First Citizens

Annual Report 2012

Expansion

In the world of banking and investment there are always opportunities for expansion. The scope of opportunity for First Citizens has continued to grow and as such our presence in the regional and Latin American markets has become more prominent as a well-established, safe and reputable banking institution. Within the last year we have opened offices in Costa Rica and Barbados, further solidifying our capability of becoming the most competitive financial services group with an established international presence. The scope of our growth and ability to expand is infinite. All of us at First Citizens invite you to journey with us as we continue to evolve.

Vision

To become the most competitive financial services group in the markets in which we serve.

Mission

Our aim is to build a highly profitable financial services franchise renowned for innovativeness, service excellence and sound corporate governance.

Contents

The First Citizens Group is one of the leading financial services groups in Trinidad & Tobago. We offer a full range of retail, corporate and merchant banking services as well as asset management, trustee and brokerage services. The Group is headquartered in Trinidad & Tobago. First Citizens Bank, which is the largest part of the Group, has an extensive retail branch network in Trinidad & Tobago with a large deployment of ATM and point of sale service in both islands.

In 2009 First Citizens acquired Caribbean Money Market Brokers Limited (now rebranded as First Citizens Investment Services Limited), the largest full service securities trading company in the Caribbean, with offices in Trinidad & Tobago, Barbados, St. Vincent and St. Lucia. In January 2012 the Group ventured into the Central American market and opened a representative office in Costa Rica, which is expected to propel the First Citizens brand abroad.

The Group's growth and expansion continued in August 2012 with the acquisition of Butterfield Bank in Barbados (now called First Citizens Bank [Barbados] Limited). These acquisitions round out the services that the Group offers its customers, both local and regional, making it possible for us to address every financing or investment need of our customer base. They also provide a physical footprint for the Group in the Caribbean region.

First Citizens is the highest-rated indigenous financial institution in the English-speaking Caribbean, with long term foreign currency counterparty credit ratings of Baa1 from Moody's and BBB+ from Standard and Poor's. The Group has successfully issued fixed income paper, which was over-subscribed in the international financial market, with the most recent being a US$175 million placement in February 2011.

In the year under review, the Bank won *Bank Of The Year – Trinidad & Tobago* and was named one of the *Top 1,000 Banks In The World* (The Banker Magazine). Other awards bestowed on the Bank over the years include: "the safest bank in the English-speaking Caribbean" in 2011 and 2010 (Global Finance Magazine); *Best Bank In Trinidad & Tobago 2010* (World Finance); *Bank Of The Year 2009* (The Banker Magazine, Latin Finance and World Finance).

Over the years the Group has introduced a number of innovations locally, including Internet banking and mobile banking. It has also been recognised on several occasions for excellence in innovation, communications technology and e-commerce by the local Energy Chamber of Trinidad and Tobago. Additionally, First Citizens has been involved in financing a number of landmark projects across the region.

Corporate Profile

Corporate Information and Profile of Subsidiaries

First Citizens

Board of Directors

For the year ended September 30, 2012

Nyree D. Alfonso – Chairperson
Anil Seeterram – Deputy Chairman
Cindy Bhagwandeen
* Larry Howai
Shobee Jacelon
Marlene Juman
Anthony Mohammed
Vishnu D. K. Musai
Ramish Ramanand
Ved Seereeram

* *Retired June 24, 2012*

Corporate Information

Group Chief Executive Officer

* Larry Howai
BSc Economics, FIB

** Larry Nath
BBA, MSIA

* *Retired June 24, 2012*
** *Appointed November 12, 2012*

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

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

Rishi Baddaloo – Chairman
Narinejit Pariag
* Dr. Rodney Ramroop
Susan Romano-Davis

** Resigned December 31, 2012*

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

Anthony Mohammed – Chairman
Cindy Bhagwandeen
Sharon L. Christopher
Shiva Manraj
Vishnu D. K. Musai

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

Ved Seereeram – Chairman
* Sékou Mark
Larry Nath
Ramish Ramanand
Dirk Smith

** Resigned July 12, 2012*

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

Nyree D. Alfonso – Chairperson
Michael Chastanet
Sharon L. Christopher
* Larry Howai
Shiva Manraj
** Sékou Mark
Anthony Mohammed
Larry Nath

** Retired June 24, 2012*
*** Resigned July 12, 2012*

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

Nyree D. Alfonso – Chairperson
Michael Chastanet
Sharon L. Christopher
* Larry Howai
Shiva Manraj
** Sékou Mark
Anthony Mohammed
Larry Nath

** Retired June 24, 2012*
*** Resigned July 12, 2012*

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

First Citizens Investment Services Limited

Board of Directors

Nyree D. Alfonso – Chairperson
Sharon L. Christopher
* Larry Howai
Shobee Jacelon
Marlene Juman
** Larry Nath
Ved Seereeram
Anil Seeterram

** Retired June 24, 2012*
*** Appointed March 13, 2012*

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

First Citizens Brokerage & Advisory Services

Board of Directors

Nyree D. Alfonso – Chairperson
Sharon L. Christopher
* Larry Howai
Shobee Jacelon
Marlene Juman
Ved Seereeram
** Larry Nath
** Anil Seeterram

** Retired June 24, 2012*
*** Appointed March 13, 2012*

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

First Citizens Investment Services (Barbados) Limited

Board of Directors

Nyree D. Alfonso – Chairperson
Dr. Trevor A. Carmichael Q.C.
Sharon L. Christopher
* Larry Howai
Shobee Jacelon
Marlene Juman
** Larry Nath
Ved Seereeram
** Anil Seeterram

** Retired June 24, 2012*
*** Appointed March 13, 2012*

Warrens Great House,
Warrens,
St Michael,
Barbados, W.I.
Tel: (246) 426-2020
Fax: (246) 426-0266
Website: www.firstcitizensinvestment.com

FCCR – First Citizens Costa Rica S.A.

Board of Directors

* Nyree D Alfonso – President
* Anil Seeterram – Vice President
* Cindy Bhagwandeen
* Sharon L. Christopher
*/** Larry Howai
* Shiva Manraj
* Larry Nath
* Ved Seereeram

** Approved April 05, 2012*
*** Retired June 24, 2012*

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

First Citizens Bank (Barbados) Limited

Board of Directors

* Nyree D. Alfonso – Chairperson
* Dr. Trevor A. Carmichael Q.C.
* Sharon L. Christopher
* Shobee Jacelon
* Marlene Juman
* Ved Seereeram

** Appointed August 27, 2012*

1st Floor, Carlisle House,
Hincks Street,
Bridgetown,
Barbados, W.I.
Tel: (246) 431-2353
Fax: (246) 430-0221
Website: www.firstcitizensbb.com

Chairperson's Report

Nyree D. Alfonso

GROUP PERFORMANCE

I am pleased to report that profit before taxation for the First Citizens Group increased by 3.7%, from $688.6 million to $714.2 million, for the financial year ended September 30, 2012. Total assets increased by 9.2% moving from $31.2 billion in 2011 to $34.0 billion in 2012. This latter increase was largely as a result of the acquisition of First Citizens Bank (Barbados) Limited, growth in our loans, statutory deposits and cash due to banks. These were funded by customer deposit business. The profit after tax amounted to $446.4 million; this was impacted by a change in tax estimate for 2011 which resulted in an additional charge of approximately $128.3 million in 2012. First Citizens remains one of the best capitalized banks in the industry; its capital base increased by 11.7% from $5.1 billion in 2011 to $5.7 billion.

INTERNATIONAL

The US economy expanded more than forecast in the third quarter of 2012, paced by a pickup in consumer spending, a rebound in government outlays and gains in residential construction. GDP rose at a 2% annualized rate after growing 1.3% the previous quarter, beating economists' forecasts of 1.8% growth.

Despite some evidence of sustainable growth, the Federal Reserve took additional measures to support the economy as some sectors remain weak and the global outlook continues to pose downside risks. Chairman Bernanke announced the much-anticipated third round of quantitative easing in September. The Fed announced that it will expand its holdings in long-term securities with open-ended purchases of US$40 billion of mortgage-backed securities a month, commencing in October 2012. The aim is to further stimulate the economy and support the slow recovery to avoid reverting to a recession. The Fed also outlined that if the outlook for the labour market does not improve substantially, it will continue its purchases of agency mortgage-backed securities, undertake additional asset purchases and employ its other tools as appropriate. In addition, it was hinted that the federal funds rate would remain near zero through to 2015—highlighting possible challenges to growth anticipated in the coming years.

The Eurozone experienced a contraction of 0.60% (year-on-year) in the third quarter of 2012, following a 0.40% (year-on-year) decline in the second quarter of 2012. The IMF predicts that economic activity will continue to contract in 2012 by -1.30%, followed by a further decline of 0.30% in 2013. Weak expansions were recorded in some of the larger economies, including Germany (0.9%) and France (0.1%), with more sizable expansions (year-on-year) in some of the smaller economies, such as Estonia (3.4%). However, these advances were muted by sizable contractions in Greece (-7.2%), Italy (-2.4%) and Spain (-1.6%). In September 2012, the European Central Bank decided to restart its bond-buying programme. This entails unlimited purchases of euro-member debt, which will be fully sterilized to negate expansion of the money supply (thereby reducing inflation and currency devaluation risks).

Growth in the emerging market economies remains relatively strong when compared to that of the developed nations. However, even here, growth is being challenged by the global reduction in demand for commodities and manufactured goods. In October, the IMF lowered its GDP growth projections for 2012 from 5.7% to 5.3%. Projections for 2013 were also lowered, falling from 6.0% to 5.6%.

REGIONAL

The Caribbean region continues to suffer a similar fate as general emerging market economies. The key industries like tourism, as well as other crucial sources of foreign exchange earnings like foreign direct investments and remittances, continue to be affected by weaknesses in the external economy.

Revised estimates indicate that the Barbadian economy experienced growth of 0.60% in 2011. For the first nine months of 2012, growth has been reported by the Central Bank of Barbados at 0.20% (year-on-year), representing a marginal improvement on the 0.10% growth rate reported for the same period of 2011.

According to preliminary data, economic activity in the Eastern Caribbean Currency Union contracted by 1% in 2011. This marked the third consecutive year of contraction, though slower than the 3% rate of 2010. Factors contributing to the decline in economic activity included weak external demand for exported goods and services, lower foreign direct investments inflows, low levels of private and public investments and adverse effects of disease- and weather-related factors on agricultural output.

The Costa Rican economy continues to hold stable amidst the global downturn. Buoyed by growth in its tourism and manufacturing export sectors, the country has been able to weather the global financial crisis. Showing strong positive momentum, real GDP expanded 5.7% (year-on-year) in Q2 2012, moderating from the 7.3% recorded in Q1 2012. The Central Bank estimates the country's growth potential at 3.75% to 4.25% for 2013.

TRINIDAD & TOBAGO

The Trinidad & Tobago economy contracted during the second quarter of 2012, with real GDP declining by 3.6%. This decline has been attributed primarily to the performance of the energy sector whose output contracted by 7.3% during the same period. The sector had been affected by extended shutdowns due to maintenance and upgrade work being undertaken at related facilities. Output in the non-energy sector–affected by industrial action at Trinidad Cement Limited–declined by 0.7% during the second quarter. This resulted in a 3.5% contraction in construction and a 4.2% contraction in manufacturing activity.

The unemployment rate was reported at 5.4% for the first quarter of 2012, an increase from the fourth quarter of 2011 when a rate of 4.2% was reported. The sectors that experienced the biggest declines were construction and community, social and personal services, where the unemployment rate rose from 8% and 3.8% in the fourth quarter of 2011, to 11.8% and 4.6% in the first quarter of 2012 respectively.

After peaking at 12.6% in May 2012, headline inflation moderated to 7.7% in September 2012. As at September 2012, food price inflation (the driving force behind headline inflation) measured 14.7%, a significant decline from 28.3% in May. For the first nine months of 2012, food inflation averaged 20.6%, while headline inflation for the same period averaged 10%. With domestic demand relatively subdued, core inflation has remained flat at just below 3% for the last 21 months.

For the fiscal year 2012, the central government recorded an overall deficit of $6.1 billion, the equivalent of 4% of GDP.

FIRST CITIZENS DEVELOPMENTS

During the year, the Group successfully acquired First Citizens Bank (Barbados) Limited, formerly Butterfield Bank (Barbados) Limited, and also established a representative office in Costa Rica.

Standard and Poor's and Moody's also re-affirmed First Citizens investment grade ratings of BBB+/A2 and Baa1/A1 respectively. These are notable achievements, especially given the global economic environment and the challenges faced in the fixed income markets. The Bank thus remains the highest-rated indigenous bank in the English-speaking Caribbean. In addition, the Bank was named *Bank Of The Year 2012* by The Banker Magazine.

The Group continues to identify threats to the financial sector and formulate strategies to mitigate such risks. The slowing of the economy, coupled with the challenges in the domestic market (high liquidity, weak demand for credit, low interest rates and reduction in credit quality) required First Citizens to take proactive measures to manage our loan and investment portfolios.

The Group has seen growth both in its asset base as well as its profits over the last financial year. We continue to be committed to strengthening our financial base, to growing both locally and regionally, and to providing excellent customer service.

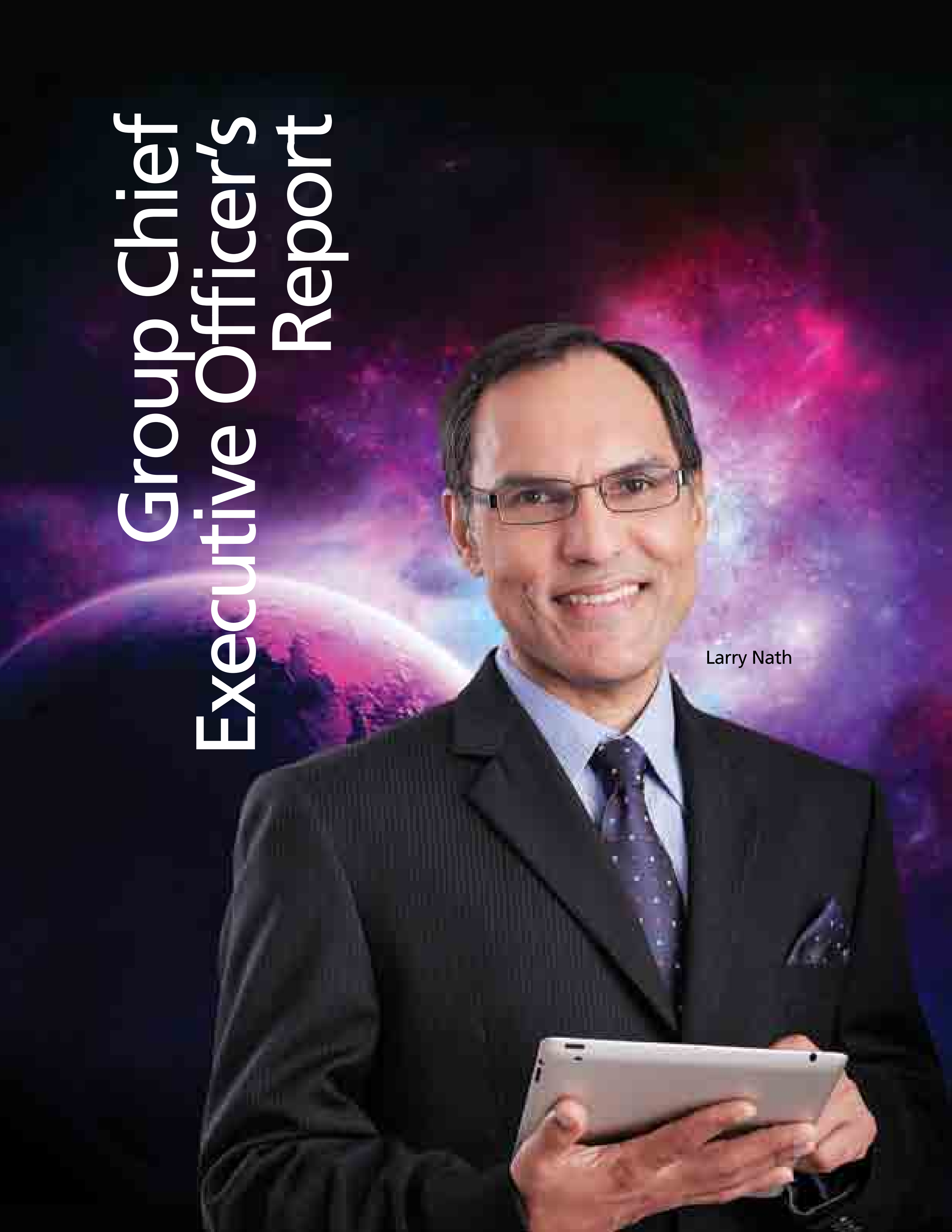
CONCLUSION

We are indeed proud of all our achievements during the financial year. I wish to express my sincere gratitude to the staff, customers, investors, shareholders, my fellow directors and all other stakeholders for their invaluable contribution towards the continuing growth and achievements of the First Citizens Group.

I am optimistic that Trinidad & Tobago will see a return to growth in 2013 but this will be heavily contingent on the outcome of discussions currently taking place regarding the future of the Euro and the Eurozone itself. The gradual slowing in China, India and Brazil are also areas of concern, and we continue to follow these developments closely.

Nyree D Alfonso
Chairperson

Group Chief Executive Officer's Report



Larry Nath

HIGHLIGHTS

The First Citizens Group continued to perform robustly in 2012. Some highlights of this performance include:

- Profit before tax increased by 3.7% from $688.5 million to $714.2 million;
- Total assets increased from $31.2 billion to $34.0 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 11.7% from $5.1 billion to $5.7 billion;
- Qualifying capital to risk adjusted assets ratio remained best of class at 58%.

In addition, the Bank was named *Bank Of The Year* for 2012 by renowned The Banker magazine.

OVERVIEW OF PERFORMANCE

During the year, the most significant event for the Group was the acquisition of Butterfield Bank (Barbados) Limited. First Citizens Bank (Barbados) Limited was formally opened on September 17. Another great success was the establishment of a subsidiary in the Latin American region, FCCR – First Citizens Costa Rica, which is primarily engaged in marketing and promoting First Citizens to attract business and assist potential clients in accessing loans.

For the financial year ended September 30, 2012, profit before tax increased to $714.2 million. Profit after tax amounted to $446.4 million; this was impacted by a change in tax estimate for 2011 which resulted in an additional charge of approximately $128.3 million in 2012. Non-performing loans as a percentage of total loans stood at 4.56%. The Group's funding base increased from $22.7 billion to $24.9 billion. The Group's gross loan base grew from $9.0 billion to $10.6 billion, of which $1.2 billion was due to the acquisition of Butterfield Bank (Barbados) (now First Citizens Bank (Barbados) Limited) and $0.4 billion to organic growth, while investments increased from $10.6 billion to $10.8 billion. Overall total assets increased from $31.2 billion to $34.0 billion.

As a result of our consistent performance, the high quality of our balance sheet as well as our strong capital ratios, Standard and Poor's and Moody's maintained the ratings of First Citizens notwithstanding the general turmoil in the international financial sector. These ratings confirmed the financial standing of the Group which remains one of the highest-rated indigenous financial institution in Trinidad & Tobago and the English-speaking Caribbean.

BANKING OPERATIONS

During the year, the Group continued to focus on the development of our local retail banking network with its continued expansion of the ATM network and the opening of a branch in Penal.

Implementation of our customer service strategies continued, and our concentration on marketing and sales resulted in robust growth in our retail banking products—instalment loans, mortgage loans and credit cards. In keeping with our strategic emphasis on this area of our business, our Electronic Banking Unit was able to launch new credit card products which increased the credit card adoption rate and usage.

SUPPORT SERVICES

During the year our support services remained focused on risk management as well as reaching new demographics with the growing use of social media. Risk management capabilities were streamlined via process re-engineering and refinement of functional responsibilities. We enhanced our website with: links to Twitter (we have now launched our own Twitter account), Facebook and YouTube; adding Google maps; blogging; promotional events and competitions; and survey capabilities.

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 became the first in Trinidad & Tobago to host a series of investment seminars via the internet.

In addition to introducing an online service that allows customers to invest in international securities, First Citizens Investment Services Limited also contributed $93.1 million to profit after tax.

FUTURE OUTLOOK

Developed world economies continue to be challenged by slowing growth while the European economic crisis persists. This fosters uncertainty in the global outlook which affects Caricom as sustained growth in this region is highly dependent on the global economy (the UK and US in particular).

Local monetary and fiscal policies remain geared towards stimulating private sector credit and combatting food inflation. GDP growth of 1.5% to 2% has been forcasted for 2013, added to which the country is expected to reap the rewards of recent finds in natural gas and oil within the medium term.

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

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

Larry Nath
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 Group'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 Group will not remain a going concern for the next 12 months from the date of this statement.

Larry Nath
Group Chief Executive Officer
December 19, 2012

Shiva Manraj
Chief Financial Officer
December 19, 2012

Period 2003-2012

TT$ millions										
As at September 30	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Assets	34,033	31,160	29,534	27,714	15,843	15,059	12,662	11,633	8,472	7,006
Total Funding	27,382	25,626	23,989	22,702	12,351	12,469	10,075	9,125	6,160	4,764
Shareholders' Equity	5,749	5,146	4,900	4,098	2,672	2,193	1,918	1,792	1,575	1,473
Total Loans	10,322	9,020	8,788	7,674	6,559	6,040	5,059	4,572	3,215	2,438
Investments	10,852	10,611	11,175	10,549	4,121	3,193	2,452	2,308	1,585	1,225
Profit Before Tax	714	688	671	621	503	439	404	345	316	233
Non-Performing Loans/Total Loans	4.56%	4.55%	1.16%	1.03%	0.8%	0.6%	0.8%	1.2%	1.6%	2.4%
Efficiency Ratio	49.53%	46.74%	44.89%	40.46%	43.7%	44.1%	43.6%	45.7%	44.8%	44.8%
Capital/Assets	16.9%	16.5%	16.6%	14.8%	16.9%	14.6%	15.1%	15.4%	18.6%	21%

Ten Year Summary of Financial Data

Directors' Report for the Year Ended September 30, 2012

The Directors present herewith the annual report and financial statements for the year ended September 30, 2012.

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 & 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, Ministry of Finance and the Securities and Exchange Commission.

FUTURE DEVELOPMENTS

The Group will continue to focus on its core range of services over the next financial year. We intend to strengthen our brand by enhancing the customer experience. During the year, the Group successfully acquired First Citizens Bank (Barbados) Limited, formerly Butterfield Bank (Barbados) Limited and also established a representative office in Costa Rica. These entities together will assist us in growing our business in select countries regionally and in Latin America.

RESULTS AND DIVIDENDS

The Group's total assets stood at $34.0 billion as at the end of September 2012. This represents growth of 9.2% as compared to 2011. Profit before tax increased by 3.7% to $714.2 million in 2012 as compared to $688.6 million in the previous year. The profit after tax amounted to $446.4 million; this was impacted by a change in tax estimate for 2011 which resulted in an additional charge of approximately $128.3 million in 2012. Total shareholders' equity increased by approximately $603 million or 11.7% to $5.7 billion. Dividends for 2011, amounting to approximately $107 million, were paid during the financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

b) That proper and sufficient care has been taken for 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 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 all its subsidiaries, and the continued enthusiasm, dedication and efforts of the employees of the Group. We are also deeply grateful for the continued confidence and faith reposed in us by our customers and shareholders.

By order of the Board:

Sharon L. Christopher
Corporate Secretary

Nyree D. Alfonso
Chairperson

Anil Seeterram
Deputy Chairman

Cindy Bhagwandeen
Director

Shobee Jacelon
Director

Marlene Juman
Director

Anthony Mohammed
Director

Vishnu D. K. Musai
Director

Ramish Ramanand
Director

Ved Seereeram
Director

Board of Directors

NYREE D. ALFONSO – CHAIRPERSON

Nyree D. Alfonso is an Attorney-at-Law who, for more than 20 years, has been in private practice specializing in commercial litigation. She was admitted to practice both in Trinidad & Tobago and the Eastern Caribbean States. Ms. Alfonso graduated from UWI with a Bachelor of Laws Degree (Hons) and earned her Master of Laws Degree from King's College, University of London, in commercial and corporate law with emphasis on taxation, commercial credit, security and borrowing and corporate restructuring/insolvencies.

She also obtained a Legal Education Certificate from the Hugh Wooding Law School. She was awarded a post graduate diploma (Merit) in Maritime Law in June 2009 from Lloyd's Maritime Academy/London Metropolitan University and is currently undertaking a course of study which will lead to a full LLM in Maritime Law.

Ms. Alfonso serves as Director/Corporate Secretary to several companies in the private sector and was a founding member of the Rotary Club of Maraval, and a Council Member of the St. John Ambulance Association and Brigade of Trinidad & Tobago.

She was appointed to the Boards of First Citizens Holdings Limited and First Citizens Bank Limited as Chairperson in December 2010. In January 2011 she was appointed Chairperson of First Citizens (St. Lucia) Limited, First Citizens Financial Services (St. Lucia) Limited, First Citizens Investment Services Limited, First Citizens Brokerage & Advisory Services Limited and First Citizens Investment Services (Barbados) Limited.

Approval was received on April 5, 2012 for Ms. Alfonso to sit on the Board of FCCR – First Citizens Costa Rica S.A. and she was appointed to the Board of First Citizens Bank (Barbados) Limited as Chairperson on August 27, 2012.

ANIL SEETERRAM – DEPUTY CHAIRMAN

Anil Seeterram has over 15 years of international, regional and local experience as a forensic accountant, auditor, management consultant and banker. He is the Managing Partner of The Phi Group, a highly specialised consulting practice with clients in the energy, financial services, manufacturing, ICT and retail sectors.

Mr. Seeterram is a Canadian-qualified Chartered Accountant. He has an MBA (Hons) from the University of Western Ontario, a joint post-graduate diploma in Investigative and Forensic Accounting from the University of Toronto and the Canadian Institute of Chartered Accountants, and a Bachelor of Commerce Degree from McGill University. He has also attained the certification of Accredited Director from the Institute of Chartered Secretaries of Canada. Mr. Seeterram was appointed to the Board of First Citizens Holdings Limited in December 2010, to the Board of First Citizens Bank Limited in March 2011, and to the Board of First Citizens Investment Services Limited in April 2011. He also serves on the Boards of First Citizens Brokerage and Advisory Services Limited and First Citizens Investment Services (Barbados) Limited.

Approval was received on April 5, 2012 for Mr. Seeterram to sit on the Board of FCCR – First Citizens Costa Rica S.A.

CINDY BHAGWANDEEN – DIRECTOR

Cindy Bhagwandeen has a BSc from UWI, an LLB from the University of London, and a Legal Education Certificate from the Hugh Wooding Law School. Ms. Bhagwandeen has worked on several high profile and landmark cases with prominent Attorneys-at-Law, including the Honourable Attorney General of Trinidad & Tobago, Mr. Anand Ramlogan, whilst he was in private practice, and Sir Fenton Ramsahoye, QC. She manages a successful law practice in San Fernando which specializes in matters such as Judicial Review, Constitutional Motions, Medical Negligence Claims, Personal Injury Claims and various torts against the State. She was appointed to the Board of First Citizens Bank Limited in December 2010 and to the Board of First Citizens Trustee Services Limited in January 2011.

Approval was received on April 5, 2012 for Ms. Bhagwandeen to sit on the Board of FCCR – First Citizens Costa Rica S.A.

(Left page) L-R: Shobee Jacelon, Vishnu D. K. Musai, Nyree D. Alfonso, Anthony Mohammed
(Right page) L-R: Ramish Ramanand, Marlene Juman, Cindy Bhagwandeen, Anil Seeterram, Ved Seereeram

SHOBEE JACELON – DIRECTOR

Shobee Jacelon graduated with an Honours Degree in Geography, followed by a Masters Degree in Information Science and Technology at the University of Western Ontario. On her return to Trinidad & Tobago she worked first as Assistant Librarian at the UWI Library, followed by an eight year stint at The Caribbean Industrial Research Institute (CARIRI) as an Information Specialist in disseminating technical information to businesses, government and research institutes, both in the private and public sectors. The subsequent five years in her family's jewellery business (Maraj Jewellers) were spent in customer service, human resource and marketing.

Over the last 16 years Mrs. Jacelon has been involved with four international companies at an executive level in marketing nutritional supplements. She has recently set up her own company, Lifestyle Solutions Limited. She was appointed to the Board of First Citizens Bank Limited in December 2010 and to the Boards of First Citizens Investment Services Limited, First Citizens Brokerage and Advisory Services Limited and First Citizens Investment Services (Barbados) Limited in January 2011.

In March 2012, Mrs. Jacelon attended the Directors' Education and Accreditation Programme hosted by the Eastern Caribbean Securities Exchange Limited (St. Kitts). She was appointed to the Board of First Citizens Bank (Barbados) Limited on August 27, 2012.

MARLENE JUMAN – DIRECTOR

Marlene Juman was appointed to act as Permanent Secretary, Ministry of Finance, in March 2010. She entered the Public Service over 20 years ago where she served in the Ministry of Finance, first in the Inland Revenue Division as a Field Auditor, and then as an 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 has a Diploma in Human Resource Management and a certification in Project Management. She is currently assigned to the Investments Division with responsibilities for the monitoring of State Agencies. Ms. Juman was appointed to the Boards of First Citizens Holdings Limited and First Citizens Bank Limited in June and July, respectively.

Ms. Juman was appointed to the Board of First Citizens Bank (Barbados) Limited on August 27, 2012.

ANTHONY MOHAMMED – DIRECTOR

Anthony Mohammed is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants of Trinidad & Tobago. He has over 20 years' experience in Auditing, Accounting and Finance and, at present, holds the position of Finance Controller at Air Liquide Trinidad & Tobago Limited. Mr. Mohammed was appointed to the Board of First Citizens Bank Limited in December 2010. In January 2011 he was appointed to the Board of First Citizens Trustee Services Limited as Chairman, and to the Boards of First Citizens (St. Lucia) Limited and First Citizens Financial Services (St. Lucia) Limited.

VISHNU D. K. MUSAI – DIRECTOR

Vishnu D.K. Musai has an MBA from the Institute of Business, UWI, and an ACCA from the Glasgow College of Technology. He has worked as an Accountant at the Ministry of Finance, and at GTM Life Insurance Company Limited (now Mega Insurance Company Limited) as Secretary/ Accountant. He was also the Chairman of Trinidad & Tobago Forests Products Limited for several years.

Mr. Musai completed courses in the Directors' Education and Accreditation Programme and Financial Investigation and Forensic Accounting.

RAMISH RAMANAND – DIRECTOR

Ramish Ramanand works at the Petroleum Company of Trinidad & Tobago Limited and has a Diploma in Management from Henley Business School, a BA in Human Resource Management from a university in the UK (APU), and a Certificate of Risk Management from the Arthur Lok Jack Institute of Business. Mr. Ramanand was appointed to the Board of Directors of First Citizens Bank Limited in December 2010, and to the Board of First Citizens Securities Trading Limited on January 13, 2011.

Mr. Ramanand received an Advanced Diploma in Forensic Accounting and Fraud Detection (Merit) from the Caribbean Forensics & Financial Fraud Institute in April 2012.

VED SEEREERAM – DIRECTOR

Ved Seereeram is a Financial Consultant, advising regional governments and corporations on capital market transactions, risk management and credit administration over the last 12 years. Prior to private consulting, Mr. Seereeram worked for Citibank for 8 years and was the Managing Director of Citicorp Merchant Bank. He spent 10 years at Scotiabank managing major corporate client portfolios. Mr. Seereeram holds an MBA from the University of Western Ontario and a BSc in Business Administration from the University of the West Indies. He was appointed to the Board of First Citizens Bank Limited on December 31, 2010 and to the Boards of First Citizens Securities Trading Limited, First Citizens Investment Services Limited, First Citizens Brokerage and Advisory Services Limited and First Citizens Investment Services (Barbados) Limited in January 2011.

Approval was received on April 5, 2012 for Mr. Seereeram to sit on the Board of FCCR – First Citizens Costa Rica S.A., and he was appointed to the Board of First Citizens Bank (Barbados) Limited on August 27, 2012.

Executive Management Team

LARRY NATH
GROUP CHIEF EXECUTIVE OFFICER

Larry Nath joined First Citizens as Deputy Chief Executive Officer – Banking Operations in June 2011. He has been involved in the financial services industry for over 23 years, and has worked with multinational banks in a variety of roles, both in Trinidad & Tobago and abroad. Mr. Nath's career has given him a wealth of experience in commercial, corporate and energy-sector banking. He has a BBA from the University of Miami and an MSIA from Purdue University. He also completed the Leadership Programme at the Wharton School. Mr. Nath has held directorships on several public and private sector boards and currently sits on the boards of several subsidiaries within the First Citizens Group.

SHARON L. CHRISTOPHER
DEPUTY CHIEF EXECUTIVE OFFICER – CORPORATE ADMINISTRATION, GROUP CORPORATE SECRETARY

Sharon Christopher has been Deputy Chief Executive Officer – Corporate Administration of First Citizens since 2007. An Attorney-at-Law (Legal Education Certificate, Hugh Wooding Law School) and a holder of a Master of Laws from the London School of Economics and Political Science, she has over 23 years' experience at Executive Management level in the financial services sector. Her experience and training is wide-ranging, covering such areas as corporate governance, banking operations, information technology, marketing, corporate security, corporate communications and human resource management. Ms. Christopher, the holder of an accredited director designation, has held directorships on numerous public and private sector boards. She currently sits on the Board of the St. Lucia Electricity Services Limited and on the Board of Light and Power Holdings Limited in Barbados. She is an Executive Member of the Council of the Energy Chamber of Trinidad & Tobago. In addition, she sits on the boards of several subsidiaries within the First Citizens Group.

JASON JULIEN
GENERAL MANAGER – FIRST CITIZENS INVESTMENT SERVICES LIMITED

Jason Julien is a Chartered Financial Analyst. He has a BSc in Management Studies with honours from UWI, and an MBA 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 is a member of the Finance Faculty at the Arthur Lok Jack Graduate School of Business, hosted the Business Breakfast TV show, is a bi-weekly columnist and has written numerous articles on economic, investment and financial matters. Mr. Julien was also honoured as one of the Distinguished Alumni of UWI, St Augustine.

ROBIN LEWIS
GENERAL MANAGER – RETAIL AND COMMERCIAL BANKING

Robin Lewis joined First Citizens as the GM Retail and Commercial Banking in April of 2012.

He holds a Diploma in Business Management from the University of The West Indies and an MBA from the University of Lincoln in London. Mr. Lewis is a career banker with over 30 years' experience in the financial services industry.

The majority of his career was spent with a local financial services provider gaining experience in all aspects of banking operations. His prior appointment was at director level with another major regional financial institution with responsibility for Banking Operations for the Retail Wealth and Small Business groups, also including Branch Banking, Electronic Channels and Call Centres. He currently sits on the Board of the Trinidad & Tobago Manufacturers' Association.

H. PHILIP RAHAMAN
GROUP CHIEF RISK OFFICER

H. Philip Rahaman was appointed Group Chief Risk Officer in January 2012. An Accountant by training, his career spans over 16 years in the financial sector and encompasses varied senior roles such as Head of Finance & Treasury, Head of Credit Risk, and most recently Executive Director, Commercial Services & Business Operations and Company Secretary for the local subsidiary of a global bank. He holds a Bachelor of Commerce from University College Dublin, Ireland and is a Fellow of both The Association of Chartered Certified Accountants and The Chartered Institute of Securities and Investment.

L-R: Sharon L. Christopher, H. Philip Rahaman, Larry Nath, Jason Julien, Robin Lewis

Senior Management Team

(Left page) L-R: **Shiva Manraj**, Chief Financial Officer – Finance and Planning; **Avril Edwards**, Corporate Manager – Electronic Banking; **Lindi Ballah-Tull**, Head – Legal; **Kurt Valley**, General Manager – First Citizens Asset Management; **Dirk Smith**, Corporate Manager – Treasury/International Trade Centre; **Felipe Castro**, Regional Manager, Central America – FCCR – First Citizens Costa Rica; **Waltnel Sosa**, Corporate Manager – Strategic Initiatives/Projects; *__Brian Woo__, Assistant General Manager – Corporate Banking Unit

(Right page) L-R: **Christopher Denny**, Head – Retail Banking; **Christopher Sandy**, General Manager – First Citizens Trustee Services; **Harjoon Heeralal**, Corporate Manager – Group Corporate Planning; **Rosemary Alves**, Corporate Manager – Group Operations and Process Improvement; **Anthony St. Clair**, Chief Internal Auditor – Group Internal Audit; **Warren Sookdar**, Chief Information Officer – Information and Communications Technology; **Raymond Crichton**, Asst. General Manager – Credit Administration; **Glyne Harrison**, Chief Executive Officer (Ag) – First Citizens Bank (Barbados) Limited

**Appointed November 1, 2012*

Local and International Expansion

First Citizens Executives cut the ribbon at the office entrance: (L-R) Anil Seeterram – Deputy Chairman; Nyree Alfonso – Chairperson; Felipe Castro – Regional Manager, Central America; Larry Nath – Group CEO

COSTA RICA

In January 2012 the Group ventured into the Central American market. In Costa Rica we opened a representative office which is expected to promote the First Citizens brand.

This occasion marked another momentous accomplishment in the Group's history. Mr. Felipe Castro, a Costa Rican national, was selected to head the operations, which will focus on attracting mainly corporate and commercial clients. The Group is always seeking opportunities to invest and grow and Costa Rica represents a unique opportunity to establish a greater presence in the region.

Cutting the ribbon: (L-R) Robin Lewis – General Manager, Retail & Commercial Banking; Nyree Alfonso – Chairperson; Senator The Hon. Vasant Bharath, Minister of Trade and Industry; Satyan Seuraj, Branch Manager; Senator the Hon. Larry Howai – Minister of Finance & the Economy; Larry Nath – Group CEO and Sharon Christopher – Deputy CEO, Banking and Corporate Administration

PENAL

Penal is the newest addition to the branch network, bringing the total number of local retail branches to 26. The area, which was historically known for rice and cocoa cultivation, has evolved into a bustling and expanding commercial centre.

Recognizing the valuable contribution that can be made to the many diverse businesses and people of the Penal community, the First Citizens Penal branch opened its doors on August 14 and established over 75 new accounts and relationships on the first day of business!

Long before this official branch opening First Citizens was well-acquainted with the Penal community. Through our Corporate Social Responsibility programmes aligned to Sports and Community Development, the Group sponsored and partnered with Penal-based cricket club Clarke Road United, an initiative that started 14 years ago and remains strong to date.

We feel that the opening of the Penal branch is a perfect way to commemorate the Jubilee–50 years of national Independence. It celebrates convenient banking and exceptional customer service in a sophisticated, customer-friendly environment. It will benefit and meet the burgeoning demands of the community and its surroundings.

BUTTERFIELD BANK ACQUISITION

After months of negotiations, on May 7 First Citizens signed an agreement to acquire Butterfield Bank (Barbados) Limited. The acquisition—which was finalized on August 27—is another significant achievement for the First Citizens Group, and confirms the Company's commitment to regional growth and expansion in line with the Group's strategic direction.

This is the Group's first acquisitive expansion of its full service banking business outside of Trinidad & Tobago. It has received positive feedback from key stakeholders and members of the Barbadian public.

Butterfield Bank (Barbados) Limited provides retail, premium and business banking, lending services, merchant services, and credit and debit card services in Barbados. The Bank employs 114 staff at its main office in Carlisle House in central Bridgetown and five additional Banking Centres across the island. Before its acquisition, the Bank had assets of B$617 million (US$308 million), and customer deposits of B$540 million (US$270 million) as at 31 December 2011. Both organizations have similar cultures. Its employees and customers are a good fit with the First Citizens business model, and we therefore consider this an ideal fit.

Over the past three months integration teams consisting of leaders from both organizations, assisted by Deloitte Canada, worked assiduously on the implementation of plans from the legal acquisition to Customer Day 1, Monday September 23, 2012, when First Citizens Bank (Barbados) Limited officially opened its doors to the Barbadian public. The process had its share of challenges; however, we are confident that business continuity and seamless customer experiences were achieved. On Customer Day 1, the first major event arising out of the re-launch saw the Bank unveiling its signage for the Broad Street Branch. Like Broad Street, all locations now carry the First Citizens branding and trademark signage and branches have been modified to reflect the First Citizens colours and ambience.

In keeping with the Group's aims to ensure continued focus on the customer, new products backed by quality service will be a top priority, as we seek to excite and capture the imagination of the Barbadian public. Customers were able to use their First Citizens debit cards from Customer Day 1 and credit cards are scheduled for introduction shortly thereafter.

The Group is enthused about the opportunities that lie ahead, and about making a positive contribution to the growth and development of Barbados and, by extension, the region.

Lindi Ballah-Tull, Head – Legal, witnesses the signing of the Share Sale Agreement for the acquisition of First Citizens Bank (Barbados) Limited (formerly Butterfield Bank (Barbados) Limited) by Larry Nath, Group Chief Executive Officer, at Lex Caribbean in Barbados.

Staff of First Citizens Bank (Barbados) Limited applaud as the new sign at Broad Street is unveiled

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, 2012.

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 stated in Trinidad & Tobago dollars unless otherwise stated.

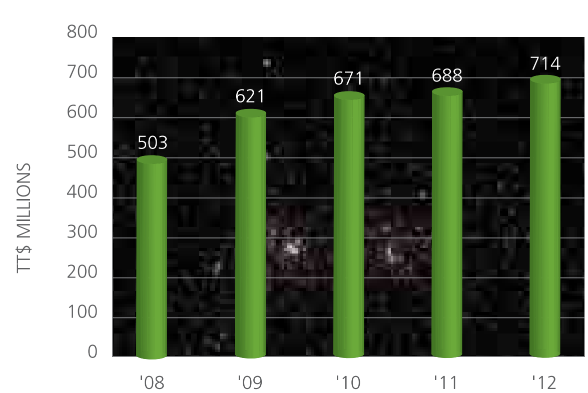
CRITICAL ACCOUNTING POLICIES

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.

SUMMARY OF OPERATIONS

At the end of the financial year ended September 30, 2012, First Citizens Group, in spite of challenging market conditions, reported a profit before tax of $714.2 million. This profit represented $25.6 million or 3.7% over the $688.6 million earned in September 2011. Total net income increased by 4.6% to approximately $1.52 billion as compared to $1.45 billion in 2011. Operating or core profit increased by $20 million to $700 million (2011: $680 million). Profit after tax, however, amounted to $446.4 million; the decline over the

Profit Before Tax



previous year was consequent upon a change in tax estimate for 2011 which resulted in an additional charge of approximately $128.3 million in 2012.

The Group's funding base increased from $22.7 billion to $24.9 billion. The Group's gross loan base grew from $9.0 billion to $10.6 billion, of which $1.2 billion was due to the acquisition of First Citizens Bank (Barbados) Limited and $400 million to organic growth, while investments increased from $10.6 billion to $10.8 billion. Overall total assets increased by 9.2% from $31.2 billion to $34.0 billion in 2012.

The Group continues to identify threats to the financial sector and to formulate strategies to mitigate such risks. The slowing of the economy, coupled with the challenges in the domestic market (high liquidity, weak demand for credit, low interest rates and reduction in credit quality) required First Citizens to take proactive measures to manage our loan and investment portfolios.

NET INTEREST INCOME

Over the last financial year the greatest challenge for the Group was managing interest rate spreads. Reduced economic activity in the region, along with increases in inflation and high unemployment, continue to dampen credit demand.

Locally the repo rate was reduced from 3.0% at the beginning of the financial year to 2.75% as at September 30, 2012. Prime lending rate was maintained at 7.75% for the year ended September 30, 2012. The Group, however, managed to maintain its interest rate spreads with effective interest expense management, helped by growth in the retail and commercial sectors, specifically real estate mortgages.

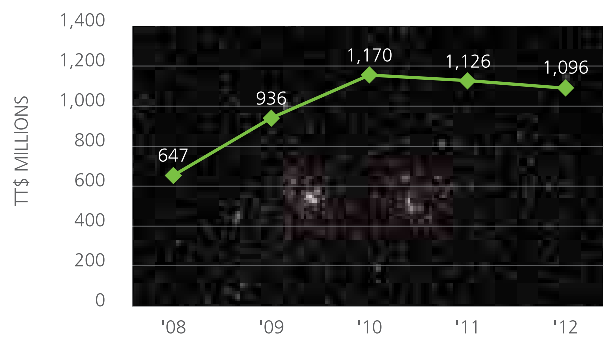
Net interest income is the most significant contributor to the Group's net income. It accounts for 72.2% of the Group's total income.

Over the financial year ended September 30, 2012 interest income decreased by $79.0 million or 5.0% to $1,492 million, the major contributor was a decrease in investment income which accounted for $82.7 million; partially offset by an increase in loan interest income of $15 million. The lack of availability of investments and declining yields accounted for this decrease.

Loans interest income increased by 2.3% to $689 million. Although the loans to customers net of provision increased by approximately $1.5 billion, the increase in interest income was not as significant due to the acquisition of First Citizens Bank (Barbados) Limited at the end of August 2012. As such, only one month of interest income was consolidated in the income statement.

Interest expense decreased by $49.8 million or 11.2% to $396.1 million. This decrease was due to the reduction in our cost of funds due to falling interest rates for both customer deposits and repurchase agreements.

Net Interest Income



NON-INTEREST INCOME

The Group, in an attempt to mitigate its risks against any negative effects of decreasing yields and resulting tightening of interest spreads, sought to improve non-interest income.

In the year 2012, non-interest income increased by 29.4% to $423.0 million, accounting for 27.8% of total revenues. The major contributors to this growth were in the categories of fees and commissions; gain on disposal of investments and foreign exchange gains.

NON-INTEREST EXPENSE

Total non-interest expense increased by $47.1 million or 6.1%, amounting to $819.3 million at the end of September 2012. This increase is mainly due to the increase in staff expenses and operating expenses, offset by decreases in impairment provision.

The Group's efficiency ratio—the ratio of non-interest expenses (excluding impairment provision) to total income—increased to 49.5% in 2012. The Group continues to renew its commitment to strive towards increasing efficiency of utilisation of

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.

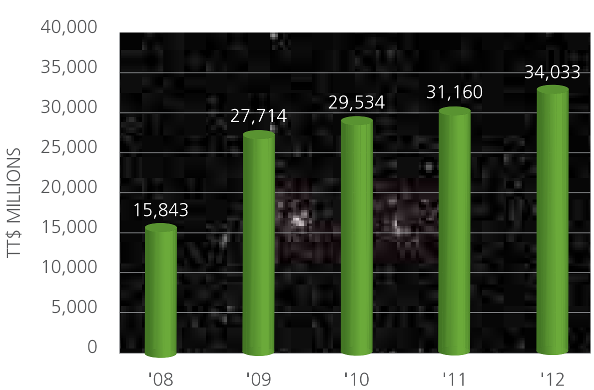
	Year ended September 30, 2010 vs September 30, 2011				Year ended September 30, 2011 vs September 30, 2012			
	Increase/(decrease) due to				Increase/(decrease) due to			
	Changes in volume	Changes in rate	Changes in rate/ volume	Total increase/ (decrease)	Changes in volume	Changes in rate	Changes in rate/ volume	Total increase/ (decrease)
Interest Income Attributable to:								
Investment securities	(326)	(65,949)	26	(66,249)	(12,326)	(71,551)	1,171	(82,706)
Loans to customers	59,164	(101,985)	(8,321)	(51,142)	68,959	(48,872)	(5,000)	15,087
Loan notes	4,447	(24,371)	(658)	(20,582)	(3,626)	(7,964)	200	(11,390)
Total increase in interest income	63,285	(192,305)	(8,953)	(137,973)	53,007	(128,387)	(3,629)	(79,009)
Interest Expense Attributable to:								
Customers' deposits	4,688	(107,060)	(2,178)	(104,550)	11,373	(72,234)	(6,527)	(67,388)
Other funding instruments	35,559	(81,699)	(14,214)	(60,354)	6,153	15,250	652	22,055
Due to other banks	(6,190)	(10,152)	6,110	(10,232)	(22)	4,650	(1,977)	2,651
Debt securities in issue	9,475	65,282	6,532	81,289	(2,559)	(4,618)	67	(7,110)
Total increase in interest expense	43,532	(133,629)	(3,750)	(93,847)	14,945	(56,952)	(7,785)	(49,792)
Increase/(decrease) in net interest income	19,753	(58,676)	(5,203)	(44,126)	38,062	(71,435)	4,156	(29,217)

resources and controlling its expense levels, while delivering superior customer service.

ASSETS AND LIABILITIES

Total assets were $34.0 billion as at the end of September 2012, up by $2.9 billion or 9.2%. This increase is mainly as a result of the acquisition of First Citizens Bank (Barbados) Limited, which accounted for $1.8 billion of the increase. There were also organic increases in loans to customers and other financial assets specifically, cash and due from other banks.

Asset Growth - Total Assets



THE LOAN PORTFOLIO

As at September 30, 2012, the net loan portfolio increased by $1.5 billion to $10.3 billion, most of which was attributable to the Barbados acquisition ($1.2 billion). The major contributors to remaining loan growth were the real estate mortgage and consumer sectors.

Non-performing loans as a percentage of total gross loans remained fairly consistent at 4.56% at the close of 2012 as compared to 2011. The credit risk department continues to effectively manage our credit exposure by setting and ensuring compliance with our credit limits.

LOAN LOSS PROVISIONS

The Group accounts for the credit risk associated with lending activities through its allowance for bad and doubtful debts. This allowance, as determined through the application of the Group's loan loss provision model, is an expense recognised in the income statement. Total provision for the Group at the end of September 2012 amounted to $288.5 million, which represents 2.7% of total loans and 0.6 times coverage on the value of total non-performing loans.

INVESTMENT PORTFOLIO

Available for sale investments increased marginally during the year to $9.2 billion from $8.8 billion. This was mainly due to an increase in fair values and moderate investment opportunities, encouraging more investments in short term instruments.

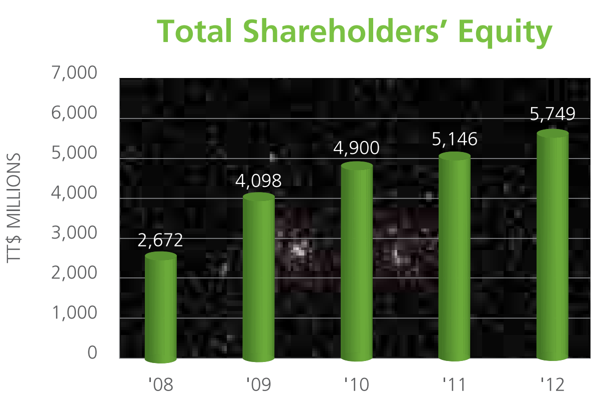
PROVISION FOR TAXATION

The Group recorded a taxation charge for the year of $267.8 million. This was due to management re-assessing its tax strategy in relation to the pursuit of tax benefits to be derived from derivative instruments. This change in strategy, which was done after careful evaluation of all relevant factors and in consultation with its tax advisors, but prior to the filing of its 2011 corporation tax return, resulted in a difference between the tax liability as per the tax return for 2011 and the estimate of the tax provision recognised in the financial statements for the year ended September 30, 2011 as well as changes to the deferred income tax estimates. This change in estimate, amounting to an additional tax charge of $128.3 million, was recognised in the income statement in 2012 in accordance with the relevant International Financial Reporting Standards.

SHAREHOLDERS' EQUITY

Total shareholders' equity increased by $0.6 billion over the last financial year to $5.7 billion. The increase in the Group's capital base was as a result of the increase in net profit for the year and a favorable movement in fair value reserves of $243 million, offset, however, by a dividend of $106.9 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 corresponds with International Basel standards wherein there is a minimum capital adequacy ratio. This is a risk-based capital measure which recognises and measures inherent credit risk. As at the year's end, the Group was well capitalised with a Tier 1 capital adequacy ratio of 58.0%.



COMPLIANCE AND RISK MANAGEMENT

Since January 2007, the Group has recognised 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 program 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 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 core methodology for managing risk on an enterprise-wide basis of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – Enterprise Risk Management (ERM) Integrated Framework;
- 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 recognises that training is an integral part of building a stronger risk culture. To this end, training in Anti-Money Laundering for the entire Group is done annually while training on Ethics in Banking and the preparation of risk assessments is done as required at this time.

COMPLIANCE AND RISK MONITORING

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 and 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 MANANGEMENT

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 re-setting 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, the changes in the shape of the yield curve and the changes in the spread. The yield curve provides the foundation for computing the fair value of future cash flows. It is based on current market yields on applicable reference bonds that are traded in the marketplace. Market yields are converted to spot interest rates ('spot rates' or 'zero coupon rates') by eliminating the effect of coupon payments on the market yield.

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

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

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

The Group's fixed income portfolio is also exposed to interest rate risk as the valuation of the assets in the portfolio varies with local and international interest rates. The Group uses Value at Risk (VaR) to monitor and manage the market risk of the investment portfolio. VaR is a statistically-based estimate which quantifies the potential loss on the portfolio at a predetermined level of confidence and holding period. To supplement the VaR, the Group also performs stress testing of the investment portfolio. The market risks arising from the investment portfolio are monitored by 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 during 2012. The Group's internal audit process continues to receive the highest rating accreditation. 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, code 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. All departments and subsidiaries within the Group prepare monthly statutory compliance reports for the Compliance Unit, which in turn submits a summary to the various Boards or the Risk Committees of the Boards, where applicable.

CONCLUSION

The First Citizens Group continued to perform strongly in 2012 with solid growth in total asset, and shareholders' equity. Despite the challenges of continued depressed economic activity, internationally, regional and locally, the Group continues to position itself as a strong financial institution. Coupled with sound management and corporate governance, the First Citizens Group continues to be well poised to become one of the most competitive financial institutions in the region.

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Beverley Norville
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Carlisle House

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Clive Newman
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Michael Thompson
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Collymore Rock

Marlene Wiltshire
Associate Institute of Canadian Bankers
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JBs

Kelly-Ann Codrington
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Worthing

Lisa Branch
Executive Dip. Banking & Finance, Associate Degree Hotel Management
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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:

Nyree D. Alfonso – Chairperson

Anil Seeterram

Rishi Baddaloo

BOARD ENTERPRISE RISK MANAGEMENT COMMITTEE

The Board Enterprise Risk Management Committee is responsible for the oversight of the Group Chief Executive Officer's and Senior Management's responsibilities regarding the identification and management of, as well as planning for the Group's market risk, interest rate risk, liquidity risk, operational risk and reputational risk ("Enterprise Risks"). The Committee also oversees the Group Chief Executive Officer's and Senior Management's responsibilities with respect to the Company's capital management and liquidity planning.

The Committee has oversight for the operations of the Group Operational Risk Unit, Group Market Risk Unit and Group Compliance Unit, and has overall responsibility for:

1. Overseeing senior management's implementation of a risk framework and risk appetite, while ensuring alignment of the Group's risk profile with the strategic plan, goals and objectives of the business.
2. Reviewing with Senior Management, the Group's processes (including policies, procedures, guidelines, benchmarks, management committees and stress testing) for identification, management and planning for the Group Enterprise Risks. The Committee shall also receive and review reports from senior management regarding compliance with applicable risk-related policies, procedures and tolerances, and review the Group's performance relative to these policies, procedures and tolerances.
3. Periodically reviewing management's activities with respect to capital management and liquidity planning, including approval of management's plans with respect to liquidity sources, dividends, the issuance, repurchase or redemption of equity or other securities, and issuance and repayment of the Group's debt.
4. Receiving and reviewing reports on selected risk topics as management or the Committee deems appropriate from time to time.
5. Reviewing and discussing with management significant regulatory reports of the Company and its subsidiaries related to the Enterprise Risks, and remediation plans related to such Enterprise Risks.
6. Meeting annually with the Audit Committees on topics of common interest.

In addition, the risks associated with new business ventures (divestments, acquisitions, mergers, joint ventures, etc.), operations in foreign jurisdictions, new legislation/regulations, corporate financing/capital structure, and reputation are also reviewed by the Committee.

The members of the Committee are:

Ved Seereeram – Chairman

Shobee Jacelon

Ramish Ramanand

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 will have more knowledge and more detailed information about the Group than do the members of the Committee. It also takes responsibility for the Group's financial reporting and financial statements prior to the involvement of the auditors. 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 into 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 Committees are:

Holding Company

Carlton Watson – Chairman
Marlene Juman
Mulchan Lewis
Kesraj Seegobin – Representative of Ministry of Finance

Bank

Anthony Mohammed – Chairman
Marlene Juman
Vishnu D. K. Musai
Anil Seeterram

Asset Management

Narinejit Pariag – Chairman
Rishi Baddaloo
Dr. Rodney Ramroop

Trustee Services

Vishnu D. K. Musai – Chairman
Anthony Mohammed
Shiva Manraj

Cindy Bhagwandeen

First Citizens Investment Services

Anil Seeterram – Chairman
*Larry Howai
Larry Nath
Ved Seereeram
**Retired June 24, 2012*

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.

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

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:

Shobee Jacelon – Chairman
Marlene Juman
Vishnu D. K. Musai
Ramish Ramanand

CREDIT COMMITTEE

The role of the Credit Committee is:

1. To approve credit facilities as documented under the Group's Credit Policy
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:

Nyree D. Alfonso – Chairperson
Ved Seereeram
Anil Seeterram

Culture & Community

Our Corporate Social Responsibility

REWARDING CALYPSO'S NEXT GENERATION OF SUPERSTARS

First Citizens rewarded participants of the National Action Cultural Committee's (NACC) Annual Emancipation Calypso Competition with nEo and Abercrombie accounts.

Winner of the 24-35 age group, Stephen Marcelle, was awarded an Abercrombie account, and 7-14 group winner Ferdinand Smith won a nEo account.

First Citizens has long supported our national musical heritage and was pleased to join with the NACC in fostering new and blossoming talent.

Stephen Marcelle, winner of the 24-35 year category, accepts his certificate and Abercrombie TT$ Monthly Fixed Income Fund voucher from Margaret Jones – Branch Manager, Independence Square

Ferdinand Smith, winner of the 7-14 age group during his performance

Priscilla Charles – Manager, Business Development, First Citizens Investment Services St. Lucia, attends to a visitor at the offices' booth during the *Dominica World Creole Music Festival*

MOVING TO THE BEAT AT DOMINICA WORLD CREOLE MUSIC FESTIVAL

First Citizens Investment Services St. Lucia was proud to sponsor the *Dominica World Creole Music Festival* for the second year. Themed *Make A Memory, Come Dance With Us!*, the festival was held at the Windsor Park Sports Stadium from 28-30 October 2011.

The Festival featured renowned international bands such as UB40, Third World, Kassav, and Carimi, as well as Fay Ann Lyons, Bunji Garlin and the Asylum Band. Thousands of people from around the region and internationally attended.

SWEET SWEET SOCA

The Group stepped into new territory when it collaborated with the Trinbago Unified Calypsonians' Organisation (TUCO) to sponsor the newly branded TUCO/ First Citizens Junior Calypso Competition.

First Citizens was excited to be a sponsor on the occasion of young Soca superstar Aaron Duncan's hat trick win on February 13, 2012. Aaron and his fellow junior calypsonians competed for a chance to win a total of $150,000 in First Citizens nEo Savings Accounts.

Karega Mandela, TUCO PRO (far L) and Lutalo 'Brother Resistance' Masimba, (far R) with the winners (L-R), 2nd place – Helon Francis; 1st place – Aaron Duncan; 3rd place – Sherisse Collymoore

MISS HERITAGE BRINGS BEAUTY TO TOBAGO

Since its inception, First Citizens has sponsored the most anticipated event in the Tobago Heritage Calendar: the *Miss Heritage Personality Pageant*. This year marked the 25th anniversary of the pageant and highlighted a quarter century of an excellent relationship between the Group and the Tobago Festivals Committee.

The Pageant was themed *Here We Stand*. Ten beautiful young ladies representing communities all across the island competed for the prized crown by displaying their talents, indigenous wear and intelligence. It was Kalifa Hislop, however, who outshone the other nine competitors and was crowned *Miss Heritage 2012*.

(L-R) Shenell Felix – Les Coteaux Close Connection; Kalifa Hislop; Tekeisha Charles – Charlotteville 2nd Runner Up

Kendra Richins and Melissa-Ann Baboolal display lit deyas

AN ENLIGHTENED CELEBRATION

Since 2007 First Citizens has been a sponsor of the annual Divali Nagar Festival. The 2011 celebrations were bigger than ever, extending to ten nights instead of nine. The Nagar draws hundreds of people each year to witness the beautiful lights and culture of Divali.

As was customary, First Citizens established an on-site branch, catering to the needs of merchants as well as visitors who took the opportunity to make loan payments, apply for credit cards, make deposits and to enquire about the Bank's products and services.

BEAUTY MEETS BANKING AT MISS CARIVAL

Beauties from all over the Caribbean gathered in St. Vincent for the Caribbean's prestigious pageant, *Miss Carival*. For the third consecutive year, First Citizens Investment Services St. Vincent Office was the Super Platinum Sponsor of Vincy Mas and the pageant, which was themed *Miss Carival 2012: 27 years of exquisite pageantry -1985-2012*.

Young ladies from Anguilla, Barbados, Dominica, Dominican Republic, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and Venezuela participated. St. Lucian Roxanne Nicholas was crowned Miss Carival 2012, followed by first runner up, St. Vincent & the Grenadines' Carice Glasgow.

First Citizens Miss Carival Pageant aims at fostering greater bonds between Caribbean islands, while supporting our regional communities.

(L-R) Jason Julien – General Manager, First Citizens Investment Services; Roxanne Nicholas - *Miss St. Lucia and Miss Carival 2012*; Norlann Gabriel – Manager, First Citizens Investment Services, St. Vincent Office

Winners in the primary school category smile with their prizes. (L-R) 2nd place – Tisha Teekasingh, Princes Town Presbyterian; 1st place – Shekinah Joseph, Golden Lane Government Primary School; 3rd Place – Celeste Perreira, Sacred Heart Girls

Winners in the secondary school category (L-R) 2nd Place – Alyssa Mike, St. Joseph's Convent San Fernando; 1st Place – Chelsea Marjadsingh, St. Augustine Girls High School; 3rd Place – D'Jorn Grandison, Bishop's High School Tobago

REAPING THE FRUITS OF THEIR LABOUR

Building on the success of our posters, *Fruits of Trinidad and Tobago* and *Vegetable, Root Crops and Herbs of Trinidad and Tobago*, developed by Nasser Khan, the Group put students' knowledge to the test in our *Fruits and Veggies Competition*.

The young people participated in a game-show styled competition based on the posters on November 16, 2011. Golden Lane Government Primary School (Tobago) and St. Augustine Girls High School emerged winners, each receiving a trophy and $15,000.

Flutes and horns were the choice of instruments for this group

ALL JAZZED UP

The Group gave Steelpan & Jazz Festival fans much to be happy about in 2011 with the introduction of the *Pan-Jazz Challenge*. First Citizens was the title sponsor of the challenge, which saw several teams giving astounding performances.

First Citizens also sponsored Pan & Jazz Student Workshops, which gave students the opportunity to learn from accomplished musicians Jeremy Ledbetter and Alexis Baro. The workshops attracted some 500 students.

CARIBBEAN CHESS CARNIVAL

First Citizens Asset Management (FCAM) was the title sponsor of the *Caribbean Chess Carnival* hosted by the Trinidad & Tobago Chess Foundation.

During the launch, Amol Golikeri, Corporate Manager, FCAM remarked that the sport of chess provides an excellent opportunity for our youth to focus their minds and practice the same skills of discipline and strategy so vital for every investor.

(L-R): Amol Golikeri – Corporate Manager, FCAM; Vishnu Singh; Sean Yearwood; Joshua Johnson; Jon-Raphael Sealy; Kurt Valley – General Manager, FCAM; Judy Oxley-Fullerton – Manager, Marketing and Sales, FCAM

CULTIVATING A NEW GENERATION OF BUSINESS LEADERS AND ENTREPRENEURS

First Citizens has a 13-year partnership with Junior Achievement (JA) Trinidad & Tobago. The JA programme, designed to develop entrepreneurial skills in youth, bought students from over 30 secondary schools to the Annual Junior Achievement Trade Fair at Woodford Square on April 13th 2012.

First Citizens sponsored three teams: *Inked Up, Royal Alliance and Doing Right Every Day (DRED)*, who all sold many hand-crafted items. The Group was very proud when *DRED* won "Achiever of the Year" and *Inked Up* won "Best Booth" at the JA Banquet of Honour.

DRED Image – Winners of *Achiever of the Year* Award

T&T HEROES FIND A PLACE IN THE HISTORY BOOK

In recognition of our Nation's 50th Anniversary of Independence, the Group sponsored an educational reader honouring T&T's heroes, which was launched on June 27, 2012.

Titled *Profiles: Heroes, Role Models and Pioneers of Trinidad and Tobago – Celebrating our 50th year of Independence 1962-2012*, the reader profiles individuals who made major contributions in various fields to the development of Trinidad & Tobago. The book was written by Nasser Khan and endorsed by the Ministry of Education.


Proudly displaying copies of the book are (L-R) The Honourable Dr. Tim Gopeesingh – Minister of Education; Larry Nath – Group Chief Executive Officer, First Citizens; Nasser Khan – Author/Researcher

MONEY CAMP: INVESTING IN A RICHER FUTURE

Since 2009 the Corporate Banking Unit has been the backbone of the First Citizens Money Camp. This year, youths ranging from 13 to 19 took part in workshops which focused on creative and fun ways to educate campers on investments, the TT Stock Exchange and the Central Bank Money Museum. They were also treated to a game of golf at St. Andrew's Golf Course, which was attended by some local celebrities.

Money Campers with celebrity Radio Announcer Jason Williams and (L) Angela Hordatt – Assistant General Manager, Corporate Banking

Jenelle Holloway – Manager, Product Development, Marketing Department presents the 1st Place Individual Award to Isaac Khellawan of St. George's College

SEVENTEEN YEARS OF SCRABBLE EXCITEMENT

First Citizens sponsored its 17th annual *National School's Scrabble Tournament* on Saturday 19 May, at the Centre of Excellence, Macoya.

This year's competition theme, *The Avengers*, thrilled students of various Primary and Secondary Schools as they battled with their choice of weapon–scrabble tiles.

Caroni Education District School Supervisor III, Ashram Deoraj, praised First Citizens for continuously staging a tournament which "created avenues to help children improve and be all-round citizens".

Women's Issues
Our Corporate Social Responsibility

FINANCIAL FREEDOM FOR WOMEN

Over 120 women gathered at the Bay Gardens Hotel, St Lucia, on April 28, 2012 to participate in the 3rd annual *First Citizens Investment Services Financial Well-being Conference for Women*. It was themed *Whatever The Mind Can Conceive And Believe, It Can Achieve*.

Group Deputy CEO - Corporate Administration, Sharon Christopher, who spoke on the topic of *Parenting and Leadership,* and First Citizens Investment Services Regional Manager, Carole Eleuthere-JnMarie, who presented a *Financial Fitness Programme For Women*, were examples themselves of how women can succeed at setting and achieving their life's goals.

The lone male presenter, entrepreneur Adrian Augier, addresses the participants of the 2012 Women's Conference

Participants at the 2012 annual Women's Conference

CREATING LEADING LADIES

The 2nd Caribbean Leading Ladies Conference took place from January 27-28 at the Hilton, Barbados, under the theme *Larger than Life*. Attendees were able to learn how to deal with issues of self worth, happiness, healthier lifestyles and holistic development.

Group Deputy CEO - Corporate Administration, Sharon Christopher, spoke at both sessions. She presented cheques to two women from Trinidad & Tobago and two from Barbados, which will fund the cost for them to undergo PET/CT Scans in Miami.

Sharon Christopher – Deputy Chief Executive Officer presents a cheque to Dr. Shirley Jhagroo – Oncologist (Barbados)

THE FIERCEST FEMALES OF FAIR HELEN

In commemoration of International Women's Month, First Citizens Investment Services Regional Manager, Carole Eleuthere-JnMarie, was featured on My *Fair Helen*, a weekly radio programme in St. Lucia. The programme highlights the achievements of prominent St. Lucian women who made significant contributions to the island's development.

Carole joined in the campaign to encourage women to appreciate their freedom and individuality.

Presenters on the programme (L-R) Rumelia Dalphinis-King – Director of Family Court; Dr. Tanya Destan-Beaubrun – Medical Practitioner and CEO of Integral Health Clinic; Her Excellency Dame Pearlette Louisy – Governor General; Sharon Williams – Local Journalist and Producer of *My Fair Helen*; Senator, The Honorable Berthia Parle – Deputy President of the Senate; Carole Eleuthere Jn Marie – Regional Manager, First Citizens Investment Services

Michal Andrews – Chairman of the *Pink Fund* Committee (2nd L) makes a hamper presentation to Lenore Howard, the lucky door prize winner at *Mary Could Dance*, as *Pink* Representatives from Electronic Banking Unit – Maria Rodriguez (L) and Sally Sagram flank them

Customers are treated to mini pink cupcakes!

HELPING WOMEN HEAL THROUGH PINK

Since its inception one year ago, the First Citizens PINK credit card initiative has helped raised $406,500 to assist in the fight against domestic violence against women. These funds have made a positive impact on the lives of many women, giving them the strength and support needed to grow and move forward as strong independent women.

PINK has made a recognizable impact on the market, holding events such as the play *Mary Could Dance*, part proceeds of which were contributed to the PINK fund. Other events included support for International Women's Day, *Bombay Dreams 2, Cupcakes and Cleavage*, as well as educational seminars at Arthur Lok Jak Graduate School.

On Customer Appreciation Day, customers were treated to a PINK experience, which included mini PINK cupcakes.

CELEBRATING THE EIGHTH NEW YEARS AT THE RACES

Year upon year, the First Citizens invitation-only event at the New Year's Day Race at the Arima Race Club continues to better itself! The event is widely anticipated on the racing calendar and draws hundred of eager attendees.

The *First Citizens Classic* and *First Citizens Sian's Gold Sprint* were the two most anticipated races of the day, with the crowd cheering on their favourites.

Nyree Alfonso – Chairperson, First Citizens presents the trophy for first place in the *Sian's Gold Sprint* to Raging Halo's owner Shiraz Ahamad and family. Trainer John O'Brien (2nd L) and jockey Brian Harding (2nd R) also received trophies for Raging Halo's winning performance

Owner Steve Samaroo (2nd L) and his daughter receive the trophy for Sea Gold's win in the *First Citizens Classic* from Sharon Christopher – Deputy Chief Executive Officer, Corporate Administration. Also receiving trophies were Sea Gold's trainer Stephen Jardin (L) and jockey Dario Dalrymple

FIRST CITIZENS CUP: A DECADE OF MEMORIES

The 2011 *First Citizens Cup* marked the 10th year the Group sponsored the league in an alliance with the TT Pro League. Matches were held at the Hasely Crawford and Mannie Ramjohn stadiums, attracting hundreds of spectators.

The TT Pro League has always been one of the breeding grounds for present and future Soca Warriors. The Group looks forward to its continued association with them, as we strengthen our commitment towards the local football industry.

Caledonia AIA could not conceal their excitement at defeating T&TEC FC to win the 10th *First Citizens Cup*

Primary School Chess Champions, Marina Regina, with their 1st Place Trophy

CHECKMATE

Over 100 students from across the country participated in this year's First Citizens Primary School Chess Tournament. Organised in conjunction with the Trinidad and Tobago Chess Academy, First Citizens is proud to be a part of a sport that challenges and develops the minds of our Nation's youth.

SAILING THE SEAS OF SUCCESS

The Bequia Sailing Club has called the 31st Bequia Easter Regatta "unbeatable". In recognition of the Group's sponsorship, the inaugural First Citizens Big Boat Challenge took place on the opening day. The Regatta was held over the Easter weekend.

The 31st *Bequia Easter Regatta*, of which the First Citizens Group was a premier sponsor, was termed "unbeatable" by its organizers

Team First Citizens with their winnings at the *UWI SPEC International Half Marathon* prize giving ceremony. (L-R) Deodath Harrikissoon – Siparia Branch; Darcel Jones – St. Vincent Street Branch; Falomi Marcano – One Woodbrook Place; Margaret Jones – St. Vincent Street Branch; Dexter Gittens – Central Branch Support

GOING THE DISTANCE

"Just get out there and walk or run!" This was the rallying cry of the *UWI SPEC International Half Marathon*, voiced by Group Chief Information Officer, Warren Sookdar.

Hundreds of local and international participants followed his advice and ran the 13.1-mile race on the morning of October 31, 2011. First Citizens was particularly pleased that for the first time, the race met its registration target of 1,000 participants, including a number of First Citizens staff members who put on their running shoes to show their support.

(L-R): Dr Keith Clifford – Chairman, First Citizens Sports Foundation; His Excellency Professor George Maxwell Richards – President of the Republic of Trinidad & Tobago; Roger Daniel – *2011 Sportsman of the Year*; Theophillus Trim – Advisor to the Division of Sports receiving the *Sportswoman of the Year Award* on behalf of Kelly Ann Baptiste; Her Excellency Dr. Jean Ramjohn-Richards

Quincy Alexander receives the *Male Youth of the Year* winner's trophy while Robert Costelloe, President of the Golf Association, received the *Female Youth of the Year* trophy on behalf of Monifa Sealy

50 YEARS OF SPORTING CHAMPIONS

On Wednesday February 9, 2012, hundreds of guests gathered at Queen's Hall in Port of Spain to honour the Nation's sporting heroes, who excelled in 2011, with the First Citizens Sports Foundation.

This year the event drew together 50 years of awards to sporting greats. The audience was treated to nostalgic video segments, which remembered the sportsmen and women who were awarded throughout the years. The highlight of the proceedings came when Shooter Roger Daniel received his second straight win as *Sportsman of the Year*, and Sprinter Kelly-Ann Baptiste claimed *Sportswoman of the Year*.

The event followed on the heels of the Youth Awards Ceremony, when Cyclist Quincy Alexander and Golfer Monifa Sealy were announced as *Male and Female Youths of the Year*.

BISHOP ANSTEY GIRLS MAKE WAVES IN MINI POLO

The skilled team from Bishop Anstey Junior School won first place at this year's *First Citizens Mini Polo League*.

Richmond Street Boys team also wowed the crowd. The first time entrants, who copped third place in the Group 1 Male category, gave the veteran teams a run for their money with their outstanding debut performance.

We were particularly pleased to see that developing this sport is having a ripple effect by opening a healthy outlet for new, young talent.

These young ladies exhibit poise and grace in the water

Pupils of Richmond Street Boys proudly display their medals and trophy with their coaches at the prize-giving ceremony

YACHT RACING FOR A GOOD CAUSE

For the second time First Citizens joined with the J24 Club of Barbados to sponsor the *First Citizens J24 Championship Race for Charity*. This year's charities were the Blood Donation Week, Feeding the Homeless, and Teen Challenge.

Held on June 16 and 17, the bi-annual sailing event highlighted opportunities for First Citizens to network with sailors, boat owners, representatives from the respective charities and other interested members of public.

For the second time First Citizens joined with the J24 Club of Barbados to sponsor the *First Citizens J24 Championship Race for Charity*

"We did it!!!" This group of participants was elated after receiving their medals and trophies

TWICE THE THRILL

For the second consecutive year, the First Citizens Sport Foundation amped up BMX riding with the Trinidad and Tobago Cycling Federation at the BMX Youth Championships.

Over 150 youngsters from ages 4 to 15 competed at Skinner Park, San Fernando for two days of adrenaline-pumping cycling. Skilful and enthusiastic, they show that cycling has a bright future in Trinidad & Tobago.

These young competitors receive final instructions before starting

Serving with energy and enthusiasm

REGIONAL TENNIS CHAMPS HOLD THE COURT

Over 100 regional and international junior tennis players gathered in St. Vincent in August to take part in the 2012 *First Citizens Investment Services Junior ITF Tournament*. First Citizens was proud to be the platinum sponsor for the second year.

Fatima College boys give thumbs up before their opening game against St. Mary's College

Eve Inniss-Mohammed – Assistant League Manager, happily receives the sponsorship cheque from Dirk Smith – Corporate Manager, Treasury/ITC

WONDERS IN WATER POLO

First Citizens has long supported sports in schools and, as a result, we have become keen aficionados of water polo. Both the *First Citizens Mini Polo League* and *First Citizens National Secondary Schools Water Polo Tournament* have been astounding successes.

At the close of the *First Citizens Secondary Schools Water Polo Tournament*, Rosemary Alves, Corporate Manager - Group Operations and Process Improvement, said, "The water polo league provides an excellent avenue for our youth at a time when the Nation is feverishly searching for meaningful and constructive activities to occupy their minds and time."

The Bank's sponsorship will continue to further develop youngsters in this sport.

Financial Statements

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 Company) and its Subsidiaries (together, the Group), which comprise the consolidated statement of financial position as of 30 September 2012, 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
28 December 2012
Port of Spain
Trinidad, West Indies

	Notes	As at 30 September 2012 $'000	2011 $'000
ASSETS			
Cash and due from other banks	6	2,449,484	1,600,743
Statutory deposits with Central Bank	7	4,446,808	4,071,727
Financial assets			
- Available-for-sale	8(a)	9,215,853	8,787,840
- Held to maturity	8(b)	1,633,245	1,819,039
- Fair value through profit or loss	8(c)	2,690	5,354
- Loans and receivables less allowances for losses:			
Loans to customers	9	10,321,665	8,795,000
Other loans and receivables	10	1,715,979	1,836,619
Loan notes	11	2,607,625	2,677,187
Finance leases	12	3,891	4,756
Other assets	13	578,317	578,192
Investment in joint ventures	14	18,853	16,130
Investment in associate	15	116,555	112,852
Due from parent company		2,221	2,045
Tax recoverable		34,167	18,396
Property, plant and equipment	16	446,106	422,492
Intangible assets	17	211,120	157,735
Retirement benefit asset	18	228,659	254,186
TOTAL ASSETS		34,033,238	31,160,293
LIABILITIES			
Customers' deposits	19	18,894,585	16,047,346
Other funding instruments	20	6,038,847	6,641,669
Due to other banks		63,251	80,099
Creditors and accrued expenses	21	408,224	196,119
Taxation payable		59,796	2,890
Debt securities in issue	22	2,448,358	2,936,615
Deferred income tax liability	23	313,122	51,434
Notes due to parent company	24	58,000	58,000
TOTAL LIABILITIES		28,284,183	26,014,172
CAPITAL AND RESERVES ATTRIBUTABLE TO THE PARENT COMPANY'S EQUITY HOLDERS			
Share capital	25	643,557	640,000
Statutory reserve	26	666,132	661,446
Retained earnings		3,267,083	2,932,315
Reserves		1,172,283	912,360
TOTAL SHAREHOLDERS' EQUITY		5,749,055	5,146,121
TOTAL EQUITY AND LIABILITIES		34,033,238	31,160,293

The notes on pages 82 to 143 form an integral part of these consolidated financial statements.

On 19 December 2012, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Director: ______________________ Director: ______________________

Consolidated Income Statement

	Notes	Year Ended 30 September 2012 $'000	2011 $'000
Interest income	27	1,492,438	1,571,447
Interest expense	28	(396,135)	(445,928)
Net Interest Income		1,096,303	1,125,519
Fees and commissions	29	267,077	231,000
(Loss)/gain on sale of available-for-sale financial assets		54,113	11,759
Foreign exchange gains	30	64,100	58,663
Other income		37,748	25,384
Total Net Income		1,519,341	1,452,324
Impairment loss on loans, net of recoveries	9(c)	(37,922)	(71,891)
Impairment loss on other financial assets		(28,863)	(21,594)
Administrative expenses	31	(445,752)	(422,290)
Other operating expenses	32	(306,796)	(256,467)
Operating Profit		700,008	680,083
Share of profit in associate	15	11,433	6,526
Share of profit in joint ventures		2,723	1,944
Profit Before Taxation		714,164	688,553
Taxation	33	(267,772)	29,638
Profit For The Year		446,392	718,191

The notes on pages 82 to 143 form an integral part of these consolidated financial statements.

	Year Ended 30 September 2012 $'000	2011 $'000
Profit attributable to Equity Holders of the Parent Company	446,392	718,191
Other Comprehensive Income		
Exchange difference on translation	5,057	278
Revaluation of available for sale assets net of tax	243,038	(209,215)
Revaluation of property, plant and equipment net of tax	11,694	—
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	134	152
Total Other Comprehensive Income	259,923	(208,785)
Total Comprehensive Income For The Year	706,315	509,406

The notes on pages 82 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	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 2011	640,000	661,446	820,654	85,002	6,704	2,932,315	5,146,121
Total Comprehensive Income For The Period	—	—	243,038	11,828	5,057	446,392	706,315
Shares issued	3,557	—	—	—	—	—	3,557
Transfer to statutory reserve	—	4,686	—	—	—	(4,686)	—
Dividends paid	—	—	—	—	—	(106,938)	(106,938)
Balance At 30 September 2012	643,557	666,132	1,063,692	96,830	11,761	3,267,083	5,749,055
Balance at 1 October 2010	640,000	699,282	1,029,717	85,002	10,917	2,434,768	4,899,686
Total comprehensive income	—	—	(209,063)	—	(4,213)	722,682	509,406
Transfer to statutory reserve	—	(37,836)	—	—	—	37,836	—
Dividends paid	—	—	—	—	—	(262,971)	(262,971)
Balance At 30 September 2011	640,000	661,446	820,654	85,002	6,704	2,932,315	5,146,121

The notes on pages 82 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

	Note	Year Ended 30 September 2012 $'000	2011 $'000
Profit before taxation		714,164	688,553
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associate		(11,433)	(6,526)
Share of profit in joint ventures		(2,723)	(1,944)
Interest income		(1,492,438)	(1,571,447)
Interest received		1,468,211	1,602,769
Interest expense		396,135	445,928
Interest paid		(392,292)	(471,862)
Depreciation and amortisation		62,418	56,703
Gain on disposal of property, plant and equipment		(425)	—
Gain on sale of available-for-sale financial assets		(54,113)	(11,759)
Amortisation of premium on investment securities		23,640	16,144
Amortisation of debt securities issued		3,498	3,708
Impairment loss on other financial assets		28,863	21,594
Net pension income		35,529	33,884
Net movement in allowance for loan loss		62,987	(71,891)
Cash flows from operating activities before changes in operating assets and liabilities		842,021	733,854
Net change in loans to customers		(1,589,652)	(296,895)
Net change in finance leases		865	668
Net change in customers' deposits		2,847,240	48,243
Net change in other funding instruments		(602,822)	1,122,379
Net change in other assets		24,100	(187,657)
Net change in due from parent company		(176)	(68)
Net change in statutory deposits with Central Bank		(375,080)	(705,243)
Dividends received		684	268
Net change in creditors and accrued expenses		208,262	27,667
Pension contributions paid		(10,002)	(9,693)
Taxes paid		(62,205)	(51,592)
Net cash flow from operating activities		1,283,235	681,931
Cash Flows From Investing Activities			
Purchase of financial assets			
- Available-for-sale		(6,555,038)	(5,696,773)
- Held to maturity		(33,967)	(109,469)
- Fair value through profit or loss		—	(2,909)
- Other loans and receivable		—	(18,520)
Proceeds from sale of financial assets			
- Available-for-sale		6,546,350	5,736,551
- Held to maturity		217,840	255,922
- Fair value through profit or loss		3,126	661
- Other loans and receivable		96,820	—
Repayment on loan notes receivable		73,700	73,700
Repayment of derivative financial instrument		—	(16,527)
Net change in short-term investments		121,001	(58,025)
Proceeds from disposal of property, plant and equipment		5,673	768
Acquisition of subsidiary, net cash acquired		(83,780)	—
Purchase of property, plant and equipment		(77,165)	(86,615)
Net cash flow from investing activities		314,560	78,764
Cash Flows From Financing Activities			
Net change in debt securities		(488,565)	461,331
Issue of shares		3,557	—
Ordinary dividend paid		(104,016)	(260,049)
Preference dividend paid		(2,922)	(2,922)
Net cash flow from financing activities		(591,946)	198,360
Effect of exchange rate changes		(19,259)	(38,451)
Net (decrease)/increase in cash and cash equivalents		986,590	920,604
Cash and cash equivalents at beginning of year		1,034,253	113,649
Cash and cash equivalents at end of year	6	2,020,843	1,034,253

The notes on pages 82 to 143 form an integral part of these consolidated financial statements.

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 Trinidad and Tobago Government. 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 Bank holds investments in the following entities:

Entity	Nature of operations	Country of incorporation	Percentage ownership
First Citizens Asset Management Limited	Investment and asset management services for corporate benefit plans, mutual funds and other parties	Trinidad & Tobago	100%
First Citizens Bank (Barbados) Limited	Banking, including the provision of mortgages for residential and commercial properties	Barbados	100%
First Citizens Costa Rica SA	Service related transactions	Costa Rica	100%
First Citizens Financial Services (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Investment Services Limited	Investment and asset management services and repo business	Trinidad & Tobago	100%
First Citizens Securities Trading Limited	Financial management services and repo business	Trinidad & Tobago	100%
First Citizens St. Lucia Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and bond paying agency services	Trinidad & Tobago	100%
Infolink Services Limited	Provision of automated banking reciprocity services	Trinidad & Tobago	25%
St. Lucia Electricity Services Limited	Provision of electrical power to consumers	St. Lucia	19%
Trinidad and Tobago Interbank Payment System Limited	Automated clearing house	Trinidad & Tobago	14.29%

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, financial assets at fair value through profit or loss, financial liabilities 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, amendments and interpretations which are effective and have been adopted by the Group:

- 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.

- IFRIC 14 'Prepayment of a minimum funding requirement' (Amendment) (effective 1 January 2011).
  The standard provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- IFRS 7 'Disclosure amendments' (effective 1 July 2011). The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

  - Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)

  - Financial assets are not derecognised in their entirety

- IAS 1 'Presentation of Items of Other Comprehensive Income (OCI)' (effective 1 July 2012). The amendments to IAS 1 change the grouping of items presented in OCI. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

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 2011 but which are not relevant to the Group's operations:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective from 1 July 2011).

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 2011 but have not been early adopted by the Group:

- IFRS 9 'Financial instruments part 1: Classification and measurement' (effective 1 January 2015). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Amendments to IFRS 9 'Mandatory Effective Date of IFRS 9 and Transition Disclosures', issued

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)

in December 2011, moved the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 from 1 January 2013 to 1 January 2015. 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.

- 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.

- IFRS 7 'Disclosures Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7' (effective 1 January 2013). These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with IAS 32 'Financial Instruments: Presentation'. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with IAS 32.

- IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013). The standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 'Consolidation and Separate Financial Statements' and SIC-12 'Consolidation – Special Purpose Entities'.

- IFRS 11 'Joint Arrangements' (effective 1 January 2013). This standard replaces IAS 31 'Interest in Joint Ventures'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

- IFRS 12 'Disclosure of interest in Other Entities' (effective 1 January 2013). This standard requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 'Fair Value Measurement' (effective 1 January 2013). IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an "exit price"). "Fair value" as used in IFRS 2 'Share-based Payments' and IAS 17 'Leases' is excluded from the scope of IFRS 13.

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)**

- IAS 19 'Employee Benefits (Revised)' (effective 1 January 2013). The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

  - For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI as they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.

  - Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

  - Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

  The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- IFRS 1 'Government Loans – Amendments to IFRS 1' (effective 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This is the same relief as was given to existing preparers of IFRS financial statements.

- IAS 32 'Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32' (effective 1 January 2014). This requires that "a financial asset and a financial liability shall be offset ... when, and only when, an entity currently has a legally enforceable right to set-off the recognised amounts …" The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself.

2.2 **Consolidation**

(a) Principles of consolidation

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

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

2 Summary Of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(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.

(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. Gains 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.

2 Summary Of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(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.

(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$6.3503=US$1.00 (2011: TT$6.3211=US$1.00), which represents the Group's mid-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.

2 Summary Of Significant Accounting Policies (continued)

2.3 Foreign currency translation (continued)

(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;
(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 and of borrowings 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 or 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 de-recognised.

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 at 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.

2.5.2 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 Summary Of Significant Accounting Policies (continued)

2.5 Financial assets and financial liabilities (continued)

2.5.3 Recognition and de-recognition of financial instruments

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

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

Financial liabilities are de-recognised 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 has become or is 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.

2.7 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 are impaired. A financial asset or a group of financial assets are 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);

2 Summary Of Significant Accounting Policies (continued)

2.7 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

(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.

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.

2 Summary Of Significant Accounting Policies (continued)

2.7 Impairment of financial assets (continued)

(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.

2.10 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.

2 Summary Of Significant Accounting Policies (continued)

2.11 Lease transactions (continued)

(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 every three years, 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.

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.

2 Summary Of Significant Accounting Policies (continued)

2.12 Property, plant and equipment (continued)

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 asset's 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.

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 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 directly to equity, is also credited or charged directly to equity and is subsequently recognised in the consolidated income statement together with the deferred gain or loss.

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

2 Summary Of Significant Accounting Policies (continued)

2.14 Employee benefits

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.

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.

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 cash flows 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 cash flows 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.

2 Summary Of Significant Accounting Policies (continued)

2.17 Fee and commission income (continued)

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.

2.20 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.

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 **Summary Of Significant Accounting Policies (continued)**

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. 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.

(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

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 will 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 (Note 3.4).

2.27 Segment reporting

The Group's segmental reporting is based on the following: Retail Banking, Corporate Banking, Investment Banking, Asset Management and Group functions.

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 and the guidance of the Bank's Chief Risk Officer. 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.

3.1 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 Risk Officer (CRO), 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 CRO 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 Financial Risk Management (continued)

3.1 Credit risk (continued)

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

(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 loans and receivables

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

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.

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.

3 Financial Risk Management (continued)

3.1 Credit risk (continued)

3.1.4 Risk limit control and mitigation policy (continued)

(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.

(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
- Government Guarantees

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 review of loan accounts in arrears as per the Credit Policy.

Liquidity Support Agreement

It was agreed inter alia, in the Liquidity Support Agreement dated May 15, 2009, made between the Government of the Republic of Trinidad and Tobago (GORTT), the Central Bank of Trinidad and Tobago and the First Citizens Bank Limited (the Bank), that the GORTT would provide certain assurances to the Bank so that the acquisition of the shares of Caribbean Money Market Brokers Limited, now First Citizens Investment Services Limited (FCIS), would not reduce the capital adequacy ratio of the Bank below 10% for the five years from the date of completion of the said acquisition of the shares.

The terms of the agreement under which the Bank acquired FCIS included certain financial assurances by the GORTT that provide for the indemnification of the Bank against various claims, losses or liabilities if incurred by FCIS within a stipulated period of time after the date of acquisition in relation to obligations existing or default on assets owned by FCIS at the date of the acquisition as set out in the provisions of the Liquidity Support Agreement.

All reasonable claims by the Bank in respect of such losses are expected to be settled once the Bank has made all reasonable efforts to recover or resist such claims, losses or liabilities.

3 Financial Risk Management (continued)

3.1 Credit risk (continued)

3.1.4 Risk limit control and mitigation policy (continued)

(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 of cash flows 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.

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

	Gross maximum exposure 2012 $'000	Gross maximum exposure 2011 $'000
Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows:		
Cash and bank balances	2,449,484	1,600,743
Statutory Deposit with Central Bank	4,446,808	4,071,727
Financial assets		
Available-for-sale	9,222,587	8,866,173
Held to maturity	1,633,245	1,819,039
Loans to customers	10,610,138	9,020,486
Other loans and receivable	1,778,310	1,870,039
Loan notes	2,607,625	2,677,187
Finance leases	3,891	4,756
Interest receivable	110,262	86,035
Receivable from GORTT	272,363	274,970
	33,134,713	30,291,155
Credit risk exposures relating to off balance sheet financial assets are as follows:		
Credit commitments	993,674	425,594
Total Credit Risk Exposure	34,128,387	30,716,749

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 summarized as follows:

	30 September 2012					
	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	7,143,172	1,701,716	9,105,657	1,633,245	2,607,625	3,504
Past due but not impaired	2,990,817	—	52,674	—	—	810
Individually impaired	485,658	76,594	64,256	—	—	—
Gross	10,619,647	1,778,310	9,222,587	1,633,245	2,607,625	4,314
Unearned interest	(9,509)	—	—	—	—	(423)
Less: Allowance for impairment	(288,473)	(62,331)	(39,313)	—	—	—
Net	10,321,665	1,715,979	9,183,274	1,633,245	2,607,625	3,891

	30 September 2011					
	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	6,476,846	1,457,361	8,699,978	1,819,039	2,677,187	5,512
Past due but not impaired	1,963,666	366,900	140,714	—	—	25
Individually impaired	610,734	45,778	25,250	—	—	—
Gross	9,051,246	1,870,039	8,865,942	1,819,039	2,677,187	5,537
Unearned interest	(30,760)	—	—	—	—	(781)
Less: Allowance for impairment	(225,486)	(33,420)	(7,838)	—	—	—
Less claims on liquidity support	—	—	(109,062)	—	—	—
Net	8,795,000	1,836,619	8,749,042	1,819,039	2,677,187	4,756

The terms of the agreement under which the Group acquired First Citizens Investment Services Limited (FCISL) included an indemnification provided by the Government of the Republic of Trinidad and Tobago against various claims, losses or liabilities incurred by FCISL after the date of acquisition in relation to assets owned by FCISL at the date of the said acquisition. (See Note 3.1.4 (d))

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 and other financial assets that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

i. Loans to customers

	30 September 2012				
	Loans individual $'000	**Loans corporate $'000**	**Total loans $'000**	**Loan note $'000**	**Finance leases $'000**
Standard	2,533,070	4,580,888	7,113,958	2,607,625	3,504
Special mention	4,079	25,135	29,214	—	—
	2,537,149	4,606,023	7,143,172	2,607,625	3,504

	30 September 2011				
	Loans individual $'000	**Loans corporate $'000**	**Total loans $'000**	**Loan note $'000**	**Finance leases $'000**
Standard	1,688,723	4,788,113	6,476,836	2,677,187	5,512
Special mention	—	—	—	—	—
	1,688,723	4,788,113	6,476,836	2,677,187	5,512

ii. Other loans and receivable

	30 September 2012			30 September 2011		
	Individual $'000	**Corporate $'000**	**Total loans $'000**	**Individual $'000**	**Corporate $'000**	**Total loans $'000**
Investment grade	16,919	824,424	841,343	537	511,501	512,038
Speculative grade	3,391	856,982	860,373	23,781	921,542	945,323
	20,310	1,681,406	1,701,716	24,318	1,433,043	1,457,361

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

	30 September 2012		
	Individual (retail customers) $'000	**Corporate $'000**	**Total $'000**
Instalment loans	601,764	5,978	607,742
Demand loans	84,746	4,006,826	4,091,572
Overdrafts	663	65,418	66,081
Credit cards	337,746	—	337,746
Mortgages	1,512,233	527,798	2,040,031
Loans to customers	2,537,152	4,606,020	7,143,172
Impairment allowance	(37,882)	(33,417)	(71,299)
Loans net of impairment	2,499,270	4,572,603	7,071,873

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)

ii. Other loans and receivable

	30 September 2011 Individual (retail customers) $'000	Corporate $'000	Total $'000
Instalment loans	591,668	—	591,668
Demand loans	87,143	4,399,200	4,486,343
Overdrafts	5,579	98,247	103,826
Credit cards	238,250	—	238,250
Mortgages	766,093	290,666	1,056,759
Loans to customers	1,688,733	4,788,113	6,476,846
Impairment allowance	(30,252)	(33,322)	(63,574)
Loans net of impairment	1,658,481	4,754,791	6,413,272

(b) Past due but not impaired

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

30 September 2012	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	179,414	13,388	2,915	—	195,717
Demand loans	59,462	16,069	880	—	76,411
Overdrafts	14,618	1,312	107	—	16,037
Credit cards	3,464	5,464	577	—	9,505
Mortgages	571,941	78,218	26,740	2,754	679,653
Sub-total	828,899	114,451	31,219	2,754	977,323
Impairment allowance	(11,099)	(1,461)	(244)	(704)	(13,507)
Corporate					
Large corporate customers	1,231,384	22,930	10,438	—	1,264,752
Mortgages	688,458	50,965	2,395	6,926	748,744
Sub-total	1,919,842	73,895	12,833	6,926	2,013,496
Impairment allowance	(8,287)	(271)	(64)	(11)	(8,633)
Total Loans To Customers	2,748,741	188,346	44,052	9,680	2,990,819
Available-for-sale financial assets	52,674	—	—	—	52,674
Other loans and receivables	—	—	—	—	—
Finance lease	810	—	—	—	810
Fair value of collateral					
Individual (retail customers)	1,228,369	122,437	34,537	3,862	1,389,205
Corporate	1,866,012	967,893	25,860	8,050	2,867,815

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 2011	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	137,368	13,281	3,301	12	153,962
Demand loans	73,594	16,487	1,316	1,826	93,223
Overdrafts	13,555	405	176	—	14,136
Credit cards	—	5,530	—	—	5,530
Mortgages	451,437	20,114	5,546	3,828	480,925
Sub-total	675,954	55,817	10,339	5,666	747,776
Impairment allowance	(8,398)	(1,032)	(155)	(63)	(9,648)
Corporate					
Large corporate customers	598,363	49,986	42,155	—	690,504
Mortgages	502,485	21,816	1,085	—	525,386
Sub-total	1,100,848	71,802	43,240	—	1,215,890
Impairment allowance	(4,212)	(321)	(244)	—	(4,777)
Total Loans To Customers	1,776,802	127,619	53,579	5,666	1,963,666
Available-for-sale financial assets	37,957	—	—	102,757	140,714
Other loans and receivables	—	—	—	366,900	366,900
Finance lease	25	—	—	—	25
Fair value of collateral					
Individual (retail customers)	2,096,209	51,665	8,846	6,059	2,162,779
Corporate	1,791,816	45,024	1,577	—	1,838,417

(c) Individually impaired

	Individual (retail customers)			Corporate				Total
	Instalment $'000	Demand loans $'000	Overdrafts $'000	Credit cards $'000	Mortgages $'000	Large corporate customers $'000	Mortgages $'000	$'000
30 September 2012								
Loans to customers	27,257	47,417	742	17,168	50,340	324,448	18,286	485,658
Impairment allowance	(26,527)	(19,318)	(740)	(10,869)	(17,055)	(104,669)	(15,857)	(195,035)
Fair value of collateral	11,659	122,732	150	—	56,937	530,144	7,857	729,479
Available-for-sale	—	—	—	—	—	64,256	—	64,256
Impairment allowance	—	—	—	—	—	(39,313)	—	(39,313)
Other loans and receivables	22,409	—	—	—	—	54,185	—	76,594
Impairment allowance	(9,138)	—	—	—	—	(53,193)	—	(62,331)
Fair value of collateral	13,271	—	—	—	—	992	—	14,263

3 Financial Risk Management (continued)

3.1 Credit risk (continued)

3.1.7 Loans to customers and financial assets (continued)

(c) Individually impaired (continued)

	Individual (retail customers)			Corporate				Total
	Instalment $'000	Demand loans $'000	Overdrafts $'000	Credit cards $'000	Mortgages $'000	Large corporate customers $'000	Mortgages $'000	$'000
30 September 2011								
Loans to customers	27,342	8,442	1,037	13,088	7,942	532,053	20,830	610,734
Impairment allowance	(23,145)	(4,029)	(602)	(9,170)	(1,859)	(103,351)	(5,331)	(147,487)
Fair value of collateral	15,584	9,281	280	—	15,090	547,443	31,828	619,506
Available-for-sale	—	—	—	—	—	—	25,250	25,250
Impairment allowance	—	—	—	—	—	—	(7,838)	(7,838)
Other loans and receivables	22,985	—	—	—	—	22,793	—	45,778
Impairment allowance	(11,530)	—	—	—	—	(21,890)	—	(33,420)
Fair value of collateral	6,499	—	—	—	—	813	—	7,312

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

(d) Loans to customers renegotiated

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

	2012 $'000	2011 $'000
Renegotiated loans and advances to customers		
Continuing to be impaired after restructuring	—	—
Non-impaired after restructuring—would otherwise have been impaired	—	—
Non-impaired after restructuring—would otherwise not have been impaired	83,055	739,782
Total	83,055	739,782

3 Financial Risk Management (continued)

3.1 Credit risk (continued)

3.1.8 Credit quality of available-for-sale and held to maturity securities

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

30 September 2012 S&P	Other loans & receivables $'000	Available-for-sale securities $'000	Held to maturity $'000
A- to AAA	803,368	6,612,388	584,939
BBB- to BBB+	209,648	1,050,505	274,245
Lower than BBB-	688,520	1,489,036	774,061
Unrated	14,443	31,345	—
	1,715,979	9,183,274	1,633,245
30 September 2011			
A- to AAA	473,776	5,729,427	599,608
BBB- to BBB+	120	1,490,167	877,665
Lower than BBB-	1,316,945	1,328,820	341,766
Unrated	45,778	200,628	—
	1,836,619	8,749,042	1,819,039

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 as categorised by industry sectors of counter parties.

	2012 Gross maximum exposure $'000	2011 Gross maximum exposure $'000
Loans and receivables:		
Consumer	1,545,161	1,253,719
Agriculture	2,795	8,107
Petroleum	591,634	512,966
Manufacturing	147,498	334,906
Construction	4,269,622	3,365,205
Distribution	181,621	137,793
Hotels and guest houses	376,936	261,377
Transport, storage and communications	660,441	280,148
Finance, insurance and real estate	5,507,930	7,126,015
Other business services	762,860	708,230
Personal services	12,953	79,408
Real estate mortgages	3,452,319	2,091,843
Government related	8,259,715	7,947,675
Finance leases	3,891	4,756
Interest receivable	110,262	86,035
	25,885,638	24,198,182

3 Financial Risk Management (continued)

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.

3.2.1 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 2012	**TT$ $'000**	**US$ $'000**	**Other $'000**	**Total $'000**
FINANCIAL ASSETS				
Cash and due from other banks	318,086	1,380,039	751,359	2,449,484
Statutory reserve	4,373,913	—	72,895	4,446,808
Financial assets:				
- Available-for-sale	5,662,585	3,053,472	499,796	9,215,853
- Held to maturity	526,758	250,501	855,986	1,633,245
- Other loans and receivables	200,804	1,350,791	164,384	1,715,979
- Fair value through profit or loss	2,612	78	—	2,690
- Loans and receivables less allowances for losses:				
Loans to customers	7,767,626	1,371,716	1,182,323	10,321,665
Loan notes	1,707,816	899,809	—	2,607,625
Other assets	409,856	110,318	58,143	578,317
TOTAL FINANCIAL ASSETS	**20,970,056**	**8,416,724**	**3,584,886**	**32,971,666**
FINANCIAL LIABILITIES				
Customers' deposits	13,823,003	3,334,436	1,737,146	18,894,585
Other funding instruments	1,735,116	3,052,269	1,251,462	6,038,847
Due to other banks	—	6,704	56,547	63,251
Debt securities in issue	1,406,550	1,041,808	—	2,448,358
Creditors and accruals	321,694	1,115	85,414	408,223
TOTAL FINANCIAL LIABILITIES	**17,286,363**	**7,436,332**	**3,130,569**	**27,853,264**
Net on balance sheet position	3,683,693	980,392	454,317	5,118,402
Off balance sheet items	182,698	516	2,412	185,626
Credit commitments	406,500	404,177	182,997	993,674

3 Financial Risk Management (continued)

3.2 Market risk (continued)

3.2.1 Currency risk (continued)

As at 30 September 2011	TT$ $'000	US$ $'000	Other $'000	Total $'000
FINANCIAL ASSETS				
Cash and due from other banks	527,602	711,881	361,260	1,600,743
Financial assets:				
- Available-for-sale	4,971,796	3,353,109	462,935	8,787,840
- Held to maturity	526,600	386,855	905,584	1,819,039
- Other loans and receivables	583,896	1,168,405	84,318	1,836,619
- Fair value through profit or loss	5,276	78	—	5,354
- Loans and receivables less allowances for losses:				
Loans to customers	7,068,689	1,726,311	—	8,795,000
Loan notes	1,781,515	895,672	—	2,677,187
Other assets	565,276	11,217	1,699	578,192
TOTAL FINANCIAL ASSETS	**16,030,650**	**8,253,528**	**1,815,796**	**26,099,974**
FINANCIAL LIABILITIES				
Customers' deposits	12,901,688	2,918,795	226,862	16,047,345
Other funding instruments	2,372,525	3,012,917	1,256,227	6,641,669
Due to other banks	—	58,928	21,171	80,099
Debt securities in issue	1,406,550	1,530,065	—	2,936,615
Creditors and accruals	189,509	3,273	3,337	196,119
TOTAL FINANCIAL LIABILITIES	**16,870,272**	**7,523,978**	**1,507,597**	**25,901,847**
Net on statement of financial position	(839,622)	729,550	308,199	198,127
Off balance sheet items	149,570	624	—	150,194
Credit commitments	232,800	192,794	—	425,594

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 $9.7 million (2011: $3.3 million). One percent was considered a reasonable possible shift since the US$ 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. Cash flow 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.

3 Financial Risk Management (continued)

3.2 Market risk (continued)

3.2.2 Interest rate risk (continued)

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 2012	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	1,950,834	—	223,358	—	—	275,292	2,449,484
Statutory deposits with Central Bank	272,145	790,068	522,980	—	—	2,861,615	4,446,808
Financial assets:							
- Available-for-sale	129,826	135,407	1,449,523	1,934,948	5,527,168	38,981	9,215,853
- Other loans and receivables	696,808	50,939	479,428	407,934	80,870	—	1,715,979
- Held to maturity	65,299	64,323	41,210	335,719	1,126,694	—	1,633,245
- Fair value through profit or loss	2,690	—	—	—	—	—	2,690
Loan to customers and finance leases	1,256,559	758,601	1,847,611	4,347,581	2,403,677	—	10,614,029
Loan loss provision	—					(288,473)	(288,473)
Loan notes	1,838,875	—	73,700	485,306	209,744	—	2,607,625
Total Financial Assets	**6,213,036**	**1,799,338**	**4,637,810**	**7,511,488**	**9,348,153**	**2,887,415**	**32,397,240**
Financial Liabilities							
Due to other banks	—	—	56,538	—	—	6,713	63,251
Customers' deposits	14,976,685	1,253,625	1,843,575	450,425	153	370,122	18,894,585
Other funding instruments	861,183	2,244,042	2,706,569	223,058	3,995	—	6,038,847
Debt securities in issue	—	—	—	2,448,538	—	—	2,448,358
Notes due to parent company	—	—	—	—	—	58,000	58,000
Total Financial Liabilities	**15,837,868**	**3,497,667**	**4,606,682**	**3,121,841**	**4,148**	**434,835**	**27,503,041**
Interest Sensitivity Gap	**(9,624,832)**	**(1,698,329)**	**31,128**	**4,389,647**	**9,344,005**		

3 Financial Risk Management (continued)

3.2 Market risk (continued)

3.2.2 Interest rate risk (continued)

As at 30 September 2011	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	911,533	632	512,112	—	—	176,466	1,600,743
Statutory deposits with Central Bank	243,748	781,792	325,825	—	—	2,720,362	4,071,727
Financial assets:							
- Available-for-sale	27,368	116,401	1,277,942	2,073,612	5,234,912	57,605	8,787,840
- Other loans and receivables	701,289	387,131	320,302	427,897	—	—	1,836,619
- Held to maturity	31,676	95,967	192,893	334,723	1,163,780	—	1,819,039
- Fair value through profit or loss	5,354	—	—	—	—	—	5,354
Loan to customers and finance leases	803,584	849,103	1,607,476	3,977,489	1,787,590	—	9,025,242
Loan loss provision	—	—	—	—	—	(225,486)	(225,486)
Loan notes	1,866,491	—	73,700	294,786	442,210	—	2,677,187
Other assets	—	—	68,742	206,228	—	303,222	578,192
Total Financial Assets	**4,591,043**	**2,231,026**	**4,378,992**	**7,314,735**	**8,628,492**	**3,032,169**	**30,176,457**
Financial Liabilities							
Due to other banks	—	21,949	52,873	—	—	5,277	80,099
Customers' deposits	12,567,872	1,170,530	2,186,655	121,981	308	—	16,047,346
Other funding instrumentst	1,095,110	2,610,935	2,502,609	377,862	6,628	48,525	6,641,669
Debt securities in issue	—	—	488,565	906,551	1,529,979	11,520	2,936,615
Notes due to parent company	—	—	—	—	—	58,000	58,000
Total Financial Liabilities	**13,662,982**	**3,803,414**	**5,230,702**	**1,406,394**	**1,536,915**	**123,322**	**25,763,729**
Interest Sensitivity Gap	**(9,071,939)**	**(1,572,388)**	**(851,710)**	**5,908,341**	**7,091,577**		

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.

A 100 basis point increase in interest rates will cause an increase in profit of $7.2 million (2011: $3.4 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 both periods reported.

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.

3 Financial Risk Management (continued)

3.3 Liquidity risk (continued)

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 2012	Up to 1 month $'000	1 to 3 months $'000	3 to12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities						
Due to banks	6,713	—	58,749	—	—	65,462
Customers' deposits	15,357,830	1,264,988	1,864,654	471,739	313	18,959,524
Other funding instruments	861,894	2,256,887	2,740,909	232,539	4,286	6,096,515
Debt securities in issue	21,183	—	143,544	2,979,322	—	3,144,049
Notes due to parent company	58,000	—	—	—	—	58,000
Total Financial Liabilities	16,305,620	3,521,875	4,807,856	3,683,600	4,599	28,323,550
Total Financial Assets	6,304,003	1,867,956	5,621,349	10,711,809	15,449,842	39,954,959
Liquidity Gap	(10,001,617)	(1,653,919)	813,493	7,028,209	15,445,243	(11,631,409)
As at 30 September 2011						
Financial Liabilities						
Due to banks	5,277	21,373	53,449	—	—	80,099
Customers' deposits	12,573,491	1,182,763	2,215,002	125,736	310	16,097,302
Other funding instruments	1,129,197	2,854,952	2,451,530	394,300	7,350	6,837,329
Debt securities in issue	21,183	—	641,345	2,638,941	467,003	3,768,472
Notes due to parent company	58,000	—	—	—	—	58,000
Total Financial Liabilities	13,787,148	4,059,088	5,361,326	3,158,977	474,663	26,841,202
Total Financial Assets	4,816,125	2,235,409	5,000,431	10,023,711	13,939,016	36,014,692
Liquidity Gap	(8,971,023)	(1,823,679)	(360,895)	6,864,734	13,464,353	(9,173,490)

3 Financial Risk Management (continued)

3.3 Liquidity risk (continued)

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 2012	Up to 1 month $'000	1 to 3 months $'000	3 to12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	993,674	—	—	—	—	993,674
Acceptances	239	251	323	—	—	813
Guarantees	125,502	15,172	21,179	7,847	23	169,723
Letters of credit	347	2,174	7,457	5,110	—	15,088
Operating leases	1,805	5,246	14,607	16,190	11,819	49,667
Capital commitments	—	—	12,595	—	—	12,595
Total	1,121,567	22,843	56,161	29,147	11,842	1,241,560
As at 30 September 2011						
Loan commitments	425,594	—	—	—	—	425,594
Acceptances	59	—	565	—	—	624
Guarantees	80,931	33,900	12,509	10,373	—	137,713
Letters of credit	3,777	1,424	2,132	4,524	—	11,857
Operating leases	1,762	3,524	15,979	38,053	42,199	101,517
Capital commitments	—	—	16,905	—	—	16,905
Total	512,123	38,848	48,090	52,950	42,199	694,210

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 2012 totalled $10,857 million (2011: $11,130 million).

3 Financial Risk Management (continued)

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 & 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.

	2012 $'000	2011 $'000
Tier 1 (Core) Capital		
Share capital	539,957	536,400
Statutory reserve	666,132	661,446
Retained earnings	3,267,083	2,932,315
Less: Intangible assets	(211,120)	(157,735)
Total Tier 1	4,262,052	3,972,426
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	1,172,283	912,360
Eligible reserve provision	121,710	90,627
Total Tier 2 Capital	1,397,593	1,106,587
Total Capital	5,659,645	5,079,013
Ratios		
Risk adjusted assets	9,759,963	9,085,248
Qualifying capital to risk adjusted assets	57.99%	55.90%
Core capital to qualifying capital	75.31%	78.21%

3 Financial Risk Management (continued)

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 at an amount other than their fair value.

	Carrying Value		Fair Value	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial Assets				
Cash and due from other banks	2,449,484	1,600,743	2,449,484	1,600,743
Statutory Deposits with Central Bank	4,446,808	4,071,727	4,446,808	4,071,727
Financial assets:-				
- Loans to customers	10,321,665	8,795,000	11,063,776	8,980,894
- Held to maturity	1,633,245	1,819,039	1,704,706	1,817,364
- Other loans and receivables	1,715,979	1,836,619	1,739,717	1,836,619
- Loan notes	2,607,625	2,677,187	2,927,814	3,264,154
- Finance leases	3,891	4,756	4,614	5,524
Financial Liabilities				
Customers' deposits	18,894,585	16,047,345	18,994,016	16,079,125
Other funding instruments	6,038,847	6,641,670	6,060,059	6,756,816
Debt securities in issue	2,448,358	2,936,615	2,807,415	3,318,161
Notes due to related companies	58,000	58,000	58,000	58,000
Off balance sheet				
Acceptances	—	—	813	624
Guarantees	—	—	169,723	137,712
Letter of credit	—	—	15,088	11,857

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.

3 Financial Risk Management (continued)

3.6 Fair value of financial assets and liabilities (continued)

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

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

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

Bonds payable
The fair value of 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 2012 **Financial assets**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Fair value through profit or loss				
- Equity securities	2,690	—	—	2,690
	2,690	—	—	2,690
Available-for-sale financial assets:				
- Investment securities – debt	2,373,634	6,702,213	107,427	9,183,274
- Investment securities – equity	25,228	—	7,351	32,579
	2,398,862	6,702,213	114,778	9,215,853
Total Financial Assets	2,401,552	6,702,213	114,778	9,218,543

3 Financial Risk Management (continued)

3.6 Fair value of financial assets and liabilities (continued)

(b) Fair value hierarchy (continued)

As at 30 September 2011 **Financial assets**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Fair value through profit or loss				
- Equity securities	5,354	—	—	5,354
	5,354	—	—	5,354
Available-for-sale financial assets:				
- Investment securities – debt	2,179,536	4,465,651	2,103,855	8,749,042
- Investment securities – equity	15,403	6,392	17,003	38,798
	2,194,939	4,472,043	2,120,858	8,787,840
Total Financial Assets	2,200,293	4,472,043	2,120,858	8,793,194

There were no transfers 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	2,103,855	17,003	2,120,858
Total losses	—	—	—
- Profit and loss	—	—	—
- Other comprehensive income	—	—	—
Purchases	—	—	—
Issues	—	(9,652)	(9,652)
Settlement	—	—	—
Transfer to held to maturity	—	—	—
Transfer into or out of level 3	(1,996,428)	—	(1,996,428)
Balance as at September 30 2012	107,427	7,351	114,778

3.7 Deferred day 1 profit/loss

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

4 Critical Accounting Estimates and Judgment

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 cash flows 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 $500.4 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2011: $344.6 million).

4 Critical Accounting Estimates and Judgment (continued)

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 cash flows to the carrying amounts in the consolidated financial statements. The Group makes assumptions about the amount and timing of future cash flows 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 cash flows for the individually significant loans and loans in arrears are estimated based on credit reviews performed by management and management's estimate of the value of the collateral held.

If the Group's estimation of the loss experience on the portfolio were adjusted by 1% upwards, the impairment provision for loans and receivables would increase by $0.9 million (2011: $0.8 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 $1,633 million (2011: $1,819 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 decrease by $71.4 million (2011: $3.4 million), with a corresponding entry in the fair value reserve in shareholders' equity.

d) Income taxes

The Group is subject to income tax in various jurisdictions. Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

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.

4 Critical Accounting Estimates and Judgment (continued)

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 $275.5 million or increase to $304.5 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 2.2(c). 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 exceeds the fair value less cost to sell calculation, and there will be no impairment of goodwill.

5 Segment Analysis

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

- **Retail Banking** – Loans and mortgages, deposit, foreign exchange transactions, credit and debit cards and card merchant acquiring business with retail and commercial customers
- **Corporate Banking** – Loans and credit facilities and deposits and current accounts for corporate and institutional customers
- **Treasury Management and Investment Banking** – Liquidity management and Investment banking services including corporate finance, and specialised financial trading
- **Asset Management** – Investment products and services to institutional investors and intermediaries
- **Group Function** – Finance, Legal, and other centralise functions

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

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

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

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Executive Management is measured in a manner consistent with that in the consolidated income statement.

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

5 Segment Analysis (continued)

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

The Group's management reporting is based on operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Executive Management reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

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

Segmental assets and liabilities comprise operating assets and liabilities, being the majority of the items in the consolidated statement of financial position, but exclude items such as taxation.

5.1 Segment results of operations

The segmental information provided to the Executive Management for the reportable segments are as follows:-

Year ended 30 September 2012	**Retail banking $'000**	**Corporate banking $'000**	**Treasury & investments banking $'000**	**Trustee & asset management $'000**	**Group functions $'000**	**Total $'000**
Net interest income	370,689	344,455	381,871	3,388	—	1,100,403
Inter-segment net interest income	55,279	(22,717)	(32,562)	—	—	—
Net fee and commission income	91,865	10,808	17,507	146,849	1,086	268,115
Foreign exchange gains	30,578	524	28,528	1,774	2,696	64,100
Other income	7,862	142	837,051	7,176	141	852,372
Total Income	556,273	333,212	1,232,395	159,187	3,923	2,284,990
Impairment loss	(19,093)	(3,081)	(39,642)	—	—	(61,816)
Administrative expenses	(160,328)	(11,218)	(130,838)	(16,959)	(126,448)	(445,791)
Other operating expenses	(171,566)	(21,951)	(59,067)	(19,332)	(36,924)	(308,840)
Total Non-Interest Expenses	(350,987)	(36,250)	(229,547)	(36,291)	(163,372)	(816,447)
Profit Before Tax	205,286	296,962	1,002,848	122,896	(159,449)	1,468,543
Income tax expense	(148)	(7)	(48,472)	(30,571)	(190,527)	(269,725)
Profit After Tax	**205,138**	**296,955**	**954,376**	**92,325**	**(349,976)**	**1,198,818**
As at 30 September 2012						
Total Assets	6,080,433	6,192,281	24,954,127	371,745	414,176	38,012,763
Total Liabilities	9,690,016	5,118,415	16,722,537	133,150	12,404	31,676,521

5 Segment Analysis (continued)

5.1 Segment results of operations (continued)

Year ended 30 September 2011	Retail banking $'000	Corporate banking $'000	Treasury & investments banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	334,644	333,241	396,789	3,276	—	1,067,950
Inter-segment net interest income	100,960	(39,020)	(61,940)	—	—	—
Net fee and commission income	76,193	9,314	9,674	137,357	900	233,438
Foreign exchange gains	26,714	826	32,371	(2,648)	1,400	58,663
Other income	5,718	68	199,935	7,919	223	213,863
Total Income	544,229	304,429	576,829	145,904	2,523	1,573,914
Impairment loss	(10,601)	(44,227)	(38,657)	—	—	(93,485)
Administrative expenses	(139,943)	(8,012)	(138,641)	(15,947)	(122,185)	(424,728)
Other operating expenses	(157,393)	(14,086)	(35,560)	(15,769)	(34,395)	(257,203)
Total Non-Interest Expenses	(307,937)	(66,325)	(212,858)	(31,716)	(156,580)	(775,416)
Profit Before Tax	236,292	238,104	363,971	114,188	(154,057)	798,498
Income tax expense	—	(24)	(30,535)	(26,354)	101,377	44,464
Profit After Tax	**236,292**	**238,080**	**333,436**	**87,834**	**(52,680)**	**842,962**
As at 30 September 2011						
Total Assets	4,364,366	6,362,634	25,038,540	315,610	317,187	36,398,337
Total Liabilities	6,025,899	5,204,521	19,167,050	66,032	402,142	30,865,643

Reconciliation of segment results of operations to consolidated results of operations

Year ended 30 September 2012	Total management reporting $'000	Consolidation and adjustments $'000	Total consolidated $'000
Net interest income	1,100,403	(4,100)	1,096,303
Non-interest income	1,184,587	(761,549)	423,038
Loan impairment charges	(61,816)	(4,969)	(66,785)
Non-interest expenses	(754,631)	2,083	(752,548)
Profit Before Tax	1,468,543	(768,535)	700,008
Share of profit of associates and joint ventures accounted for by the equity method	—	14,156	14,156
Income tax expense	(269,725)	1,953	(267,772)
Profit After Tax	1,198,818	(752,426)	446,392
Total Assets	38,012,762	(3,979,524)	34,033,238
Total Liabilities	31,676,521	(3,392,338)	28,284,183

5 Segment Analysis (continued)

5.1 Segment results of operations (continued)

As at September 30 2011	Total management reporting $'000	Consolidation and adjustments $'000	Total consolidated $'000
Net interest income	1,067,950	57,569	1,125,519
Non-interest income	505,964	(179,158)	326,806
Loan impairment charges	(93,485)	—	(93,485)
Non-interest expenses	(681,931)	3,174	(678,757)
Profit Before Tax	798,498	(118,415)	680,083
Share of profit of associates and joint ventures accounted for by the equity method	—	8,470	8,470
Income tax expense	44,464	(14,826)	29,638
Profit After Tax	842,962	(124,771)	718,191
Total Assets	36,398,337	(5,238,044)	31,160,293
Total Liabilities	30,865,643	(4,851,471)	26,014,172

6 Cash And Due From Banks

	2012 $'000	2011 $'000
Cash and bank balances	939,631	696,403
Short-term investments	1,509,853	904,340
	2,449,484	1,600,743
Short-term investments:		
- Maturity within 3 months	1,144,463	417,949
- Maturity over 3 months	365,390	486,391
	1,509,853	904,340

The average effective interest rate on short-term bank deposits was 0.10% (2011: 0.10%); these deposits have an average maturity of 90 days (2011: 90 days).

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

Cash and bank balances	939,631	696,403
Short-term investments – maturity within 3 months	1,144,463	417,949
Due to other banks	(63,251)	(80,099)
	2,020,843	1,034,253

7 Statutory Deposits With Central Bank

Under the provisions of Trinidad & Tobago Financial Institutions Act 2008, the Bank and its subsidiary (First Citizens Asset Management Limited) and the Financial Institution Act of Barbados, First Citizens Barbados Limited, are required to maintain as a deposit with the Central Bank 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 2012, the current ratio was 17% for First Citizens Bank Limited and 9% for First Citizens Asset Management Limited. Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank. In 2006, the Central Bank introduced another compulsory deposit account, which amounted to $ 1,585.2 million as at year end (2011: $1,107.6 million) and carries an average interest rate of 0.31% (2011: 1.6%) per annum. Interest is to be paid semi-annually. The Group is in compliance with all requirements.

8(a) Available-for-sale financial assets

	2012 $'000	2011 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	5,835,960	5,622,469
Listed investments	1,333,145	1,694,593
Unlisted investments	2,046,748	1,470,778
Total investments	9,215,853	8,787,840
Debt securities		
Listed	2,183,640	2,179,536
Unlisted	6,999,634	6,569,506
Total debt securities	9,183,274	8,749,042
Equity securities		
Listed	25,228	34,785
Unlisted	7,351	4,013
Total equity securities	32,579	38,798
Current portion	1,748,743	1,443,270
Non current portion	7,467,110	7,344,570
	9,215,853	8,787,840

Investment securities totalling $5,960 million (2011: $6,498 million) are pledged to secure the repurchase agreements (see Note 20). Interest rates on these repos range from 0.5% to 2.75% in 2012 (2011: 0.5% to 2.0%).

8(a) Available-for-sale financial assets (continued)

	2012 $'000	2011 $'000
Balance at beginning of the year	8,787,840	9,216,438
Exchange differences	15,265	26,841
Additions	6,555,038	5,696,773
Disposals	(6,546,350)	(5,736,551)
Reclassification to held to maturity	—	(700)
Impairment allowance	77,590	(113,817)
Net fair value gains/(losses)	326,470	(301,144)
Balance at end of year	9,215,853	8,787,840
Fair Value Based On		
Quoted market prices	78,035	(1,415)
Other techniques	248,435	(299,729)
	326,470	(301,144)

The movement in the impairment provision balance is as follows:

	2012 $'000	2011 $'000
Allowance at start of year	117,131	12,824
Exchange difference	36	60
Charge for the year	13,174	33,431
Claims under liquidity support agreement	—	109,062
Accounts written off during the year	(91,028)	(38,246)
Allowance at the end of year	39,313	117,131

8(b) Held to maturity

	2012 $'000	2011 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	109,255	536,397
Unlisted investments	1,331,416	958,997
Listed Investments	192,574	323,645
Total held to maturity securities	1,633,245	1,819,039
Current portion	170,382	320,536
Non current portion	1,462,863	1,498,503
	1,633,245	1,819,039
Balance at beginning of the year	1,819,039	1,955,782
Exchange differences	4,427	9,082
Additions	33,967	109,469
Disposals	(217,840)	(255,922)
Amortisation	(6,348)	628
Balance at end of year	1,633,245	1,819,039

8(c) Fair value through profit or loss

	2012 $'000	2011 $'000
Equity securities:		
- Listed	2,690	5,354
The movement in investment securities may be summarised as follows:		
At beginning of year	5,354	2,848
Additions	—	2,909
Disposals	(3,126)	(661)
(Losses)/gains from changes in fair value	462	258
At end of year	2,690	5,354

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.

9(a) Loans to customers

Performing loans	10,126,304	8,610,109
Non-performing loans	483,834	410,377
	10,610,138	9,020,486
Allowance for loan losses (Note 9(b))	(288,473)	(225,486)
	10,321,665	8,795,000
Loans analysed by sector		
Consumer	1,502,442	1,199,674
Agriculture	2,795	8,107
Petroleum	7,128	351,874
Manufacturing	111,995	112,184
Construction	3,257,154	3,182,856
Distribution	181,621	131,491
Hotels and guest houses	352,003	337,535
Transport, storage and communications	369,767	109,729
Finance, insurance and real estate	864,851	786,401
Other business services	606,942	629,386
Personal services	12,953	79,408
Real estate mortgage	3,340,487	2,091,841
	10,610,138	9,020,486
Current portion	3,570,160	3,253,102
Non current portion	6,751,505	5,541,898
	10,321,665	8,795,000

9(b) Allowance for loan losses

	2012 $'000	2011 $'000
Allowance at start of year	225,486	361,877
Charge based on acquisition	24,827	—
Charge for the year	40,555	81,895
Loans written off during the year	(2,395)	(218,286)
Allowance at the end of year	288,743	225,486

9(c) Impairment loss on loan net of recoveries

	2012 $'000	2011 $'000
Charge for the year	40,555	81,895
Amounts recovered during the year	(2,633)	(10,004)
	37,922	71,891

10 Other Loans And Receivables

	2012 $'000	2011 $'000
Corporate	1,735,591	1,822,736
Individuals	42,719	47,303
Total other loans and receivables	1,778,310	1,870,039
Less: impairment allowance	(62,331)	(33,420)
	1,715,979	1,836,619
Current portion	1,227,175	1,408,722
Non-current portion	488,804	427,897
	1,715,979	1,836,619
Balance at beginning of the year	1,836,619	1,808,810
Exchange differences	5,652	12,034
Net additions/disposals	(96,820)	18,520
Net movement in allowance	(29,472)	(2,745)
Balance at end of year	1,715,979	1,836,619
The movement in the allowance balance is as follows:		
Allowance at start of year	33,420	30,675
Exchange differences	100	50
Charge for the year	51,384	3,261
Allowance written off during the year	(22,573)	(566)
Allowance at the end of year	62,331	33,420

11 Loan Notes

The loan notes due to the Group comprise the following:	2012 $'000	2011 $'000
(i) Taurus Services Limited	684,856	753,341
(ii) First Citizens Holding Limited (Holdings)	52,141	57,355
(iii) Notes receivable from Central Bank	1,870,628	1,866,491
	2,607,625	2,677,187

(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.

(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.

11 Loan Notes (continued)

(iii) This balance represents four pro-notes due from the Central Bank of Trinidad & Tobago, received as consideration for the CLICO Investment Bank (CIB) fixed deposits portfolio transferred to the Group, as part of the liquidation of that financial institution, as at 1st February 2009. Two notes totalling TT$970.8 million (2011: $970.8 million) are at 2.20% (2011: 2.7%). The other two totalling US$137.2 million (2011: $137.2 million) are at 1.20% (2011: 1.25%). These notes originally had a tenor of three (3) months with effect from 1 July 2011. These notes were subsequently rolled over on 1 July 2012 and matured on 30 September 2012. Principal and interest are payable on maturity, with an option to roll-over on a monthly basis.

12 Finance Leases

	2012 $'000	2011 $'000
Gross lease receivable	4,314	5,537
Unearned finance charges	(423)	(781)
Net investment in finance leases	3,891	4,756
The gross investment in finance lease receivable is analysed as follows:		
- Up to one year	2,525	2,384
- One year to five years	1,789	3,153
	4,314	5,537
The net investment in finance leases may be analysed as follows:		
- Up to one year	2,308	2,059
- One year to five years	1,583	2,697
	3,891	4,756

13 Other Assets

Accounts receivable and prepayments	195,692	217,187
Accrued interest	110,262	86,035
Receivable from GORTT	207,292	274,970
Claims to be made to GORTT	65,071	—
	578,317	578,192

The receivable from the Government of the Republic of Trinidad and Tobago (GORTT) represents amounts due from the GORTT relating to claims made pursuant to the Liquidity Support Agreement ("Agreement") amongst the GORTT, the Central Bank of Trinidad and Tobago and the First Citizens Bank Limited dated 15 May 2009. See note 3.1.4 (d).

As at 30 September 2012, the GORTT has paid $67.7 million to the Bank in relation to the claims made to date and the Bank has outstanding claims of $207.3 million due from the GORTT. This balance is expected to be repaid over two (2) years with interest accruing at 2% per annum. As at 30 September 2012, there was a further $65 million that became due under this arrangement. This amount was included in a claim made to the GORTT subsequent to year end.

14 Investment In Joint Ventures

	2012 $'000	2011 $'000
a) Infolink Services Limited	18,067	15,472
b) Trinidad & Tobago Interbank Payment System Limited	786	658
	18,853	16,130

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 Interbank 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
2012						
Infolink Services Limited	Trinidad & Tobago	74,657	2,389	20,233	10,381	25
Interbank Payment System Limited	Trinidad & Tobago	5,840	329	2,546	895	14.29
2011						
Infolink Services Limited	Trinidad & Tobago	63,313	1,427	20,785	7,340	25
Interbank Payment System Limited	Trinidad & Tobago	4,763	147	2,179	769	14.29

15 Investment In Associate

	2012 $'000	2011 $'000
Beginning of the year	112,852	110,422
Share of reserve movement	178	203
Share of profit after tax	11,433	6,526
Exchange differences	364	600
Dividend received from associate	(8,272)	(4,899)
At end of year	116,555	112,852

The investment in associate at 30 September 2012 includes goodwill of $4.6 million (2011: $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:

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits /(loss) $'000	% Interest held
2012						
St. Lucia Electricity Services Limited	St. Lucia	1,349,740	739,824	810,863	59,826	19.11
2011						
St. Lucia Electricity Services Limited	St. Lucia	1,117,710	551,505	714,402	34,151	19.11

The fair value of the investment in associate at 30 September 2012 is $131.6 million (2011: $132.6 million).

16 Property, Plant And Equipment

	Freehold premises $'000	Leasehold premises $'000	Motor vehicles & equipment $000	Work in progress $'000	Total $'000
Year ended 30 September 2012					
Opening net book amount	284,250	43,148	87,387	7,707	422,492
Additions	90	19,999	56,719	438	77,246
Disposals	(4,687)	(42)	(528)	—	(5,257)
Revaluation surplus	14,043	—	—	—	14,043
Depreciation charge	(3,697)	(9,342)	(49,379)	—	(62,418)
Closing net book amount	289,999	53,763	94,199	8,145	446,106
At 30 September 2012					
Cost/valuation	296,781	115,998	524,490	8,145	945,414
Accumulated depreciation	(6,782)	(62,235)	(430,291)	—	(499,308)
Net book amount	289,999	53,763	94,199	8,145	446,106
Year ended 30 September 2011					
Opening net book amount	247,059	24,603	81,504	40,182	393,348
Additions	10,004	26,550	50,061	—	86,615
Disposals	—	(70)	(698)	—	(768)
Transfers	30,986	1,314	175	(32,475)	—
Depreciation charge	(3,799)	(9,249)	(43,655)	—	(56,703)
Closing net book amount	284,250	43,148	87,387	7,707	422,492
At 30 September 2011					
Cost/valuation	288,516	82,361	422,599	7,707	801,183
Accumulated depreciation	(4,266)	(39,213)	(335,212)	—	(378,691)
Net book amount	284,250	43,148	87,387	7,707	422,492
At 1 October 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

Valuation of the Bank's land and buildings was performed on 9 and 21 August 2012 by an independent valuator to determine the fair value of the properties as at 30 September 2012. The valuations were performed using the direct comparable approach and the open market basis. The direct comparable approach uses recent sales of similar properties in order to determine the current fair value. Open market values are determined by considering the current market conditions. Changes in fair value are recorded in the Statement of Comprehensive Income. The major valuation assumptions are good title, all relevant statutory approvals were granted, vacant possession is available, no onerous or unusual covenants and the property is being routinely maintained to a high standard.

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

	2012 $'000	2011 $'000
Cost	208,147	208,137
Accumulated depreciation	(71,320)	(67,623)
Net book amount	136,827	140,514

17 Intangible Assets

	Goodwill $'000	Other intangible assets $'000	Total $'000
As at 30 Sept 2012			
Acquisition cost	174,836	36,284	211,120
Accumulated amortisation and impairment	—	—	—
Net book amount	174,836	36,284	211,120
Period ended 30 Sept 2012			
Opening net book amount	156,886	849	157,735
Additions	17,950	35,435	53,385
Amortisation charge	—	—	—
Closing net book amount	174,836	36,284	211,120
As at 30 September 2011			
Acquisition cost	156,886	849	157,735
Accumulated amortisation and impairment	—	—	—
Net book amount	156,886	849	157,735
Year ended 30 September 2011			
Opening net book amount	156,886	—	156,886
Reclassification of stockbroker's licence	—	849	849
Amortisation charge	—	—	—
Closing net book amount	156,886	849	157,735

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. There was no impairment identified in 2012 (2011: nil).

The goodwill and other intangible assets acquired during the year were in relation to the acquisition of First Citizens Bank (Barbados) Limited previously known as Butterfield Bank (Barbados) Limited (see Note 39).

18 Retirement Benefit Asset

	2012 $'000	2011 $'000
The amount recognised in the consolidated statement of financial position is derived as follows:		
Pension plan assets at fair value	1,041,981	927,845
Present value of defined benefit obligation	(1,091,777)	(861,425)
Value of surplus	(49,796)	66,420
Unrecognised actuarial losses	278,455	187,766
Retirement benefit asset	228,659	254,186
The amounts recognised in the consolidated income statement are as follows:		
Expected return on plan assets	65,719	58,354
Interest cost	(53,124)	(44,457)
Current service cost	(41,706)	(41,317)
Net actuarial gain recognised in year	(6,418)	(6,464)
Net pension (expenses)/income	(35,529)	(33,884)
Movement in the asset recognised in the consolidated statement of financial position is as follows:		
At beginning of year	254,186	278,377
Net pension (expenses)/income	(35,529)	(33,884)
Company's contributions paid	10,002	9,693
At end of year	228,659	254,186
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	861,425	717,507
Current service cost	41,706	41,317
Interest cost	53,124	44,457
Members' contributions	9,635	9,693
Actuarial loss	150,056	61,910
Benefits paid	(23,236)	(12,589)
Expense allowance	(933)	(870)
	1,091,777	861,425
The movement in the fair value of the plan assets for the year is as follows:		
Beginning of year	927,845	818,971
Expected return on plan assets	65,719	58,354
Actuarial loss	52,949	44,593
Company's contributions	10,002	9,693
Members' contributions	9,635	9,693
Benefits paid	(23,236)	(12,589)
Expense allowance	(933)	(870)
	1,041,981	927,845
The major actuarial assumptions are:		
Discount rate:		
- Active members and deferred pensioners	5.50%	6.25%
Expected return on plan assets	6.35%	7.10%
Salary increases	6.00%	6.00%
Pension increases	2.00%	3.00%

The actual return on plan assets was $118.7 million (2011: $102.9 million).

18 Retirement Benefit Asset (continued)

Retirement Benefit plan assets are comprised as follows:

	2012		2011	
	$'000	%	$'000	%
Equity securities	364,693	35	343,303	37
Debt securities	520,991	50	501,036	54
Other	156,297	15	83,506	9
	1,041,981	100	927,845	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 respective markets.

Expected contributions to post employment benefit plans for the year ending 30 September 2012 are $7.5 million (2011: $7.7 million).

The amounts recognised in the consolidated statement of financial position for the last five years are as follows:

At 30 September	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of defined benefit obligation	(1,091,777)	(861,425)	(717,507)	(543,217)	(430,872)
Fair value of plan assets	1,041,981	927,845	818,971	771,629	758,822
(Surplus)/deficit in the plan	(49,796)	66,420	101,464	228,412	327,950
Experience gain/(loss) on plan liabilities	150,056	61,910	108,283	57,258	40,397
Experience gain/(loss) on plan assets	52,949	44,593	(16,987)	(62,293)	39,267

19 Customers' Deposits

	2012 $'000	2011 $'000
Deposits are analysed by sector as follows:		
Public institutions	6,864,398	7,147,858
Private institutions	6,417,757	4,818,314
Consumers	5,612,430	4,081,174
	18,894,585	16,047,346
Current portion	18,437,300	15,925,057
Non-current portion	457,285	122,289
	18,894,585	16,047,346

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $3.7 billion (2011: $6.6 billion) are at fixed rates. All other deposits amounting to $15.2 billion (2011: $9.4 billion) are at variable rates.

As at year end, the unprocessed CIB deposit liabilities held was $21.9 million (2011: $23.9 million).

20 Other Funding Instruments

	2012 $'000	2011 $'000
Loan participation	17,314	19,886
Repurchase agreements	5,959,602	6,498,758
Funds under management	61,931	123,025
	6,038,847	6,641,669

Other funding instruments are analysed by sector as follows:

	2012 $'000	2011 $'000
Public institutions	2,591,160	3,294,151
Private institutions	3,447,687	3,347,518
	6,038,847	6,641,669
Current portion	5, 811,794	6,257,178
Non-current portion	227,053	384,491
	6,038,847	6,641,669

Interest rates on these repos range from 0.5% to 2.75% in 2012 (2011: 0.5% to 2.0%).

21 Creditors and Accrued Expenses

	2012 $'000	2011 $'000
Other liabilities	239,687	93,830
Interest payable	57,607	53,764
Funds payable to bondholders	110,930	48,525
	408,224	196,119

22 Debt Securities In Issue

	2012 $'000	2011 $'000
(i) First Citizens (St. Lucia) Limited US$100 million Bond	—	488,565
(ii) Fixed Rate Bond TT$500 million	500,000	500,000
(iii) Fixed Rate Bond TT$500 million	406,550	406,550
(iv) Fixed Rate Bond TT$500 million	500,000	500,000
(v) First Citizens (St. Lucia) Limited US$175 million Bond	1,041,808	1,041,500
	2,448,358	2,936,615
Current portion	—	488,565
Non-current portion	2,448,358	2,448,050
	2,448,358	2,936,615

(i) This $100 million USD bond was issued on the international financial market 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. The principal balance was repaid in January 2012.

(ii) 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.

22 **Debt Securities In Issue (continued)**

(iii) 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.

(iv) TTD Fixed Rate Bond – In August 2009 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.

(v) US$175 million Fixed Rate Bond – In February 2011, this bond was issued on the international financial market through a private placement, of which a related party purchased $21.60 million. This bond is unsecured and carries a fixed rate of interest of 4.903% with a tenor of five (5) years. Interest is payable semi-annually in arrears. The principal outstanding will be paid at maturity.

23 **Deferred Income Tax**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2011: 25%).

	2012 $'000	2011 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(51,434)	(207,375)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on available-for-sale investments	(84,291)	67,278
- Revaluation on held to maturity	—	1,836
- Revaluation on property, plant and equipment	(3,753)	377
- Intangible asset due to business combination	(15,167)	—
(Charge)/credit to consolidated statement of income (note 33)	(158,477)	86,450
At end of year	(313,122)	(51,434)

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 1.10.10 $'000	(Charge)/credit to income statement $'000	(Charge)/credit to other comprehensive income $'000	Balance at 30.09.11 $'000
Deferred income tax assets				
Tax losses carried forward	86,106	86,586	—	172,692
Derivative financial liability	4,132	(4,132)	—	—
Impairment loss on available-for-sale financial asset	8,897	7,039	—	15,936
Provisions	96	53	—	149
Fair value adjustments on business combination				
- Financial assets held to maturity	4,392	(1,943)	—	2,449
- Other funding instruments	13,051	(12,449)	—	602
Fair value measurement of assets through profit or loss	440	(65)	—	375
	117,114	75,089	—	192,203

23 Deferred Income Tax (continued)

	Balance at 1.10.10 $'000	(Charge)/credit to income statement $'000	(Charge)/credit to other comprehensive income $'000	Balance at 30.09.11 $'000
Deferred income tax liabilities				
Retirement benefit asset	(69,592)	6,048	—	(63,544)
Fair value measurement of available-for-sale financial asset	(165,718)	—	67,278	(98,440)
Fair value measurement of held to maturity	(13,060)	—	1,836	(11,224)
Fair value measurement of intangible asset (brand) recognised on business combination	(774)	—	—	(774)
Zero coupon instruments	(30,307)	4,477	—	(25,830)
Accelerated tax depreciation	(15,654)	1,209	—	(14,445)
Unrealised exchange and other gains	(3,044)	(373)	—	(3,417)
Revaluation gain on property, plant and equipment	(26,340)	—	377	(25,963)
	(324,489)	11,361	69,491	(243,637)
Net deferred income tax liability	(207,375)	86,450	69,491	(51,434)

	Balance at 1.10.11 $'000	(Charge)/credit to income statement $'000	(Charge)/credit to other comprehensive income $'000	Balance at 30.09.12 $'000
Deferred income tax assets				
Tax losses carried forward	172,692	(170,808)	—	1,884
Impairment loss on available-for-sale financial asset	15,936	(4,299)	—	11,637
Provisions	149	—	—	149
Fair value adjustments on business combination				
- Financial assets held to maturity	2,449	(1,886)	—	563
- Other funding instruments	602	(602)	—	—
Fair value measurement of assets through profit or loss	375	518	—	893
	192,203	(177,077)	—	15,126
Deferred income tax liabilities				
Retirement benefit asset	(63,544)	6,382	—	(57,162)
Fair value measurement of available-for-sale	(98,440)	—	(84,291)	(182,731)
Fair value measurement of held to maturity	(11,224)	1,775	—	(9,449)
Intangible asset (brand) recognised on business combination	(774)	797	(15,167)	(15,144)
Zero coupon instruments	(25,830)	6,703	—	(19,127)
Accelerated tax depreciation	(14,445)	2,247	—	(12,198)
Unrealised exchange and other gains	(3,417)	696	—	(2,721)
Revaluation gain on property, plant and equipment	(25,963)	—	(3,753)	(29,716)
	(243,637)	18,600	(103,210)	(328,248)
Net deferred income tax liability	(51,434)	(158,477)	(103,210)	(313,122)

24 Notes Due To Parent Company

	2012 $'000	2011 $'000
First Citizens Holdings Limited	58,000	58,000

The amount due to Holdings is a non-interest bearing note with no specified maturity date, issued in part consideration for a note acquired from Holdings (see Note 11 (ii)).

25 Share Capital

The total authorised number of shares are issued and fully paid. These shares are not traded in an open market. During the year, the capital contribution of $300.0 million was converted into 14,778,835 ordinary shares and an additional 175,237 shares were issued at a share price of $20.30.

251,353,562 ordinary shares of no par value	539,957	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
	643,557	340,000
Capital contribution	—	300,000
	643,557	640,000

The Class A preference shares are non-convertible, non-participating and non-voting. The option for redemption expired in September 1999. The shares pay cumulative dividend of 4% per annum.

The Class B preference shares pay cumulative dividends of 2% per annum, but are non participatory, non-voting, non convertible and non-redeemable.

26 Statutory Reserve

The Financial Institutions Act 2008, Part VI, Section 56 1(a) stipulates that a Bank must transfer at the end of each financial year no less than 10% of its profits after taxation to a Reserve Fund until the amount standing to the credit of the Reserve Fund is not less than the stated capital or assigned capital of the Bank.

27 Interest Income

Loans to customers	689,090	674,003
Investment securities	670,648	753,354
Loan notes	132,700	144,090
	1,492,438	1,571,447

28 Interest Expense

Customers' deposits	58,482	125,870
Other funding instruments	168,783	144,078
Bonds payable	168,870	175,980
	396,135	445,928

29 Fees And Commissions

	2012 $'000	2011 $'000
Credit related fees	27,406	11,856
Transaction service fees/commissions	82,203	76,751
Portfolio and other management fees	157,468	142,393
	267,077	231,000

30 Foreign Exchange Gains

	2012 $'000	2011 $'000
Transaction gains less losses	46,703	52,811
Translation gains less losses	17,397	5,852
	64,100	58,663

31 Administrative Expenses

	2012 $'000	2011 $'000
Wages and salaries	307,047	288,654
Pension expenses/(income) (note 18)	35,529	33,884
Other administrative expenses	40,758	43,049
Depreciation	62,418	56,703
	445,752	422,290

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

	2012		2011	
	Employees	%	Employees	%
First Citizens Bank Limited	1,345	82	1,338	88
Subsidiaries	295	18	182	12
	1,640	100	1,520	100

32 Other Operating Expenses

	2012 $'000	2011 $'000
Property expenses	41,630	46,447
Technical and professional	30,942	10,633
Advertising expenses	23,350	25,483
Hardware and software maintenance	23,841	15,788
Deposit insurance (see below)	25,545	23,536
Operating expenses	161,488	134,580
	306,796	256,467

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.

33 Taxation

	2012 $'000	2011 $'000
Current tax (including prior year under/over provision)	109,295	56,812
Deferred tax (Note 23)	158,477	(86,450)
	267,772	(29,638)

33 Taxation (continued)

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

	2012 $'000	2011 $'000
Profit before taxation	714,164	688,553
Tax calculated at 25%	178,541	172,138
Income exempt from tax	(71,062)	(245,020)
Expenses not deductible for tax purposes	19,686	25,861
Derecognition of previously recognised tax losses	26,384	126,034
Prior year under/(over) provision	128,092	(97,739)
Business levy	—	5,087
Effects of different tax rates in other countries (i)	(13,869)	(15,999)
	267,772	(29,638)

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

The Group is subject to income tax in various jurisdictions. Management judgement is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

From 2004, the Bank began entering into swap instruments to manage its foreign exchange exposure arising from the Bank's USD notes. One of these instruments matured in February 2011 requiring a bullet principal payment at maturity. While judgment is required in determining the provision for income taxes and deferred income taxes on these instruments, management believes that its treatment has been appropriate in the financial disclosures for all relevant tax years based on the tax strategy adopted at the time of their preparation.

While management maintains its position regarding the tax benefits available from these derivative instruments, management re-assessed its tax strategy in relation to the pursuit of tax benefits to be derived from these instruments. This change in strategy, which was done after careful evaluation of all relevant factors and in consultation with our tax advisors, but prior to the filing of its 2011 corporation tax return, resulted in a difference between the tax liability as per the tax return for 2011 and the estimate of the tax provision recognised in the financial statements for the year ended 30 September 2011 as well as changes to the deferred income tax estimates. This change in estimate, amounting to an additional tax charge of $128.3 million, was recognised in the income statement for the year ended 30 September 2012 in accordance with the relevant International Financial Reporting Standards. Had the impact of this change been recorded in the respective year of income rather than the current period in which the determination was made, the profit after taxation and the effective tax rate for the years ended 30 September 2012 and 2011 would have been as follows:

Profit before taxation	714,164	688,553
Taxation	(139,476)	(98,658)
Profit after taxation	**574,688**	**589,895**
Effective tax rate	**19.53%**	**14.33%**

34 Dividend Per Share

Ordinary dividend paid	104,016	182,028
Interim dividend paid	—	78,021
Preference dividend paid	2,922	2,922
	106,938	262,971

35 Related Party Transactions and Balances

	2012 $'000	2011 $'000
(a) Directors and key management personnel		
Salaries and other short-term employee benefits	30,626	21,300
Loans and receivables	5,457	25,478
Interest income	245	341
Customers' deposits	3,955	4,308
Interest expense	33	55
Other funding instruments	1,448	907
Interest expense-other funding	36	39
(b) Transactions with associate		
Loans and receivables	103,192	119,201
Interest income	8,376	9,458
(c) Transactions with parent		
Customers' deposit	1,745	1,271
Long term notes (Note 24)	58,000	58,000
Loan note (Note 11)	52,141	57,355
Interest income on loan notes	6,464	7,045

(d) Government of the Republic of Trinidad and Tobago

As stated in Note 1, on the formation of the Bank it was agreed that the assets and liabilities of the predecessor financial institutions would be transferred to the Bank and the non-performing portfolio sold to a liquidating company in consideration for an equivalent amount of Government-guaranteed notes and commercial paper. In addition, the Government of Trinidad and Tobago 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:-

	2012 $'000	2011 $'000
Assets		
Loan notes (Note 11 (i))	684,856	753,341
Loan note Central Bank (Note 11 (iii))	1,870,628	1,866,491
Interest Income		
Loan notes with Taurus Services Limited	84,897	92,536
Loan note with the Central Bank of Trinidad & Tobago	33,522	39,969

35 Related Party Transactions and Balances (continued)

(e) Other transactions with the Government of the Republic of 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. Transactions and balances between the Group and these related parties are as follows:

	2012 $'000	2011 $'000
Loans and receivables	2,314,500	2,433,986
Interest income	173,587	182,291
Customers' deposits	6,864,398	7,147,858
Interest expense	20,469	64,408
Investments	5,945,215	6,158,866
Investment income	321,763	387,858
Other funding instruments	2,591,160	3,294,151
Interest expense	73,420	48,309
Due from GORTT (Note 13)	272,363	274,970

36 Commitments

(i) Capital commitments Capital expenditure approved by the Directors but not provided for in these accounts amounts to:	12,595	16,705
(ii) Credit commitments Commitments for loans approved not yet disbursed amount to:	993,674	425,594

37 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.

Acceptances	813	624
Guarantees	169,723	137,713
Letters of credit	15,089	11,857
	185,625	150,194

38 Lease Rentals

The Group leased certain premises under non-cancellable operating leases expiring in various years up to 2019. 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 2012 (2011: $24.7 million).

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

	2012 $'000	2011 $'000
- Up to one year	21,658	21,265
- One year to five years	16,190	38,053
- Over five years	11,819	42,199
	49,667	101,517

39 Business Combination

Effective 27 August 2012, the Bank acquired control of the First Citizens Barbados Limited (FCBL), formerly Butterfield Barbados Limited. The acquired business contributed revenues of $11.5 million and net profit of $0.09 million to the group for the period from 27 August 2012 to 30 September 2012. 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 27 August 2012, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	**FCBBL** **$'000**
- Cash paid	283,293
- Fair value of net assets acquired	265,343
Goodwill	17,950

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

39 Business Combination (continued)

The assets and liabilities as of August 27 2012 arising from the acquisition are as follows:

	FC Barbados Ltd Fair Value $'000	FC Barbados Ltd Carrying Value $'000
Cash and cash equivalents	199,514	199,514
Property, plant and equipment	20,435	20,435
Intangibles-customers	35,435	—
Investment securities:		
Loans and receivables	439,396	437,343
Loans and advances to customers	1,172,684	1,157,950
Other assets	21,575	21,575
Customers deposits	(1,586,267)	(1,595,795)
Creditors and accruals	(21,990)	(21,990)
Deferred tax liability	(15,439)	—
Fair value of net assets	265,343	219,032
Total purchase consideration		
Purchase consideration settled in cash	283,293	—
Cash and cash equivalents in subsidiary acquired	(199,514)	—
Cash outflow on acquisition	83,779	—

40 Subsequent events

There were no material subsequent events occurring after the year end up until the date of the approval of these financial statements that requires disclosure or adjustment in the financial statements.

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