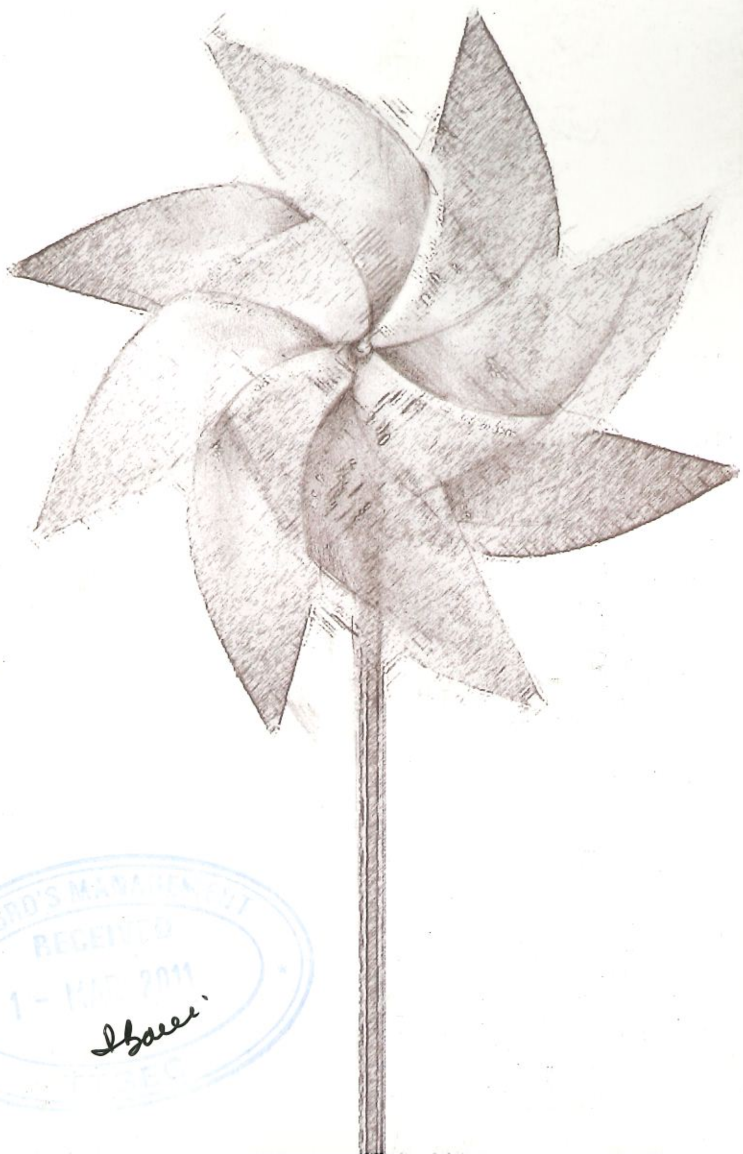
First Citizens

Annual Report 2010



Air

AS WE COMPLETE THE TRILOGY OF ANNUAL REPORTS BASED ON THE ELEMENTS, FIRST CITIZENS CONTINUES TO GROW UPWARDS AND OUTWARDS THROUGH FOCUSSING ON CUSTOMER SERVICE. WE SPEARHEADED INNOVATION AND EMBRACED TECHNOLOGY WHICH MAKE OUR CUSTOMERS' LIVES EASIER, AND PROMOTED THE ACQUISITION OF KNOWLEDGE AND SKILLS FOR OUR STAFF.

"AIR", THE THEME OF THIS YEAR'S ANNUAL REPORT, COMPLEMENTS HOW WE OPERATE: TRANSPARENTLY; VITALLY; ADAPTABLY; CAPABLE OF INFINITE POSSIBILITY.

THE VISUAL TREATMENT USES SUBTLE IMAGERY ON A WHITE BACKGROUND TO COMMUNICATE THE SPIRIT THAT HAS TAKEN FIRST CITIZENS TO THE FOREFRONT OF THE BANKING INDUSTRY.

uplift

Vision

TO BECOME THE MOST COMPETITIVE FINANCIAL GROUP IN TRINIDAD AND TOBAGO WITH A WELL ESTABLISHED INTERNATIONAL PRESENCE.

Mission

OUR AIM IS TO BUILD A HIGHLY PROFITABLE FINANCIAL SERVICES FRANCHISE RENOWNED FOR INNOVATIVENESS, SERVICE EXCELLENCE AND SOUND CORPORATE GOVERNANCE.

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Corporate Information and Profile of Subsidiaries

First Citizens

Board of Directors

For the year ended 30, September, 2010

Samuel A. Martin – Chairman
Michal Andrews – Deputy Chairman
Winston Connell
Kirby Anthony Hosang
* Marlene Juman
Govind Maharaj
Inskip Pollonais
Michael A. A. Quamina
Inez B. Sinanan
** Bernard Sylvester

* *Appointed July 26, 2010*
** *Resigned June 4, 2010*

Corporate Information

Group Chief Executive Officer
Larry Howai
BSc Economics, CMA, FIB

Group Corporate Secretary
Sharon L. Christopher
LLB (UWI), LLM (Lond.), LEC

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

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

First Citizens Asset Management Limited

Board of Directors

Kirby Anthony Hosang – Chairman
Gloria Rolingston – Deputy Chairman
Gordon Borde
Larry Howai
Inskip Pollonais
Inez B. Sinanan

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
Website: www.firstcitizenstt.com

First Citizens Trustee Services Limited

Board of Directors

Michael A. A. Quamina – Chairman
Sharon L. Christopher
Govind Maharaj
Shiva Manraj

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

First Citizens Securities Trading Limited

Board of Directors

Michal Andrews – Chairman
Winston Connell
Sekou Mark
Inskip Pollonais
Dirk Smith

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

First Citizens (St. Lucia) Limited

Board of Directors

Samuel A. Martin – Chairman
Michal Andrews – Deputy Chairman
Michael Chastanet
Sharon L. Christopher
Larry Howai
Shiva Manraj
Sekou Mark

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

First Citizens Financial Services (St. Lucia) Limited

Board of Directors

Samuel A. Martin – Chairman
Michal Andrews – Deputy Chairman
Michael Chastanet
Sharon L. Christopher
Larry Howai
Shiva Manraj
Sekou Mark

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

First Citizens Investment Services Limited (formerly Caribbean Money Market Brokers Limited)

Board of Directors

Samuel A. Martin – Chairman
Larry Howai – Deputy Chairman
Sharon L. Christopher
Kirby Anthony Hosang
Michael A. A. Quamina
Inez B. Sinanan

1, Richmond Street,
Port of Spain,
Trinidad, W.I.
Tel: (868) 623-7815
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First Citizens Brokerage & Advisory Services (formerly CMMB Securities & Asset Management Limited)

Board of Directors

Samuel A. Martin – Chairman
Larry Howai – Deputy Chairman
Sharon L. Christopher
Kirby Anthony Hosang
Michael A. A. Quamina
Inez B. Sinanan

1, Richmond Street,
Port of Spain,
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Tel: (868) 623-7815
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Website: www.firstcitizenstt.com

First Citizens Investment Services (Barbados) Limited (formerly Caribbean Money Market Brokers (Barbados) Limited)

Board of Directors

Samuel A. Martin – Chairman
Larry Howai – Deputy Chairman
Sharon L. Christopher
Kirby Anthony Hosang
Michael A. A. Quamina
Inez B. Sinanan

Units 11 & 12, Hastings Plaza,
Hastings, Christ Church,
Barbados, W.I.
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Chairman's Report

Samuel A. Martin

FIRST CITIZENS BANK LIMITED

I am pleased to report that profit before taxation for the First Citizens Group increased by 8.1%, from $621 million to $671 million, for the financial year ended September 30, 2010. Total assets increased by 6.5%, moving from $27.7 billion in 2009 to $29.5 billion in 2010. This latter increase was largely as a result of the growth in our loans and investments funded by customer deposit business and other funding instruments. First Citizens remains the best capitalized bank in the industry, with our capital base increasing by 19.5%, from $4.1 billion in 2009 to $4.9 billion.

The slowing of the local economy and the difficulties arising out of the challenges in the domestic environment required First Citizens to take proactive measures to manage our loan and investment portfolios. In addition to the measures taken, the Group increased provisions for loan and investment losses by over $110 million in order to insulate our Balance Sheet from these risks.

THE INTERNATIONAL ECONOMY

Global economies hit hard by the financial crises and sharp contraction in world trade are showing signs of recovery, with the shape of the recovery varying from country to country.

In the United States, during the third quarter of 2010, the economy expanded at 2.5% compared to 1.7% recorded during the second quarter. It is anticipated that there will be a moderate strengthening of this expansion for the rest of the year. GDP growth is expected to be 3.5% to 4.2%. At the end of the September quarter, the U.S. unemployment rate stood at 9.6%, compared to 9.5% recorded at the end of June. Furthermore, the housing market is struggling and is yet to show substantial signs of a sustained rebound in the absence of government tax credits for buyers. Amid these worrying signs, corporate profits have picked up, which bodes well for the manufacturing sector. The Federal Reserve has acknowledged that the pace of recovery in output and employment has slowed in recent months, more than justifying the retention of its zero benchmark interest rate policy.

Europe and Central Asia were hardest hit by the crisis, with GDP falling by an estimated 6.2% in 2009. Although GDP is projected to rise by 2.7% in 2010, and 3.6% in 2011, growth rates in most of these economies will be restricted and unemployment and bank restructuring will continue to be pervasive. Much higher non-performing loans, higher interest rates and weak international capital flows will remain key challenges in the near term. Compared to the pre-crisis period, high non-performing loans, weak public finances and low international capital flows are likely to dampen investment growth in many countries. Moreover, significant downside risks persist, including the possibility of a double-dip recession or increased financial difficulties for banks in the region. Despite better international financing conditions and domestic adjustments, the region's external financing needs are expected to exceed inflows by as much as $54 billion in 2010.

REGIONAL

Real GDP in the Latin American and Caribbean region is set to expand by 5.7% in 2010, and 4% in 2011. Within the region, countries are performing at different paces. Most commodity-exporting countries in South America enjoy very favourable external conditions—high international commodity prices and easy access to international finance—and growth in some countries is projected to exceed 7% this year. *"Central American economies have kept a positive, but more moderate rate of growth (averaging about 3% in 2010), reflecting their greater linkages to the slower-growing U.S. economy and other advanced economies,"* IMF reported.

For most Caribbean countries, recovery is only beginning and prospects are still limited by high levels of public debt and weak tourism demand from the U.S.

TRINIDAD AND TOBAGO

During the last financial year, Trinidad and Tobago continued to experience a stagnant economy and increased unemployment as a result of the global financial meltdown and subsequent worldwide recession.

Inflation reached a high of 16.2% in August 2010. Inflation levels have been primarily driven by higher food prices and rising transportation costs, a reflection of the increase in global commodity prices.

The Central Bank, as a result of muted activity in the non-energy sector, rising unemployment, declining credit demand and high inflation, reduced repo rates from 6.25% to 4.25% as at September 30, 2010.

Rising unemployment has contributed to the weak demand conditions. During the first quarter, there were 24,700 fewer persons with jobs than in the corresponding period of 2009. More than one-half of the job losses were in the construction sector. The unemployment rate of 6.7% in the first quarter of 2010 was the highest since June 2007.

FIRST CITIZENS

During the year, both Standard and Poor's and Moody's re-affirmed the investment grade ratings of First Citizens Bank at BBB+ and Baa1 respectively. The Bank thus remains the highest rated indigenous bank in the English Speaking Caribbean.

In addition, in 2010, the Bank was named *Bank of the Year* by *World Finance* magazine, and rated among the top five safest banks in Latin America and the Caribbean by *Global Finance*.

The Group continues to identify threats and formulate strategies to mitigate risks. The Group has seen growth both in our asset base as well as our profits over the last financial year. We continue to be committed to strengthening our financial base as well as to growing both locally and regionally, and to providing excellent customer service with every transaction, great or small.

CONCLUSION

We are indeed proud of all of our achievements during the financial year. I would like to extend my congratulations to all our employees, as well as to my colleagues on the Board, for the extraordinary efforts made during the course of the year to ensure that these results were achieved.

Notwithstanding our expectations that the turnaround from the global recession will be slow, I am confident that the measures that have been put in place will see the First Citizens Group continuing to grow in strength during the coming year.

Samuel A. Martin
Chairman

Group Chief Executive Officer's Report

Larry Howai

HIGHLIGHTS

The First Citizens Group continued to perform robustly in 2010. Some highlights of this performance include:

- Profit before tax increased by 8% from $621.4 million to $671.1 million
- Total assets increased from $27.7 billion to $29.5 billion
- Standard & Poor's and Moody's maintained the Group's investment grade rating at BBB+ and Baa1 respectively
- The Group's capital base increased by over 19.5% from $4.1 billion to $4.9 billion
- Capital to assets ratio remained best of class at 46% (risk adjusted)

In addition, the Bank was named *Bank of the Year* by *World Finance* magazine, and rated among the top five safest banks in Latin America and the Caribbean by *Global Finance*.

OVERVIEW OF PERFORMANCE

During the year, the most significant event for the Group was the launching of our newest subsidiary, First Citizens Financial Services (St. Lucia) Limited, which has as its main focus the promotion of investment opportunities in the Caribbean. The primary focus of this new entity is project financing, syndicated loans, high-grade corporate and sovereign investment securities in the regional market. Another major success adding to our history of 'firsts' is being the first to launch mobile phone banking—a value-added solution to our customers' increasingly mobile lifestyles.

As a consequence, for the financial year ended September 30, 2010, profit before tax increased to $671.1 million with profit after tax increasing to $626.7 million. Non-performing loans as a percentage of total loans stood at 1.2%, one of the lowest levels within the banking industry. The Group's funding base increased from $22.7 billion to $23.9 billion. In spite of the general deceleration in the local economy, the Group's gross loan base grew from $7.7 billion to $8.8 billion while investments increased from $10.6 billion to $11.2 billion.

As a result of our consistently excellent performance, the high quality of our statement of financial position, as well as our strong capital ratios, Standard and Poor's and Moody's maintained their ratings of our institution, notwithstanding the general turmoil in the international financial sector. These ratings confirmed the financial standing of the Group, which remains the highest rated wholly-local financial institution in Trinidad and Tobago and one of the top-rated indigenous banks in the English-speaking Caribbean.

BANKING OPERATIONS

Implementation of our customer service strategies was on-going, and our concentration on marketing and sales resulted in robust growth in our retail banking products—instalment loans, mortgage loans and credit cards. This occurred in spite of the general slowing of the local economy. Our Electronic Banking Unit in particular was able to show significantly improved results in telebanking, internet banking, point-of-sale acquiring and credit card adoption and usage. In keeping with our strategic emphasis on this area of our business, we became the first bank to launch mobile phone banking services in Trinidad and Tobago. The uptake of this new service by our retail customer base has been very good.

SUPPORT SERVICES

During the year our support services focused on improving the efficiency and effectiveness of our operating systems. Focus continued on streamlining of systems and procedures and the management of risk at all levels within the organization. We have strengthened our human resource management capability and introduced new systems for business-continuity planning. The risk management measures implemented during the year significantly enhanced the Group's anti-money laundering capability. A critical area of focus this year was on deepening our succession-planning arrangements at the senior management level. This has gone quite well, and together with measures taken to strengthen management at all levels within the organization, positions the Group to improve its competitiveness within the financial services sector.

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 increased assets under management from $8.7 billion to $10.5 billion, while the Trustee Company focused on streamlining its operations and increasing its revenue generating capability, with fee income increasing from $16.6 million in 2009, to $21 million in 2010. First Citizens Securities Trading Company continued to make a significant contribution to Group liquidity and earnings with profit after tax increasing from $28.7 million to $46.3 million. First Citizens Investment Services Limited contributed, with profit after tax increasing from $91.8 million to $93.7 million.

FUTURE OUTLOOK

The developed world economies are expected to emerge gradually from the recent recession in the coming year, but many risks remain. Should this expected growth occur, prices of oil and natural gas—the mainstay of the local economy—will likely stabilize, which will strengthen Government's fiscal position and strengthen its capacity to stimulate growth in the local economy.

This increased risk in the local and regional economies will require the Group to continue our efforts at managing and reducing our expenses and ensuring the best quality risk assessment of loans and investments on our books. These are the two areas of focus in the new fiscal year, in addition to areas of strategy to ensure that the growth of the loan and asset base 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 build the Group into one of the most successful financial institutions in the English-speaking Caribbean.

Larry Howai
Group Chief Executive Officer

Statement of Management Responsibility

The Financial Institutions Act, 2008 (the Act) requires that management prepare and acknowledge responsibility for preparation of the financial statements annually, establish and maintain an adequate internal control structure and procedures for financial reporting, safeguarding the assets of the company as well as ensuring compliance with the Act.

It is management's responsibility to apply the appropriate accounting policies and make accounting estimates that are reasonable. Management is responsible for ensuring that the statements presented are a fair and true presentation of the state of affairs of the company, which includes ensuring that the information from which the statements are derived are designed and properly monitored in a manner which would allow accurate information to be provided. In addition, management is responsible for ensuring that the information presented is free from material misstatement whether due to fraud or error.

Management accepts responsibility for the annual financial statements as well as the responsibility for the maintenance of the accounting records and internal controls which form the basis of the financial statements. The financial statements of the First Citizens Group are prepared in accordance with International Financial Reporting Standards and the appropriate accounting policies have been established and applied in a manner which gives a true and fair view of the company's financial affairs and operating results.

In addition, it is noteworthy to mention that nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next 12 months from the date of this statement.

Group Chief Executive Officer
December 14, 2010

Chief Financial Officer
December 14, 2010

Ten Year Summary of Financial Data

Period 2001-2010

TT$ millions

As at September 30	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Assets	29,534	27,714	15,843	15,059	12,662	11,633	8,472	7,006	6,552	6,113
Total Funding	23,989	22,702	12,351	12,469	10,075	9,125	6,160	4,764	4,510	4,286
Shareholders' Equity	4,900	4,098	2,672	2,193	1,918	1,792	1,575	1,473	1,291	1,052
Total Loans	8,788	7,674	6,559	6,040	5,059	4,572	3,215	2,438	1,994	2,164
Investments	11,175	10,549	4,121	3,193	2,452	2,308	1,585	1,225	1,122	812
Profit Before Tax	671	621	503	439	404	345	316	233	183	134
Non-Performing Loans/Total Loans	1.16%	1.03%	0.8%	0.6%	0.8%	1.2%	1.6%	2.4%	2.7%	2.9%
Efficiency Ratio	44.89%	40.46%	43.7%	44.1%	43.6%	45.7%	44.8%	44.8%	43.1%	50.9%
Capital/Assets	16.6%	14.8%	16.9%	14.6%	15.1%	15.4%	18.6%	21%	19.7%	17.2%

Directors' Report
for the year ended September 30, 2010

The Directors present herewith the annual report and financial statements for the year ended September 30, 2010.

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 consumer banking, corporate and commercial banking, investment banking, and investment management. The Bank is a subsidiary of First Citizens Holdings Limited, a company owned by the Government of Trinidad and Tobago.

REGULATION

The Bank is licensed under the Financial Institutions Act, 2008 and is regulated under the applicable rules and regulations of the Central Bank of Trinidad and Tobago, including the Inspector of Financial Institutions, and Inland Revenue Division, Ministry of Finance, and the Securities and Exchange Commission (SEC).

FUTURE DEVELOPMENTS

The Group will continue to focus on our core range of services over the next financial year. We intend to strengthen our brand by enhancing the customer experience. First Citizens Investment Services Limited, formerly Caribbean Money Market Brokers Limited (CMMB), continues to assist us in growing our business in select countries regionally.

RESULTS AND DIVIDENDS

The Group's total assets stood at $29.5 billion as at the end of September, 2010, an increase of $1.8 billion or 6.5%. Profit before tax for the same period was $671.1 million. This represents $49.7 million or 8% growth in profit as compared to the year ended September, 2009. Profit after tax amounted to $626.7 million. This represents a 13.5% increase over the previous year. Dividends of $132.9 million were paid for financial year 2009.

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 has been no material departure from these standards;

b. That proper and sufficient care has been taken of the maintenance of adequate internal controls, risk management systems and accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

ACKNOWLEDGEMENT

The Board of Directors takes this opportunity to express our sincere appreciation for the excellent support and co-operation received from the First Citizens Bank Limited and 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 customers and shareholders.

Samuel A. Martin
Chairman

Michal Andrews
Deputy Chairman

Winston Connell
Director

Kirby Anthony Hosang
Director

Marlene Juman
Director

Govind Maharaj
Director

Inskip Pollonais
Director

Michael A. A. Quamina
Director

Inez B. Sinanan
Director

Board of Directors
First Citizens

Samuel Martin was appointed Chairman on October 18, 2004. He brings a wealth of knowledge and experience to the Board. He served the Government of Trinidad and Tobago as the Director of the Project Financing Unit, Ministry of Finance. He worked as the Managing Director of American Life and General Insurance Company Limited (ALGICO), was the President of the Iron and Steel Company of Trinidad and Tobago (ISCOTT), and the Chief Executive Officer of the Telecommunications Services of Trinidad and Tobago (TSTT).

Mr. Martin served as Chairman of TSTT and Chairman of the Board of Governors of the Trinidad and Tobago Heritage and Stabilization Fund and Chairman of the Trinidad and Tobago International Financial Centre. He is currently the Chairman of First Citizens Bank Limited, First Citizens Holdings Limited, First Citizens (St. Lucia) Limited, First Citizens Financial Services (St. Lucia) Limited, First Citizens Investment Services Limited (formerly Caribbean Money Market Brokers Limited), First Citizens Brokerage & Advisory Services Limited (formerly CMMB Securities & Asset Management Limited) and First Citizens Investment Services (Barbados) Limited (formerly Caribbean Money Market Brokers (Barbados) Limited).

Samuel A. Martin
Chairman

Michal Andrews is a qualified accountant with an illustrious career spanning over 32 years. A former Commissioner of Inland Revenue, her experience in taxation and VAT regimes served her well as a consultant to Governments, both regionally and internationally, in countries including Barbados, Belize, Antigua, Dominica, Grenada, St. Vincent, Guyana, St. Kitts and Nevis, Zimbabwe and Puerto Rico. She has represented Trinidad and Tobago at tax conferences at CARICOM level and internationally. A former Principal (Partner) at Ernst & Young, she is the Chairman of the Board of First Citizens Securities Trading Limited and holds directorship on the boards of First Citizens Holdings Limited, First Citizens (St. Lucia) Limited and First Citizens Financial Services (St. Lucia) Limited. She is also a Director on the Boards of Trinidad and Tobago Unit Trust Corporation, UTC (Belize) Limited, UTC (Cayman) Spc. Limited, L J Williams Limited, Anthony P Scott Limited and TSL International Limited. She is a principal Shareholder and Managing Director of M&J Services Limited which owns and operates Stor-It, Trinidad's first self storage facility.

Michal Andrews
Deputy Chairman

Winston Connell
Director

Winston Connell has extensive experience in both the private and the public sector. A retired Permanent Secretary in the Ministry of Trade and Industry, he has served in many capacities over the years, including the position of the Chairman of National Flour Mills.

Kirby Anthony Hosang
Director

Kirby Anthony Hosang was appointed to the Board of Directors in May, 2007. A former President of the Trinidad and Tobago Manufacturers Association, he has over 30 years management experience in all aspects of marketing and business executive development from both manufacturing and service industries. In his professional life he holds the position of Managing Director of Fine Art Limited, Chairman of CIC Insurance Brokers Limited and also serves as a Director on other private companies. Mr. Hosang is a member of the National AIDS Co-ordinating Committee, Chairman of First Citizens Asset Management, a member of the Boards of First Citizens Investment Services Limited, First Citizens Brokerage and Advisory Services Limited and First Citizens Investment Services (Barbados) Limited.

Govind Maharaj
Director

In August, 2006 Govind Maharaj was appointed to the Board of Directors of First Citizens. Mr. Maharaj possesses valuable expertise and experience in the retail trade industry, having been previously employed with HiLo Food Stores where he was the Financial Director and Chief Executive Officer. Currently, he is the Managing Director/Chief Executive Officer of Eastern Commercial Lands Limited, trading as Tru Valu.

Mr. Maharaj is a graduate of the University of Toronto with a Bachelor of Arts degree. He has successfully completed programmes on leading entrepreneurial organizations and managing in the retail sector from the University of Western Ontario in Canada and Cornell University in New York USA respectively.

Board of Directors
First Citizens

Inskip Pollonais is a Fellow of the Chartered Association of Certified Accountants (FCCA), a member of the Institute of Chartered Accountants of Trinidad and Tobago (CA), and the holder of an Executive MBA from the University of the West Indies. He has over 26 years' experience in the financial sector during which time he has held various positions including Audit Senior, Chief Inspector and Corporate Planner.

Inskip Pollonais
Director

Michael Quamina was appointed to the Board of Directors in July 2006. An Attorney-at-Law, he was called to the Bar in Trinidad and Tobago in 1999 and is at present attached to Chancery Chambers. He brings with him a wealth of experience in Public Administrative Law, Industrial Relations Law, Insurance Law, Contract Law and the law with respect to the confiscation of assets under the Proceeds of Crime legislation.

Mr. Quamina is the Chairman of First Citizens Trustee Services Limited, Gold Coast Distributors Limited, Coffee Express Limited and Pure 1 Caribbean Limited. He also served as a member of the Board of Trinidad and Tobago International Financial Centre. Mr. Quamina is currently a member of the Boards of First Citizens Investment Services Limited, First Citizens Brokerage and Advisory Services Limited and First Citizens Investment Services (Barbados) Limited.

Michael A. A. Quamina
Director

Inez B. Sinanan
Director

Inez Sinanan received an MBA from Pace University, New York, in 1981. She has been in the general insurance industry for the past 39 years, 10 of which were in the United States. Ms. Sinanan has served as the President of the local insurance association, ATTIC. She has held a leadership position at ALGICO (a member of the American International Group, Inc) for the past 26 years, both locally and regionally in the Latin American Division. Previously, she held the position of Senior Vice President at ALGICO and serves on its Board of Directors. Ms. Sinanan is also a member of the Boards of the National Insurance Board of Trinidad and Tobago, where she chairs the Audit Committee and NIPDEC, chairing the Audit Committee. She is also a member of the Boards of First Citizens Investment Services Limited, First Citizens Brokerage and Advisory Services Limited and First Citizens Investment Services (Barbados) Limited.

Marlene Juman
Director

Marlene Juman was appointed to act as Permanent Secretary, Ministry of Finance, in March 2010. She entered the Public Service in January 1990 where she served in the Ministry of Finance, first in the Inland Revenue Division as a Field Auditor, and then as Accountant, VAT Administration. She later worked with the Treasury Division as a Treasury Accountant followed by Treasury Director, Financial Management. After a period of 12 years in the Ministry of Finance, she was assigned to the Ministry of Education where she spent five years as Deputy Permanent Secretary.

Ms. Juman is an Accountant with qualifications in AAT and ACCA, and holds a Diploma in Human Resource Management and a certificate in Project Management. She is currently assigned to the Investments Division with responsibilities for the monitoring of the State Agencies. Ms. Juman was appointed to the Board of First Citizens Holdings Limited and First Citizens Bank Limited in July, 2010.

Executive Management Team's Profiles
First Citizens

LARRY HOWAI
GROUP CHIEF EXECUTIVE OFFICER

Larry Howai has over 30 years' experience in the financial services industry, most of them with First Citizens where he has been CEO since 1997. Holder of a BSc Economics (UWI), Mr. Howai is qualified as a Certified Management Accountant and is a Fellow of the Institute of Banking of Trinidad and Tobago. He has held directorships in several companies, and is currently on the Boards of several First Citizens subsidiaries as well as the Trinidad Publishing Company Limited, St. Lucia Electricity Services Limited, the Finance and General Purposes Committee of the University of the West Indies, United Way Trinidad and Tobago and the Advisory Board of Habitat for Humanity.

SHARON L. CHRISTOPHER
DEPUTY CHIEF EXECUTIVE OFFICER

Sharon Christopher has been Deputy Chief Executive Officer of First Citizens since 2007. An Attorney-at-Law (Legal Education Certificate, Hugh Wooding Law School) and a holder of a Masters of Laws from the London School of Economics and Political Science, she has over 21 years' experience in the financial services industry. Her experience and training is wide-ranging, covering such areas as corporate governance, negotiation skills, alternative dispute resolution, fraud, anti-money laundering, leadership development and communication skills. She has held directorships on numerous public and private sector Boards, notably in the energy sector, as well as charitable Boards, and currently sits on the Boards of several First Citizens subsidiaries.

SEKOU A. MARK
GENERAL MANAGER - CORPORATE BANKING

Sekou A. Mark joined First Citizens as General Manager – Corporate Banking, in September, 2008. Mr. Mark is the holder of a Masters of Business Administration with a focus on International Business Finance from George Washington University. Mr. Mark has worked at The World Bank and the Inter-American Development Bank (IDB) where he gained a wealth of global banking experience with a particular focus on corporate and project finance. Most recently, before joining First Citizens, Mr. Mark served as the Official Representative of The Republic of Trinidad and Tobago on the Board of Executive Directors of the IDB and Inter-American Investment Corporation with oversight for the IDB loan and grant portfolio in Trinidad and Tobago, and acted as Adviser to the Minister of Planning, Housing and the Environment on policy and/or project issues regarding the IDB/IIC.

JASON JULIEN
GENERAL MANAGER - FIRST CITIZENS INVESTMENT SERVICES LIMITED

Jason Julien is a Chartered Financial Analyst and holds a BSc in Management Studies from UWI, and a Masters in Business Administration from Edinburgh Business School. His career has covered consultancy with PricewaterhouseCoopers, and management positions at an international bank, and at one of the largest financial services conglomerates in the Caribbean where he managed over $8 billion in assets. He has lectured for the Finance Faculty at the Arthur Lok Jack Graduate School of Business, hosted the *Business Breakfast* TV show, and written numerous articles on financial matters, particularly investment related.

L - R:
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Senior Management Team
First Citizens

R - L:
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"Increases in net interest income, fee income, and assets all contributed to the financial success over the past year."

chart

Management's Discussion and Analysis of Financial Conditions

OVERVIEW

The following discussion aims to offer Management's perspective on the Group's financial statements and its general operations for the year ended September 30, 2010.

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 consumer banking, corporate and commercial banking, investment banking, and investment management. The Bank is a subsidiary of First Citizens Holdings Limited ("Holdings"), a company owned by the Government of Trinidad & Tobago.

This discussion should be read in conjunction with the consolidated financial statements and other financial information presented in this Annual Report. 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 in Trinidad & Tobago dollars unless otherwise stated.

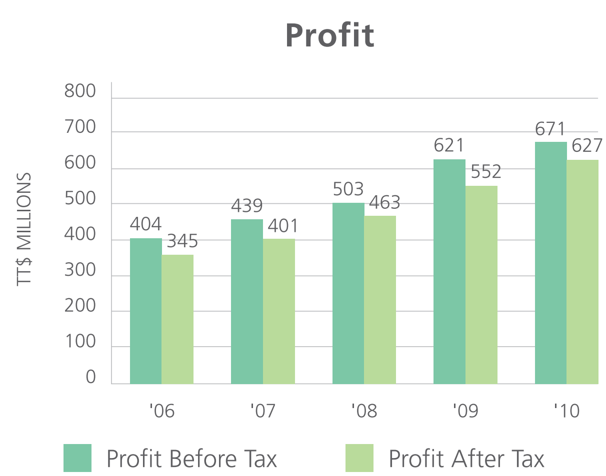
CRITICAL ACCOUNTING POLICIES

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.

RESULTS OF OPERATIONS

At the end of the financial year ended September 30, 2010, First Citizens Group, inspite of challenging market conditions reported a profit before tax of $671.1 million. This profit represented $49.7 million or 8% over the $621.4 million earned in September 2009. In September 2010, profit after tax of $626.7 million was recorded. This represented a 13.5% increase over the previous year. The Group's assets increased from the previous year by over $1.8 billion or 6.5%, closing at $29.5 billion and resulting in a return on average assets of 2.18%, and a return on average equity of 13.9%. Increases in net interest income, fee income, and assets all contributed to the financial success over the past year.

Over the last financial year the Group continued to face the challenge of managing its Treasury as a result of falling global interest rates as many major economies contracted.



As the global slowdown endures, the Group will continue to manage its Treasury as well as create more innovative products so as to better serve its customers.

NET INTEREST INCOME

Over the last financial year, in a direct response to global market conditions, the greatest challenge for the Group was managing interest rate spreads. With little or no economic activity, increases in inflation along with rising unemployment continue to dampen credit demand. Based on these circumstances the repo rate was reduced from 6.75% at the beginning of the financial year to 4.5% as at September 30, 2010. The prime lending rate was also reduced from 11.0% to 9.0% or 200 basis points as at September 30, 2010. The Group however managed to maintain its interest rate spreads.

Net interest income is the most significant contributor to the Group's net income. It accounts for 81.1% of the Group's total income. The Group's net interest income has been steadily increasing over the past five years, moving from $495 million in 2006 to $1,170 million in 2010.

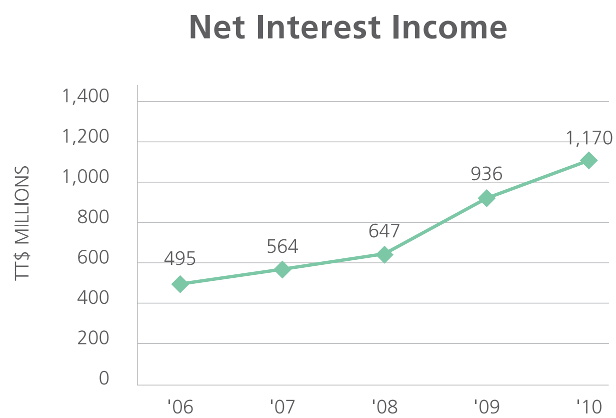
Over the financial year ended September 30, 2010 interest income increased by $60.7 million or 3.6% to $1,709 million, the major contributor being investment income which accounted for $44.5 million or a 5.7% increase to $819.6 million over the last financial year.

Loans interest income increased by 1.9% to $725.1 million. Although the loans to customers net of provision increased by approximately $1 billion, the increase in interest income was not as significant due to the reduction of interest rates.

Interest expense decreased by $172.6 million or 32.0% to $539.8 million, although there were increases in customer deposits, other funding instruments and bonds payable. This decrease was also due to the reduction in our cost of funds due to decreasing customer deposits and repurchase agreements interest rates.

NON-INTEREST INCOME

In the year 2010, non-interest income decreased by 2.0% to $272.3 million, accounting for 19.5%



of total revenues. The major contributor to this category of earnings was fees and commissions of $200.1 million compared to $129.7 million in 2009.

NON-INTEREST EXPENSE

Non-interest expense increased in the categories of staff salaries, property, administrative, operating expenses and impairment provision net of recoveries for 2010. The total expense increased by $175.4 million or 28.8%, amounting to $784.5 million at the end of September 2010.

The Group's efficiency ratio—the ratio of non-interest expenses (excluding impairment provision) to total income—increased to 44.9% in 2010. The Group continues to renew its commitment to increase the efficient use of resources and control its expenses, while delivering superior customer service.

ASSETS AND LIABILITIES

Total Assets were $29.5 billion as at the end of September 2010, up by $1.8 billion or 6.5%. This increase is mainly as a result of the increase in loans to customers and other financial assets, specifically statutory deposits with Central Bank.

THE LOAN PORTFOLIO

As at September 30, 2010, the net loan portfolio increased by $1.0 billion to $8.4 billion. Loans grew within several sectors led by construction ($946 million) and real estate mortgages ($263 million).

NON-PERFORMING LOANS

Non-performing loans as a ratio of total gross loans

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

	Year ended September 30, 2008 vs September 30, 2009				Year ended September 30, 2009 vs September 30, 2010			
	Increase/(decrease) due to				Increase/(decrease) due to			
	Changes in volume	Changes in rate	Changes in rate/ volume	Total increase/ (decrease)	Changes in volume	Changes in rate	Changes in rate/ volume	Total increase/ (decrease)
Interest Income Attributable to:								
Investment Securities	504,406	(54,111)	(69,268)	381,027	411,682	(239,778)	(127,361)	44,542
Loans to customers	75,667	47,236	6,137	129,040	111,416	(84,519)	(13,235)	13,661
Loan Notes	81,006	(30,312)	(18,837)	31,857	75,033	(49,619)	(22,952)	2,462
Total increase in interest income	661,079	(37,187)	(81,968)	541,924	598,130	(373,916)	(163,548)	60,665
Interest Expense Attributable to:								
Customers' Deposits	86,163	(50,913)	(14,080)	21,170	89,271	(151,197)	(40,565)	(102,491)
Other funding instruments	130,926	18,944	43,899	193,769	202,203	(137,222)	(110,869)	45,887
Due to other banks	3,139	4,946	3,602	11,687	(6,107)	913	(349)	(5,542)
Debt securities in issue	20,972	4,256	1,024	26,252	10,842	(26,987)	(2,580)	(18,725)
Total increase in interest expense	241,200	(22,768)	34,446	252,878	296,210	(314,494)	(154,362)	(172,646)
Increase/(decrease) in net interest income	419,879	(14,419)	(116,414)	289,046	301,920	(59,423)	(9,186)	233,311

increased marginally from 1.04% to 1.17% as at September 30, 2010, displaying a slight decline in credit quality. The credit risk function continues to execute the Group's policy in an attempt to improve this position from year to year.

INVESTMENT PORTFOLIO

Available for sale investments decreased during the year to $9.2 billion from $10.1 billion. This decrease was due to the reclassification of certain investments totaling $1.5 billion from available-to-sale to held-to-maturity.

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 recognized in the income statement. Total provision for the Group at the end of September 2010 amounted to $361.9 million, which represents 4.12% of total loans and 3.54 times coverage on the value of total non-performing loans.

PROVISION FOR TAXATION

Group taxation recorded for the year was $44.4 million. The effective tax rate (taxation charge as a percentage of profit before taxation) increased from 11.2% in 2009 to 6.6% in 2010.

SHAREHOLDERS' EQUITY

Total shareholders' equity increased by $0.8 billion over the last financial year to $4.9 billion. The increase in the Group's capital base was as a result of favourable movements in fair value reserves of $308 million, along with the increase in net profit for the year offset by a dividend of $132 million paid to shareholders.

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 8.0%. This is a risk-based capital measure which recognises the inherent credit risk in off-balance sheet transactions. As at the year's end, the Group was well capitalized with a Tier 1 capital adequacy ratio of 33.9%.

COMPLIANCE AND RISK MANAGEMENT

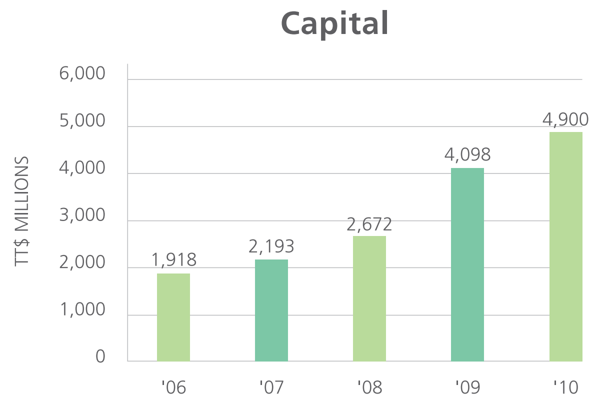
Since January 2007 the Group has recognized the need to place greater emphasis on creating a strong risk management culture in order to understand, manage and evaluate risks versus the rewards being earned. The risk function is currently divided into two main risk monitoring areas: Market and Credit Risk is being managed by the Credit Administration Department, and Operational Risk is being managed by the Operational Risk and Compliance Unit.

The Compliance function has the overall managerial responsibility to develop, establish and maintain an effective programme to monitor compliance, prevent and detect lapses and recommend any necessary corrective action to fully meet the statutory and regulatory requirements and compliance best practice standards in all jurisdictions in which the Group operates, in addition to "Group wide" adherence to compliance programs. The employee hotline, which allows staff members a confidential medium for making queries or for reporting known or suspected compliance breaches for investigation, continues in operation and is increasingly being utilised by staff.

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 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, its core methodology for managing risk on an enterprise-wide basis;
- The requirements of the Basel Capital Accord as applied in this jurisdiction; and
- Other local and international best practices in risk management.

The Group has now 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 recognizes 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.

COMPLIANCE AND RISK MONITORING AND REPORTING

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 compliance and risk management and control framework and policies for the First Citizens Group.

To this end, the Board established a sub committee– the Board Enterprise Risk Management Committee– which is scheduled to meet quarterly with the Chairman of the Senior Management Enterprise Risk Management Committee, the Assistant General Manager, Credit Administration and the Assistant General Manager - Operational Risk & Compliance, to discuss compliance with statutory, regulatory and other legal requirements, significant risks to the Group and the appropriateness of management's action.

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.

CREDIT RISK MANAGEMENT

The Credit Administration function is responsible for the development and 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 even 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 to unfavourable changes in foreign exchange rates, interest rates, equity prices, market volatilities 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 and parameters governing market risk exposures are reviewed and recommended by the Asset/Liability Management Committee, with ultimate approval and responsibility for aggregate risk limits residing with the Board.

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 pre-determined 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 Risk Management and are reported to Senior Management, ALCO and the Board of Directors.

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 to earnings or capital arising from problems with service or product delivery. It is a function of internal controls, information systems, employee integrity and operating processes.

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

MANAGEMENT OF INTERNAL CONTROLS

Since 2005, the Group adopted Risk Based auditing. The Group Internal Audit department continues to play a key role in the ongoing functioning of Enterprise Risk Management by providing objective monitoring of its application and effectiveness. The activities of this department are guided by international standards set out by the Institute of Internal Auditors. The procedures of the department have been rewritten in strict adherence to the Standards for the Professional Practice of Internal Auditing. In addition, the COSO and COBIT control frameworks have been inculcated into the audit process. Frequent internal assessments ensure the quality of these processes, which have been subject to an independent external quality assessment by the International Institute of Internal Auditors (IIA) during 2007. The Group's audit process received the highest rating accreditation from the IIA. 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, regulations, codes of conduct and standards of good practice. 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 steps taken to address this risk have been described earlier.

CONCLUSION

The last financial year has been one of many challenges for the First Citizens Group. These occurred because of the overall slowdown in the economy, especially in credit demand, while at the same time we had to control the effects of lower interest rates, both locally and globally, on the loans and investment portfolio.

Despite these challenges, the Group continues to position itself as a strong financial institution through its consistent growth in its profits and asset base, as well as its efficient management of expenses. Coupled with sound management and corporate governance, the First Citizens Group is well poised to become one of the most competitive financial institutions in the region.

transform

“The Group continues to position itself as a strong financial institution through its consistent growth in its profits and asset base.”

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Point Lisas

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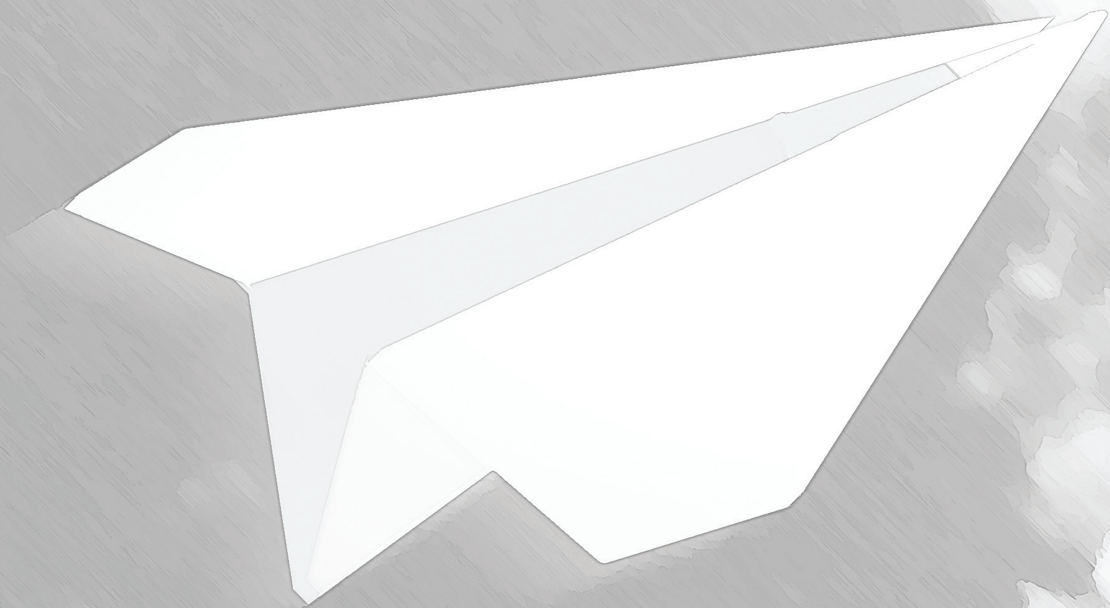
guide



"The management of risk is integral to the formulation and achievement of the Group's strategic goals."

Corporate Governance Structure

We believe that a good corporate governance regime is central to the efficient use of corporate capital and helps to ensure that a company takes into account the interests of a wide range of constituencies, including the communities within which it operates. In this regard, our Board of Directors is accountable to all of the company's stakeholders and provides the assurance that the company is operating for the benefit of society as a whole. This supervisory role also assists in maintaining the confidence of investors (both foreign and domestic) and increases the company's ability to attract capital.

Within the Group, the corporate governance framework is designed to ensure the strategic guidance of the company, the effective monitoring of the Board's management and its accountability to the company and the shareholders. The current structure of the Board Committees is as follows:

- Corporate Governance
- Board Enterprise Risk Management
- Audit
- Human Resources
- Credit

CORPORATE GOVERNANCE COMMITTEE

A Corporate Governance Committee is central to the effective functioning of the Board, as it provides a leadership role in shaping the corporate governance of the Group. The responsibilities of this committee include establishing criteria for committee membership, rotation of committee members, reviewing any potential conflicts of interest between Board members and the Group, and monitoring and safeguarding the independence of the Board.

Other responsibilities include:

1. Integrity of information – Overseeing and reviewing the Group's processes for providing information to the Board. This is done through an assessment of the reporting channels through which the Board receives information, and the assessment of the quality and timeliness of information received.
2. Corporate governance principles – Developing and recommending a set of corporate governance principles applicable to the Group. The Committee also reviews the composition of all Board Committees and their terms of reference, and brings to the Board for approval a code of best practice for the functioning of these Committees.
3. Evaluation of performance – Developing an effective mechanism for an annual evaluation of the performance and effectiveness of the full Board, the operations of Committees and the contributions of individual directors.

The members of the Committee are:

Samuel A. Martin – Chairman

Michal Andrews

BOARD ENTERPRISE RISK MANAGEMENT COMMITTEE

In a world of increasingly complex and unrestricted global capital flows, the Group is exposed to greater volatility than ever before. As a result of this volatility, the management of risk is integral to the formulation and achievement of the Group's strategic goals.

The Board Enterprise Risk Management Committee is therefore responsible for reviewing with the management team the strategies, plans, policies and actions formulated for the management of the

Group's exposures and for covering all areas of risk identified by the management team.

The Committee oversees the operations of the Operational Risk and Compliance Unit which has overall responsibilities for:

1. Establishing and maintaining an effective programme to monitor compliance with all statutory and regulatory requirements
2. Anti-Money Laundering Compliance
3. The management of Operational Risk using local and international best practices from that area

The Committee also oversees the operations of the Credit Administration Department as they relate to its responsibility for managing the Credit and Market Risks faced by the Group.

In addition, particular emphasis is placed on the risks associated with new business ventures (divestments, acquisitions, mergers, etc.); operations in foreign jurisdictions; new legislation/regulations; corporate financing/capital structure; and reputation.

The members of the Committee are:

Michal Andrews – Chairman
Govind Maharaj
Inskip Pollonais

AUDIT COMMITTEES

The Financial Institutions within the First Citizens Group are each required by the Financial Institutions Act, 2008 to have an Audit Committee. In keeping with this requirement, Audit Committees were established for the Bank as well as its subsidiaries. The Audit Committee is the principal agent of the Board of Directors in overseeing the:

i. quality and integrity of the Group's Financial statements
ii. independence, qualifications, engagement and performance of the external auditors
iii. review of the performance of the Group's internal auditors
iv. integrity and adequacy of internal controls and the quality and adequacy of disclosures to the shareholders
v. 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 Committee's responsibility is supervisory and it therefore recognizes that the Group's management and its external auditors will have more knowledge and more detailed information about the Group than do the members of the Committee. Consequently, in carrying out supervisory responsibilities, the Committee is not providing any expert or special assurance as to the Group's financial statements or any professional certification as to the external auditor's work.

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

1. External auditor – The supervision of the relationship with the external auditor, including recommending the firm to be engaged as the external auditor, evaluating the auditor's performance and the determination of the selection criteria for the appointment of the external auditor
2. Critical accounting judgments and estimates – Reviewing and discussing with management and the external auditor the corporation's critical accounting policies and the quality of accounting judgments and estimates made by management
3. 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
4. Compliance – Reviewing the organisation's procedures in addressing compliance with the law and important corporate policies, including the company's Code of Conduct
5. 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
6. Internal audit function –
    - Overseeing the Group's internal audit function, including reviewing reports submitted by the Chief Internal Auditor

- Authorising 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
- Ensuring that the Group's Internal Audit Department is aware of the live issues of the Group (including major areas of change and new ventures) and that these are incorporated in its work plans
- Ensuring internal audit has full, free and unrestricted access to all the company's activities, records, property and personnel necessary to fulfill its agreed objective
- Communication – Providing a channel of communication to the Board for the external and internal auditors
- Composition – Each committee should have at least three members, of which the majority should be independent directors

The members of the Group Audit Committee are:

Holding Company

Michal Andrews – Chairman
Michael A. A. Quamina
Kesraj Seegobin
Inez B. Sinanan

Bank

Inskip Pollonais – Chairman
Michal Andrews
Michael A. A. Quamina

Asset Management

Inskip Pollonais – Chairman
Gordon Borde
Kirby Anthony Hosang

Trustee Services

Govind Maharaj – Chairman
Shiva Manraj
Michael A. A. Quamina

First Citizens Investment Services

Kirby Anthony Hosang – Chairman
Larry Howai
Inez B. Sinanan

HUMAN RESOURCES COMMITTEE

The Human Resources Committee of the Board consists of seven members of which the Chief Executive Officer, the Group Corporate Secretary and the Assistant General Manager – Human Resources are *ex officio* members.

The Board selects the chair of the Human Resources Committee and he/she serves in the capacity for a period of three years in the first instance.

The role of the Committee is to:

1. Provide a governance framework for the consideration of Strategic Human Resources matters
2. Provide advice to the Board on the application of specific matters as appropriate

The Human Resources Committee considers and makes recommendations to the full Board as appropriate with reference to:

i. Recruitment, selection and succession planning – Policies on the recruitment, selection of and succession planning for senior staff, that is, General Managers and above

ii. Industrial Relations – Collective labour negotiating, grievances, disputes and other matters arising between the Bank and the employees and the representative Union

iii. Terms and conditions of employment – The compensation philosophy to be adopted by the Group

- The determination of the details of the remuneration packages for all employees

iv. Talent development – Policies relating to the alignment of our human capital with our business needs and the requisite developmental, retention and attraction strategies within the Group

v. Occupational Health and Safety – Policies relating to Occupational Health and Safety that ensure compliance with the OSH Act

vi. Culture and core values – Policies relating to the core values, beliefs and behaviors to be promoted throughout the Group

vii. Organisation structure – Policies relating to organization and design

The members of the Committee are:

Winston Connell – Chairman
Govind Maharaj
Michael A. A. Quamina

CREDIT COMMITTEE

The role of the Credit Committee is:

1. To approve credit facilities in excess of TT$20 million for the Group
2. To review the quality of the loan portfolio and strategies being implemented to manage the Group's exposure to Credit Risk
3. To review the Group's Credit Policies and make changes to ensure adequacy of scope and coverage as well as appropriate rigor and continuing relevance to the changes in the environment

The members of the Committee are:

Samuel A. Martin – Chairman
Winston Connell
Kirby Anthony Hosang
Michael A. A. Quamina

CARE

ENVIRONMENTAL EXHIBITS

In 2009 First Citizens partnered with Roger Neckles, one of the Caribbean's leading Wildlife Photographers, in two environment exhibit projects under our *Citizens in Action to Restore the Environment*—CARE—programme.

The first was the continuation of the wildlife exhibits at the Port Authority of Trinidad & Tobago aboard the *T&T Spirit* and the *T&T Express*. These were established in 2008. The second was the eye-catching exhibits that grace the walls of the University of Trinidad and Tobago, John Donaldson Technical Institute Campus.

The exhibits display an array of our country's flora and fauna with educational tips. Both exhibits are in keeping with the CARE programme's goal of educating the general public about our individual and collective responsibility for protecting our environment and preserving the natural beauty of our Nation.

Red Howler Monkey detail

Environmental exhibits on the wall of UTT Campus, John Donaldson Technical Institute

Speckled Tanager detail

WILDLIFE TELEVISION SERIES

Bush Diary with Robert Clarke is a television programme initiated by Idiom Productions in 2008. The programme focused on the stunning beauty and variety of our wildlife, and in its first season created quite a stir for local programming.

For this reason, Idiom Productions embarked on a second season, and First Citizens was more than willing to join with them as an initiative of its CARE programme. The show has moved from strength to strength, winning a *Green Leaf Award* in June of 2010 for promoting Trinidad & Tobago's biodiversity.

Culture & Community

ENHANCING THE CROP OVER EXPERIENCE

In tune with the expanding cultural reach of Crop Over, which is a major event on the Barbadian—and indeed, regional—calendar, First Citizens sponsored the *Crop Over Read In* featuring Zimbabwean poet Comrade Fatso and a riveting slate of local and regional griots*. The *Read In* at the Barbadian Museum was well attended, by First Citizens Investment Services staff members.

As an avid supporter of culture and community, the First Citizens Group donated Bds$75,000 to the National Cultural Foundation of Barbados at the CMMB Barbados Sixth Anniversary Celebrations.

** A member of a hereditary caste among the peoples of western Africa whose function is to keep an oral history of the tribe or village and to entertain with stories, poems, songs and dances.*

Group CEO - Larry Howai, presents a cheque to the Minister of Culture - Steve Blackett. Representing First Citizens Investment Services are: Carole Eleuthere JnMarie - Country Manager, St. Lucia/OECS, Elizabeth Morgan - Officer in Charge, Barbados, and Jason Julien - General Manager

The contestants with Norlann Gabriel - Manager, First Citizens Investment Services, St. Vincent Sub-Branch

SUPPORTING VINCY MAS

First Citizens gave significant support to the *Miss Carival 2010* Pageant in St. Vincent and the Grenadines' Vincy Mas.

A cultural festival similar to that of Trinidad & Tobago's local 'Mas, the islands' carnival comprises numerous competitions and shows, of which *Miss Carival* is part.

Eleven contestants from various islands vied for the title. The ladies spent five days together preparing for the show and Iva Satney of St. Lucia emerged the winner.

Our involvement in cultural events like these is just one of our initiatives aimed at building and reinforcing our regional relationships.

CELEBRATING PEACE AND BROTHERHOOD

It was an occasion dedicated to the spirit of love, sharing, peace and brotherhood. First Citizens was part of the annual *Festival of Eids Celebrations* at the ASJA HAJI Shafik Rahaman Education Complex in Charlieville, Chaguanas.

Festivities opened with a concert at the Centre Point Mall Auditorium in Chaguanas, and featured internationally renowned *Raihann – Nasheed Singers* from Malaysia. This was followed by a weekend at the Charlieville ASJA Complex which consisted of a number of cultural shows, booths with trade and food, children's games. The event culminated with a colourful fireworks display.

Rona French of Group Corporate Communications speaks with a visitor

A group of young performers delight the audience with classic songs

HONOURING OUR BUSINESS AND COMMUNITY LEADERS

The Trinidad and Tobago Chamber of Industry and Commerce hosted its fifth *Annual Business Hall of Fame and Gala Dinner,* of which First Citizens was the sole sponsor.

The Chamber's Business Hall of Fame recognises individuals in our country who have displayed exemplary business and community leadership over the years, and who have served as role models to our Nation's youth.

First Citizens involvement in this initiative over the past three years attests to our commitment to promoting the pioneering spirit of business leaders, past and future.

(L-R) Ken Gordon, Miller Scott, son of the late businessman William H. Scott, Larry Howai, Group Chief Executive Officer and Arthur Lok Jack

BRINGING A RAY OF HOPE

In Haiti's darkest hour, the First Citizens Group was one of many who quickly provided post-earthquake assistance, pulling resources together to assist our Caribbean counterpart.

As humanitarian aid poured into a desperate Haiti from across the globe, our internal collection for Haiti gathered essentials such as food, clothing and other necessities for the quake's victims. All items were forwarded to the Salvation Army, YMCA and other organizations who were authorized distribution centres charged with ensuring that the collected items reached their intended destination.

Another Group initiative was the *First Citizens Haiti Relief Fund* account, created for persons wishing to contribute financially. A total of $388,107.71 was amassed and presented to United Way Trinidad & Tobago.

First Citizens pledged a further US$1 million (TT$6.38 million) for restoration projects similar to our efforts in Grenada in the aftermath of Hurricane Ivan.

(L-R) Brother Noble Khan, Dr. Marie Advani, Sharon Christopher - Deputy CEO, Sri Ravi Bharati, Conrad Aleong and Pamela Francis CEO - United Way Trinidad & Tobago at the handing over ceremony

(L-R) First Runner Up - Miss De Kulture Klub Ensemble, Monique Pereira; *Miss Heritage Personality 2010* - Miss Pembroke, Renesia Radgman; Second Runner Up - Miss SWUM, Dickeesha Delancy

TOBAGO'S BEAUTY ON SHOW

Hard work and a great deal of preparation culminated in Miss Pembroke, Renesia Radgman, winning the most anticipated event of the *Tobago Heritage Festival* calendar, *Miss Heritage Personality 2010*.

Sponsored by First Citizens for the last 23 years, the partnership has been a rewarding one, which brings to the fore Tobago's natural beauty and culture. In the weeks preceding the competition, participants embarked upon several community and environmental initiatives under the volunteerism theme that the competition reinforces.

LIGHT-HEARTED SERVICE

For the fourth consecutive year, First Citizens was the proud official Bank at the *Divali Nagar Exposition*. Our staff at the on-site First Citizens branch warmly welcomed patrons from every corner of the country. Visitors were invited to take advantage of the wide range of services available, including opportunities to open accounts, make loan payments, access ATM services and much more.

Classical Indian Dancers perform at the Opening Ceremony

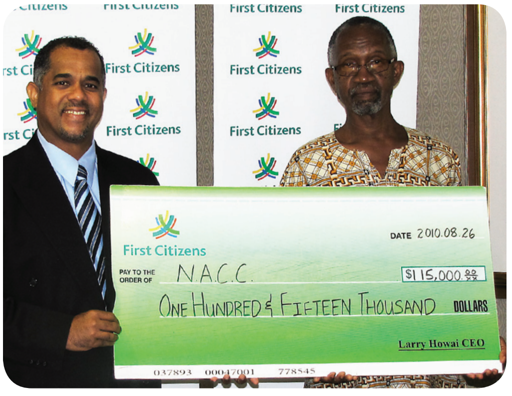
Service with a smile from Customer Service Representative Karina Pierre

Rona French assist with the lighting of deyas during the celebrations

SONGS OF FREEDOM

The SWWTU Hall overflowed with talent when participants competed in the National Action Cultural Committee's *Emancipation Calypso Competition*. The winning compositions came from Ferdinand Smith in the 5-17 age group who sang *Cherish Freedom*, and Megan Walrond in the 18-30 category with *Embrace Ilu Lilu*. The extempo category was won by Fireball.

This is the third year First Citizens has sponsored this competition, which produces many well-researched and passionately-performed calypsos.



Dexter Charles - Manager, Group Corporate Communications, presents Moriba Kwamina - NACC Finance Officer, with a sponsorship cheque for $115,000

Youth & Education

IN SUPPORT OF THE ARTS

Among our many investments aimed at developing the Nation's youth, the First Citizens Group sponsored the prize for Best Overall Film at the *Trinidad and Tobago Film Company 2010 Short Film Festival*.

The competition, open to secondary school students throughout Trinidad and Tobago, provided the opportunity for talented young film-makers to be exposed to many exciting facets of the film industry.

The coveted prize was won by second time entrants, Rio Claro East Secondary School, with *Wake Up*. The school received a prize of $12,000.

Vedesh Ramkissoon from Rio Claro East Secondary receives the winning cheque from Dexter Charles - Manager, Group Corporate Communications

Brenda Singh - Manager, Siparia Branch, sits with the children of Clarke Road Hindu School as they look through some of the books

A LITERARY LEGACY

Since 2004 the First Citizens Group has been sponsoring the *First Citizens Library Collection*, a programme aimed at assisting primary schools in enhancing their school libraries through infrastructure and/or literature.

This year's recipients—St. Theresa's Girls RC, Mc Bean Presbyterian, Clarke Road Hindu, and Pentecostal Light & Life Primary (Tobago)—were awarded a number of key books which will go a long way in promoting literacy and the love of reading among our future leaders.

YOUNG ENTREPRENEURS SHINE

Students from over 30 secondary schools got their first taste of business trade at the Annual Junior Achievement Trade Fair held at Woodford Square.

The busy Square proved to be the ideal location for the First Citizens sponsored groups—*X (Infinity)*, *Young Innovative Producers* and *Junior Achievers Evolutionary Producers*––to showcase and sell their craft items.

With corporate citizens such as First Citizens chipping in every year, Junior Achievement Trinidad & Tobago helps prepare young people for the next major step in their lives, their careers, whether as entrepreneur or employee.

X (Infinity)

Junior Achievers Evolutionary Creators

FRUIT LITERACY

Chalta… caimite… sapodilla… mammy sapote. Remember the days when these were the fruits found in many backyards? Or maybe you, like a large section of today's generations, have no clue what these look or taste like!

In an initiative to educate the youth of Trinidad and Tobago, First Citizens has partnered with researcher Nasser Khan to produce the *Fruits of Trinidad and Tobago* poster. The full colour chart highlights local fruits in alphabetical order along with their scientific names.

The Ministry of Education is facilitating distribution of the posters. The project is anticipated to extend to a series of school competitions based on the poster.

Students of San Juan Boys Government receive a poster from Ministry of Education representative, Rohit Dube. Also in the picture is the Principal, Alana Clarke

First Place winners of the investment game strike a pose with Group CEO, Larry Howai

Money Camp 2010 participants

MONEY CAMP 2010

The Corporate Banking Unit held its second annual *Money Camp* programme at Corporate Headquarters in April. The programme is an essential tool for building the First Citizens brand with both the Bank's key clients and the younger generation.

Additional highlights included surprise visits from local celebrities Ian Alvarez (Bunji Garlin), Fay-Anne Lyons-Alvarez and Jason Williams (JW). The celebrities reinforced the values and concepts that the programme sought to convey and provided insight into their individual financial experiences.

Money Camp 2010 was a resounding success! Look out for *Money Camp 2011*!

A teacher and students of San Fernando ASJA listen intently as Baldath Maharaj, Manager - Gulf View reads from *On Becoming First*

ON BECOMING FIRST ON SHELVES IN SOUTH LIBRARIES

Over 140 primary schools in the south region of Trinidad received a copy of First Citizens *On Becoming First* for their libraries.

Schools lining the outskirts of San Fernando to the remote areas of San Francique and Pepper Village collected their copy at the San Fernando, Gulf View, Marabella, Siparia, Princes Town and Point Fortin Branches.

This is yet another of the Group's initiatives which adds to the richness of our country's knowledge bank through telling our story within the context of a century of local history.

SCRABBLE FEVER

The Andre Kamperveen Hall, Centre of Excellence, Macoya was a hub of activity as 150 students from primary and secondary schools throughout Trinidad & Tobago competed in the fifteenth annual *First Citizens Scrabble Tournament*.

Emotions ran high as students squared off for three intense rounds of play. Adding to the excitement was a performance by 2010 Road March and Soca Monarch Champions, JW and Blaze.

Managers and staff took the opportunity to promote sportsmanship, fairplay and literacy among our youth.

The Boys of Hillview College captured the top school prize. Also in the picture is Jason Julien - General Manager, First Citizens Investment Services Limited, and Dr. Bernard Tappin - School Supervisor 3, Ministry of Education

Winner of the Individual Category - Aaron Chin King of Hillview College; Dr. Bernard Tappin and Mario Young - Assistant General Manager, Retail Banking

Judith Sobion awards one of the Top 20 SEA 2010 students

AN EXCELLENT SEA EFFORT, MAYARO!

In July the Mayaro Past Pupils' Association held its SEA Awards for the class of 2010. Judith Sobion, AGM - Human Resources, presented awards to this school's outstanding scholars.

COMMITTED TO TERTIARY EDUCATION

Tamara Rampersad and Nilaja Francis, both of the faculty of Social Sciences and pursuing the Bachelor of Science Degree in Management Studies, were recommended by the University of the West Indies, St. Augustine Campus, to receive a *First Citizens bursary* of $5,000 each. The bursaries were made based on their academic performance in 2007-2008.

First Citizens has been sponsoring these bursaries since 1996 as part of its commitment to supporting educational development and empowering young people to achieve their goals. We take this opportunity to wish these recipients every success in completing their programmes and ultimately adding value to our society.

(L-R) Jem Forde - Communications Officer,Youth Development, poses with the bursary recipients Tamara Rampersad and Nilaja Francis. The cheques were presented by Bernadette Brown - Assistant Branch Manager of First Citizens, Tunapuna, with Vicklyin Paterson - Administrative Assistant of Bursaries and Scholarships and Exchange/Study Abroad Students, UWI

YOUTHFUL PASSION FOR PAN AND JAZZ

First Citizens collaborated with the QRC Foundation to host the *Developmental Workshops for Young Musicians* in October 2010.

Dozens of young music enthusiasts congregated at various venues throughout the country to participate in the workshops that focused on Pan and Jazz.

This marks the ninth year that First Citizens has sponsored the workshops, and we look forward to continued success as we help create an environment where our nation’s culture can flourish.

Yohan Popwell gives students a pan lesson at the Central Workshop

This student took the opportunity to showcase his talent on the saxophone at the East Workshop

Sports

A HEALTHY RESULT

The First Citizens Group enjoyed yet another buoyant season at the nineteenth *CariFin Games*, held from April to June 2010. Our team of some 200 competitors, comprising staff and their families, registered for all categories and placed in the Top 10 of almost every activity!

First Citizens involvement in *CariFin* is an important part of our drive to cultivate and promote healthier lifestyles among our staff, improving their overall wellbeing.

We commend our staff for their participation and support in making First Citizens a success at the 2010 Games.

Some members of the First Citizens team at the CariFin Cross Country Run

The First Citizens team digs deep for the tug-o'-war!

MAKE YOUR MOVE!

Concentration and competition were intense as First Citizens challenged students of all ages to battle it out in the Game of Kings. Over 50 secondary and tertiary level students competed in the seventh *Annual First Citizens Chess Championship*.

Over 100 younger players got their chance at St. George's College as 24 teams of primary school students took part in the sixth *First Citizens Primary Schools Chess Championship*.

First Citizens recognizes the positive impact the game of Chess can have on our children's cognitive ability and will continue to support the growth of the game locally.

Winners in the individual category proudly display their trophies. L-R: Aditi Soondarsingh (3rd place), winner Esan Wiltshire, and Kevin Cupid (2nd place)

Championship winners Maria Regina Grade School receive their trophy from Stephanie Boisselle, Snr. Communications Officer – Group Corporate Communications

Players keep their focus

Young students ponder their next move during the tournament

FIRST CITIZENS CLARKE ROAD UNITED CELEBRATES ITS BEST

The Club House of the Wilson Road Recreation Ground, Penal, was abuzz with activity when *First Citizens Clarke Road United* held its prize-giving ceremony.

Since 1970 this Club has been known for harnessing the talents of boys and girls from the Southland, producing many first-class sports men and women. First Citizens has been a proud sponsor of the club since 1999.

(L-R) Larry Howai – Group CEO, presents Mahadeo Moonasar, Cricketer of the Year, with his award

ALL FOR FOOTBALL

Our sponsorship of the First Citizens Cup has been all about the advancement of football. Our alliance with the TT Pro League for the past nine years has seen the competition grow to become one of the most anticipated sporting events on the local calendar.

Lions Roar…and members of Joe Public, the Eastern Lions celebrate winning the First Citizens Cup

Dexter Skeene – CEO, TT Pro League (L) receives the First Citizens sponsorship cheque from Damian Cooper – Marketing Manager

A STRONG FOUNDATION FOR SPORT

If you were wondering what role the First Citizens Sports Foundation plays outside of honouring our country's top sportsmen and sportswomen, here's your answer! The Foundation organizes and supports several programmes year-round aimed at promoting a healthy lifestyle and increasing participation in sporting activities. From its *Sport for All* workshops to its nutrition seminars, the Sports Foundation is constantly active in the community.

(L-R) Jennifer Lander – First Citizens Sports Foundation Secretariat; Catherine Forde – First Citizens Sports Foundation; Raquel – Gym teacher, Lady Hochoy Vocational School; Sister Marguerita Chan – Manager, Lady Hochoy Vocational School, and a student of the School

Equipping The Lady Hochoy Home

In keeping with its values of promoting health and physical fitness the Foundation made a contribution of physical education equipment (gym mats, footballs, windball cricket sets, multi-game tables, body balls and dumb bells) to the Lady Hochoy Vocational School.

Building A Patriotic Partnership

As the only truly local Bank, First Citizens is always ready to support ventures that promote national development. Through our Sports Foundation, an agreement has been signed for the support of *George Bovell III* as he prepares to participate in his fourth Olympiad. As one of the country's top sportsmen, and one who has been consistently in the top of his field over many years, we have developed a great deal of respect for the tenacity and standards of this athlete. We can all learn much from his example.

Sekou Mark – General Manager, Corporate Banking, signs the contract with George Bovell III confirming the Group's support

Creating Better Pe Teachers Through Training

The Tobago House of Assembly Department of Education, Youth and Sport received a donation of $30,000-worth of Physical Education equipment packages from the First Citizens Sports Foundation for 19 representatives of both primary and secondary schools who attended the THA's Physical Education Training for Teachers. The training involved a series of practical approaches to teaching physical education to primary and secondary school students.

Workshop participants and representatives of First Citizens Sports Foundation, as well as officials from the THA Department of Education, Youth and Sport all pose with equipment donated by the Foundation

Nurturing Future Swimmers

Over 100 aspiring swimmers benefited from Olympic-quality advice from First Citizens-endorsed swimmer, George Bovell III, at the Sport Company's Youth Swim Camp. The camp took place at the La Horquetta Swimming Pool for children ages 7 – 17 over the August vacation.

The star athlete poses with a few of T&T's next generation of world-class swimmers.

George Bovell III provides swimming tips to these aspiring young swimmers

PLUNGING AHEAD WITH WATER POLO

Within recent times Water Polo has become an increasingly popular sport. More youngsters are expressing an interest in the game and the national junior and senior teams have been making strides.

The First Citizens Group has played an integral role in advancing the sport. In fact, in an article in the Trinidad Express, the following was reported in describing some members of the national U-16 team:

> *Rounding out the squad are the youngest members of the team, Dana Smith, Nicole Ollivierre and Lauren Miller, whose experience in the water started in the* First Citizens Primary Schools Water Polo League *since 2008 and has continued through to the Secondary Schools League.*

First Citizens has once again pledged its support to the sport with a $150,000 sponsorship to both the primary and secondary schools leagues and a coaching clinic aimed at further developing the game in Trinidad and Tobago.

St. Joseph's Convent POS captured the Gold in the Junior and Senior Female Categories; Dirk Smith – Corporate Manager of ITC/Treasury presented the trophy to Nicola Welch

Fatima Boys reigned supreme in the Infantile, Junior and Senior Male Categories. Dirk Smith presented the trophy to Daniel Tardieu

Dirk Smith presents the sponsorship cheque of $150,000 for the upcoming season to Joy Marcelle - Vice President, Royhil Seals Water Polo Club

Rosemary Alves – Corporate Manager, Group Operations & Process Improvement hands over the sponsorship cheque to Joy Marcelle

Two students face-off in the pool as the first game got underway between Providence Girls Catholic School and St. Joseph's Convent, POS

Mini Polo Moments

The many exciting moments of this year's Mini Polo League, and which is open to primary schools throughout Trinidad and Tobago, closed with a prize-giving ceremony held at Queens Royal College.

Many of our national water polo players got their start at the *First Citizens Mini Polo* and *Water Polo* competitions—an achievement of which the Bank is very proud.

The victorious boys of St. Dominic's Trade School, with coach Doniel Reyes, after splashing their way to the Division 1 (Male) title

In Division 2, Bishop Anstey Junior girls captured Gold as they got the better of Patna River Estate Government in a 10 – 5 victory. Also pictured are coaches Andrew Eligon and Jelani Lewis-Knights

Warren Sookdar – First Citizens Chief Information Officer - Information and Communications Technology, presents St. Dominic's Trade School with their first place trophy for Division 1 Male

Coach Kester Scanterbury celebrates with the girls of Dunross Preparatory School after they bated Bishop Anstey Junior School 6 – 1 in Division 1 (Female) of the *First Citizens National Primary Schools Mini Polo League*

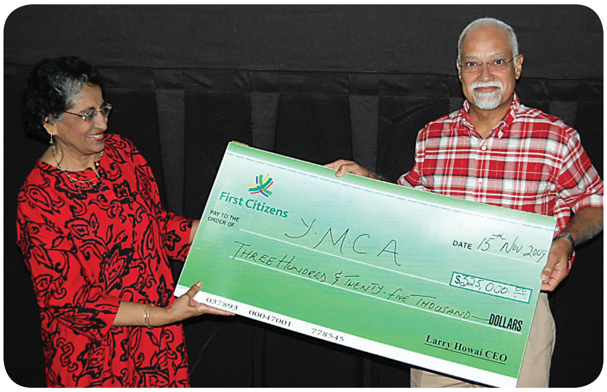
Maria Regina boys emerged victorious as they edged Patna River Estate out in Division 2

Michael Lopez – President, Royhil Seals Water Polo Club, presents Dunross Preparatory School with their first place trophy for Division 1 Female

GIVING SWIMMING A FUTURE

The First Citizens Group has invested considerably towards the brainchild of the Tobago YMCA with the construction of a 25-metre swimming pool, one of two community pools, at Courland Estate, Tobago.

The construction of these pools will be of great benefit to the people of Tobago since there are no public swimming pool facilities on the island. Tobagonians can now benefit from a superior swimming facility equipped to train our talented young athletes. First Citizens is proud to be a part of yet another first in Tobago.



Former first lady Zalayhar Hassanali, patron of the YMCA Tobago, receives a sponsorship cheque from Mario Young - Assistant General Manager, Retail Banking

Dale Mohammed - Community Relations Officer, congratulates Beverly Joseph - Aquatic Director for Tobago YMCA while two young swimmers enjoy the pool

Senior aquarobics

THEY'RE OFF AND RUNNING!

First Citizens got 2010 off to a flying start with one of the premier events on the racing calendar–New Years Day at the *Races*–held at Arima Race Club under the Patronage of His Excellency, Professor George Maxwell Richards.

Since 2004, the Group has supported the rich heritage of quality racing in T&T and was once again proud to be the major sponsor of this highlight of the racing calendar.

Overall, *Race Day* was a whopping success as punters queued to place bets on their favorite thoroughbreds. First Citizens staff also took the opportunity to establish and build relationships with new and existing customers and stakeholders.

(L-R) Samuel A. Martin – Chairman, and Sharon Christopher – Deputy CEO, present the trophy for the *First Citizens Sian's Gold Sprint* to Hugh Leong Poi Jr., owner of *Filcher*

(L-R) Rawdon Kanta Persad accepts the trophy for the *First Citizens First Classic* on behalf of his wife, Joanne, owner of *Treasure Hunt*, from Sekou Mark – General Manager, Corporate Banking

(L-R) Mr. and Mrs. Pierpont Scott receive the First trophy of the year from First Citizens Director, Inskip Pollonais

T&T'S SOCA PRINCESSES PLAY BALL

First Citizens joined with the Trinidad and Tobago Football Federation (TTFF) and other corporate sponsors to launch the *4-Nation Tournament* at the Hyatt Regency, Port of Spain.

The *4-Nation Tournament* comprised of the Under 17 Women's Football teams from Canada, Jamaica, Mexico and Trinidad and Tobago, competing in six games, over three days in February at the Mannie Ramjohn Stadium, Marabella.

The tournament aimed at creating public awareness for both the National Under 17 Women's Football team as well as the upcoming FIFA Under 17 Women's World Cup being held in Trinidad and Tobago later in the year.

T&T's team, aptly dubbed the *Soca Princesses*, placed third in the tournament but played with heart and soul.

First Citizens as always was pleased to demonstrate its commitment, not only to sport, but also to our youth, women and community by being involved in initiatives such as this.

(L-R) Oliver Camps – President TTFF; Anique Walker – T&T National Women's U-17 Women's Football Team; Dale Mohammed – Community Relations Officer, First Citizens; Rehana Omardeen – T&T National Women's U-17 Women's Football Team; and Jack Warner – Vice President FIFA & Special Advisor TTFF

RALLYING AROUND WEST INDIES CRICKET

"For those of us accustomed to the glory days of West Indies Cricket, the last few years have not been easy. I can empathize with this because when my organization, First Citizens, was formed, very few gave us any chance of surviving in a competitive marketplace."

So said Group CEO, Larry Howai, when he addressed guests at the WIPA Awards held in June at the Hyatt Regency Trinidad. This is the seventh consecutive year that First Citizens has sponsored the Awards, which recognize the best in West Indies Cricket.

Citing the example of First Citizens own struggle to create a good reputation and track record in the early days, to being named *Bank of the Year* in 2009 by three international magazines, Mr. Howai encouraged the players and administrators to make "radical adjustments" if they wished to create a bright future for West Indies Cricket.

(L-R) Group CEO, Larry Howai; Jamaican cricketer Stefanie Taylor – West Indies Female Cricketer of the Year; Ravi Sarwan, brother of Ramnaresh Sarwan – West Indies Cricketer of the Year; and Deputy CEO, Sharon Christopher

(L-R) President and CEO of WIPA, Dinanath Ramnarine; Larry Howai; Daren Ganga; The Honourable Prime Minister of the Republic of Trinidad & Tobago, Kamla Persad-Bissessar; Chief Justice of Trinidad & Tobago, Ivor Archie; and The Honourable Minister of Sport & Youth Affairs, Anil Roberts

1st place winners Franklyn Dubay and Rawle Ramsingh pose with Lily Herai – Vice President, Couva/Point Lisas Chamber and Vashti Phekoo – Senior Manager, Commercial Banking Centre, Chaguanas

ON PAR FOR A GOOD CAUSE

Couva is known as the oldest sugar village in Trinidad. To commemorate its historical involvement in the sugar industry, the *Sugar & Energy Festival*, which was founded by the Couva/Point Lisas Chamber of Commerce, celebrated its fourteenth year at Gilbert Park Grounds, California.

This year First Citizens was the major sponsor of the Golf Tournament, which took place at the Sevilla Golf Course. The tournament attracted a large field of participants with over 40 teams registered. At the end of the day the team of Franklyn Dubay and Rawle Ramsingh emerged as the winners.

First Citizens participated in the Festival as a corporate citizen to promote the spirit of community through sports and culture, while promoting both local and regional tourism. All proceeds from the tournament will be used to assist with the construction of the Couva/Point Lisas Chamber of Commerce building.

ABOVE AND BEYOND

Above And Beyond was the theme for this year's Sports Awards, which was hosted by the First Citizens Sports Foundation at the Hyatt Regency in the early part of the year. Now in its forty-sixth year, the Sports Awards recognized 84 of this country's most outstanding Sportsmen and Sportswomen who have all gone above and beyond in their various disciplines.

The ceremony was capably hosted by Camille Salandy and cricket icon, Ian Bishop, as 51 senior athletes, representing 29 sporting disciplines, crossed the stage to be recognized for their outstanding performances.

The night's first award, the *Lystra Lewis Team Award*, was copped by the T&T Cricket Team for their outstanding performance at the 20/20 Airtel Tournament in India. The sport of cricket received its second recognition for the night when the T&T Cricket Board of Control walked away with the Jeffrey Stollmeyer Award for the *Best Administration* in 2009.

Huge emphasis was again placed on the term "sportsmanship" and how its elements apply to all involved in sports. In this segment, four trophies were awarded for *Fair Play*: The Interact Club of Bishop Anstey High School East for School – *Extra Curricular Team*; Janae Alexander of St. Francois Girls' College for School – *Individual Student*; Reynold Leigh Tang Wing of Victory in the World Outreach Ministry for *Community Group – Individual*; and the Dragon Boat Racing Programme of Bishop Anstey and Trinity College East – *School Development Programme*.

T&T's promising young stars then got their moment in the spotlight as an astounding 26 athletes were featured, 10 of whom made the final cut. It was, however, the young and talented hurdler, Jehue Gordon, who was named the *2009 Youth of the Year*.

Excitement filled the Hyatt's ballroom as the pivotal moment of the show arrived: the announcement of the Top Ten Nominees of 2009. The room exploded with applause as the *First Citizens 2009 Sportsman and Sportswoman*, Renny Quow and Josanne Lucas, were finally named. A sea of green and white confetti showered down, heralding another chapter in the pages of sports history.

(L-R) The Honourable Orville London and Mrs. Duke of the THA pose with the *First Citizens 2009 Sportsman and Sportswoman* recipients, Rupert Quow, representing his son Renny Quow, and Josanne Lucas, together with Group CEO - Larry Howai, and Sports Foundation Chairman, Hayden Newallo

Edwin Skinner, Sports Foundation Panelist, presents the T&T Cricket Team with the Top Team Award

A smiling Jehue Gordon is presented with the 2009 Youth Award by the newest member of the Sports Foundation, Maria Nunes

Posing with The Big Cheque! (L-R) Raffique Shah – Technical Advisor for the UWI SPEC International Half Marathon; The Honourable Anil Roberts, Minister of Sport and Youth Affairs; Dexter Charles – Manager of Group Corporate Communications; Professor Clement Sankat – Principal of the University of the West Indies, St Augustine Campus; Jason Julien - General Manager of First Citizens Investment Services Limited; and Dr. Iva Gloudon – Director of Sport and Physical Education, University of the West Indies, St. Augustine Campus

First Citizens staff in high spirits as they start the 2009 race

GOING THE DISTANCE

Since its inception in 1994, the *UWI Spec International Half Marathon* has grown considerably in popularity (and so has the First Citizens support!). Moving from the sponsorship of a few category races, to opening our Branches as registration venues for the first time in 2006, to becoming a presenting sponsor, the Group's contribution now stands at $450,000.

In 2009 the 13.1-mile race attracted over 900 local, regional and international athletes. The Kenyan nationals dominated the race, with Alfonsi Kibor Yatich winning in the male category in a time of 1:06.47, and Mary Akor clinching the women's title in a time of 1:18.46.

Our association with this highly anticipated event is in keeping with the Group's commitment to promoting healthy lifestyles through sport and physical activity. Several First Citizens staff members readily accepted the UWI Half Marathon Challenge, competing in the First Citizens staff category. The results are as follows:

1st Place (Professional category): Joel Bharat

Male:

1st Place:	Deodath Harrikissoon – Siparia Branch
2nd Place:	Gerard Stephens – Treasury/ITC
3rd Place:	Kush Maharaj – Arima Branch

Female:

1st Place:	Judy-Ann Stewart – Group Operational Risk and Compliance
2nd Place:	Falomi Marcano – St. James Branch
3rd Place:	Margaret Jones – St. Vincent Street

2009 Winner of the Male Category, Alfonsi Kibor Yatich, receives his trophy from former Minister of Sport & Youth Affairs, The Honourable Gary Hunt

Warren Sookdar - Chief Information Officer, Information and Communications Technology, presents 2009 winner of the Women's Category, Mary Akor, with her trophy

The Art of Service
Creating Milestones in Customer Experience

THE MASTERY OF SERVICE EXCELLENCE

The Art of Service has become a hallmark of the First Citizens Group's success stories. Nothing shows the power of this united attention to customer needs more than the Bank's recent win of three prestigious international awards, and the 'thumbs up' recognition from the Office of the Financial Services Ombudsman for the impressive reduction in customer complaints on all fronts.

How were we able to accomplish this? Across the Group's network we sought to make each internal and external customer interaction a memorable experience. We closed the three year Service Excellence Strategy period with the roll out of the Service Quality Institute's *Loyal For Life Service Recovery Training and Operating Policy* that focused on client loyalty and retention. This was followed by staff participation in the team building fun event, the *Good Idea* campaign.

The Executive Sponsor, Sharon Christopher, the Deputy Chief Executive Officer, proudly recognized and commended 53 new trainers in Service Recovery, over 1,200 staff trained in handling customer complaints, and the winning Branches, Units and individuals who submitted ideas to improve the First Citizens Customer Experience.

In mastering *The Art of Service*, the employees of First Citizens, together with colleagues from CMMB (now First Citizens Investment Services), took a quantum leap forward. The Bank is now the first indigenous bank in the English-speaking Caribbean to be voted **Best Bank** by three leading international financial publications in the same year: *The Banker*, *Latin Finance* and *World Finance.*

Recognition from the Financial Services Ombudsman was also a significant achievement in the period. This was due to the decrease in complaints reported to the Ombudsman's office, which fell by more than 60% and represented less than 9% of all complaints for the banking industry.

Once again our customers were high in praise for the quality of service received at several of our Branches and Units, and openly complimented staff, resulting in an increase of more than 200% in customer service compliments.

Two customers commented as follows:

> *"This serves to record my overwhelming satisfaction with the fantastic customer service I continue to receive from First Citizens… The customer service representative was on the phone with me, step by step, helping me sort out an emergency situation while I was stranded overseas. She worked closely with my home branch to help me transfer funds I needed to get back home to Trinidad. In addition, I wish to thank and commend First Citizens staff, for whom no emergency request is ever too much. First Citizens staff are, quite simply, amazing! My comments may sound effusive, but they come from my heart and First Citizens is the very best!"*

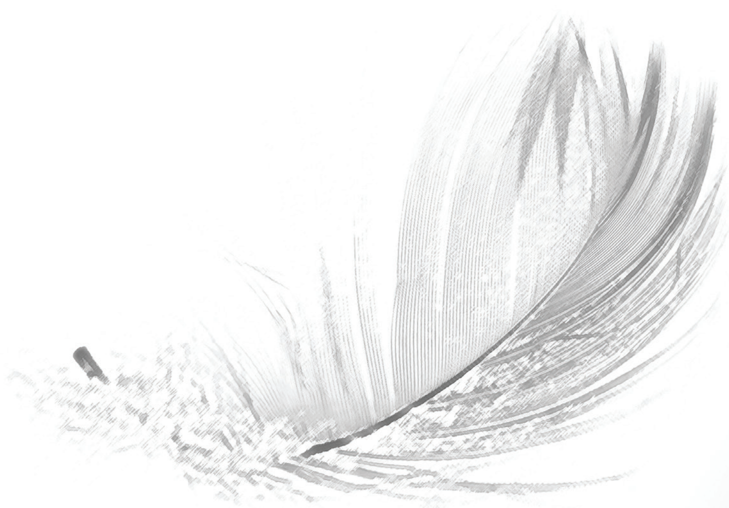
> *"It was so ironic that I am at times hired by a company to mystery shop. Today, 16.06.2010, I came into your Tobago branch to transact my own personal business. However I met one of your staff and I was very impressed. She was polite, attentive, warm and direct. During my transactions she also offered me other services which I did not come to do but she kept selling and not in an obtrusive manner at all. Why this is ironic is because 10 minutes earlier I had gone to another financial institution as a Mystery Shopper, and everything I was looking for the CSR* did not do*! Well done First Citizens."*

What can we look forward to in the new financial year and beyond, as we step boldly into a future of financial uncertainty and global competitiveness for an ever-shrinking market?

The First Citizens Group, with its highly-driven and well-trained team of customer service professionals, will focus on institutionalizing and branding its service through superior, memorable customer service and continued promotion of "Customer Advocacy" where our clients will be the centre of building a culture of loyal, long-lasting customer relationships.

FIRST CITIZENS: Serving First Citizens with Excellence!

examine



Financial Statements

Independent Auditor's Report

To the shareholders of First Citizens Bank Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Citizens Bank Limited (the Bank) and its Subsidiaries (together, the Group), which comprise the consolidated statement of financial position as of 30 September, 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 September, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pricewaterhouse Coopers

PricewaterhouseCoopers
Port of Spain
Trinidad, West Indies
22 December, 2010

Consolidated Statement of Financial Position
Expressed in Trinidad and Tobago Dollars

	Notes	2010 $'000	As at 30 September 2009 $'000 Restated	2008 $'000 Restated
ASSETS				
Cash and due from other banks	5	711,333	1,313,744	1,328,424
Statutory deposits with Central Bank	6	3,366,484	2,537,537	1,817,886
Financial assets				
- Available-for-sale	7(a)	9,216,438	10,095,083	4,120,508
- Held-to-maturity	7(b)	1,955,782	452,175	—
- Designated at fair value	7(c)	2,848	2,363	—
- Loans and receivables less allowances for losses:				
Loans to customers	8	8,426,214	7,424,403	6,443,429
Other loans and receivables	9	1,808,810	1,909,358	—
Loan notes	10	2,744,071	2,534,613	1,074,583
Finance leases	11	5,424	7,513	12,513
Other assets	12	312,793	423,328	284,606
Investment in joint ventures	13	14,185	12,115	9,693
Investment in associate	14	110,422	113,325	109,080
Due from parent company		1,977	1,890	1,552
Tax recoverable		28,971	28,131	6,873
Property, plant and equipment	15	393,348	400,888	374,177
Intangible assets	16	156,886	177,973	—
Retirement benefit asset	17	278,377	280,055	260,042
TOTAL ASSETS		29,534,363	27,714,494	15,843,366
LIABILITIES				
Customers' deposits	19	15,999,103	15,335,879	9,427,736
Other funding instruments	20	5,519,290	4,984,134	833,164
Derivative financial instruments	21	16,527	—	—
Due to other banks		169,318	452,460	557,766
Creditors and accrued expenses		194,386	298,629	184,470
Taxation payable		—	6,331	8,257
Bonds payable	22	2,470,678	2,382,209	2,090,578
Deferred income tax liability	18	207,375	99,274	11,624
Notes due to parent company	23	58,000	58,000	58,000
TOTAL LIABILITIES		24,634,677	23,616,916	13,171,595
CAPITAL AND RESERVES ATTRIBUTABLE TO THE PARENT COMPANY'S EQUITY HOLDERS				
Share capital	24	640,000	640,000	340,000
Statutory reserve	25	699,282	697,968	370,025
Retained earnings		2,434,768	1,942,343	1,847,316
Reserves		1,125,636	817,267	114,430
TOTAL SHAREHOLDERS' EQUITY		4,899,686	4,097,578	2,671,771
TOTAL EQUITY AND LIABILITIES		29,534,363	27,714,494	15,843,366

The notes on pages 80 to 149 form an integral part of these consolidated financial statements.

On 14 December 2010, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue. Comparative information has been restated to correct certain prior period errors (note 2.27).

Director: ______________ Director: Dunleip Potmais

Consolidated Income Statement
Expressed in Trinidad and Tobago Dollars

	Notes	Year Ended 30 September 2010 $'000	2009 $'000 Restated
Interest income	26	1,709,420	1,648,755
Interest expense	27	(539,775)	(712,421)
Net Interest Income		1,169,645	936,334
Fees and commissions	28	200,124	129,073
(Loss)/Gain on sale of available-for-sale financial assets		(1,040)	10,610
Foreign exchange gains	29	59,268	62,424
Other income		13,988	75,804
Total Net Income		1,441,985	1,214,245
Impairment loss on loans to customers, net of recoveries	8(c)	(110,823)	(114,543)
Impairment loss on other financial assets		(26,381)	(3,270)
Administrative expenses	30	(362,177)	(285,471)
Other operating expenses	31	(285,163)	(205,842)
Operating Profit		657,441	605,119
Share of profit in associate	14	11,618	13,857
Share of profit in joint ventures		2,071	2,419
Profit Before Taxation		671,130	621,395
Taxation	32	(44,449)	(69,297)
Profit Attributable To Equity Holders Of The Company		626,681	552,098

The notes on pages 80 to 149 form an integral part of these consolidated financial statements. Comparative information has been restated to correct certain prior period errors (note 2.27).

Consolidated Statement of Comprehensive Income
Expressed in Trinidad and Tobago Dollars

	Year Ended 30 September 2010 $'000	Year Ended 30 September 2009 $'000 Restated
Profit for the year	626,681	552,098
Other Comprehensive Income		
Exchange difference on translation	10,038	484
Revaluation of available-for-sale assets net of tax	299,057	737,696
Revaluation of property, plant and equipment net of tax	2,494	(30,975)
Transfer of reserve on sale of property, plant and equipment	—	223
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(3,220)	(3,699)
Total Other Comprehensive Income	**308,369**	**703,729**
Total Comprehensive Income for the year attributable to the Equity Holders for the Company	**935,050**	**1,255,827**

The notes on pages 80 to 149 form an integral part of these consolidated financial statements. Comparative information has been restated to correct certain prior period errors (note 2.27).

Consolidated Statement of Changes in Equity
Expressed in Trinidad and Tobago Dollars

	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Revaluation Surplus $'000	Exchange on Translation $'000	Retained Earnings $'000	Total $'000
Balance at 1 October 2009							
• as previously reported	640,000	697,968	894,544	82,508	879	1,942,343	4,258,242
Adjustment for fair valuation on Business Combination	—	—	(160,664)	—	—	—	(160,664)
Balance as restated as at 1 October 2009	640,000	697,968	733,880	82,508	879	1,942,343	4,097,578
Total comprehensive Income for the period							
Profit for the year	—	—	—	—	—	626,681	626,681
Other comprehensive income							
Exchange difference on translation	—	—	—	—	10,038	—	10,038
Fair value gains transferred to income on disposal of financial assets	—	—	8,173	—	—	—	8,173
Revaluation of available- for-sale assets	—	—	290,884	—	—	—	290,884
Fair value on business combination							
Revaluation of property, plant and equipment	—	—	—-	2,494	—	—	2,494
Share of associates and joint ventures	—	—	(3,220)	—	—	—	(3,220)
Total Comprehensive Income	—	—	295,837	2,494	10,038	626,681	935,050
Transfer to statutory reserve	—	1,314	—	—	—	(1,314)	—
Dividends	—	—	—	—	—	(132,942)	(132,942)
Balance at 30 September 2010	640,000	699,282	1,029,717	85,002	10,917	2,434,768	4,899,686

The notes on pages 80 to 149 form an integral part of these consolidated financial statements. Comparative information has been restated to correct certain prior period errors (note 2.27).

Consolidated Statement of Changes in Equity *(continued)*
Expressed in Trinidad and Tobago Dollars

	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Revaluation Surplus $'000	Exchange on Translation $'000	Retained Earnings $'000	Total $'000
Balance at 1 October 2008							
• as previously reported	340,000	370,025	(117)	114,152	395	1,750,671	2,575,126
Adjustment for tax losses	—	—	—	—	—	96,645	96,645
Balance as restated as at 1 October 2008	340,000	370,025	(117)	114,152	395	1,847,316	2,671,771
Total comprehensive Income for the period							
Profit for the year	—	—	—	—	—	552,098	552,098
Other comprehensive income							
Exchange difference on translation	—	—	—	—	484	—	484
Revaluation of available-for-sale assets	—	—	737,696	—	—	—	737,696
Revaluation of property, plant and equipment	—	—	—	(30,975)	—	—	(30,975)
Transfer of reserve on sale of property, plant and equipment	—	—	—	(669)	—	892	223
Share of associates and joint ventures	—	—	(3,699)	—	—	—	(3,699)
Total Comprehensive Income	—	—	733,997	(31,644)	484	552,990	1,255,827
Transfer to statutory reserve	—	327,943	—	—	—	(327,943)	—
Capital Injection	300,000	—	—	—	—	—	300,000
Dividends	—	—	—	—	—	(130,020)	(130,020)
Balance at 30 September 2009	640,000	697,968	733,880	82,508	879	1,942,343	4,097,578

The notes on pages 80 to 149 form an integral part of these consolidated financial statements. Comparative information has been restated to correct certain prior period errors (note 2.27).

Consolidated Statement of Cash Flow
Expressed in Trinidad and Tobago Dollars

	Year Ended 30 September 2010 $'000	2009 $'000 Restated
Profit before taxation	671,130	621,395
Adjustments to reconcile profit to net cash provided by operating activities:		
Share of profit in associate	(11,618)	(13,857)
Share of profit in joint ventures	(2,071)	(2,419)
Interest income	(1,709,420)	(1,648,755)
Interest received	1,875,651	1,569,483
Interest expense	539,775	712,421
Interest paid	(657,080)	(677,930)
Depreciation and amortisation	59,543	48,873
Gain on disposal of property, plant and equipment	(114)	564
Write off of negative goodwill on acquisition	—	(14,218)
Loss/(gain) on sale of available-for-sale financial assets	1,040	(10,610)
Amortisation of premium on investment securities	3,460	8,564
Amortisation of bond issue cost	377	3,212
Impairment/Amortisation of intangible asset	21,087	4,218
Impairment loss on other financial assets	26,381	3,270
Net pension income	8,884	(13,873)
Net movement in allowance for loan loss	110,823	114,543
Cashflows from operating activities before changes in operating assets and liabilities	937,848	704,882
Net change in loans to customers	(1,114,010)	(1,115,280)
Net change in finance leases	2,089	5,000
Net change in customers' deposits	663,224	5,908,143
Net change in other funding instruments	570,823	4,063,202
Net change in other assets	(67,154)	(69,721)
Net change in due from parent company	(87)	(338)
Net change in statutory deposits with Central Bank	(828,947)	(719,651)
Dividends received	67	6,930
Net change in creditors and accrued expenses	(26,520)	49,603
Pension contributions paid	(7,206)	(6,140)
Taxes paid	(32,519)	(27,586)
Net cash flow from operating activities	97,608	8,799,045

Consolidated Statement of Cash Flow *(continued)*
Expressed in Trinidad and Tobago Dollars

	Notes	Year Ended 30 September 2010 $'000	2009 $'000 Restated
Cash Flows From Investing Activities			
Purchase of financial assets			
- Available-for-sale		(4,095,868)	(11,597,289)
- Held-to-maturity		—	(454,982)
- Designated at fair value		(950)	—
- Other loans and receivables		—	(1,942,098)
Proceeds from sale of financial assets			
- Available-for-sale		3,845,751	6,381,580
- Held-to-maturity		51,308	2,519
- Designated at fair value		397	—
- Other loans and receivables		89,725	29,533
Repayment on loan notes receivable		76,307	113,880
Proceeds from CBTT loan notes		(285,765)	(1,573,910)
Net change in short-term investments		(359,018)	(58,849)
Proceeds from disposal of property, plant and equipment		1,112	4,579
Acquisition of Subsidiary, net cash acquired		—	7,296
Purchase of property, plant and equipment		(49,675)	(113,471)
Net cash flow from investing activities		(726,676)	(9,201,212)
Cash Flows From Financing Activities			
Repayment of bonds		(425,017)	(117,100)
Capital injection		—	300,000
Proceeds from issue of bonds		500,000	390,000
Ordinary dividend paid		(130,020)	(130,020)
Preference dividend paid		(2,922)	(2,922)
Net cash flow from financing activities		(57,959)	439,958
Effect of exchange rate changes		8,740	(6,015)
Net (decrease)/increase in cash and cash equivalents		(678,287)	31,776
Cash and cash equivalents at beginning of year		791,936	760,160
Cash and cash equivalents at end of year	5	113,649	791,936

The notes on pages 80 to 149 form an integral part of these consolidated financial statements. Comparative information has been restated to correct certain prior period errors (note 2.27).

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).

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 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 transfers also involved the issue of long-term notes by Taurus Services Limited (note 10 (i)), the Central Bank of Trinidad and Tobago (the Central Bank) and Holdings (note 10 (ii)). These non-transferable notes have floating rates of return with an interest rate floor. Additionally, funding support through long-term borrowings issued by the Central Bank was received and the Bank has been successful in obtaining concessionary waivers of interest and principal payments. In September 2007, the Bank repaid these amounts to the Central Bank.

The Bank and its wholly owned subsidiary, First Citizens Asset Management Limited incorporated in Trinidad and Tobago, are engaged in the business of banking and financial intermediation including the provision of mortgages for residential and commercial properties, plant and equipment leasing, merchant banking and asset management services. First Citizens Securities Trading Limited (incorporated in Trinidad and Tobago), also a wholly owned subsidiary of the Bank, is engaged in the provision of financial management services. First Citizens (St. Lucia) Limited a wholly owned subsidiary of the Bank, incorporated under the laws of St. Lucia, has been established as an offshore financial vehicle for the Bank and its subsidiaries. First Citizens Trustee Services Limited (incorporated in Trinidad and Tobago) is also a wholly owned subsidiary of the Bank and is engaged in providing trustee, administration and paying agency services for pension plans, bonds and mutual funds. First Citizens Financial Services (St. Lucia) Limited a wholly owned subsidiary of the Bank, incorporated under the laws of St. Lucia, has been established to conduct selected banking and financial service operations in the Caribbean Region.

Due to financial difficulties experienced by CL Financial Limited (CLF), a major conglomerate in Trinidad and Tobago, the GORTT intervened pursuant to a Memorandum of Understanding (MoU) with CLF, to protect the interests of policy holders, depositors and creditors of CLF's financial services arm. As part of this intervention, the GORTT directed the Group to acquire Caribbean Money Market Brokers Limited (CMMB). The Group assumed control of CMMB effective 2 February 2009. In 2010, CMMB was renamed First Citizens Investment Services Limited.

First Citizens Investment Services Limited is incorporated in the Republic of Trinidad and Tobago. Its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago. The registered office is 1 Richmond Street, Port of Spain, Trinidad and Tobago.

In the prior year, the Group also acquired 100% of the equity shareholding of First Citizens Brokerage and Advisory Services Limited (formerly CMMB Securities and Asset Management Limited (CMMBSAM)). This acquisition was not part of the MoU between the GORTT and CLF and was separate from the acquisition of First Citizens Investment Services Limited. First Citizens Brokerage and Advisory Services Limited is incorporated in the Republic of Trinidad and Tobago and its principal business activity includes dealing in securities on the Trinidad and Tobago Stock Exchange. In addition, the Company also conducts other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

1 General Information *(continued)*

The Group has a 25% investment in a joint venture entity, Infolink Services Limited, and a 14.29% investment in another entity, Trinidad & Tobago Inter Bank Payment System Limited (TTIPS). Infolink's principal activity is the provision of automated banking machine reciprocity whilst that of TTIPS is the operation of an automated clearings house.

The Group also has a 19% investment in an associate, St. Lucia Electricity Services Limited, the principal activity of which is the provision of electrical power to consumers. St. Lucia Electricity Services Limited was incorporated under the laws of St. Lucia on 9 November 1964 and re-registered as a public company on 11 August 1994. The company was also registered under the Companies Act of St. Lucia on 22 October 1997. The company operates under the Electricity Supply Act, 1994 (as amended), and has an exclusive licence for the exercise and performance of functions relating to the supply of electricity in St. Lucia. The company is listed on the Eastern Caribbean Securities Exchange. The Company's registered office is situated at Sans Souci, John Compton Highway, Castries, St. Lucia.

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.

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). 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 and derivative financial instruments.

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.

(a) Standards, amendment and interpretations which are effective and have been adopted by the Group:

The following standards, amendments and interpretations are effective and have been adopted by the Group in the current year.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also conforms to the revised standard.

- IAS 23 (amendment), 'Borrowing costs'. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. IAS 23 (amendment) does not have an impact on the Group's financial statements in the current year, as there were no qualifying assets for the periods reported on.

2 Summary Of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Standards, amendment and interpretations which are effective and have been adopted by the Group: *(continued)*

- IAS 39 and IFRS 7 (amendment), 'Reclassification of financial assets'. This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through income by the entity upon initial recognition) out of the fair value through income category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. This amendment does not have any significant impact on the Group's financial statements in the current year, as there were no reclassifications between these categories for the period.

- IFRS 3, 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This standard did not have a significant impact on the Group's financial statements since there were no business combinations for the period.

- IAS 27, 'Consolidated and separate financial statements' This revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This standard did not have any significant impact on the Group's financial statements since there were no transactions with non controlling interests for the period.

- IFRS 7, 'Financial instruments – Disclosures' (amendment), requires enhanced disclosures about fair value measurement and liquidity risk. The Group adopted the amendment to IFRS 7 from 1 October 2009. This amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

  - Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

  - 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) (Level 2).

  - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

  The adoption of the amendment resulted in additional disclosures being included in the Group's financial statements in relation to these items.

2 Summary Of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Standards, amendment and interpretations which are effective and have been adopted by the Group: *(continued)*

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). This amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. This amendment did not significantly impact the financial statements of the Group for the period.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). This amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. This amendment did not give rise to any significant changes to the financial statements of the Group for the period.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). Where an investment in an associate is accounted for in accordance with IAS 39 'Financial instruments: Recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7 'Financial instruments: Disclosures'. The amendment did not have any significant impact on the Group's operations since investments in associates are not accounted for in accordance with IAS 39.

- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment did not have any significant impact on the Group's operations since interests held in joint ventures are not accounted for in accordance with IAS 39.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment did not result in additional disclosures in the Group's financial statements since fair value less costs to sell was not calculated on the basis of discounted cash flows for the assessment of impairment.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment did not have a significant impact on the Group's financial statements for the period.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

    - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

2 Summary Of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Standards, amendment and interpretations which are effective and have been adopted by the Group: *(continued)*

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009) *(continued)*

  - The definition of a financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

  - The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

  - When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

  This amendment did not have a significant impact on the Group's financial statements for the period.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from the measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

  The Group applied IAS 19 (Amendment) from 1 October 2009. This amendment did not have a significant impact on the Group financial statements for the period.

- IFRIC 17, 'Distribution to non-cash assets to owners'. IFRIC 17 addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss.

  Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of IFRIC 17 has no impact on the consolidated financial statements of the Group for the period.

2 Summary Of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards, amendments and interpretations which are effective but which are not relevant to the Group's operations:

The following standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2009 but which are not relevant to the Group's operations:

- IFRS 8, 'Operating segments' (effective from 1 January 2009).
- IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment) Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009).
- IAS 40 (Amendment), Investment Property (and consequential amendment to IAS 16), (effective from 1 January 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IFRS 2 (Amendment), Share based payments (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IFRIC 9 and IAS 39 (Amendment) 'Embedded derivatives' (effective from 1 July 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).
- IFRIC 18, 'Transfers of assets from customers' (effective 1 July 2009).

(c) 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 are effective for accounting periods beginning on or after 1 January 2010 but have not been early adopted by the Group.

- IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective 1 January 2013). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be 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.
  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

2 Summary Of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

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

- ° All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group is assessing the impact of this standard and will apply from 1 October 2013.

- IAS 24 (Revised), 'Related party disclosures' (effective from 1 January 2011). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It provides a partial exemption from the disclosure requirements for government-related entities. The Group will adopt this standard from 1 October 2011 and it is expected that the exemption will not be claimed.

- IFRIC 19, 'Extinguishing Financial Liabilities with Equity instruments' (effective 1 July 2010). This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The Group will be adopting the interpretation from 1 October 2010.

2.2 Consolidation

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and its wholly owned subsidiaries, First Citizens Securities Trading Limited, First Citizens Asset Management Limited, First Citizens (St. Lucia) Limited, First Citizens Trustee Services Limited, First Citizens Financial Services (St. Lucia) Limited, First Citizens Investment Services Limited, First Citizens Investment Services (Barbados) Limited and First Citizens Brokerage and Advisory Services Limited. 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.

(b) Investment in subsidiaries

Subsidiaries are all entities, (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group. They are de-consolidated from the date on which control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective acquisition date or up to the effective date on which control ceases as appropriate.

2 Summary Of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(c) Business combinations and goodwill

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. A business combination is a transaction or other event in which the acquirer obtains control of one or more businesses. Under IFRS 3 a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to participants. A business generally consists of inputs and resulting outputs that are or will be used to generate revenue.

Business combinations are accounted for using the purchase method of accounting. The cost of the acquisition is the consideration given in exchange for control over the identifiable assets, liabilities and contingent liabilities of the acquired company. The consideration includes the cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. Contingent consideration arrangements are included in the cost of acquisition at fair value. Directly attributable transaction costs are expensed in the current period and are reported in administrative expenses.

The acquired net assets, being the assets, liabilities and contingent liabilities, are initially recognised at fair value. Where the group does not acquire 100% ownership of the acquired company non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to the non-controlling interest. Goodwill is recorded as the surplus of the cost of acquisition over the Group's interest in the fair value of the acquired net assets. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired company in the functional currency of that company. Goodwill is not amortised, but is assessed for possible impairment at the year end and is additionally tested annually for impairment.

Goodwill may also arise upon investments in associates, being the surplus of the cost of the investment over the Group's share of the fair value of the net identifiable assets. Such goodwill is recorded within investment in associates.

Changes in ownership interest in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

(d) Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gain or losses on disposal to non-controlling interest are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of comprehensive income as profit or loss attributable to non-controlling interests.

(e) Investment in joint ventures

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, however not necessarily, through entities that are subject to joint control.

Investments in joint ventures are accounted for using the equity method of accounting. These investments are initially recorded at cost and the carrying amount is increased or decreased to recognise the Group's share of profits or losses.

2 Summary Of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(f) 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 accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also 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. Dilution gains and losses in associates are recognised in the consolidated income statement.

2.3 Foreign currency translation

(a) 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$ 6.273=US$1.00 (2009: TT$6.3076=US$1.00), which represent the Group's closing rate.

(b) 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 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 equity. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 Summary Of Significant Accounting Policies *(continued)*

2.3 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. 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.

2.4 Derivative financial instruments

Derivative financial instruments including swaps are initially recognised in the consolidated statement of financial position at cost (including transaction costs) and are subsequently re-measured at their fair values. 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.

The carrying values of the interest rate swap, which will vary in response to changes in market conditions, are recorded as assets or liabilities with the corresponding resultant charge or credit in the consolidated income statement.

2.5 Financial assets and financial liabilities

2.5.1 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:

(i) Those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates at fair value through profit or loss;

(ii) Those that the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale;

(iii) Those for which the holder may not recover substantially all its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers or as loan notes. Interest on loans is included in the consolidated income statement under interest income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement under impaired loss on loan and receivables net of recoveries.

2 Summary Of Significant Accounting Policies *(continued)*

2.5 Financial assets and financial liabilities *(continued)*

2.5.1 Financial assets *(continued)*

(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 that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value and subsequently carried at fair value with gains and losses being recognised in the consolidated statement of comprehensive income except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

(c) 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.

The Group also designates certain financial assets upon initial recognition as fair value through profit or loss (fair value option). This designation cannot be subsequently changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

(i) The application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or

(ii) The financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis.

(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, other than:

(i) those that the Group upon recognition designates at fair value through profit or loss

(ii) those that the Group designates as available-for-sale

(iii) those that meet the definition of loans and receivables

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and are measured subsequently at amortised cost, using the effective interest method.

2 Summary Of Significant Accounting Policies *(continued)*

2.5 Financial assets and financial liabilities *(continued)*

2.5.2 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.

2.5.3 Recognition and derecognition 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.

2.5.4 Determination of fair value

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regular occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

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

2.6 Reclassification

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the available-for-sale category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair values at the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

2 Summary Of Significant Accounting Policies *(continued)*

2.7 Impairment of financial assets

(a) 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) Delinquency in contractual payments of principal or interest;

(ii) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);

(iii) Breach of loan covenants or conditions;

(iv) Initiation of bankruptcy proceedings;

(v) Deterioration of the borrower's competitive position;

(vi) Deterioration in the value of collateral; and

(vii) Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three (3) months and twelve (12) months; in exceptional cases, longer periods are warranted.

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.

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.

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.

2 Summary Of Significant Accounting Policies *(continued)*

2.7 Impairment of financial assets *(continued)*

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

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.

(b) 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 in determining whether 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. 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.

(c) 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.

2.8 Impairment of non-financial assets

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

2.9 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.

2 Summary Of Significant Accounting Policies *(continued)*

2.10 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.

2.11 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 Bank has substantially all the risk and rewards of ownership are classified as finance leases.

(a) 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.

(b) 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.

To date, the Group has not entered into operating leases over the Group's assets.

2.12 Property, plant and equipment

Freehold premises are shown at fair value based on assessments performed by management or by independent valuators when considered necessary, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less depreciation. The valuations of freehold premises are 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.

2 Summary Of Significant Accounting Policies *(continued)*

2.12 Property, plant and equipment *(continued)*

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.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (depreciation charged to the consolidated income statement) and depreciation based on the asset's original cost is transferred from fair value reserve to retained earnings.

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 at varying rates to allocate the cost of the assets to their residual value.

The following rates are used:

Buildings	2% straight line
Equipment and furniture	20% to 25% straight line
Computer equipment and motor vehicles	20% to 33.3% straight line
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 taken into account in determining operating profit. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

2.13 Income tax

Current income tax is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised in the consolidated income statement for the period except to the extent it relates to items recognised directly in equity. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Business Levy is calculated for the Trinidad and Tobago entities at a rate of 0.2% of gross receipts. This amount is payable only if higher than the current year's assessment for Corporation Tax.

2 Summary Of Significant Accounting Policies *(continued)*

2.13 Income tax *(continued)*

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by at the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

However, the 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.

The principal temporary differences arise from depreciation on property, plant and equipment, the defined benefit asset, tax losses carried forward, revaluation gains/losses on available-for-sale financial assets and the amortisation of zero coupon instruments.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of available-for-sale investments, which are charged or credited to other comprehensive income, is also credited or charged to other comprehensive income and is subsequently recognised in the consolidated income statement together with the deferred gain or loss.

2.14 Employee benefits

(a) 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.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who value the plans annually. The liability recognised in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the date of the consolidated financial position less the fair value of the plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligations are charged or credited to income over the employees’ expected average remaining working life. Past service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

(b) 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.

2 Summary Of Significant Accounting Policies *(continued)*

2.15 Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise of cash balances on hand, deposits with other banks and short-term highly liquid investments with maturities of three months or less when purchased.

2.16 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 actual purchase price. Interest income includes coupons earned on fixed income investments, loans and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts.

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.

2.17 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.

2.18 Dividend income

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

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

2 Summary Of Significant Accounting Policies *(continued)*

2.20 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.

2.21 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.

2.22 Dividend distribution

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note.

2.23 Preference shares

Preference shares on which dividends are declared at the discretion of the directors are classified as equity.

2.24 Provisions

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

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

2.25 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 their estimated useful economic life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

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

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

2 Summary Of Significant Accounting Policies *(continued)*

2.25 Intangible assets *(continued)*

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other Intangible assets

The other intangible assets mainly relates to a brand acquired in a business combination. 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 which flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

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

2.26 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.

2.27 Restatement of comparatives

Where necessary comparative figures have been adjusted to take into account changes in presentation in the current year as well as the restatements required for correction of the following prior period errors:

(i) Adjustment to recognise a deferred tax asset for unutilised tax losses;

(ii) Adjustment to recognise fair value adjustments on the business combination;

(iii) Adjustment to record deferred tax arising from the business combination (note 38).

(i) Deferred tax asset on tax losses

The parent company had accumulated tax losses for which no deferred tax asset was recognised. However, as the same entity had sufficient temporary differences which will result in taxable amounts against which the unused tax losses can be utilised, the deferred tax asset should have been recognised. The following adjustments were required to correct the prior period error:

2 Summary Of Significant Accounting Policies *(continued)*

2.27 Restatement of comparatives *(continued)*

(i) Deferred tax asset on tax losses *(continued)*

	$'000
Effect on 2008 Balance Sheet:	
Deferred tax asset as previously reported	21,091
Adjustment to recognise deferred tax asset	96,645
Deferred tax asset as restated	**117,736**
Total shareholders' equity as previously reported	2,575,126
Adjustment to increase deferred tax asset	96,645
Total shareholders' equity as restated	**2,671,771**
Total assets as previously reported	15,864,457
Adjustment to increase deferred tax asset	96,645
Total assets as restated	**15,961,102**
Effect on 2009 Balance Sheet:	
Deferred Tax Asset as previously reported	18,971
Adjustment to book 2008 deferred tax asset on losses (above)	96,645
Reversal of deferred tax asset write-off in 2009	21,091
Adjustment to utilise losses for taxable profit	(32,620)
Adjustment to recognise deferred tax on Business Combination as per 2.26 (iii) below	23,153
Deferred tax asset as restated	**127,240**

(ii) Fair value adjustment on business combination

As at the date of acquisition of the First Citizens Investment Services Limited (formerly CMMB) (note 38), the carrying amounts of the assets and liabilities acquired were adjusted to their fair values to determine and record the Goodwill. However, in the consolidated financial statements for the year ended 30 September 2009, these amounts were recorded at book values and not using the fair values as at the date of acquisition as required by IFRS. Consequently, the adjustments required to unwind the fair value uplift on held-to-maturity assets and other funding instruments were omitted. The following adjustments were required to correct the above:

Effect on 2009 Balance Sheet:	$'000
Held-to-maturity financial assets as previously reported	481,204
Adjustment to book fair value at date of acquisition	(39,300)
Amortisation of fair value recognised to 30 September 2009	10,271
Held-to-maturity financial assets as restated	**452,175**

2 Summary Of Significant Accounting Policies *(continued)*

2.27 Restatement of comparatives *(continued)*

(ii) Fair value adjustment on business combination *(continued)*

	$'000
Intangible assets as previously reported	208,531
Adjustment to goodwill for deferred tax recognised on business combination as per 2.27 (iii)	(30,558)
Intangible assets as restated	**177,973**
Property, plant and equipment as previously reported	410,918
Adjustment to record fair value on acquisition	(10,030)
Property, plant and equipment as restated	**400,888**
Other funding instruments as previously reported	4,896,366
Adjustment to book fair value at date of acquisition	111,334
Amortisation of fair value recognised to 30 September 2009	(23,566)
Other funding instruments as restated	**4,984,134**
Reserves as previously reported	977,931
Adjustment to book fair value at date of acquisition for held-to-maturity finanical assets	(39,300)
Adjustment to book fair value at date of acquisition for other funding instruments	(111,334)
Adjustment to book fair value at date of acquisition for property, plant & equipment	(10,030)
Reserves as restated	**817,267**

(iii) Deferred tax recognised on business combination

The fair value uplift and amortisation of fair value noted in 2.27 (ii), would have resulted in a deferred tax asset as at the date of acquisition of the business combination. The following adjustments were required to record the above:

	$'000
Deferred tax asset as previously reported	18,971
Deferred tax on held-to-maturity financial assets fair value adjustment at date of acquisition	9,824
Deferred tax on other funding instruments fair value adjustment at date of acquisition	27,834
Deferred tax on intangible assets recognised at date of acquisition	(7,100)
Deferred tax on amortization of fair value adjustment on held-to-maturity financial assets	(2,568)
Deferred tax on amortization of fair value adjustment on other funding instruments	(5,891)
Deferred tax on amortization of intangible asset (Brand)	1,054
Net adjustments recognised on deferred tax asset on unutilised tax losses per 2.27 (i)	85,116
Deferred tax asset as restated	**127,240**

2 Summary Of Significant Accounting Policies *(continued)*

2.27 Restatement of comparatives *(continued)*

(iii) Deferred tax recognised on business combination *(continued)*

	$'000
The effect of the above restatements on Shareholders' Equity, Total Assets and Profit For the Year is as follows:	
Total assets as previously reported	27,803,082
Net adjustments to deferred tax asset as per 2.27 (i)	85,116
Net adjustments to fair value at date of acquisition of Business Combination per 2.27 (ii)	(69,617)
Net adjustments to deferred tax on the Business Combination as per 2.27 (iii)	23,153
Total assets as restated	**27,841,734**
Total shareholders' equity as previously reported	4,146,694
Net adjustments to deferred tax asset as per 2.27 (i)	85,116
Net adjustments to fair value at date of acquisition of Business Combination per 2.27 (ii)	(157,385)
Net adjustments to deferred tax on the Business Combination as per 2.27 (iii)	23,153
Total shareholders' equity as restated	**4,097,578**
Profit for the year as previously reported	537,195
Net adjustments to deferred tax asset as per 2.27 (i)	(11,529)
Net adjustments to fair value at date of acquisition of Business Combination per 2.27 (ii)	33,837
Net adjustments to deferred tax on the Business Combination as per 2.27 (iii)	(7,405)
Profit for the year as restated	**552,098**

3 Financial Risk Management

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

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

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

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

3 Financial Risk Management *(continued)*

3.1 Credit risk

Credit exposures arise 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 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 managed by obtaining collateral and corporate and personal guarantees.

3.1.1 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-wide Risk Committee (SMERC), the Chief Executive Officer (CEO), the Credit Administration Department 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 CEO monitors the effectiveness of credit procedures and policies and may direct changes to strategies to improve the effectiveness of policies. The major focus of the Credit Administration Department 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 Criteria; Credit Risk Rating; Controls Risk Mitigants over the Credit Portfolio and Credit Concentration among others.

3.1.2 Credit risk measurement

As part of the on-going process of prudent risk management, the Group 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.

3.1.3 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

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Credit classification system *(continued)*

(b) Debt securities and other bills

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

(c) Other financial assets

In measuring credit risk of 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. They have been developed internally and combine statistical analysis with credit officer judgment. Clients 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. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

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. Observed defaults per rating category vary year on year, especially over an economic cycle.

3.1.4 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, or 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.

(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 fraction 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.

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

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

(c) Country exposure limits

Exposure limits have been established for selected countries which are considered to be within the Group's off-shore catchment area and/or 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.

(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

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 security items 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 in arrears as per the Credit Policy.

(e) 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.

3.1.5 Impairment and provisioning policies

The Group impairment provision policy is covered in detail in Note 2.7.

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 impairment 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.

3 Financial Risk Management *(continued)*

3.1 Credit Risk *(continued)*

3.1.6 Maximum exposure to credit risk before collateral held or other credit enhancement

	Gross maximum exposure 2010 $'000	Gross maximum exposure Restated 2009 $'000
Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows:		
Cash and due from other bank	711,333	1,313,744
Statutory Deposit with Central Bank	3,366,484	2,537,537
Financial assets		
Available-for-sale	9,168,213	9,975,166
Less impairment allowance	(12,824)	(530)
Held-to-maturity	1,955,782	452,175
Loans to customers	8,788,091	7,674,081
Less: impairment allowance	(361,877)	(249,678)
Other loans and receivable	1,839,485	1,998,343
Less: impairment allowance	(30,675)	(88,985)
Loan notes	2,744,071	2,534,613
Finance leases	5,424	7,513
Interest receivable	117,357	295,046
	28,290,864	26,449,025
Credit risk exposures relating to off balance sheet financial assets are as follows:		
Credit commitments	415,257	1,355,812
Total Credit Risk Exposure	28,706,121	27,804,837

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.

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

3.1.7 Loans to customers and other financial assets

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

	30 September 2010					
	Loans to customers $'000	Other loans & receivables $'000	Financial assets available for sale $'000	Held to maturity $'000	Loan notes $'000	Finance leases $'000
Neither past due nor impaired	6,231,797	1,505,146	9,157,073	1,955,782	2,744,071	6,326
Past due but not impaired	2,016,042	297,615	3,361	—	—	86
Individually impaired	634,588	36,724	7,779	—	—	—
Gross	8,882,427	1,839,485	9,168,213	1,955,782	2,744,071	6,412
Unearned interest	(94,336)	—	—	—	—	(988)
Less: Allowance for impairment	(361,877)	(30,675)	(12,824)	—	—	—
Net	8,426,214	1,808,810	9,155,389	1,955,782	2,744,071	5,424

	30 September 2009 – Restated					
	Loans to customers $'000	Other loans & receivables $'000	Financial assets available for sale $'000	Held to maturity $'000	Loan notes $'000	Finance leases $'000
Neither past due nor impaired	5,551,859	1,751,143	9,944,048	452,175	2,464,223	9,675
Past due but not impaired	1,687,958	157,649	31,118	—	70,390	—
Individually impaired	569,479	89,551	—	—	—	—
Gross	7,809,296	1,998,343	9,975,166	452,175	2,534,613	9,675
Unearned interest	(135,215)	—	—	—	—	(2,162)
Less: Allowance for impairment	(249,678)	(88,985)	(530)	—	—	—
Net	7,424,403	1,909,358	9,974,636	452,175	2,534,613	7,513

The terms of the agreement under which the Group acquired First Citizens Investment Services Limited (FCISL) included certain financial assurances provided by the Government of the Republic of Trinidad and Tobago that will ensure that the Group is reimbursed for any losses suffered due to failure to recover balances due to the Group from CL Financial Limited and its affiliates at the date of acquisition of FCISL. The Liquidity Support Agreement then signed considers that such losses will include capitalised interest accruing from the date FCISL was acquired by the Group to the greater of the maturity date of the obligation or 6 years from the date of the acquisition. All reasonable claims in respect of these amounts are expected to be settled within 30 days of submission provided the Group has made all reasonable efforts to recover or resist such claims.

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

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

(a) Neither past due nor impaired

The credit quality of the portfolio of loans to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

	30 September 2010				
	Loans		Total Loans	Loan Note	Finance leases
	$'000	$'000	$'000	$'000	$'000
	Individual	Corporate			
Standard	1,604,811	4,626,986	**6,231,797**	2,744,071	6,326
Special Mention	—	—	—	—	—
	1,604,811	4,626,986	**6,231,797**	2,744,071	6,326

	30 September 2009 - Restated				
	Loans		Total Loans	Loan Note	Finance leases
	$'000	$'000	$'000	$'000	$'000
	Individual	Corporate			
Standard	1,404,011	4,147,749	**5,551,760**	2,464,223	9,675
Special Mention	99	—	**99**	—	—
	1,404,110	4,147,749	**5,551,859**	2,464,223	9,675

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

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

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

(a) Neither past due nor impaired *(continued)*

	30 September 2010		
	Individual (retail customers) $'000	**Corporate $'000**	**Total $'000**
Instalment loans	620,235	—	620,235
Demand loans	123,647	4,257,183	4,380,830
Overdrafts	5,740	87,606	93,346
Credit cards	206,817	—	206,817
Mortgages	648,372	282,197	930,569
Loans to customers	1,604,811	4,626,986	6,231,797
Impairment allowance	(32,025)	(19,597)	(51,622)
Loans net of impairment	**1,572,786**	**4,607,389**	**6,180,175**
Finance leases	—	6,326	6,326
Other loans and receivables	36,527	1,468,619	1,505,146
Available-for-sale	—	9,157,073	9,157,073
Impairment allowance	—	(5,046)	(5,046)
Held-to-maturity	—	1,955,782	1,955,782
Loan notes	—	2,744,071	2,744,071

	30 September 2009 - Restated		
	Individual (retail customers) $'000	**Corporate $'000**	**Total $'000**
Instalment loans	585,591	—	585,591
Demand loans	105,688	3,706,366	3,812,054
Overdrafts	5,994	86,640	92,634
Credit cards	171,838	—	171,838
Mortgages	534,999	354,743	889,742
Loans to customers	1,404,110	4,147,749	5,551,859
Impairment allowance	(35,076)	(41,330)	(76,406)
Loans net of impairment	**1,369,033**	**4,106,419**	**5,475,452**
Finance leases	—	9,675	9,675
Other loans and receivables	59,698	1,691,445	1,751,143
Available-for-sale	—	9,944,048	9,944,048
Held-to-maturity	—	452,175	452,175
Loan notes	—	2,464,223	2,464,223

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

3.1.7 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 that were past due but not impaired are as follows:

30 September 2010	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	171,111	16,941	3,692	—	191,744
Demand loans	63,295	14,281	1,226	953	79,755
Overdrafts	17,083	593	22	—	17,698
Credit cards	—	5,743	—	—	5,743
Mortgages	421,905	39,285	9,070	4,071	474,331
Sub-Total	673,394	76,843	14,010	5,024	769,271
Impairment allowance	(10,757)	(1,382)	(208)	(28)	(12,375)
Corporate					
Large corporate customers	665,290	58,626	13,925	—	737,841
Mortgages	463,827	34,823	6,246	4,034	508,930
Sub-Total	1,129,117	93,449	20,171	4,034	1,246,771
Impairment allowance	(8,724)	(685)	(115)	(5)	(9,529)
Total loans to customers	1,802,511	170,292	34,181	9,058	2,016,042
Available-for-sale financial assets	3,361	—	—	—	3,361
Other Loans and Receivables	—	—	—	297,615	297,615
Finance Lease	86	—	—	—	86
Fair value of collateral					
Individual (retail customers)	1,360,604	76,520	13,302	4,774	1,455,200
Corporate	2,378,490	123,118	31,953	8,995	2,542,556

Included in other loans and receivables above are the amounts of $297.6 million which are past due but are not considered impaired as they are the subject of the Liquidity Support Agreement signed between the Government of the Republic of Trinidad and Tobago and the Group. The Group is engaged in discussions with CL Financial Limited and its affiliates in an effort to recover on these amounts and has continued to accrue interest on these amounts at rates at least equivalent to market rates of interest for similar term risk free investments.

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

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

(b) Past due but not impaired *(continued)*

30 September 2009 – Restated	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	172,905	20,439	5,370	—	198,714
Demand loans	61,577	8,966	11,583	4,166	86,292
Overdrafts	15,694	531	667	—	16,892
Credit cards	—	5,846	—	—	5,846
Mortgages	379,076	23,281	5,578	3,710	411,645
Sub-Total	629,252	59,063	23,198	7,876	719,389
Impairment allowance	(11,576)	(1,125)	(471)	(234)	(13,406)
Corporate					
Large corporate customers	564,016	16,399	37,529	—	617,944
Mortgages	324,252	22,721	3,652	—	350,625
Sub-Total	888,268	39,120	41,181	—	968,569
Impairment allowance	(6,791)	(181)	(334)	(27)	(7,333)
Total loans to customers	1,517,520	98,183	64,379	7,876	1,687,958
Available-for-sale financial assets	31,118	—	—	—	31,118
Impairment allowance	(530)	—	—	—	(530)
Loan notes	70,390	—	—	—	70,390
Other Loans and Receivables	—	—	—	157,649	157,649
Fair value of collateral					
Individual (retail customers)	2,394,440	60,652	21,717	22,024	2,498,833
Corporate	1,814,478	35,373	33,144	—	1,882,995

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

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

(c) Individually impaired

	Individual (retail customers)					Corporate		Total
30 September 2010	**Instalment $'000**	**Demand Loans $'000**	**Overdrafts $'000**	**Credit Cards $'000**	**Mortgages $'000**	**Large Corporate Customers $'000**	**Mortgages $'000**	**$'000**
Loans to customers	28,828	8,531	922	10,491	7,468	566,497	11,851	634,588
Impairment allowance	(21,400)	(2,222)	(19)	(365)	(2,779)	(256,303)	(5,262)	(288,350)
Fair value of collateral	18,193	10,974	335	—	13,256	622,337	23,613	688,708
Available-for-sale	—	—	—	—	—	7,779	—	7,779
Impairment Allowance	—	—	—	—	—	(7,779)	—	(7,779)
Other loans & receivables	13,498	—	—	—	—	23,226	—	36,724
Impairment allowance	(11,043)	—	—	—	—	(19,632)	—	(30,675)
30 September 2009 – Restated								
Loans to customers	26,695	4,326	981	8,056	14,002	511,312	4,107	569,479
Impairment allowance	(20,078)	(1,941)	(652)	(2,824)	(1,790)	(124,840)	(408)	(152,533)
Fair value of collateral	7,775	5,684	355	—	18,838	707,199	12,472	762,323
Available-for-sale	—	—	—	—	—	—	—	—
Other loans & receivables	2,361	—	—	—	—	87,190	—	89,551
Impairment Allowance	(1,795)	—	—	—	—	(87,190)	—	(88,985)

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.

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

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

(d) Loans and advances 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.

	2010 $'000	2009 $'000
Renegotiated loans and advances to customer continuing to be impaired after restructuring	210,520	—
Non-impaired after restructuring-would otherwise have been impaired	—	314,355
Non-impaired after restructuring-would otherwise not have been impaired	1,103,478	1,302,047
Total	1,313,999	1,616,402

3.1.8 Credit quality of other loans and receivables, available-for-sale and held-to-maturity securities

The table below represents an analysis of other loans and receivables, available-for-sale and held-to-maturity securities, by internal and equivalent rating agency designation.

30 September 2010 S&P	Other loans & receivables $'000	Available-for-sale securities $'000	Held-to-maturity $'000
A- to AAA	1,422,443	5,644,174	1,160,531
BBB- to BBB+	—	917,986	302,906
Lower than BBB-	386,347	1,785,158	492,345
Unrated	—	808,071	—
	1,808,810	9,155,389	1,955,782

30 September 2009 – Restated S&P	Other loans & receivables $'000	Available-for-sale securities $'000	Held-to-maturity $'000
A- to AAA	434,038	5,847,007	119,675
BBB- to BBB+	—	2,129,636	—
Lower than BBB-	1,475,320	1,995,002	332,500
Unrated	—	2,991	—
	1,909,358	9,974,636	452,175

3 Financial Risk Management *(continued)*

3.1 Credit risk *(continued)*

3.1.9 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.

3.1.10 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Group's main credit exposure of loans as categorised by industry sectors of counter parties.

	2010 Gross Maximum Exposure ($'000)	2009 Gross Maximum Exposure Restated ($'000)
Loans and receivables:		
Consumer	1,200,468	1,112,239
Agriculture	12,574	12,343
Petroleum	557,347	385,992
Manufacturing	556,764	122,178
Construction	3,505,622	2,342,877
Distribution	113,388	128,735
Hotels and guest houses	475,982	42,678
Transport, storage and communications	144,513	185,454
Finance, insurance and real estate	6,605,397	5,612,907
Other business services	768,921	1,255,403
Personal services	51,437	11,020
Real estate mortgages	1,933,147	1,670,121
Government related	8,608,050	9,916,675
Finance leases	5,424	9,675
	24,539,034	22,808,297

3.2 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The 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 Credit and Risk Management department who submit reports to the Senior Management Enterprise Risk Committee on a regular basis. Additionally, on a monthly basis, the Market Risk Committee reviews and approves the yield curves used to value all investment securities, derivatives and trading liabilities.

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)*

3.2 Market risk *(continued)*

3.2.1 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$ 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

As at 30 September 2010	**TT$ $'000**	**US$ $'000**	**OTHER $'000**	**TOTAL $'000**
Financial Assets				
Cash and due from other banks	218,486	214,164	278,683	711,333
Financial assets:				
- Available-for-sale	5,246,922	3,565,742	403,774	9,216,438
- Held-to-maturity	483,724	564,581	907,477	1,955,782
- Other loans and receivables	684,093	953,406	171,311	1,808,810
- Loans and receivables less allowances for losses:				
Loans to customers	6,483,432	1,936,509	6,273	8,426,214
Loan notes	1,855,215	888,856	—	2,744,071
Total Financial Assets	**14,971,872**	**8,123,258**	**1,767,518**	**24,862,648**
Financial Liabilities				
Customers' deposits	11,785,763	3,980,269	233,071	15,999,103
Other funding instruments	1,964,270	2,573,664	981,356	5,519,290
Derivative financial instruments	—	16,527	—	16,527
Due to other banks	—	134,485	34,833	169,318
Bonds payable	1,406,550	1,064,128	—	2,470,678
Total Financial Liabilities	**15,156,583**	**7,769,073**	**1,249,260**	**24,174,916**
Net on balance sheet position	(184,711)	354,185	518,258	687,732
Off balance sheet items	168,271	23,551	70	191,892
Credit commitments	271,900	143,357	—	415,257
As at 30 September 2009 – Restated				
Total Financial Assets	12,951,359	9,163,500	1,614,517	23,729,376
Total Financial Liabilities	12,855,515	9,219,832	1,079,335	23,154,682
Net on balance sheet position	95,844	(56,332)	535,182	574,694
Off balance sheet items	203,179	700	—	203,879
Credit commitments	547,370	808,442	—	1,355,812

3 Financial Risk Management *(continued)*

3.2 Market risk *(continued)*

3.2.1 Currency risk *(continued)*

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Euros, Eastern Caribbean Dollars and Yen.

If the TT$ appreciates by 1% against the US$, the profit would increase by $3.4 million (2009: $5.5 million). One percent was considered a reasonable possible shift since the US$ rate has not changed by more than 1% year-on-year over the past 3 years.

3.2.2 Interest rate risk

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

The Group's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate.

The strategy employed to achieve this involves the active pricing of deposit and loan products, increasing market share of loans and funding, diversifying portfolios, changing the mix of products in accordance with market trends and reducing funding mismatch through long-term instruments.

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

As at 30 September 2010

	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	455,252	627	88,697	—	—	166,757	711,333
Statutory deposits with Central Bank	235,475	562,938	218,789	102,566	—	2,246,716	3,366,484
Financial assets:							
- Available-for-sale	244,350	411,215	815,388	2,224,050	5,460,386	61,049	9,216,438
- Other loans and receivables	24,715	89,398	1,233,186	461,511	—	—	1,808,810
- Held-to-maturity	5,775	70,050	179,951	533,721	1,166,285	—	1,955,782
- Designated at fair value	—	—	—	—	—	2,848	2,848
Loan to customers and finance leases	826,155	649,219	1,491,843	3,943,910	1,882,388	—	8,793,515
Loan loss provision	—	—	—	—	—	(361,877)	(361,877)
Loan notes	1,859,675	—	73,700	294,798	515,898	—	2,744,071
Total Financial Assets	**3,651,397**	**1,783,447**	**4,101,554**	**7,560,556**	**9,024,957**	**2,115,493**	**28,237,404**
Financial Liabilities							
Due to other banks	118,711	—	50,381	—	—	226	169,318
Customers' deposits	11,091,765	2,110,633	2,622,530	173,929	246	—	15,999,103
Other funding instruments	892,852	1,686,249	1,813,030	1,117,950	9,209	—	5,519,290
Derivative financial instrument	—	—	16,527	—	—	—	16,527
Bonds payable	—	—	564,570	993,372	906,550	6,186	2,470,678
Notes due to parent company	—	—	—	—	—	58,000	58,000
Total Financial Liabilities	**12,103,328**	**3,796,882**	**5,067,038**	**2,285,251**	**916,005**	**64,412**	**24,232,916**
Interest Sensitivity Gap	**(8,451,931)**	**(2,013,435)**	**(965,484)**	**5,275,305**	**8,108,952**		

3 Financial Risk Management *(continued)*

3.2 Market risk *(continued)*

3.2.2 Interest rate risk *(continued)*

As at 30 September 2009 - Restated

	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	719,717	78,902	331,998	—	—	183,127	1,313,744
Statutory deposits with Central Bank	187,125	376,527	—	102,567	—	1,871,318	2,537,537
Financial assets:							
- Available-for-sale	434,274	705,123	564,129	1,928,477	6,342,633	120,447	10,095,083
- Other loans and receivables	95,248	511,666	904,786	397,658	—	—	1,909,358
- Held-to-maturity	—	128,766	124,800	198,609	—	—	452,175
- Designated at fair value	—	—	—	—	—	2,363	2,363
Loan to customers and finance leases	1,038,696	1,307,348	1,585,792	2,408,114	1,341,644	—	7,681,594
Loan loss provision	—	—	—	—	—	(249,678)	(249,678)
Loan notes	1,576,517	—	73,700	294,798	589,598	—	2,534,613
Total Financial Assets	**4,051,577**	**3,108,332**	**3,585,205**	**5,330,223**	**8,273,875**	**1,927,577**	**26,276,789**
Financial Liabilities							
Due to other banks	452,460	—	—	—	—	—	452,460
Customers' deposits	9,874,422	2,190,952	3,018,439	242,798	412	8,856	15,335,879
Other funding instruments	1,495,090	1,311,159	1,033,446	1,113,547	11,893	—	4,984,134
Bonds payable	300,000	—	—	1,687,900	390,000	4,309	2,382,209
Notes due to parent company	—	—	—	—	—	58,000	58,000
Total Financial Liabilities	**12,121,972**	**3,502,111**	**4,051,885**	**3,063,245**	**402,305**	**261,975**	**23,212,682**
Interest Sensitivity Gap	**(8,070,395)**	**(393,779)**	**(466,680)**	**2,266,978**	**7,871,570**		

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. This is managed using computer simulations of rising and falling interest rates, and the matching of funding sources with the relevant financing.

A 100 basis point increase in interest rates will cause an increase in profit of $1.5 million (2009: $10.6 million).

3.2.3 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 this current period (2009: nil).

3 Financial Risk Management *(continued)*

3.3 Liquidity risk

The liquidity risk is the risk that the Group will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and 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 Department and monitored by the Group's Asset and Liability Commitee (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 techniques 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.

3.3.1 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 2010	Up to 1 month $'000	1 to 3 months $'000	3 t o12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities						
Due to banks	119,122	—	52,823	—	—	171,945
Customers' deposits	11,103,612	2,135,094	2,664,812	186,370	399	16,090,286
Other funding instruments	888,064	887,605	1,705,863	2,140,714	10,546	5,632,792
Derivative financial instrument	—	—	16,527	—	—	16,527
Bonds payable	21,183	—	695,042	1,385,689	980,305	3,082,219
Notes due to parent company	58,000	—	—	—	—	58,000
Total Financial Liabilities	**12,189,981**	**3 022,699**	**5,135,067**	**3,712,773**	**991,250**	**25,051,770**
Total Financial Assets	**3,891,921**	**1,941,234**	**4,915,992**	**10,851,658**	**15,585,143**	**37,185,949**

3 Financial Risk Management *(continued)*

3.3 Liquidity risk *(continued)*

3.3.1 Financial assets and liabilities *(continued)*

As at 30 September 2009 – Restated	Up to 1 month $'000	1 to 3 months $'000	3 t o12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities						
Due to banks	453,157	—	—	—	—	453,157
Customers' deposits	9,835,931	2,204,764	3,070,209	281,024	3,307	15,395,235
Other funding instruments	1,721,821	1,345,730	2,918,693	1,117,953	14,050	7,118,247
Bonds payable	334,829	—	126,222	2,068,661	563,433	3,093,145
Notes due to parent company	58,000	—	—	—	—	58,000
Total Financial Liabilities	**12,403,738**	**3,550,494**	**6,115,124**	**3,467,638**	**580,790**	**26,117,784**
Total Financial Assets	**4,576,520**	**3,009,367**	**5,187,771**	**9,674,761**	**12,380,780**	**34,829,199**

3.3.2 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.

3.3.3 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 2010	Up to 1 month $'000	1 to 3 months $'000	3 t o12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	415,257	—	—	—	—	415,257
Acceptances	1,532	158	85	74	—	1,849
Guarantees	83,511	29,725	8,754	43,154	1,859	167,003
Letters of credit	2,308	4,473	3,250	13,009	—	23,040
Operating leases	—	—	—	56,005	31,687	87,692
Capital commitments	—	—	52,238	—	—	52,238
Total	502,608	34,356	64,327	112,242	33,546	747,079

3 Financial Risk Management *(continued)*

3.3 Liquidity risk *(continued)*

3.3.3 Off balance sheet items *(continued)*

As at 30 September 2009 – Restated	Up to 1 month $'000	1 to 3 months $'000	3 t o12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	1,355,812	—	—	—	—	1,355,812
Acceptances	184	346	—	—	—	530
Guarantees	119,568	13,438	8,522	24	—	141,552
Letters of credit	61,797	—	—	—	—	61,797
Operating leases	—	—	17,517	29,170	1,024	47,711
Capital commitments	—	—	35,237	—	—	35,237
Total	1,537,361	13,784	61,276	29,194	1,024	1,642,639

3.4 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 2010 totalled $10,530 million (2009: $8,720 million).

3.5 Capital management

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

- To comply with the capital requirement set by the regulators under the Financial Institutions Act (2008);
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To ensure that the Group can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Group is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of the regulatory capital are monitored monthly by the ALCO Committee, 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 and 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 managed by

- 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.

3 Financial Risk Management *(continued)*

3.5 Capital management *(continued)*

Tier 1 (Core) Capital

	2010 $'000	2009 $'000 Restated
Share capital	536,400	536,400
Statutory reserve	699,282	697,968
Retained earnings	2,434,768	1,942,343
Total Tier 1	3,670,450	3,176,711
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	1,125,636	817,267
Eligible reserve provision	92,055	86,101
Total Tier 2 Capital	1,321,291	1,006,968
Total Capital	4,991,741	4,183,679
Ratios		
Risk adjusted assets	10,831,324	11,401,357
Qualifying capital to risk adjusted assets	46.09%	36.69%
Core capital to qualifying capital	73.53%	75.93%

3.6 Fair value of financial assets and liabilities

(a) 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 as at an amount other than their fair value.

	Carrying Value		Fair Value	
	2010 $'000	2009 $'000 Restated	2010 $'000	2009 $'000 Restated
Financial Assets				
Cash and due from other banks	711,333	1,313,744	711,333	1,313,744
Statutory Deposits with Central Bank	3,366,484	2,537,537	3,366,484	2,537,537
Financial assets: -				
- Loans and receivables less allowance for loan losses:				
-Loans to customers	8,426,214	7,424,403	8,899,246	9,001,830
-Held-to-maturity	1,955,782	452,175	1,969,940	473,709
-Other Loans and receivables	1,808,810	1,909,358	1,808,810	1,909,358
-Loan notes	2,744,071	2,534,613	3,080,636	2,846,951
-Finance leases	5,424	7,513	7,047	9,277

3 Financial Risk Management *(continued)*

3.6 Fair value of financial assets and liabilities *(continued)*

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

	Carrying Value		Fair Value	
	2010 $'000	**2009 $'000 Restated**	**2010 $'000**	**2009 $'000 Restated**
Financial Liabilities				
Customers' deposits	15,999,103	15,335,879	16,085,989	15,363,478
Other funding instruments	5,519,290	4,984,134	5,080,802	4,423,809
Bonds payable	2,470,678	2,382,209	2,798,215	2,584,143
Notes due to related companies	58,000	58,000	58,000	58,000
Off Balance Sheet				
Acceptances	—	—	1,849	530
Guarantees	—	—	167,003	141,552
Letters of credit	—	—	23,040	61,797

The fair values of the Group's financial instruments are determined in accordance with International Accounting Standard (IAS) 39 "Financial instruments: Recognition and Measurement".

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 equal to fair value include cash and due from other banks and statutory deposits with the Central Bank.

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 quoted market prices for securities with similar credit, maturity and yield characteristics.

Other loans and receivables

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's 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.

3 Financial Risk Management *(continued)*

3.6 Fair value of financial assets and liabilities *(continued)*

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

Bonds payable

The fair value of the Series A, Series B and the TT$500 million bonds is calculated using discounted cash flow analysis assuming the 'yield-to-call' method of valuation. These bonds carry fixed interest rates and have been discounted using the prevailing market rate of similar instruments. However, the fair value of the US$ denominated bonds is based on quoted market prices.

Note due to parent company

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

(b) 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 2010	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Assets				
Financial assets designated at fair value				
- Equity securities	2,848	—	—	2,848
Available-for-sale financial assets:				
- Investment securities – debt	1,772,227	5,591,374	1,791,788	9,155,389
- Investment securities – equity	56,262	—	4,787	61,049
	1,828,489	5,591,374	1,796,575	9,216,438
Total Financial Assets	1,831,337	5,591,374	1,796,575	9,219,286
Financial Liabilities				
Derivative financial instrument	16,527	—	—	16,527
Total Financial Liabilities	16,527	—	—	16,527

3 Financial Risk Management *(continued)*

3.6 Fair value of financial assets and liabilities *(continued)*

(b) Fair value hierarchy *(continued)*

As at 30 September 2009	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Financial assets designated at fair value				
- Equity securities	2,363	—	—	2,363
Available-for-sale financial assets:				
- Investment securities – debt	1,941,409	5,085,311	2,947,916	9,974,636
- Investment securities – equity	115,127	—	5,320	120,447
	2,056,536	5,085,311	2,953,236	10,095,083
Total Financial Assets	2, 058,899	5,085,311	2,953,236	10,097,446

There were no transfer between Level 1 and Level 2 during the year.

Reconciliation of level 3 Items

	Available-for-sale		Total Assets
	Debt Securities $'000	Equity Securities $'000	$'000
Opening Balance	2,947,916	5,320	2,953,236
Total Losses			
- Other Comprehensive Income	—	(533)	(533)
Transfer to held-to-maturity	(1,558,472)	—	(1,558,472)
Transfer into or out of Level 3	402,444	—	402,444
Balance as at 30 September 2010	**1,791,788**	**4,787**	**1,796,575**

In 2010, the Group reclassified certain investments amounting to $1,545.5 million from available-for-sale to held-to-maturity. The investments being reclassified represent securities that the Group has held from its original purchase date.

3.7 Deferred day 1 profit/loss

The Group policy is not to recognise day 1 gains or losses in the consolidated financial statements.

4 Critical Accounting Estimates

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 'yield-to-call' method to determine the fair value of available-for-sale financial assets not traded in active markets. This method uses a risk free yield curve at the year end and an imputed credit spread which is based on the profile of the financial asset – term, duration, call option, etc. as determined by management. The 'yield-to-call' method discounts the cashflows of the financial assets based on the assumption that those assets with embedded call options will be called by the issuer at the first opportunity. The carrying amount of available-for-sale financial assets would decrease by $478.3 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2009: $67 million).

(b) 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.

Future cashflows for the individually significant loans and loans in arrears are estimated based on credit reviews performed by management. For loans that form part of the portfolio that is assessed on a collective basis for impairment, future cashflows are determined by reference to the contractual terms of the relevant loan.

If the Group's estimation of the loss experience on the portfolio were adjusted by 1% upwards, the impairment provision for loans and receivables would increase by $23.3 million (2009: $42.4 million).

(c) 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 $1,955 million (2009: $452 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 fair value of investments would increase by $14.1 million, with a corresponding entry in other comprehensive income.

Reclassification

A decision was taken by one of the Group's subsidiaries to reclassify certain investments amounting to $1,545.5 million from available-for-sale to held-to-maturity at an effective date of 30 September 2010.

The basis for this reclassification was a change in the intention of the subsidiary to hold these instruments to maturity subsequent to the acquisition of the subsidiary by the Group. This relationship has strengthened the funding profile of the subsidiary thus improving its ability to hold these instruments to maturity.

The investments being reclassified represent securities that the Group has held from its original purchase date.

4 Critical Accounting Estimates *(continued)*

(d) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the Group's provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Management has made estimates of tax deductions based on current information available. If these deductions were to be different from management's estimate, such differences may impact the current income tax in the period by $41.0 miilion (2009: $40.7 million).

(e) Retirement benefits

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

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank 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 Bank considers the 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 the terms of the related pension liability.

(f) Fair valuation of properties

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

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If the value of the properties were to reduce or increase by 5%, the property values would reduce to $244.1 million or increase to $269.8 million in the consolidated financial statements.

(g) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.25(a). 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 Cash And Due From Other Banks

	2010 $'000	2009 $'000
Cash and bank balances	131,091	696,031
Short-term investments	580,242	617,713
	711,333	1,313,744
Short-term investments:		
- Maturity within 3 months	151,876	548,365
- Maturity over 3 months	428,366	69,348
	580,242	617,713

The average effective interest rate on short-term bank deposits was 1.17 % (2009: 2.64%); these deposits havean average maturity of 90 days (2009: 90 days).

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

Cash and bank balances	131,091	696,031
Short-term investments – maturity within 3 months	151,876	548,365
Due to other banks	(169,318)	(452,460)
	113,649	791,936

6 Statutory Deposits With Central Bank

Under the provisions of the Financial Institutions Act 2008, 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 2010, the current ratio was 17% for First Citizens Bank Limited and 9% for First Citizens Asset Management Limited. Under the provisions of the Act, the requirement 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 $884.3 million as at year end (2009: $666.2 million) and carries an average interest rate of 1.5% (2009: 5%) per annum. Interest is to be paid semi-annually.

7 (a) Financial assets available-for-sale

	2010 $'000	2009 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	4,041,144	3,155,986
Listed investments	1,858,063	2,178,392
Unlisted investments	3,317,231	4,760,705
	9,216,438	10,095,083
Debt Securities		
Listed	1,772,227	1,941,409
Unlisted	7,383,162	8,033,227
	9,155,389	9,974,636
Equity Securities		
Listed	56,262	115,127
Unlisted	4,787	5,320
	61,049	120,447
Current portion	1,470,954	1,799,218
Non current portion	7,745,484	8,295,865
	9,216,438	10,095,083

7 (a) Financial assets available-for-sale *(continued)*

Investment securities totalling $5,395 million (2009: $4,004 million) are pledged to secure the repurchase agreements (see Note 20).

	2010 $'000	2009 $'000
Balance at beginning of the year	10,095,083	4,120,508
Exchange differences	12,448	39,810
Additions	4,095,868	11,833,528
Disposals	(3,829,217)	(6,724,673)
Reclassification to financial assets held-to-maturity	(1,545,519)	—
Impairment allowance	(12,294)	(357)
Net fair value gains/(losses)	400,069	826,267
Balance at end of year	9,216,438	10,095,083

Fair value gains/(losses) based on:

	2010 $'000	2009 $'000
Quoted market prices	(5,230)	355,464
Other techniques	405,299	470,803
	400,069	826,267

The movement in the impairment provision balance is as follows:

	2010 $'000	2009 $'000
Allowance at start of year	530	173
Charge for the year	20,467	357
Accounts written off during the year	(8,173)	—
Allowance at the end of year	12,824	530

(b) Financial assets held-to-maturity

	2010 $'000	2009 $'000 Restated
Unlisted investments	1,955,782	452,175
Total held-to-maturity securities	1,955,782	452,175
Current portion	242,890	256,103
Non current portion	1,712,892	196,072
	1,955,782	452,175
Balance at beginning of the year	452,175	—
Exchange differences	(2,062)	(288)
Additions	—	454,982
Disposals	(39,850)	(2,519)
Reclassification from available-for-sale	1,545,519	—
Balance at end of year	1,955,782	452,175

(c) Financial assets designated at fair value

	2010 $'000	2009 $'000 Restated
Equity securities: - Listed	2,848	2,363
The movement in financial assets designated at fair value may be summarised as follows:		
At beginning of year	2,363	2,265
Additions	950	—
Disposals	(397)	—
(Losses)/Gains from changes in fair value	(68)	98
At end of year	2,848	2,363

The above equity 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.

8 (a) Loans to customers

	2010 $'000	2009 $'000
Performing loans	8,685,892	7,594,792
Non-performing loans	102,199	79,289
	8,788,091	7,674,081
Allowance for loan losses (Note 8(b))	(361,877)	(249,678)
	8,426,214	7,424,403
Loans analysed by sector		
Consumer	1,163,941	1,050,180
Agriculture	12,574	12,343
Petroleum	379,903	385,992
Manufacturing	119,367	122,178
Construction	3,271,104	2,324,952
Distribution	107,485	128,735
Hotels and guest houses	369,417	42,678
Transport, storage and communications	143,722	185,454
Finance, insurance and real estate	583,587	485,025
Other business services	652,407	1,255,403
Personal services	51,437	11,020
Real estate mortgage	1,933,147	1,670,121
	8,788,091	7,674,081
Current portion	2,965,336	3,923,398
Non current portion	5,460,878	3,501,005
	8,426,214	7,424,403

(b) Allowance for loan losses

	2010 $'000	2009 $'000
Allowance at start of year	249,678	115,372
Charge for the year	115,981	136,583
Loans written off during the year	(3,782)	(2,277)
Allowance at the end of year	361,877	249,678

(c) Impairment loss on loans to customers net of recoveries

Charge for the year	115,981	136,583
Amounts recovered during the year	(5,158)	(22,040)
	110,823	114,543

9 Other Loans And Receivables

Corporate	1,789,460	1,936,284
Individuals	50,025	62,059
Less : impairment allowance	(30,675)	(88,985)
	1,808,810	1,909,358
Current portion	1,347,299	1,511,700
Non current portion	461,511	397,658
	1,808,810	1,909,358
Balance at beginning of the year	1,909,358	—
Exchange differences	(5,138)	424
Additions	—	1,942,098
Disposals	(153,720)	(29,533)
Net movement in provision	58,310	(3,631)
Balance at end of year	1,808,810	1,909,358

The movement in the impairment allowance is as follows:

Allowance at start of year	88,985	85,354
Charge for the year	5,685	3,631
Provision written off during the year	(63,995)	—
Allowance at the end of year	30,675	88,985

10 Loan Notes

	2010 $'000	2009 $'000
The loan notes due to the Group comprise the following:		
(i) Taurus Services Limited	821,827	890,313
(ii) First Citizens Holding Limited (Holdings)	62,569	70,390
(iii) Notes receivable from Central Bank	1,859,675	1,573,910
	2,744,071	2,534,613

(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 Government made a bullet payment to reduce part of the interest accrued. The unpaid portion of the interest up to that date of $150 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $198.4 million. The new principal balance outstanding on the restructured loan notes as at 30 September 2004 which includes all capitalised interest to date amounted to $1,267 million.

The terms of this new agreement are as follows:

- Tenor of 22 years with effect from 1 October 2000;

- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;

- A moratorium of 2 years on both principal and interest;

- Payment of principal and interest in semi-annual intervals thereafter; and

- Government guarantee.

To date, these notes have been serviced in accordance with the new agreement. These notes are not transferable.

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

10 Loan Notes *(continued)*

(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.

(iii) This balance represents four pro-notes due from the Central Bank of Trinidad & Tobago, received as consideration for the CLICO Investment Bank Limited (CIB) fixed deposits portfolio transferred to the Group, as part of the liquidation of that financial institution, as at 1 February 2009. Two notes totalling TT$ 970.8 million (2009: $726.4 million) earn interest at 3.5% (2009: 6%). The other two totalling US$137.2 million (2009: 134.5 million) earn interest at 1.75% (2009: 2.5%). All notes are being renewed quarterly and interest is received quarterly.

11 Finance Leases

	2010 $'000	**2009 $'000**
Gross lease receivable	6,412	9,675
Unearned finance charges	(988)	(2,162)
Net investment in finance leases	5,424	7,513
The gross investment in finance lease receivable is analysed as follows:		
- Up to one year	2,193	2,942
- One year to five years	4,219	6,733
	6,412	9,675
The net investment in finance leases may be analysed as follows:		
- Up to one year	1,880	2,260
- One year to five years	3,544	5,253
	5,424	7,513

12 Other Assets

	2010 $'000	2009 $'000
Accounts receivable and prepayments	195,436	128,282
Accrued interest	117,357	295,046
	312,793	423,328

13 Investment in Joint Ventures

	2010	2009
(a) Infolink Services Limited	13,637	11,624
(b) Trinidad & Tobago Interbank Payment System Limited	548	491
	14,185	12,115

(a) 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.

(b) 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.

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits /(Loss) $'000	% Interest Held
2010						
Infolink Services Limited	Trinidad & Tobago	56,232	1,686	13,868	8,053	25
Inter-bank Payment System Limited	Trinidad & Tobago	4,027	195	213	399	14.29
2009						
Infolink Services Limited	Trinidad & Tobago	48,162	1,669	17,732	9,631	25
Inter-bank Payment System Limited	Trinidad & Tobago	3,467	28	1,055	92	14.29

14 Investment In Associate

	2010 $'000	2009 $'000
Beginning of the year	113,325	109,080
Share of reserve movement	(3,220)	(3,699)
Share of profit after tax	11,618	13,857
Exchange differences	(337)	1,017
Dividend received from associate	(10,964)	(6,930)
At end of year	110,422	113,325

The investment in associate at 30 September 2010 includes goodwill of $4.6 million (2009: $4.6 million). The Group's share of the results of associate, which is listed on the Eastern Caribbean Securities Exchange, and its share of the assets (including goodwill and liabilities) are as follows:

14 Investment In Associate *(continued)*

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits /(Loss) $'000	% Interest Held
St. Lucia Electricity Services Limited	St. Lucia					
2010		1,090,219	525,587	650,276	60,795	19.11
2009		1,095,138	526,640	557,738	72,509	19.11

The fair value of the investment in associate at 30 September 2010 is $131.6 million (2009: $131.6 million).

15 Property, Plant And Equipment

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicle & Equipment $000	Work in Progress $'000	Total $'000
Year ended 30 September 2010					
Opening net book amount as restated	245,675	26,874	96,616	31,723	400,888
Additions	1,292	6,705	33,221	8,457	49,675
Disposals	—	(4)	(994)	—	(998)
Revaluation surplus	3,326	—	—	—	3,326
Transfers	3	11	(16)	2	—
Depreciation charge	(3,237)	(8,983)	(47,323)	—	(59,543)
Closing net book amount	247,059	24,603	81,504	40,182	393,348
At 30 September 2010					
Cost/valuation	256,097	55,722	389,179	40,182	741,180
Accumulated depreciation	(9,038)	(31,119)	(307,675)	—	(347,832)
Net book amount	247,059	24,603	81,504	40,182	393,348
Year ended 30 September 2009 – Restated					
Opening net book amount	273,607	15,629	53,544	31,397	374,177
Additions	1,743	2,471	46,920	17,303	68,437
Disposals	(4,953)	—	(190)	—	(5,143)
Revaluation deficit	(32,744)	—	—	—	(32,744)
Transfers	—	10,285	32,722	(43,007)	—
Acquired through business combinations	11,100	3,296	4,608	26,030	45,034
Depreciation charge	(3,078)	(4,807)	(40,988)	—	(48,873)
Closing net book amount	245,675	26,874	96,616	31,723	400,888
At 30 September 2009 – Restated					
Cost/valuation	251,756	54,020	329,194	31,723	666,693
Accumulated depreciation	(6,081)	(27,146)	(232,578)	—	(265,805)
Net book amount	245,675	26,874	96,616	31,723	400,888
At 1 October 2008					
Cost/valuation	276,610	37,968	245,134	31,397	591,109
Accumulated depreciation	(3,003)	(22,339)	(191,590)	—	(216,932)
Net book amount	273,607	15,629	53,544	31,397	374,177

15 Property, Plant And Equipment *(continued)*

As at 30 September 2010, the Group's freehold premises are stated at revalued amounts determined by management. Valuations were made on the basis of open market value. The revaluation for the period net of applicable deferred income tax was credited to revaluation reserves in shareholders' equity.

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

	2010 $'000	**2009 $'000**
Cost	198,133	196,841
Accumulated depreciation	(63,824)	(59,887)
Net book amount	134,309	136,954

16 Intangible Assets

	Goodwill $'000	**Other Intangible assets $'000**	**Total $'000**
As at 30 September 2010			
Acquisition cost	156,886	25,305	182,191
Accumulated amortisation and impairment	—	(25,305)	(25,305)
Net book amount	156,886	—	156,886
Year ended 30 September 2010			
Opening net book amount	156,886	21,087	177,973
Impairment/Amortisation charge	—	(21,087)	(21,087)
Closing net book amount	156,886	—	156,886

	Goodwill $'000	**Other Intangible assets $'000**	**Total Restated $'000**
As at 30 September 2009 – Restated			
Acquisition cost as previously reported	187,444	25,305	212,749
Restatement of goodwill on acquisition	(30,558)	—	(30,558)
Acquisition cost as restated	156,886	25,305	182,191
Accumulated amortisation and impairment	—	(4,218)	(4,218)
Net book amount	156,886	21,087	177,973
Year ended 30 September 2009 – Restated			
Opening net book amount	—	—	—
Acquisition through business combination as restated	156,886	25,305	184,625
Amortisation charge	—	(4,218)	(4,218)
Closing net book amount	156,886	21,087	177,973

During the year, a decision was taken to re-brand Caribbean Money Market Brokers Limited (CMMB) under the First Citizens Brand. CMMB changed its name to First Citizens Investment Services Limieted and as a result the CMMB brand was deemed impaired and was subsequently written-off.

17 Retirement Benefit Asset

	2010 $'000	2009 $'000
(a) The amount recognised in the consolidated statement of financial position is derived as follows:		
Pension plan assets at fair value	818,971	771,629
Present value of defined benefit obligation	(717,507)	(543,217)
Value of surplus	101,464	228,412
Unrecognised actuarial losses	176,913	51,643
Retirement benefit asset	278,377	280,055
The amounts recognised in the consolidated income statement are as follows:		
Expected return on plan assets	61,084	72,948
Interest cost	(41,702)	(37,294)
Current service cost	(28,266)	(21,781)
Net actuarial gain recognised in year	—	—
Net pension (expenses)/income	(8,884)	13,873
Movement in the asset recognised in the consolidated statement of financial position is as follows:		
At beginning of year	280,055	260,042
Net pension (expenses)/income	(8,884)	13,873
Company's contributions paid	7,206	6,140
At end of year	278,377	280,055
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	543,217	430,872
Current service cost	28,266	21,781
Interest cost	41,702	37,294
Members' contributions	7,206	6,140
Actuarial loss	108,283	57,258
Benefits paid	(10,446)	(9,508)
Expense allowance	(721)	(620)
	717,507	543,217
The movement in the fair value of the plan assets for the year is as follows:		
Beginning of year	771,629	758,822
Expected return on plan assets	61,084	72,948
Actuarial loss	(16,987)	(62,293)
Company's contributions	7,206	6,140
Members' contributions	7,206	6,140
Benefits paid	(10,446)	(9,508)
Expense allowance	(721)	(620)
	818,971	771,629

17 Retirement Benefit Asset *(continued)*

The major actuarial assumptions are:		
Discount rate:		
- Active members and deferred pensioners	6.25%	7.75%
Expected return on plan assets	7.10%	7.90%
Salary increases	6.00%	7.50%
Pension increases	3.40%	3.40%

The actual return on plan assets was $44 million (2009 – $10.6 million).

(b) Retirement benefit plan assets are comprised as follows:

	2010		2009	
	$'000	%	$'000	%
Equity securities	253,881	31	262,354	34
Debt securities	507,762	62	401,247	52
Other	57,328	7	108,028	14
	818,971	100	771,629	100

The expected rate of return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at year end. Expected returns on equity reflect the long-term rates of return experienced in the respected markets.

Expected contributions to post employment benefit plans for the year ending 30 September 2011 are $7.5 million.

The amounts recognised in the consolidated statement of financial position for a five year period is as follows:

At 30 September	**2010 $'000**	**2009 $'000**	**2008 $'000**	**2007 $'000**	**2006 $'000**
Present value of defined benefit obligation	717,507	543,217	430,872	348,174	314,740
Fair Value of plan assets	(818,971)	(771,629)	(758,822)	(653,493)	(599,757)
(Surplus)/Deficit in the plan	(101,464)	(228,412)	(327,950)	(305,319)	(285,017)
Experience Gain/ (loss) on plan liabilities	108,283	57,258	40,397	5,587	18,285
Experience Gain/ (loss) on plan assets	(16,987)	(62,293)	39,267	(9,020)	(117,961)

18 Deferred Income Tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2009: 25%).

	2010 $'000	2009 $'000 Restated
The movement on the deferred income tax account is as follows:		
At beginning of year, as previously reported	(207,543)	(108,269)
Adjustment to record deferred tax asset on unutilised tax losses	85,116	96,645
Adjustment to record deferred tax asset on business combination	23,153	—
At beginning of year, as restated	(99,274)	(11,624)
Impact of revaluation adjustments recorded in other comprehensive income:		
- Revaluation on available-for-sale investments	(98,761)	(79,184)
- Revaluation on property, plant and equipment	(1,208)	5,569
Restatement of deferred tax assets on tax losses		
Unrealised gains	—	15
Tax on business combination	—	30,558
Credit/ (charge) to consolidated income statement (note 32)	(8,132)	(44,608)
At end of year	(207,375)	(99,274)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. 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 relate to the same fiscal authority. Deferred income tax assets and liabilities are attributable to the following items:

	Balance at 1.10.09 $'000	(Charge)/ credit to income statement $'000	(Charge)/ credit to other comprehensive income $'000	Balance at 30.09.10 $'000
Deferred income tax assets				
Tax losses carried forward	99,893	(13,787)	—	86,106
Derivative financial liability	—	4,132	—	4,132
Impairment loss on available-for-sale financial asset	3,681	5,216	—	8,897
Provisions	96	—	—	96
Fair value adjustments on business combination:				
- Financial assets held-to-maturity	7,256	(2,864)	—	4,392
- Other funding instruments	21,943	(8,892)	—	13,051
Fair value measurement of assets through profit or loss	417	23	—	440
	133,286	(10,900)	—	117,114

18 Deferred Income Tax *(continued)*

	Balance at 1.10.09 $'000	(Charge)/ credit to income statement $'000	(Charge)/ credit to other comprehensive income $'000	Balance at 30.09.10 $'000
Deferred income tax liabilities				
Retirement benefit asset	(68,744)	(848)	—	(69,592)
Fair value measurement of available-for-sale financial asset	(80,017)	—	(98,761)	(178,778)
Intangible asset (brand) recognised on business combination	(6,046)	5,272	—	(774)
Zero coupon instruments	(24,566)	(5,741)	—	(30,307)
Accelerated tax depreciation	(26,064)	10,410	—	(15,654)
Unrealised exchange and other gains	(1,991)	(1,053)	—	(3,044)
Revaluation gain on property, plant and equipment	(25,132)	—	(1,208)	(26,340)
	(232,560)	2,768	(99,969)	(324,489)
Net deferred income tax liability	(99,274)	(8,132)	(99,969)	(207,375)

	Balance at 1.10.08 $'000	(Charge)/ credit to income statememt $'000	(Charge)/ credit to other comprehensive income $'000	Acquisitions $'000	Balance at 30.09.09 $'000
Deferred income tax assets					
Tax losses carried forward	117,736	(17,843)	—	—	99,893
Impairment loss on available-for-sale financial asset	—	3,681	—	—	3,681
Provisions	—	96	—	—	96
Fair value adjustments on business combination:					
- Financial assets held-to-maturity	—	—	—	9,824	9,824
- Other funding instruments	—	—	—	27,834	27,834
Amortisation of fair value adjustments on business combination:					
- Held-to-maturity	—	(2,568)	—	—	(2,568)
- Other funding instruments	—	(5,891)	—	—	(5,891)
Fair value measurement of assets through profit and loss	—	417	—	—	417
	117,736	(22,108)	—	37,658	133,286

18 Deferred Income Tax *(continued)*

	Balance at 1.10.08 $'000	(Charge)/ credit to income statememt $'000	(Charge)/ credit to other comprehensive income $'000	Acquisitions $'000	Balance at 30.09.09 $'000
Deferred income tax liabilities					
Pension benefits	(65,344)	(3,400)	—	—	(68,744)
Fair Value measurement of available for sale financial asset	(833)	—	(79,184)	—	(80,017)
Zero coupon instruments	(5,810)	(18,756)	—	—	(24,566)
Intangible asset recognised on business combination (brand)	—	—	—	(7,100)	(7,100)
Amortisation of intangible asset (brand)	—	1,054	—	—	1,054
Accelerated tax depreciation	(26,672)	608	—	—	(26,064)
Unrealised exchange and other gains	—	(2,006)	15	—	(1,991)
Revaluation gain on property, plant and equipment	(30,701)	—	5,569	—	(25,132)
	(129,360)	(22,530)	(73,600)	(7,100)	(232,560)
Net deferred income tax liability	(11,624)	(44,638)	(73,600)	30,558	(99,274)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. One of the subsidiaries did not recognise deferred income tax assets of $13.8 million (2009: $23.4 million) in respect of losses amounting to $55 million (2009: $93.5 million) that can be carried forward against future taxable income due to the uncertainty of its recovery.

19 Customers' Deposits

Deposits are analysed by sector as follows:

	2010 $'000	2009 $'000
Public institutions	7,269,499	6,730,278
Private institutions	4,841,996	4,860,637
Consumers	3,887,608	3,744,964
	15,999,103	15,335,879
Current portion	15,824,744	15,028,322
Non current portion	174,359	307,557
	15,999,103	15,335,879

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $6.9 billion (2009:$ 7.6 billion) are at fixed rates. All other deposits amounting to $9.2 billion (2009:$7.7 billion) are at variable rates.

As at year end, the unprocessed CIB deposit liabilities held was $45 million (2009: $145.8 million). During the period additional deposits totalling $61 million was transferred to the Group. The Group returned deposits totalling $28.8M to the Central Bank of Trinidad and Tobago.

20 Other Funding Instruments

	2010 $'000	2009 $'000 Restated
Loan participation	22,366	25,105
Repurchase agreements	5,447,135	4,091,789
Funds under management	49,789	867,240
	5,519,290	4,984,134
Other funding instruments are analysed by sector as follows:		
Public institutions	5,413,925	4,371,824
Private institutions	105,365	612,310
	5,519,290	4,984,134
Current portion	4,392,131	3,837,051
Non Current portion	1,127,159	1,147,083
	5,519,290	4,984,134

Interest rates on these repos range from 0.5% to 2.0% in 2010 (2009: 1% to 5.75%).

21 Derivative Financial Instruments

In order to hedge against interest rate risk on some of the fixed rate bonds of value USD$111 million in the available-for-sale portfolio, the Group has entered into a notional USD$50 million forward starting 3 year swap which has an effective commencement date of 1st October 2011 and matures in 1st October 2014.

The Group will pay a fixed interest rate of 3.25% and will receive a floating rate based on the 3 month US Libor rate. The trade date of the instrument is 29 April 2010.

The interest rate swap is carried at fair value based upon current market conditions. The carrying value, which will vary in response to changes in market conditions, is recorded as asset or liability with the corresponding resultant charge or credit in the consolidated income statement.

22 Bonds Payable

	2010 $'000	2009 $'000
(i) First Citizens (St Lucia) Limited USD$100 million Bond	567,623	568,523
(ii) First Citizens (St Lucia) Limited USD$100 million Bond	496,505	588,683
(iii) Series A	—	300,000
(iv) Series B	—	35,000
(v) Fixed Rate Bond TTD$500 million	500,000	500,000
(vi) Fixed Rate Bond TTD$500 Million	406,550	390,000
(vii) Fixed Rate Bond TTD$500 Million	500,000	—
	2,470,678	2,382,209
Current portion	567,623	755,490
Non current portion	1,903,055	1,626,719
	2,470,678	2,382,209

22 Bonds Payable *(continued)*

(i) This $100 million USD bond was issued on the international financial market through a private placement in February 2004. This bond is unsecured and carries a fixed rate of interest of 5.125% with a tenor of seven (7) years. Interest is payable semi-annually in arrears. The principal balance outstanding will be repaid at maturity - February 2011.

(ii) This $100 million USD bond was issued on the international financial market through a private placement in February 2005. This bond is unsecured and carries a fixed rate of interest of 5.46% with a tenor of seven (7) years. Interest is payable semi-annually in arrears. During the year the Group repurchased US$14.3 million from the bondholders. The principal balance outstanding will be repaid at maturity - February 2012.

(iii) Series A - In October 2002, a $300 million bond was issued. This bond was unsecured and carries a fixed rate of interest of 7.65% with a tenor of ten (10) years. Interest was payable semi-annually in arrears and the bond was callable anytime after five and one half years at par plus a 1% prepayment fee. The call option was exercised and the principal was repaid on 14 October 2009, along with the prepayment fee of $3.0 million.

(iv) Series B - In January 2003, this bond for $100 million was issued. This bond was unsecured and carries a fixed rate of interest of 7.25% with a tenor of ten (10) years. Interest is payable semi-annually in arrears and the bond was callable after five and one half years after the date of issue and semi-annually thereafter on each payment date. The call option was exercised and the principal was repaid on 29 January 2010, along with the prepayment fee of $0.35 million.

(v) TTD Fixed Rate Bond – In August 2008 this bond for $500 million was issued. This bond is unsecured and carries a fixed rate of interest of 8.35% with tenor of five and one half (5 1/2) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

(vi) TTD Fixed Rate Bond – In October 2008, this bond for $500 million was issued, of which a related party purchased $93.45 million. This bond is unsecured and carries a fixed rate of 8.45% with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

(vii) TTD Fixed Rate Bond – In August 2010 this bond for $500 million was issued. This bond is unsecured and carries a fixed rate of 5.25 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

23 Notes Due To Parent Company

	2010 $'000	**2009 $'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 10 (ii)).

24 Share Capital

The total authorised number of shares are issued and fully paid. These shares are not traded in an open market and during the year there were no movements in each type and/or class of share. In the prior year a capital injection of $300,000,000 was made by First Citizens Holdings Limited.

24 Share Capital *(continued)*

	2010 $'000	2009 $'000
236,400,000 ordinary shares of no par value	236,400	236,400
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
	340,000	340,000
Capital contribution	300,000	300,000
	640,000	640,000

The Class A preference shares are non-convertible, non-participating, non-voting and redeemable on the fifth anniversary or when the Government of the Republic of Trinidad and Tobago begins the divestment of its interest whichever is earlier. 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.

25 Statutory Reserve

The Financial Institutions Act 2008, Part VI, Section 56 1(a) stipulates that a licensee 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 licensee.

26 Interest Income

	2010 $'000	2009 $'000
Loans to customers	725,145	711,484
Investment securities	819,603	775,061
Loan notes	164,672	162,210
	1,709,420	1,648,755

27 Interest Expense

Customers' deposits	230,420	333,785
Other funding instruments	214,644	265,219
Bonds payable	94,691	113,416
	539,775	712,421

28 Fees And Commissions

Credit related fees	20,714	21,466
Transaction service fees/commissions	65,220	64,983
Portfolio and other management fees	114,190	42,624
	200,124	129,073

29 Foreign Exchange Gains

	2010 $'000	2009 $'000
Transaction gains less losses	55,309	62,739
Translation gains less losses	3,959	(315)
	59,268	62,424

30 Administrative Expenses

Wages and salaries	247,554	217,549
Pension expenses /(income) (note 17)	8,884	(13,873)
Other administrative expenses	46,196	32,922
Depreciation	59,543	48,873
	362,177	285,471

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

	2010		2009	
	Number of Employees	%	Number of Employees	%
First Citizens Bank Limited	1,244	87.3	1,085	83.5
Subsidiaries	181	12.7	215	16.5
	1,425	100	1,300	100

31 Other Operating Expenses

	2010 $'000	2009 $'000
Property expenses	43,355	37,239
Technical and professional	27,080	11,588
Advertising expenses	19,636	4,687
Hardware and software maintenance	15,545	8,939
Deposit insurance (see below)	18,671	14,609
Operating expenses	160,876	128,780
	285,163	205,842

The Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 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.

32 Taxation

	2010 $'000	2009 $'000
Current tax (including prior year under/over provision)	36,317	24,689
Deferred tax (Note 18)	8,132	44,608
	44,449	69,297

32 Taxation *(continued)*

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

	2010 $'000	2009 $'000
Profit before taxation	671,130	621,395
Tax calculated at 25%	167,782	155,349
Income exempt from tax	(100,793)	(58,016)
Expenses not deductible for tax purposes	2,501	7,271
Recognition of previously unrecognised tax losses	(10,914)	(13,295)
Prior year (under)/over provision	(734)	60
Business levy	3,932	3,701
Effects of different tax rates in other countries (i)	(17,325)	(25,773)
Taxation charge	44,449	69,297

(i) This represents mainly the difference in tax charged in St Lucia at 1% versus Trinidad and Tobago at 25%.

33 Dividend Per Share

	2010 $'000	2009 $'000
Ordinary shares	130,020	130,020
Preference shares	2,922	—
	132,942	130,020

The dividend paid for the year of $132,942,000 (2009: $130,020,000) represents a dividend of $0.55 (2009: $0.55) on ordinary shares and $0.028 (2009: nil) on the preference shares.

34 Related Party Transactions

	2010 $'000	2009 $'000
(a) Directors and key management personnel		
Salaries and other short-term employee benefits	17,754	12,474
Loans and receivables	19,575	9,328
Interest income	1,036	739
Deposits	1,846	1,389
Interest expense	39	42

The total value of collateral held for loans due from key management personnel for 2010 is $15.1 million.

34 Related Party Transactions *(continued)*

	2010 $'000	2009 $'000
(b) Transactions with associate		
Loans and receivables	133,301	149,625
Interest income	10,517	9,306

The total value of collateral held for the above loan is $908 million.

(c) Government of the Republic 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 addition, the Central Bank agreed to put specific liquidity arrangements in place by way of a long-term loan. The current amount outstanding on these obligations and the related income and expenses are disclosed below:

	2010 $'000	2009 $'000
Assets		
Loan notes (note 10 i & ii)	884,396	960,703
Notes receivable from Central Bank (note 10 iii)	1,859,675	1,573,910
Liabilities		
Long-term notes (note 23)	58,000	58,000
Interest Income		
Loan notes with Taurus Services Limited	54,980	116,682
Long-term note with the Government of the Republic of Trinidad and Tobago	—	1,914
Notes receivable from Central Bank	47,909	43,139

(d) Other transactions with the Government of the Republic Trinidad and Tobago

In addition to the balances in (c) 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. It should be noted that all transactions are done at arms length and in accordance with the boundaries of normal business activities. Transactions and balances between the Group and these related parties are as follows:

	2010 $'000	2009 $'000
Loans and receivables	2,295,755	1,498,432
Interest income	98,013	74,074
Customers' deposits	7,269,499	6,730,278
Interest expense	90,046	52,787
Investments	4,041,144	3,155,986
Investment income	67,713	49,531
Other funding instruments	5,361,724	4,284,056
Interest expense	57,370	45,721

The collateral held for the above loans is about $420 million in 2010.

35 Commitments

	2010 $'000	2009 $'000
(i) Capital Commitments		
Capital expenditure approved by the Directors but not provided for in these accounts amounts to:	52,238	35,237
(ii) Credit Commitments		
Commitments for loans approved not yet disbursed amount to:	415,257	1,355,812

36 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.

	2010 $'000	2009 $'000
Acceptances	1,849	530
Guarantees	167,003	141,552
Letters of credit	23,040	61,797
	191,892	**203,879**

37 Lease Rentals

The Group leased certain premises under non-cancellable operating leases expiring in various years up to 2014. The leases contain renewal options from five to twenty-five years. Rental expense incurred under lease agreements amount to $22.5 million for the year 2010 (2009: $16.7 million).

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

	2010 $'000	2009 $'000
- Up to one year	23,501	17,517
- One year to five years	41,522	29,170
- Over five years	32,476	1,024
	97,499	**47,711**

38 Business Combinations

(i) As disclosed in note 1, effective 2 February 2009 and further to a Memorandum of Understanding between the Government of the Republic of Trinidad and Tobago and CL Financial Limited, the Bank assumed control of First Citizens Investment Services Limited (FCISL). The acquired business contributed revenues of $370 million and net profit of $92 million to the Group for the period from 1 February 2009 to 30 September 2009. Had the business been acquired at the beginning of the Bank's financial year, it would have contributed revenues of $537 million and net profit of $73 million to the Group. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 February 2009, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

- Cash Paid ($1.00)
- Direct Cost Relating to acquisition
- Fair Value of shares issued

Total consideration	**NIL**

The goodwill is attributable to the acquired customer base and economies of scale expected from combining the operations of the Group and FCISL.

The assets and liabilities arising on the acquisition of FCISL are as follows:

	FCISL Fair value $'000 Restated	**FCISL Carrying amount $'000 Restated**
Property, plant and equipment	45,034	55,064
Brand (included in intangibles)	25,305	—
Available-for-sale financial assets	3,856,100	3,856,100
Repurchase receivables	1,882,632	1,882,632
Held-to-maturity	469,770	509,070
Other assets	113,129	110,032
Tax recoverable	2,921	2,921
Deferred tax assets	108,244	77,686
Customers' deposits	(8,459)	(8,459)
Funds under management	(797,667)	(797,667)
Other funding instruments	(5,307,689)	(5,196,356)
Creditors and accruals	(30,427)	(30,427)
Due to other banks	(500,448)	(500,448)
Deferred tax liability	(15,331)	(15,331)
Fair value of net assets	(156,886)	(55,183)
Goodwill	156,886	—
Cash outflow on acquisition	—	—

38 Business Combinations *(continued)*

(ii) The Bank also acquired 100% of the equity share holding of First Citizens Brokerage and Advisory Services Limited (FCBASL) in 2009 thereby expanding its array of services to include stock bokerage. This acquisition was not part of the Memorandum of Understanding between the GORTT and CL Financial Limited. Consequently this acquisition has been accounted for as a separate business combination from the acquisition of FCISL. The Bank assumed control of FCBASL in February 2009. The acquired business contributed revenues of $3 million and net losses of $97 thousand to the Group for the period from 1 February 2009 to 30 September 2009. Had the business been acquired at the beginning of the Bank's financial year, it would have contributed revenues of $4 million and net losses of $922 thousand to the Group. These amounts have been calculated using the Group's accounting policies.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

- Cash Paid ($1.00)
- Direct Cost Relating to acquisition
- Fair Value of shares issued

Total consideration	**NIL**

The assets and liabilities arising on the acquisition of FCBASL are as follows:

	FCBASL Fair value $'000	**FCBASL Carrying amount $'000**
Cash and cash equivalents	7,296	7,296
Property, plant and equipment	512	512
Available-for-sale financial assets	3,697	3,697
Held-to-maturity	354	354
Other assets	2,548	2,548
Deferred tax assets	132	132
Customers' deposits	1,159	1,159
Creditors and accruals	(1,452)	(1,452)
Tax payable	(27)	(27)
Fair value of net assets	14,218	14,218
Goodwill	(14,218)	—
Purchase consideration settled in cash	—	—
Cash and cash equivalents in subsidiary acquired	7,296	—
Cash inflow on acquisition	7,296	—

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