits and current accounts for corporate and institutional customers.
- **Treasury management and investment banking**: Liquidity management and investment banking services including corporate finance, and specialised financial trading.
- **Asset management**: Investment products and services to institutional investors and intermediaries.
- **Group function**: Finance, legal, and other centralised functions.

Other Group operations comprise fund management, institutional finance and providing computer services, none of which constitutes a separately reportable segment and business activities from head office.

As the Group's segment operations are all financial with a majority of revenues deriving from interest and the Group Chief Executive Officer relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

There were no changes in the reportable segments during the year.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Chief Executive Officer is measured in a manner consistent with that in the consolidated income statement. The segmental information is reported gross and therefore consolidation adjustments have not been eliminated.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's average cost of funding. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

5 Segment analysis (continued)

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Executive Management.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

a. *Segment results of operations*

The segment information provided to the Executive Management for the reportable segments for the year ended 30 September 2017 is as follows:-

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

	Retail Banking $'000	Corporate Banking $'000	Treasury & Investments Banking $'000	Trustee & Asset Management $'000	Group Functions $'000	Total $'000
Year ended 30 September 2016						
Net interest Income	510,462	458,320	316,304	3,023	903	1,289,012
Inter-segment net interest income	52,909	(34,515)	(18,394)	—	—	—
Net fee and commission income	157,433	32,897	31,354	210,294	3,421	435,399
Foreign exchange gains	42,448	2,971	178,654	1,780	399	226,252
Other income	17,038	(10,659)	258,150	3,599	(6,626)	261,502
Total income	780,290	449,014	766,068	218,696	(1,903)	2,212,165
Loan impairment charges	(16,150)	(9,159)	(55,957)	—	—	(81,266)
Depreciation and amortisation expense	(14,101)	(743)	(8,002)	(1,594)	(25,841)	(50,281)
Administrative expenses	(236,156)	(23,628)	(219,213)	(23,828)	(149,090)	(651,915)
Other operating expenses	(299,764)	(17,892)	(45,379)	(19,648)	(35,942)	(418,625)
Total non-interest expenses	(566,171)	(51,422)	(328,551)	(45,070)	(210,873)	(1,202,087)
Profit before taxation	214,119	397,592	437,517	173,626	(212,776)	1,010,078
Income tax expense	(653)	(517)	(139,234)	(43,470)	—	(183,874)
Profit for the year	213,466	397,075	298,283	130,156	(212,776)	826,204
As at 30 September 2016						
Total assets	7,627,844	9,796,447	22,453,182	461,888	445,704	40,785,065
Total liabilities	16,189,552	4,354,262	12,776,840	102,646	14,216	33,437,516

5 Segment analysis (continued)

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

Year Ended 30 September 2017	Total management reporting $'000	Consolidation adjustments $'000	Total consolidated $'000
Net interest income	1,420,228	(1,877)	1,418,351
Non-interest income	791,231	(223,008)	568,223
Impairment losses	(60,234)	(15,463)	(75,697)
Non-interest expenses	(1,064,837)	8,745	(1,056,092)
Operating profit	1,086,388	(231,603)	854,785
Share of profit of associates and joint ventures accounted for by the equity method	—	21,597	21,597
Income tax expense	(236,758)	2,308	(234,450)
Profit for the year	849,630	(207,698)	641,932
As at 30 September 2017			
Total assets	41,083,865	(2,125,587)	38,958,278
Total liabilities	33,647,888	(1,441,192)	32,206,696
Year ended 30 September 2016			
Net interest income	1,289,012	(5,250)	1,283,762
Non-interest income	923,153	(211,822)	711,330
Impairment losses	(81,266)	(4,956)	(86,222)
Non-interest expenses	(1,120,821)	13,460	(1,107,360)
Operating profit	1,010,078	(208,568)	801,510
Share of profit of associates and joint ventures accounted for by the equity method	—	15,865	15,865
Income tax expense	(183,874)	3,721	(180,153)
Profit for the year	826,204	(188,982)	637,222
As at 30 September 2016			
Total assets	40,785,065	(1,934,710)	38,880,355
Total liabilities	33,437,516	(1,266,465)	32,171,051

6 Cash and due from other banks

	2017 $'000	2016 $'000
Cash and bank balances	1,888,951	2,766,748
Short-term investments	1,796,126	1,941,796
	3,685,077	4,708,544
Short-term investments:		
- Maturity within 3 months	1,308,920	586,737
- Maturity over 3 months	487,206	1,355,059
	1,796,126	1,941,796

The average effective interest rate on short-term bank deposits was 1.0% (2016: 1.0%); these deposits have an average maturity of 90 days (2016: 90 days).

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

	2017 $'000	2016 $'000
Cash and bank balances	1,888,952	2,766,748
Short-term investments – maturity within 3 months	1,308,920	586,737
Due to other banks	(1,504,340)	(459,470)
	1,693,532	2,894,015

7 Statutory deposits with central bank

Under the provisions of Financial Institutions Act 2008 (Trinidad and Tobago), the Bank and its subsidiary (First Citizens Asset Management Limited) are required to maintain as a deposit with the Central Bank of Trinidad and Tobago restricted cash balances. These balances represent a ratio of certain deposit liabilities held in such form and to such extent as the Central Bank may prescribe from time to time. As of 30 September 2017, the current ratio was 17% for First Citizens Bank Limited and 9% for First Citizens Asset Management Limited. Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank. In 2006, the Central Bank introduced another compulsory deposit account, which amounted to $346.3 million as at year end (2016: $652.0 million) and carries an average interest rate of 0.53% (2016: 0.56%) per annum. Interest is to be paid semi-annually.

In Barbados, under the provisions of the Financial Institution Act, 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to maintain as a deposit with the Central Bank of Barbados restricted cash balances. This balance represents a ratio of customers deposit balances (both domestic and foreign currency) held in such form and to such extent as the Minister, on advice of the Central Bank may prescribe from time to time. As at 30 September 2017, the ratio was 15% of total domestic customer deposit balances (comprising 10% government securities and 5% cash) plus 2% of total foreign customer deposit balances.

As at 30 September 2017 the Bank and its qualifying subsidiaries were in compliance with these requirements.

8 (a) Financial assets available-for-sale

	2017 $'000	2016 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	7,004,323	6,727,686
Listed investments	1,894,699	1,622,099
Unlisted investments	3,585,819	3,142,398
	12,484,842	11,492,183
Portfolio allowance	(17,909)	(8,253)
	12,466,933	11,483,930
Debt securities		
Listed	1,855,000	1,591,387
Unlisted	10,560,724	9,852,956
	12,415,724	11,444,343
Equity securities		
Listed	39,699	31,079
Unlisted	11,510	8,508
	51,209	39,587
Total securities	12,466,933	11,483,930
Current portion	2,681,990	2,908,555
Non current portion	9,784,943	8,575,375
	12,466,933	11,483,930

Investment securities totalling $4,053 million (2016: $4,203 million) are pledged to secure the repurchase agreements (see Note 17). Interest rates on these repos range from 0.20% to 5.89% in 2017 (2016: 0.15% to 7.7%).

	2017 $'000	2016 $'000
Balance at beginning of the year	11,483,930	10,459,790
Exchange differences	20,207	121,210
Additions	9,844,080	12,944,352
Disposals	(8,863,368)	(11,993,433)
Portfolio allowance	(9,610)	—
Net fair value gains	(8,306)	(47,989)
Balance at end of year	12,466,933	11,483,930

Fair value losses based on:

	2017 $'000	2016 $'000
Quoted market prices	(13,445)	(24,580)
Other techniques	5,139	(23,409)
	(8,306)	(47,989)

The movement in the impairment allowance is as follows:

	2017 $'000	2016 $'000
Allowance at beginning of the year	8,253	7,810
Exchange difference	46	443
Charge for the year	9,610	—
Allowance at the end of year	17,909	8,253

8 (b) Financial assets held to maturity

	2017 $'000	2016 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	457,163	487,853
Unlisted investments	677,746	679,251
Listed investments	—	75,819
	1,134,909	1,242,923
Current portion	131,018	94,246
Non current portion	1,003,891	1,148,677
	1,134,909	1,242,923
Balance at beginning of the year	1,242,923	1,606,273
Exchange differences	4,433	66,220
Additions	3,988	26,749
Maturity/Redemption	(113,065)	(443,944)
Amortisation of reserve	(8,835)	(17,752)
Amortisation of discounts/(premiums)	5,465	5,377
Balance at end of year	1,134,909	1,242,923

8 (c) Financial assets at fair value through profit and loss

	2017 $'000	2016 $'000
Equity securities:		
- Listed	655	239,958
At beginning of year	239,958	227,957
Exchange differences	—	13,173
Additions	559	—
Disposals	(229,327)	—
Gains from changes in fair value	(10,535)	(1,172)
At end of year	655	239,958

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

9 Loans to customers

	2017 $'000	2016 $'000
Performing loans	14,342,218	13,140,999
Non-performing loans	398,404	532,466
	14,740,622	13,673,465
Allowance for loan losses	(306,039)	(341,183)
	14,434,583	13,332,282
Loans analysed by sector		
Consumer	2,841,603	2,588,769
Agriculture	12,229	18,082
Petroleum	457,776	534,175
Manufacturing	368,539	381,610
Construction	1,531,436	2,442,638
Distribution	424,792	283,897
Hotels and guest houses	492,015	525,587
Transport, storage and communications	850,794	897,541
Finance, insurance and real estate	3,410,240	1,697,392
Other business services	914,768	879,468
Personal services	25,815	26,415
Real estate mortgage	3,410,615	3,397,891
	14,740,622	13,673,465
Current portion	5,808,236	5,968,498
Non current portion	8,932,386	7,704,967
	14,740,622	13,673,465
Allowance for loan losses		
Allowance at beginning of the year	341,182	293,586
Exchange difference	288	1,947
Charge for the year	53,585	89,299
Loans written off during the year	(89,016)	(43,649)
Allowance at the end of year	306,039	341,183
Impairment loss on loans net of recoveries		
Charge for the year	53,585	89,299
Amounts recovered during the year	(8,761)	(2,323)
	44,824	86,976

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10 Other loans and receivables

	2017 $'000	2016 $'000
Corporate	2,078,646	2,037,064
Individuals	14,498	15,866
Total other loans and receivables	2,093,144	2,052,930
Portfolio allowance	(5,954)	(4,269)
	2,087,190	2,048,661
Current portion	1,377,640	1,105,300
Non current portion	709,550	943,361
	2,087,190	2,048,661
Balance at beginning of the year	2,048,661	1,261,932
Exchange differences	7,545	61,858
Net additions	34,006	723,988
Net change in fair value	(1,337)	—
Net movement in allowance	(1,685)	883
Balance at end of year	2,087,190	2,048,661

The movement in the impairment allowance is as follows:

	2017 $'000	2016 $'000
Allowance at beginning of the year	4,269	5,088
Exchange differences	7	64
Charge/(Recovery) for the year	1,678	(833)
Allowance at the end of year	5,954	4,269

11 Loan notes

	2017 $'000	2016 $'000
The loan notes due to the Group comprise the following:		
(i) Taurus Services Limited	342,428	410,914
(ii) First Citizens Holdings Limited (Holdings)	26,070	31,284
	368,498	442,198

(i) This represents several interest bearing notes issued by Taurus Services Limited as consideration for assets sold to Taurus Services Limited as part of the restructuring of the three former banks and Government support for the Company on its formation (See Note 1).

The terms of the original notes, dated 30 September 1994, were as follows:
- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 5 years on principal payments; and
- Government guarantee.

On 1 October 2000, a new agreement was entered into whereby the GORTT made a bullet payment to reduce part of the interest accrued. The unpaid portion of the interest up to that date of $150 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $198.4 million. The new principal balance outstanding on the restructured loan notes as at 30 September 2004 which includes all capitalised interest to date amounted to $1,267 million.

11 Loan notes (continued)

(i) The terms of this new agreement are as follows:

- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, these notes have been serviced in accordance with the new agreement. These notes are not transferable. On 8 November 2007, the Group was informed of the GORTT's intention to early repay these notes. To date, there have been no further developments.

(ii) This represents the balance on a loan note issued by Holdings as consideration for $40 million redeemable preference shares in the Bank and a non-interest bearing note in the amount of $58 million issued by the Bank. The original terms of the note were as follows:

- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum; and
- Government guarantee.

On 1 October 2000, a new agreement was entered into whereby unpaid interest up to that date of $11.2 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $17.9 million. The new principal balance outstanding on the restructured loan note as at 30 September 2004 which includes all capitalised interest to date amounted to $96.5 million.

The terms of this new agreement are as follows:
- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, this note has been serviced in accordance with the agreements. This note is not transferable.

12 Other assets

	2017 $'000	2016 $'000
Prepayments	35,906	40,266
Accounts receivable	102,649	106,152
Accrued interest	201,315	210,763
	339,870	357,181

13 Investment accounted for using equity methods

	2017 $'000	2016 $'000
Investment in Joint Venture	30,314	29,901
Investment in Associate	149,447	141,248
	179,761	171,149

13 a. Investment in joint ventures

	2017 $'000	2016 $'000
i) Infolink Services Limited (ISL)	29,105	28,831
ii) Trinidad & Tobago Interbank Payment System Limited (TTIPS)	1,209	1,070
	30,314	29,901
Beginning of the year	29,901	26,661
Share of profit after tax	3,221	4,210
Dividend received from Joint Ventures	(2,808)	(970)
At end of year	30,314	29,901

(i) This investment represents 25% of the equity capital of Infolink Services Limited, a company incorporated in Trinidad and Tobago whose principal activity is the provision of electronic banking reciprocity. Infolink's reporting period is December. The financial information below reflects the results as at August 2017.

(ii) This investment represents 14.29% in the equity capital of Trinidad & Tobago Inter-bank Payment System Limited whose principal activity is operation of an automatic clearings house. TTIPS reporting period is October. The financial information below reflects the results as at August 2017

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2017						
ISL	Trinidad & Tobago	120,489	4,477	26,303	12,326	25
TTIPS	Trinidad & Tobago	8,760	293	5,551	976	14.29
2016						
ISL	Trinidad & Tobago	120,025	4,702	31,405	16,519	25
TTIPS	Trinidad & Tobago	7,912	421	3,625	669	14.29

13 b. Investment in associate

	2017 $'000	2016 $'000
Beginning of the year	141,248	131,909
Share of reserve movement	—	1,554
Share of profit after tax	18,376	11,655
Exchange differences	465	4,450
Dividend received from associate	(10,642)	(8,320)
At end of year	149,447	141,248

St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange, The investment in associate at 30 September 2017 includes goodwill of $4.6 million (2016: $4.6 million).

13 b. Investment in associate (continued)

The reporting period for St. Lucia Electricity Services Limited is December. The information below reflects The Group's share of the results of associate and its share of the assets (including goodwill and liabilities) as at August 2017, are as follows:

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2017						
St. Lucia Electricity Services Limited	St. Lucia	1,250,006	492,298	697,600	96,097	19.11
2016						
St. Lucia Electricity Services Limited	St. Lucia	1,357,784	642,981	273,978	24,897	19.11

The fair value of the investment in associate at 30 September 2017 is $149.4 million (2016: $141.2 million).

14 Property, plant and equipment

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2017					
Opening net book amount	376,342	50,830	71,984	43,066	542,222
Additions	53,767	155	28,560	24,133	106,615
Disposals	—	—	(3,600)	—	(3,600)
Transfer	18,102	—	9,224	(27,326)	—
Revaluation surplus	9	—	—	—	9
Depreciation charge	(12,933)	(7,088)	(34,705)	—	(54,726)
Closing net book amount	435,287	43,897	71,463	39,873	590,520
As at 30 September 2017					
Cost/valuation	467,727	133,348	502,859	39,873	1,143,807
Accumulated depreciation	(32,440)	(89,451)	(431,396)	—	(553,287)
Net book amount	435,287	43,897	71,463	39,873	590,520
Year ended 30 September 2016					
Opening net book amount	326,269	52,948	69,286	37,822	486,325
Additions	51,508	6,276	33,492	23,680	114,956
Disposals	—	—	(2,156)	—	(2,156)
Transfer	—	241	18,197	(18,438)	—
Reclassified to intangible asset (note 15)	—	—	(9,828)	—	(9,828)
Revaluation surplus	2,447	—	—	—	2,447
Depreciation charge	(3,882)	(8,635)	(37,005)	—	(49,522)
Closing net book amount	376,342	50,830	71,986	43,064	542,222
As at 30 September 2016					
Cost/valuation	395,849	118,914	471,800	43,066	1,029,629
Accumulated depreciation	(19,507)	(68,084)	(399,816)	—	(487,406)
Net book amount	376,342	50,830	71,984	43,066	542,222
As at 30 September 2015					
Cost/valuation	341,893	132,663	432,705	37,822	945,083
Accumulated depreciation	(15,624)	(79,715)	(363,419)	—	(458,758)
Net book amount	326,269	52,948	69,286	37,822	486,325

14 Property, plant and equipment (continued)

a. *Recognised fair value measurements*

(i) *Fair Value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non financial assets carried at fair value into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.g.(ii).

Level 3	2017 $'000	2016 $'000
Land and building	394,047	335,044
Building on Lease Land	34,684	34,742
Freehold Land	6,556	6,556
	435,287	376,342

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

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

As at 30 September, 2017, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

At the end of each reporting period, management update their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available Management consider information from a variety of sources including:
- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

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

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

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. If the price per square foot increase by 100 basis points, the fair value will increase by $16.3M (2016:$16.3M) with a corresponding entry in the reserve in shareholders' equity.

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

	2017 $'000	2016 $'000
Cost	312,260	258,943
Accumulated depreciation	(98,057)	(85,124)
Net book amount	214,203	173,819

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15 Intangible assets

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2017				
Acquisition cost	156,886	247,297	36,284	440,467
Accumulated amortisation	—	(208,425)	(19,686)	(228,111)
Net book amount	156,886	38,872	16,598	212,356
Year ended 30 September 2017				
Opening net book amount	174,835	49,297	20,535	244,667
Additions	—	9,984	—	9,984
Disposal	—	(601)	—	(601)
Amortisation charge	—	(19,808)	(3,937)	(23,745)
Impairment	(17,949)	—	—	(17,949)
Closing net book amount	156,886	38,872	16,598	212,356
As at 30 September 2016				
Acquisition cost	174,835	237,914	36,284	449,033
Accumulated amortisation and impairment	—	(188,617)	(15,749)	(204,366)
Net book amount	174,835	49,297	20,535	244,667
Year ended 30 September 2016				
Opening net book amount	174,835	34,945	24,472	234,252
Additions	—	27,035	—	27,035
Reclassified from property, plant and equipment (note 14)	—	9,828	—	9,828
Amortisation charge	—	(22,511)	(3,937)	(26,448)
Closing net book amount	174,835	49,297	20,535	244,667

Goodwill is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred. First Citizens Barbados goodwill of $17.9M was identified as impaired in 2017 (2016: nil).

Impairment test for goodwill

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

Goodwill	2017 $'000	2016 $'000
First Citizens Investment Services (FCIS)	156,886	156,886
First Citizens Barbados Limited (FCBB)	—	17,949
	156,886	174,835

The recoverable amounts of the cash generating units were determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial projections by management covering a five (5) year period and a discount rate. Cash flow beyond that five year period have been extrapolated using the growth rate for the respective units.

15 Intangible assets (continued)

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

	FCIS		FCBB	
	2017	2016	2017	2016
Estimates Used in the Value for Use				
Net Interest Margin Growth	9.23%	3.75%	2.75%	6.95%
Growth Rate	5.00%	5.25%	3.50%	7.00%
Discount Factors	3.37%	3.45%	11.81%	7.75%

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

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. In June 2017, the goodwill for FC Barbados was assessed as impaired. The impairment test carried out as at 30 September 2017 for FCIS, revealed that the recoverable amounts for the cash generating units are $5.2B for FCIS, being 236% of its carrying amount.

16 Customers' deposits

Deposits are analysed by sector as follows:

	2017 $'000	2016 $'000
Public institutions	7,525,255	8,397,207
Private institutions	8,281,430	8,442,327
Consumers	8,169,983	8,183,333
	23,976,668	25,022,867
Current portion	23,631,876	24,409,595
Non current portion	344,792	613,272
	23,976,668	25,022,867

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $4.5 billion (2016: $5.5 billion) are at fixed rates. All other deposits amounting to $19.5 billion (2016: $19.5 billion) are at variable rates.

17 Other funding instruments

	2017 $'000	2016 $'000
Loan participation	4,211	6,980
Repurchase agreements	4,052,703	4,202,844
Funds under management	25,439	32,386
USD Fixed Rate Note	248,751	247,364
	4,331,104	4,489,574
Other funding instruments are analysed by sector as follows:		
Public institutions	1,337,954	1,840,853
Private institutions	2,049,219	1,685,255
Consumers	943,931	963,466
	4,331,104	4,489,574
Current portion	3,690,349	3,794,117
Non-current portion	640,755	695,457
	4,331,104	4,489,574

The securities sold under the repurchase agreements only include financial instruments classified at amortised cost (see Note 8a). Interest rates on these repos range from 0.20% to 5.89% in 2017 (2016: 0.20% to 5.89%).

18 Creditors and accrued expenses

	2017 $'000	2016 $'000
Accrued Expenses	138,654	119,588
Other liabilities	266,849	164,501
Interest payable	52,353	53,031
Due to GORTT	25,531	22,889
Due to Brokers	41,010	31,032
Funds payable to bondholders	18,282	61,609
	542,679	452,650

The amount due to GORTT relates to what is owed by the Bank with respect to payments made on claims which were subsequently recovered pursuant to Liquidity Support Agreement outlined in note 3 a. (iv) (e).

19 Retirement benefit asset

	2017 $'000	2016 $'000
a. *Net liability in balance sheet*		
Present value of obligation	(1,368,808)	(1,254,103)
Pension plan assets at fair value	1,300,217	1,224,650
Value of surplus/(deficit)	(68,591)	(29,453)
Net defined benefit asset/(liability)	(68,591)	(29,453)

19 Retirement benefit asset (continued)

	2017 $'000	2016 $'000
b. *Movement in present value of defined benefits obligation:*		
Beginning of year	1,254,103	1,232,361
Current year service cost	51,177	58,516
Interest cost	69,613	60,844
Members contributions	13,617	13,493
Re-measurements		
- Experience adjustments	21,593	36,616
- Actuarial (gains) from change in financial assumptions	—	(116,366)
Benefits paid	(41,295)	(31,361)
Defined benefit obligation at end of year	1,368,808	1,254,103

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

	2017	2016
- Active	69%	73%
- Deferred members	7%	7%
- Pensioners	24%	20%

The weighted average duration of the defined benefit obligation at year end 19.3 years
96% of the benefits for active members are vested
34% of the defined benefit obligation for active member is conditional on future salary increases

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

	2017 $'000	2016 $'000
Beginning of year	1,224,650	1,212,202
Interest income	67,324	60,820
Return of plan assets, excluding interest income	9,395	(56,870)
Company's contributions	27,876	27,654
Members contributions	13,617	13,493
Benefits paid	(41,295)	(31,361)
Expense allowance	(1,350)	(1,288)
Fair value of plan assets at end of year	1,300,217	1,224,650
Actual return on plan asset	76,719	3,950

e. *Asset allocation*

	2017 $'000	2016 $'000
Local and regional equity securities	375,551	382,733
Oversea equities (outside CARICOM)	214,788	197,155
TT$ denominated bonds	632,288	557,909
US$ denominated bonds	27,935	8,704
Cash and cash equivalents	49,418	77,929
Other (annuities, mortgages etc.)	237	220
Fair value of plan assets at end of year	1,300,217	1,224,650

All asset values as at 30 September 2017 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Plan's investment manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

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

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

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

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

	2017 $'000	2016 $'000
f. *Expenses recognised in profit or loss*		
Current service costs	51,177	58,516
Net interest on net defined benefit liability/asset	2,289	24
Administrative expenses	1,350	1,288
Net pension income	54,816	59,828
g. *Re-measurements*		
Return on plan assets, excluding interest income		
Experience (gains)/losses	(9,395)	—
	21,593	(22,880)
Total amount recognised in other comprehensive income	12,198	(22,880)
h. *Reconciliation of opening and closing balance sheet entries*		
Opening defined benefit (liability)/asset	(29,453)	(20,159)
Net pension cost	(54,816)	(59,828)
Re-measurements recognised in other comprehensive income	(12,198)	22,880
Company contribution paid	27,876	27,654
Closing defined benefit (liability)/asset	68,591	(29,453)
i. *Summary of principal assumptions as at 30 September*		
Discount rate	5.5%	5.5%
Average individual salary increases	5.5%	5.5%
Future pension increases	1.5%	1.5%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 30 September 2017 are as follows:

	2017	2016
Life expectancy at age 60 for current pension in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

19 Retirement benefit asset (continued)

j. *Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2017 would have changed as a result of a change in the assumptions used.

	1% pa decrease	1% pa increase
Discount rate	273,000	(229,000)
Future salary increases	(77,000)	90,000

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2017 by $23.0 million (2016: $19.0 million).

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

k. *Funding*

The Bank meets the balance of the cost of funding the defined benefit Pension Plans and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $32.0 million to the Pension Plans during 2017/18.

20 Bonds payable

	2017 $'000	2016 $'000
(i) Fixed Rate Bond TTD$400 Million (Series 1)	400,000	400,000
(ii) Fixed Rate Bond TTD$100 Million (Series 2)	100,000	100,000
(iii) Fixed Rate Bond TTD$900 Million	900,000	900,000
	1,400,000	1,400,000
Current portion	—	—
Non current portion	1,400,000	1,400,000
	1,400,000	1,400,000

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

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

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

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

21 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 12.5%, 25% and 32% (2016: 12.5%, 25% and 30%).

	2017 $'000	2016 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(228,342)	(268,682)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on available-for-sale financial assets	(17,096)	12,664
- Revaluation on held to maturity due to reclassfiication	57	1,244
- Revaluation on property, plant and equipment	—	32,954
- Remeasurement of defined benefit liability	(4,965)	(5,720)
Credit to consolidated statement of income (note 34)	(2,083)	(802)
At end of year	(252,429)	(228,342)

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

	Balance at 1.10.16 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Other Comprehensive Income $'000	Balance at 30.09.17 $'000
Deferred income tax assets				
Provisions	985	—	—	985
Fair value measurement of assets through profit or loss	343	23	—	366
	1,328	23	—	1,351
Deferred income tax liabilities				
Retirement benefit asset	(18,476)	8,082	—	(10,394)
Remeasurement of defined benefit liability	(43,121)	—	(4,965)	(48,086)
Fair value measurement of available for sale	(98,284)	—	(17,096)	(115,380)
Fair value measurement of held to maturity	(4,986)	—	57	(4,929)
Intangible asset recognised on business combination	(7,674)	1,694	—	(5,980)
Zero coupon instruments	(24,584)	(8,664)	—	(33,248)
Accelerated tax depreciation	(20,886)	(2,115)	—	(23,001)
Unrealised exchange and other gains	(4,676)	(1,321)	—	(5,997)
Revaluation gain on property, plant and equipment	(3,712)	218	—	(3,494)
Revaluation of PPE – Associates	(3,271)	—	—	(3,271)
	(229,670)	(2,106)	(22,004)	(253,780)
Net deferred income tax liability	(228,342)	(2,083)	(22,004)	(252,429)

21 Deferred income tax (continued)

	Balance at 1.10.15 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Other Comprehensive Income $'000	Balance at 30.09.16 $'000
Deferred income tax assets				
Tax losses carried forward	252	(252)	—	—
Provisions	(97)	1,082	—	985
Fair value measurement of assets through profit or loss	85	258	—	343
	240	1,088	—	1,328
Deferred income tax liabilities	(26,520)	8,044	—	(18,476)
Retirement benefit asset	(37,401)	—	(5,720)	(43,121)
Remeasurement of defined benefit liability	(110,948)	—	12,664	(98,284)
Fair value measurement of available for sale	(6,230)	—	1,244	(4,986)
Fair value measurement of held to maturity	(9,154)	1,480	—	(7,674)
Intangible asset recognised on business combination	(21,478)	(3,106)	—	(24,584)
Zero coupon instruments	(17,447)	(3,439)	—	(20,886)
Accelerated tax depreciation	193	(4,869)	—	(4,676)
Revaluation gain on property, plant and equipment	(36,666)	—	32,954	(3,712)
Revaluation of PPE – Associates	(3,271)	—	—	(3,271)
	(268,922)	(1,890)	41,142	229,670
Net deferred income tax liability	(268,682)	(802)	41,142	228,342

22 Notes due to parent company

	2017 $'000	2016 $'000
First Citizens Holdings Limited	58,000	58,000

The amount due to Holdings is a non-interest bearing note with no specified maturity date, issued in part consideration for a note acquired from Holdings (see Note 11 (ii)).

23 Share capital

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

	2017 $'000	2016 $'000
251,353,562 ordinary shares of no par value	539,957	539,957
Treasury shares	(185,000)	—
42,500,000 A preference shares of no par value	42,500	42,500
61,100,000 B preference shares of no par value	61,100	61,100
	458,557	643,557

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

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

Employee share ownership plan

In April 2017, the shareholders approved the establishment of an employee share option plan for the Group's staff. The anticipated first distribution, if any is 31 March 2018 and is based on the profit of the Bank for the financial period ending 30 September 2017. The Group is awaiting the Board of Inland Revenue (BIR) approval.

	2017	2016
Shares allocated to the Plan		
Opening Balance	—	—
Number of shares purchased	5,781,250	—
Shares allocated to employees	—	—
	5,781,250	—

24 Statutory reserves

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

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

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

25 Retained Earnings

The retained earnings is the accumulated net income that is retained by the group at a particular point of time, such as at the end of the reporting period. At the end of that period, the net income (or net loss) at that point is transferred from the Profit and Loss Account to the retained earnings account.

26 Other Reserve

(i) Fair Value Reserve- AFS

The fair value reserve comprises the cumulative net change in the fair value of the available for sale financial assets, net deferred tax, until the assets are derecognised or impaired.

(ii) Fair Value Reserve-HTM

The fair value reserve comprises the cumulative gains on held to maturity financial assets, net deferred tax. These gains are being amortised during the life of the relevant instruments.

(iii) Revaluation Reserve

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

26 Other Reserve (continued)

(iv) Re-measurement of Defined Benefit Reserve

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

(v) Translation Reserve

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

27 Interest income

	2017 $'000	2016 $'000
Loans to customers	956,016	881,929
Financial assets (available for sale, held to maturity and FVTPL)	685,456	609,544
Loan notes	48,728	60,066
	1,690,200	1,551,539

28 Interest expense

Customers' deposits	86,890	79,197
Other funding instruments	120,979	108,727
Notes payable	9,335	4,610
Bonds payable	54,645	75,243
	271,849	267,777

29 Fees and commissions

Credit related fees	38,453	45,328
Transaction service fees/commissions	174,681	162,712
Portfolio and other management fees	176,945	222,676
	390,079	430,716

30 Other Income

Foreign Exchange Transaction gains less losses	131,470	141,170
Foreign Exchange Translation gains less losses	7,375	85,080
Other Income	19,343	17,870
	158,188	244,120

31 Impairment loss on other financial assets

Goodwill written off	17,949	—
Impairment allowances	11,288	—
Directly written off/(written back) to income	1,636	(754)
	30,873	(754)

32 Administrative expenses

	2017 $'000	2016 $'000
Staff expenses	472,218	513,947
Pension expenses/(income) (note 19.f)	54,816	59,828
Other administrative expenses	57,799	53,688
Depreciation	74,535	72,987
	659,368	700,450

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

	2017		2016	
	Employees	%	Employees	%
First Citizens Bank Limited	1,472	82	1,443	82
Subsidiaries	331	18	314	18
	1,803	100	1,757	100

33 Other operating expenses

	2017 $'000	2016 $'000
Property expenses	75,789	79,299
Technical and professional	13,206	28,689
Advertising expenses	15,527	19,924
Hardware and software maintenance	31,932	32,848
Deposit insurance (see below)	35,790	33,331
Credit card expenses	68,153	58,311
Equipment rental & maintenance	27,385	28,872
Communication charges	19,473	18,827
Security services	18,486	16,377
Stationery and service related expenses	16,981	14,540
Tax on assets	7,859	5,898
Operating expenses	66,143	69,994
	396,724	406,910

The Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 of Trinidad & Tobago established a Deposit Insurance Fund for the protection of depositors. By the Central Bank (Deposit Insurance) Order 1986, dated 17 September 1986, an annual premium of 0.2% of the average deposit liabilities outstanding as at the end of each quarter of the preceding year is levied.

The Barbados Deposit Insurance Corporation (BDIC), established under the Deposit Insurance Act-29 of 2006, came into operation on 8 June 2007. The deposit insurance initial contribution and premium was set at 0.05% of the insurable deposits held by the member during the calendar year preceding the calendar year for which the premium is payable.

34 Taxation

	2017 $'000	2016 $'000
Current tax	235,200	175,735
Prior period (over)/under provision	(2,833)	5,220
Deferred tax (Note 21)	2,083	(802)
	234,450	180,153

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

	2017 $'000	2016 $'000
Profit before taxation	876,382	817,375
Tax calculated at 25/30%	259,350	204,344
Income exempt from tax	(71,574)	(65,457)
Expenses not deductible for tax purposes	53,919	33,323
Prior year under provision	(2,833)	5,220
Effects of different tax rates in other countries (i)	(4,412)	2,723
	234,450	180,153

(i) This represents the difference in tax charged in St. Lucia at 1% versus Trinidad and Tobago at 25/30%.

35 Dividends

	2017 $'000	2016 $'000
Ordinary dividend paid – final for 2016:$0.67 (2015:$0.74)	168,407	186,002
Ordinary dividend paid – interim for 2017:$0.69 (2016: $0.66)	169,445	165,893
Preference dividend paid	2,922	2,922
	340,774	354,817

36 Related party transactions and balances

a. *Directors and key management personnel*

	2017 $'000	2016 $'000
Salaries and other short-term employee benefits	45,738	45,673
Loans and receivables	10,103	22,427
Interest income	1,262	1,396
Customers' deposit	11,032	9,988
Interest expense	99	139
Other funding instruments	—	503
Interest expense	—	17

b. *Transactions with associate*

	2017 $'000	2016 $'000
Loans and receivables	25,097	41,596
Interest income	2,054	2,474

c. *Transactions with parent*

	2017 $'000	2016 $'000
Customers' deposit	256	4,239
Long term notes (Note 22)	58,000	58,000
Loan note (Note 11 (ii))	26,070	31,284
Interest income on loan notes	3,447	4,059
Due from parent	174	3,580

d. *Pension Plan*

	2017 $'000	2016 $'000
Employer's contribution (Note 19.d)	27,876	27,654

e. *Government of the Republic of Trinidad and Tobago*

As stated in note 1, on the formation of the Bank it was agreed that the assets and liabilities of the predecessor financial institutions would be transferred to the Bank and the non-performing portfolio sold to a liquidating company in consideration for an equivalent amount of Government-guaranteed notes and commercial paper. In 2009, the Bank entered into a Liquidity Support Agreement with GORTT and the Central Bank in relation to the acquisition of the shares of Caribbean Money Market Brokers Limited, now First Citizens Investment Services Limited which provided indemnification of the Bank against certain losses. In addition, the Central Bank agreed to put specific liquidity arrangements in place by way of pro notes to facilitate CIB fixed deposits transferred to the Bank in 2009.

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

	2017 $'000	2016 $'000
Assets		
Loan notes with Taurus Services Limited (Note 11 (i))	342,428	410,914
Liabilities		
Due to GORTT (Note 18)	25,531	22,889
Interest income		
Loan notes with Taurus Services Limited	45,281	53,308

f. *Other transactions with the Government of the Republic of Trinidad and Tobago*

In addition to the balances in (d) above, the Group in its ordinary course of business enters into lending, deposit and investment transactions with the GORTT, other state owned institutions, state agencies and local government bodies. Transactions and balances between the Group and these related parties are as follows:

	2017 $'000	2016 $'000
Loans and receivables	2,889,140	2,955,349
Interest income	194,723	198,842
Customers' deposits	7,108,490	8,035,861
Interest expense	24,140	21,805
Financial assets – available for sale	7,488,190	8,118,103
Financial assets – held to maturity	457,163	487,853
Financial assets – Other Loans and Receivable	516,177	517,514
Investment income	327,486	274,759

37 Commitments

	2017 $'000	2016 $'000
a. *Capital commitments*		
Capital expenditure approved by the Directors but not provided for in these accounts	17,523	19,477
b. *Credit commitments*		
Commitments for loans approved not yet disbursed	614,583	568,223

38 Contingent liabilities

a. *Litigation*

The Group is involved in claims and counterclaims arising from the conduct of its business. Based on the facts now known to the Group, the Directors believe that the outcome of these matters would not have a material adverse effect on the position of the Group.

b. *Customers' liability under acceptances, guarantees and letters of credit*

These represent the Group's potential liability, for which there are claims against its customer in the event of a call on these commitments.

	2017 $'000	2016 $'000
Acceptances	36,204	33,155
Guarantees	189,853	180,295
Letters of credit	40,834	18,054
	266,621	231,504

39 Lease rentals

The Group leased certain premises under non-cancellable operating leases expiring in various years up to 2026. The leases contain renewal options from five to twenty-five years. Rental expense incurred under lease agreements amount to $37.4 million for the year 2017 (2016: $39.9 million).

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

	2017 $'000	2016 $'000
- Up to one year	31,085	28,679
- One year to five years	56,431	59,413
- Over five years	21,458	31,099
	108,974	119,191

40 Subsequent events

On 12 December 2017, the Board of Directors declared a final dividend payment of $ 0.71 per share payable to shareholders.

Notes

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