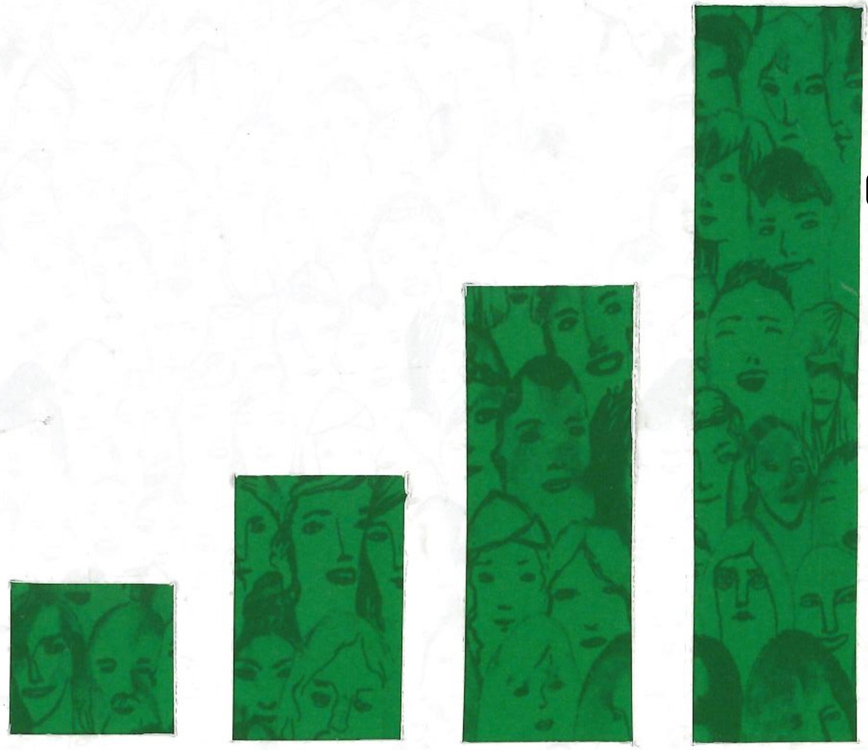
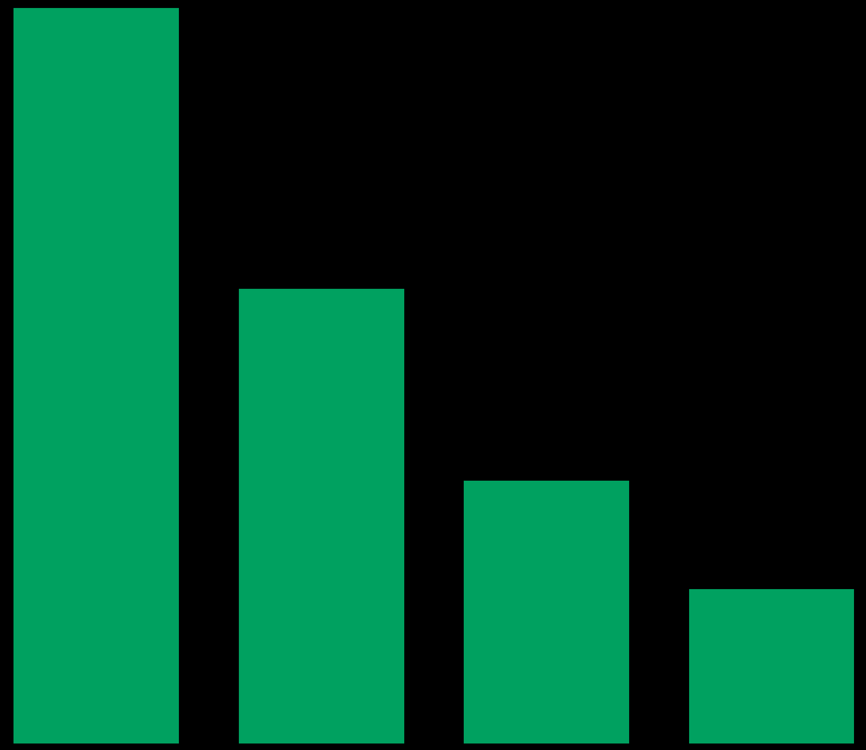
First Citizens



MORE THAN NUMBERS

ANNUAL REPORT 2016



More Than Numbers
Numbers can reflect success or failure, profit or loss, growth, expansion, wealth, or power. But these facts and figures are only a paragraph of a larger story, a story about possibility, and imagination.

2022 First Citizens

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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.

216 PAGES reflecting 1 YEAR OF SUCCESS

CONTENTS

CORPORATE INFORMATION

PROFILE OF SUBSIDIARIES

First Citizens Bank Limited

BOARD OF DIRECTORS

For the year ended September 30, 2016

»»» Anthony Isidore Smart – Chairman
»»» Courtenay Williams – Deputy Chairman
Franka Costelloe
Ryan Proudfoot
Ian Narine
Rajesh Rajkumarsingh
» Savitree Seepersad
»»» Jayselle McFarlane
»»» Troy Garcia
»»» Idrees Omardeen
»»»» Jean Pierre du Coudray
»»»» Hazar Hosein
»»»» Joel Pemberton
»»»» Joseph Toney
»» Cherry Ann Le Gendre
»»»»» Samuel Henry

» Appointed April 14, 2016
»» Resigned April 13, 2016
»»» Appointed June 14, 2016
»»»» Resigned June 13, 2016
»»»»» Appointed June 14, 2016; Resigned September 12, 2016

Group Corporate Secretary

* Lindi Ballah-Tull LLB, LEC
** Sharon L. Christopher LLB (UWI), LLM (Lond.), LEC, Acc. Dir.

* Appointed August 23, 2016
** Retired August 22, 2016

Registered Office

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

Auditor

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

First Citizens Asset Management Limited

BOARD OF DIRECTORS

Joseph Toney – Chairman
Feona Lue Ping Wa
Narinejit Pariag
Susan Romano-Davis
Jason Julien
Karen Darbasie
» Joel Pemberton

» Resigned June 13, 2016

Registered Office

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

First Citizens Trustee Services Limited

BOARD OF DIRECTORS

Courtenay Williams – Chairman
Franka Costelloe
Shiva Manraj
Ian Narine
»» Jayselle McFarlane
»»»» Sterling Frost
» Jean Pierre du Coudray
» Hazar Hosein
»»» Sharon L. Christopher

» Resigned June 13, 2016
»» Appointed June 16, 2016
»»» Retired August 22, 2016
»»»» Appointed August 23, 2016

Registered Office

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

First Citizens Securities Trading Limited

(ceased operations as at September 30, 2016)

BOARD OF DIRECTORS

Jason Julien
Keshwar Khodai
» Hazar Hosein – Chairman
» Jean Pierre du Coudray

» Resigned June 13, 2016

First Citizens (St. Lucia) Limited

BOARD OF DIRECTORS

» Courtenay Williams - Chairman
Shiva Manraj
Dunstan Duboulay
»» Karen Darbasie
** Sharon L. Christopher

» Appointed Chairman on September 01, 2015
»» Appointed August 23, 2016
** Retired August 22, 2016

First Citizens Financial Services (St. Lucia) Limited

BOARD OF DIRECTORS

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

» Appointed Chairman on September 01, 2015
»» Appointed August 23, 2016
** Retired August 22, 2016

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

First Citizens Investment Services Limited

BOARD OF DIRECTORS

Anthony Smart – Chairman
Franka Costelloe
Ryan Proudfoot
Ian Narine
Karen Darbasie
»» Troy Garcia
»» Idrees Omardeen
»»»» Sterling Frost
» Jean Pierre du Coudray
» Joel Pemberton
»»» Sharon L. Christopher

» Resigned June 13, 2016
»» Appointed June 16, 2016
»»» Retired August 22, 2016
»»»» Appointed August 23, 2016

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

First Citizens Brokerage & Advisory Services

BOARD OF DIRECTORS

»» Ryan Proudfoot – Chairman
Robin Lewis
Rajesh Rajkumarsingh
»»» Jason Julien
» Joel Pemberton
* Sharon Christopher
»»»» Karen Darbasie

» Resigned June 13, 2016
»» Appointed Chairman on June 16, 2016
»»» Appointed July 26, 2016
* Retired August 22, 2016
»»»» Resigned June 16, 2016

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

First Citizens Investment Services (Barbados) Limited

BOARD OF DIRECTORS

Ryan Proudfoot – Chairman
Robin Lewis
Sir Trevor A. Carmichael, QC
»» Jason Julien
»»»» Sterling Frost
» Joseph Toney
»»» Sharon Christopher

» Resigned June 13, 2016
»» Appointed June 16, 2016
»»» Retired August 22, 2016
»»»» Appointed August 23, 2016

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

FCCR – First Citizens, Costa Rica S.A.

BOARD OF DIRECTORS

Anthony Smart – President
Shiva Manraj
Ian Narine
Karen Darbasie
Lindi Ballah-Tull
(appointed Secretary on September 13, 2016)
» Jean Pierre du Coudray
Sharon L. Christopher
(retired as Secretary on August 22, 2016)

» Resigned June 13, 2016

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

First Citizens Bank (Barbados) Limited

BOARD OF DIRECTORS

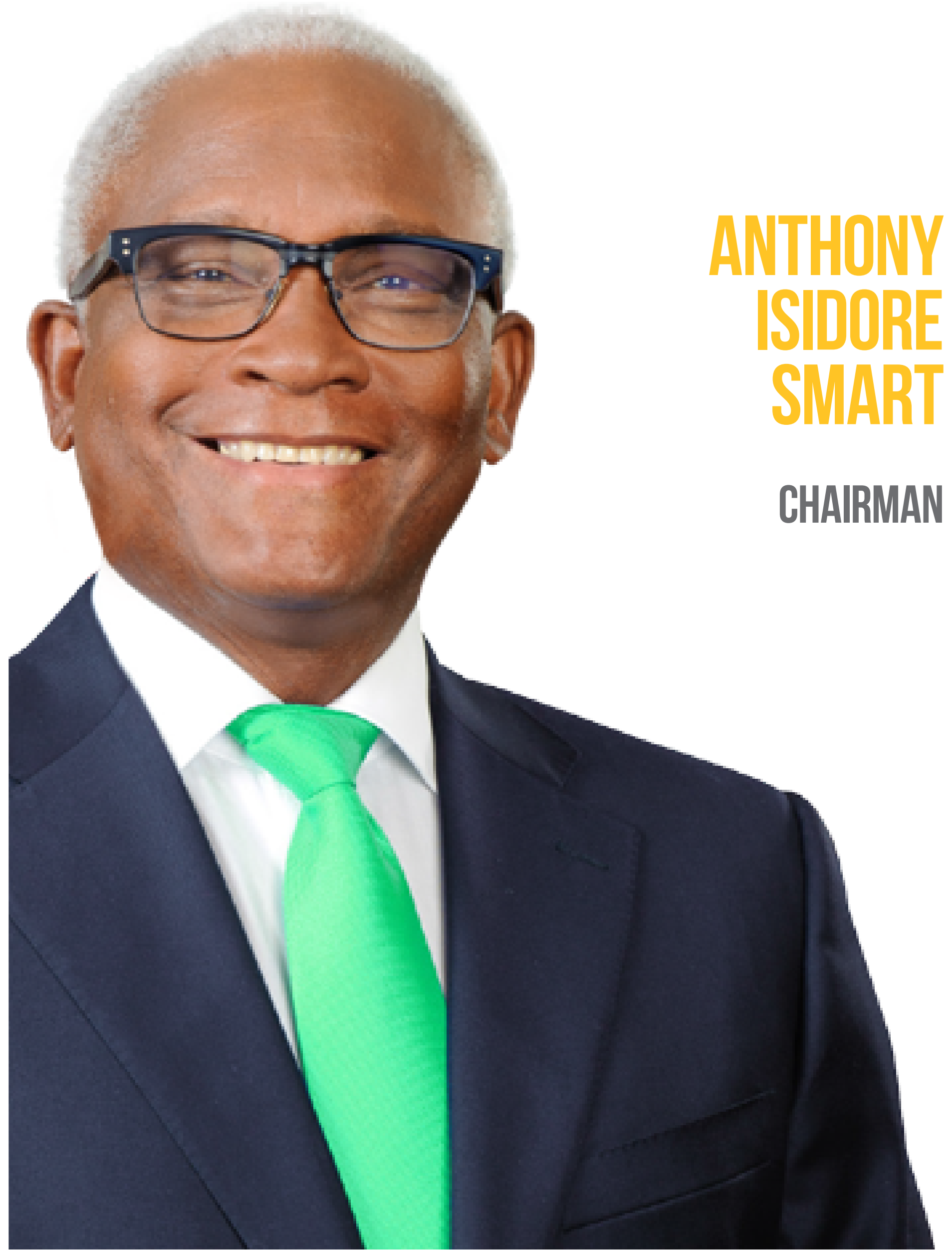
Anthony Isidore Smart
– Chairman
Sir Trevor A. Carmichael, QC
Peter Williams
Renee Kowlessar
Ryan Proudfoot
Jon Martineau
* Karen Darbasie
** Jason Julien
** Sterling Frost
*** Sharon Christopher

* Appointed November 23, 2016
** Appointed August 23, 2016
*** Retired August 22, 2016

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

“OUR SUCCESS IS NOT INDIVIDUAL, IT IS COLLECTIVE”

CHAIRMAN’S REPORT



ANTHONY ISIDORE SMART

CHAIRMAN

GROUP PERFORMANCE

I am very pleased to announce that the First Citizens Group had another successful year, recording profit before tax of $817.4 million, which represents growth of 3.4% when compared to 2015. Profit after tax amounted to $637.2 million, which represents an increase of $6.8 million, or 1.1%, as compared to 2015.

The Group’s total assets amounted to $38.9 billion as at year end and this represents an increase of $1.3 billion or 3.5%. Growth was reflected in both the Loans to Customers and Other Loans and Receivables portfolios of 5.5% and 1.9% respectively. The significant growth in deposits of $4.0 billion, or 19.2%, is a clear indication of customers’ confidence in the First Citizens Group.

As a result of these financial achievements, the Board of Directors declared a final dividend of $0.67 per share, which brings the total dividend for the fiscal year to $1.33. This equates to a payout of 52.5% (2015: 52.5%).

These accomplishments were underscored by First Citizens receiving the prestigious international award and recognition during 2016 – Euromoney Award for Banking Excellence 2016 – Best Bank in Trinidad and Tobago. Added to this, in August 2016, Standards and Poor’s affirmed First Citizens ratings of BBB+/A-2, and then reaffirmed the rating in October 2016.

INTERNATIONAL OVERVIEW AND OUTLOOK

The U.S. economy moved into higher gear in Q3 2016, expanding at an annual rate of 2.9% and supported by continued strength in consumer demand and a better performance in global trade. The national unemployment rate fell to 4.9%

INTERNATIONAL OVERVIEW AND OUTLOOK (continued)

as at October 2016. The Federal Reserve remains on course to raise its benchmark interest rate in December 2016 as investors generally reacted with poise to the election of Donald Trump as the next President of the United States. It is expected that Mr. Trump's economic plans could prompt the U.S. Federal Reserve to keep increasing the rate. The President-elect has promised to stimulate faster economic growth with measures that include a large tax cut and as much as USD1 trillion in spending on infrastructure. He has also promised new barriers to imports, which could drive up inflation. Moreover, during the election, Mr. Trump promised to spend heavily on programmes that would create untold numbers of jobs in construction, steel manufacturing and other sectors. He said his focus will be on transportation, water, telecoms and energy. The yield on the benchmark 10-year Treasury note saw some appreciation reaching highs of 2.15% for the first time since the first quarter of the year, suggesting that investors are anticipating higher rates.

Economic growth in Europe is expected to continue at a moderate pace, as recent labor market gains and rising private consumption are being counterbalanced by a number of hindrances to growth and the weakening of supportive factors, according to the European Commission's autumn 2016 Economic Forecast. Moreover, it is expected that GDP growth in the Euro area will be 1.7% in 2016, 1.5% in 2017 and 1.7% in 2018 compared to the previous forecasts – 2016: 1.6%, 2017: 1.8%. Private consumption is set to remain the primary engine of growth through to 2018, supported by expectations for employment to continue growing and wages to pick up slightly. Borrowing costs remain supportive to growth due to exceptionally accommodative monetary policy. The euro area total budget deficit is set to continue to edge down, while the fiscal stance is projected to remain non-restrictive. Investment is set to continue increasing. However, political uncertainty, slow growth outside the EU and weak global trade weigh on growth prospects. There is also still a risk that the economy's weak performance in recent years could hold back growth, and persistent slack points to the possibility of faster growth without undue inflationary pressures. The U.K.'s economy slowed slightly in Q3 2016 (quater to quater), despite the Brexit vote surprise, further reducing the chance of a fresh interest rate cut by the Bank of England. GDP grew by 0.5% in the July-September period, less than growth of 0.7% seen in the second quarter.

REGIONAL

Low commodity prices, the slower than anticipated recovery in the U.S. and Europe and the normalisation of monetary policy in the U.S. will have implications for the Caribbean region. The region's performance has improved at a moderate pace, with the tourism sector providing the main impetus for overall economic activity. The Caribbean region is estimated to have grown by an average of 1.1% in 2015 compared to 2.4% in 2014. The commodity-exporters have suffered due to the global market and are estimated to have grown by 0.5% in 2015, and expected to contract 1.4% in 2016, while tourism-dependent economies are forecast to expand by 1.9%, up from 1.6% estimated in 2015. The Dominican Republic, St. Kitts and Nevis and Grenada are all expected to post economic growth in excess of 3% in 2016, while Trinidad and Tobago is projected to deliver the weakest performance, with a contraction of 2.7%.

TRINIDAD AND TOBAGO ECONOMIC OVERVIEW AND OUTLOOK

The Trinidad and Tobago economy is estimated to have contracted 6.7% (year on year) in the first half of 2016, led by a 10.8% decline in the energy sector. Estimates also show that the non-energy sector fell 4.3%, given the spillover implications from the energy sector, as well as the stimulatory effects of Government spending in the economy.

During the first half of 2016, inflationary pressures stemmed from increases in the price of fuel, the widening VAT base and the weakening of the TT Dollar against the US Dollar. Inflation measured 3% in the 12 months to September 2016, while core inflation remained stable around 2.3%, subdued by weaker domestic demand and the worsening of labor market conditions. The unemployment rate rose sharply in 2016, and ended the second quarter at 4.4% from 3.2% in the same period of 2015. The sectors which experienced the highest level of job losses were distribution, construction and agriculture. Additions to employment during the period were in transport, storage and communication, finance and community, social and personal services. Labour productivity in the manufacturing sector also continues to worsen, declining 11.4% in the second quarter of 2016, relative to the same period of 2015. In terms of fiscal operations, the fiscal year 2015/2016 ended in a deficit of 1.5% of GDP, and a significant cut in expenditure led to a fall in the non-energy fiscal deficit. The country's total public sector debt (excluding debt issued for sterilisation purposes) is expected to reach 60.2% of GDP in FY 2016/ 2017.

On the external account, the current account is estimated to have recorded a deficit of 9.7% of GPD in the first 6 months of 2016, deteriorating sharply from a deficit of 2.4% of GDP in the same period of 2015. Net foreign direct investment rose during the period, reversing the deficit on the capital and financial account, which posted a surplus of USD664.1 million. The overall balance of payment recorded a deficit of 3.7% of GDP during the period, compared to a deficit of 6.1% in the same period of 2015.

The current weakness in the energy sector is expected to persist for the remainder of 2016, with modest improvement expected in 2017, but contingent on the execution of the government's planned capital expenditure programme as well as the initiation of operations at both the Juniper project and the Greater Angostura field.

BARBADOS ECONOMIC OVERVIEW AND OUTLOOK

Barbados recorded economic growth of 1.3% over the first nine months of 2016, compared to 0.4% growth for the same period in 2015. The economy expanded significantly due to a 3% improvement in tourism, a 5% increase in construction and a 3% rise in business and other services. Concerns over Zika and Brexit have so far had a muted impact on the country's tourism sector. Real GDP growth is forecast to close at 1.0% and expected to accelerate modestly to 1.6% in 2017. Arrival numbers to Barbados have thus far shown few signs of slowdown. However, economic activity generated by Barbados' tourism sector is expected be tempered by government austerity initiatives, as officials seek to limit expenditure.

Deflation of -1.2% in the first nine months of 2016 was recorded, significantly down from an average increase of 1% in 2015. Relatively low oil prices and the private sector's lack of confidence will keep inflation low. Following the announcement of major hotel projects on the island and some pickup in growth, S&P expects inflation

BARBADOS ECONOMIC OVERVIEW AND OUTLOOK
(continued)

during the two to three years to be around 2%, which is still lower than the 10 year average of 4.5%.

The external current account deficit for nine months ended 2016 was lower by 3.6% of GDP, almost entirely because of tourism. Fuel imports were down by 1.9% of GDP, with a fall in both prices and the amount imported. The primary driver of Barbados' improving current account will be the expansion of its tourism sector. Tourism underpins the country's robust services trade surplus, equal to 21.2% of GDP in 2015, and is a major destination of foreign investment into Barbados' economy.

The deficit for the 2016 April to September period is estimated to be BBD145 million on the current account. Accrued tax revenues are anticipated to increase by BBD13 million, with corporate taxes, property taxes, and excises increasing by BBD6 million, BBD14 million and BBD10 million respectively. Small reductions in grants to state-owned enterprises (BBD5 million) and in wages and salaries (BBD8 million) were more than offset by a BBD34 million increase in interest payments because of rising debt levels. Stricter control over expenditure at state-owned enterprises (SOE), some one-off revenues from the sale of the Barbados National Terminal Company, and the full impact of the fiscal measures announced in 2015 and 2016 should reduce the fiscal deficit (and change in government debt) toward 5% of GDP during 2016-2018. Ultimately, the management of SOE finances poses a risk to the success of the fiscal consolidation of the government.

On 15 August, 2016, the government announced additional fiscal measures and a midterm financial and economic review. This process updates the pro forma budget proposal laid out in March, with updated economic assumptions, and incorporates further planned fiscal tightening. Moreover, the government introduced a social responsibility levy (2% on imports except those for tourism, construction, and agriculture) to fund health expenditure and increased the bank asset tax to 0.35% (from 0.2%). Finally, the government plans to reduce transfers to SOEs during the next four years below BBD1 billion, where they have stood for the last five fiscal years, through improving its control on its SOE's expenditures and refinancing arrears.

On September 23, 2016 S&P downgraded Barbados' long term sovereign credit ratings to B- with a negative outlook from B due to high fiscal deficit. According to S&P, the rationale for the downgrade was persistently high fiscal deficits, reflecting both budget slippage and unbudgeted spending. The Central Bank continues to directly finance the government, which S&P considers at odds with its goal to defend Barbados' long-standing currency peg with the U.S. dollar.

On April 01, 2016, Moody's Investors Service ("Moody's") downgraded Barbados' government bond rating and issuer rating to Caa1 and changed the outlook to stable. Moody's decision to downgrade Barbados' issuer and bond ratings to Caa1 from B3 and revise the outlook to stable from negative was driven by slow progress towards achieving fiscal consolidation consistent with a sustainable debt trajectory and low level of foreign exchange reserves and weak funding conditions.

EASTERN CARIBBEAN OVERVIEW AND OUTLOOK

Revised figures released by the Eastern Caribbean Central Bank (ECCB) in October 2015 indicate that Real Gross Domestic Product (GDP) in the Eastern Caribbean Currency Union (ECCU) is expected to decrease from 2.91% in 2014 to 2.21% in 2015 (revised down 2.63% previously).

Growth is forecast to slow in most member countries in 2016, with contractions most notably in Grenada (-3.40%), St. Kitts and Nevis (-1.30%) and Antigua and Barbuda (-1.25%). An expansion is expected in Dominica (+6.37%) as it recovers from the effects of Erika. Meanwhile, the International Monetary Fund (IMF) in its April 2016 World Economic Outlook, estimated economic growth in the region at 2.2% in 2015. Growth in 2016 is projected at 2.60%.

The region's external current account deficit has improved and is expected to narrow to an average of 11.7% of GDP in 2016, down from 12.2% in 2015. Inflation is expected to remain very low, forecast at 0.1% in 2016 (0.6% in 2015). The IMF directors agreed that while low commodity prices continue to support tourism, fiscal vulnerabilities and the strengthening of the financial sector must be addressed.

The IMF directors agreed that fiscal adjustment in the region should reflect the need to scale back tax concessions, continue to restrain the wage bill, reform the social security system and improve the performance of state owned enterprises. Total public debt (as a percentage of GDP) is expected to decline slightly from 82.3% in 2015 to 80.4% in 2016, but will then moderate to 2019. The IMF directors noted that fiscal discipline has improved in the region but that it is important to intensify consolidation efforts. Member countries were encouraged to reach the ECCU debt target ahead of the 2030 deadline, in order to build adequate policy space as soon as possible. Foreign reserves in the ECCU were previously projected at US$1,618 million for 2015, which will provide 5.9 months of import cover. This compares to US$1.125 million in 2012, which provided 4.4 months of coverage. In the financial system, private sector credit is estimated to have contracted by 4.3% (y/y) in 2014 following a 2.3% contraction in 2013. Further contractions of 2.8% and 0.5% are projected for 2015 and 2016 respectively. In February 2015, the Monetary Council agreed to reduce the minimum savings deposit rate from 3.0% to 2.0%.

Our key priorities based on the current weakening of the economic climate, include robust risk management, improved operational efficiencies, enhanced corporate governance and the generation of sustainable results.

On behalf of the Board, I would like to congratulate the staff of the First Citizens Group on their successes over the past year. I wish also 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.

Anthony Isidore Smart

Chairman
12 December 2016

OUR STRENGTH IN NUMBERS

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

KAREN DARBASIE

HIGHLIGHTS

The First Citizens Group continued to perform robustly in 2016. Some highlights of this performance include:

- Profit before tax increased by 3.4% from $790.8 million to $817.4 million.
- Profit after tax amounted to $637.2 million or 1.1% growth year-on-year.
- Total assets increased from $37.5 billion to $38.9 billion.
- Standard & Poor's affirmed the First Citizens rating of BBB+/A-2 in October 2016.
- The Group's capital base increased by over 5.6% from $6.3 billion to $6.7 billion.
- Qualifying capital to risk adjusted assets ratio remained best in class at 48.72%.

OVERVIEW OF PERFORMANCE

For the financial year ended 30 September, 2016, profit before tax increased to $817.4 million. Profit after tax amounted to $637.2 million. The Group's total assets amounted to $38.9 billion as at year end. There was growth in cash and due from other banks and the investments portfolios of 112.0% and 10.8% respectively. The Group's funding base grew by $3.2 billion, or 11.7%, to $30.9 billion. We have been able to grow our investment portfolio by $1.5 billion or 10.8%. Although we booked $3.6 billion in new facilities, our loan portfolio decreased by $0.45 billion due to maturities and syndication of some existing facilities. Our non-performing loans (NPLs) ratios at year end 2016 stood at 3.89%.

As a result of our consistent performance, the high quality of our balance sheet and our strong capital ratios, First Citizens continues to be one of the best rated indigenous banks in the English-speaking Caribbean by international rating agency, Standard and Poor's, who on 20 October, 2016, re-affirmed our rating of BBB+/A-2. Our Capital Adequacy Ratio of 48.72 % is one of the best in the local financial sector.

First Citizens also received prestigious international recognition winning the Euromoney Award for Banking Excellence 2016, Best Bank in Trinidad and Tobago. These are phenomenal achievements, especially when the global economic environment continues to experience numerous challenges and the local economy shows signs of recession.

Our drive to book new facilities resulted in growth in the net interest income. Along with this, we continued to focus on our non-interest income product set, which has shown good growth within the last year. Our fee generating businesses, including Electronic Banking, which provides efficiency savings for our clients, and Local Capital Markets businesses have grown. In addition, we are seeing the positive results from our businesses in Costa Rica, St. Lucia and Barbados within the context of our group diversification strategy, with reported growth in profitability of 91%, 26% and 25% respectively.

BANKING OPERATIONS

This year, the Group continued to focus on the development of its local retail banking network with its continued expansion of the ATM.

Implementation of our customer service strategies continued and our concentration on marketing and sales resulted in 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 additional services that increased usage in alternative delivery channels.

SUPPORT SERVICES

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

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

Our corporate and social responsibility programme includes sponsorship of community and cultural based organisations, in addition to the continuation of our well-known and successful existing programmes that build brand awareness, for example, financial literacy for the public and issues affecting women. The First Citizens Sports Foundation continues to recognise the success of our athletes at both junior and senior level. In 2016, we undertook the sponsorship of Supernovas Steel Orchestra and we are proud of their success, placing second (2nd) in the National Panorama competition in their first year in the large band category.

SUBSIDIARIES

The Group's subsidiaries continued to perform well, expanding the range of products and services that they offer and growing in market share and profitability. The Asset Management Company has assets under management of $13.8 billion and recorded profit before tax of $147.7 million. The Trustee Company focused on streamlining its operations and realised a profit before tax of $25.9 million. The First Citizens Investment Services Group also contributed $128.0 million to profit before tax.

FUTURE OUTLOOK

The IMF is citing a subdued outlook for advanced economies and policy challenges facing emerging market economies. Global economic growth is projected at 2.4% for 2016. This is due to the sluggish growth in advanced economies, low commodity prices, weak global trade and diminishing capital flows. The global economy growth is currently projected to pick up to 3% in 2018.

Within this context, the local economy continues to contract, with depressed prices and reduced production of energy and energy-derived products. The financial sector remains sound and is well-capitalised and liquid. Monetary and fiscal policies remain geared toward stimulating private sector credit.

The condition of local and regional economies will require the Group to continue its efforts at managing expenses and adhering to robust risk management practices. Focus remains on these two (2) main areas in order to ensure that the growth and stability of the Group continues.

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

Group Chief Executive Officer
12 December 2016

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of First Citizens Bank Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 September 2016; the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Group Chief Executive Officer
12 December 2016

Group Chief Financial Officer
12 December 2016

10 YEAR SUMMARY OF SELECTED FINANCIAL DATA 2007-2016

As at Sept 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Assets	38,850	37,538	34,858	36,086	33,804	31,160	29,534	27,714	15,843	15,059
Total Funding	30,912	27,672	27,644	28,085	27,382	25,626	23,989	22,702	12,351	12,469
Shareholders' Equity	6,679	6,326	6,241	5,965	5,471	5,146	4,900	4,098	2,672	2,193
Total Loans	13,332	13,831	11,154	11,517	10,322	9,020	8,788	7,674	6,559	6,040
Investments	12,967	12,294	10,442	10,305	10,852	10,611	11,175	10,549	4,121	3,193
Profit Before Tax	817	791	773	745	714	688	671	621	503	439
Profit After Tax	637	630	627	609	446	718	627	552	463	401
Non-Performing Loans/ Total Loans (%)	3.89%	3.39%	4.54%	4.25%	4.56%	4.55%	1.16%	1.03%	0.80%	0.60%
Efficiency Ratio (%)	55.50%	55.80%	54.31%	53.99%	49.53%	46.74%	44.89%	40.46%	43.70%	44.10%
Capital/ Asset (%)	17.2%	16.9%	17.9%	16.5%	16.2%	16.5%	16.6%	14.8%	16.9%	14.6%
ROAA	1.67%	1.74%	1.77%	1.74%	1.37%	2.37%	2.19%	2.53%	3.00%	2.89%
ROAE	9.80%	10.03%	10.27%	10.65%	8.40%	14.29%	13.94%	16.31%	19.03%	19.51%

SIGNIFICANT FIGURES

DIRECTORS' REPORT

The Directors present herewith the annual report and financial statements for the year ended 30 September, 2016.

PRINCIPAL ACTIVITIES

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

REGULATION

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

FUTURE DEVELOPMENTS

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

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

ACHIEVEMENTS

The Group's total assets stood at $38.9 billion as at the end of September 2016, which represented an increase of 3.5% as compared to 2015. Profit before tax increased by 3.4% to $817.4 million in 2016 as compared to $790.8 million in the previous year. The profit after tax amounted to $637.2 million, as compared to $630.4 million in 2015. Total Shareholders' Equity increased by approximately $353.4 million or 5.6% to $6.7 billion.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

DIRECTORS, SENIOR OFFICERS AND SUBSTANTIAL INTEREST

Below are the details of shareholdings of Directors and Senior Officers with an interest in the Bank as at 30 September 2016, together with the shareholdings of their connected parties and our ten (10) largest shareholders.

Director/Senior Officers	Ordinary Shareholdings	Connected Parties
*Sharon Christopher	23,227	100
Jason Julien	5,000	
Robin Lewis	23,228	
Shiva Manraj	25,000	
Lindi Joy Ballah-Tull	500	
Keshwar Khodai	21,500	
Anthony St. Clair	5,000	
Richard Look Kin	1,228	1,153
Sana Ragbir	7,000	664
Troy Garcia	2,373	

*Retired during the reporting period

The ten (10) largest shareholders

NAME	Ordinary Shares	Percentage
First Citizens Holdings Limited	193,982,660	77.18%
National Insurance Board of Trinidad and Tobago	14,785,431	5.88%
T&T Unit Trust Corporation / FUS	5,638,381	2.24%
Guardian Life of the Caribbean Limited	1,713,978	0.68%
Republic Bank Limited - 1162	1,513,707	0.60%
National Enterprises Limited	1,279,895	0.51%
RBTT Trust Limited - T964	1,219,830	0.49%
Tatil Life Assurance Limited	1,175,731	0.47%
Colonial Life Insurance Company (Trinidad) Limited	1,110,053	0.44%
RBC Trust (Trinidad & Tobago) Limited - T1136A	1,095,000	0.44%

ACKNOWLEDGEMENT

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

By order of the Board

Lindi Ballah-Tull
Corporate Secretary
12 December 2016

Courtenay Braemar Williams
Deputy Chairman
12 December 2016

Anthony Isidore Smart
Chairman
12 December 2016

10 MINDS REALISING A MILLION DREAMS

BOARD OF DIRECTORS

ANTHONY ISIDORE SMART
CHAIRMAN

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

He is an Attorney-at-Law who has been in private practice for 44 years, 30 of which he has led the law firm of Gittens, Smart & Company. He was an elected member of the House of Representatives of the Parliament of Trinidad and Tobago from December 1986 to November 1991.

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

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

Mr. Smart was appointed as Chairman of the Board of First Citizens Bank Limited on June 17, 2014 and subsequently as Chairman of First Citizens Investment Services Limited and First Citizens Costa Rica S.A. He served as Executive Chairman of First Citizens Bank Limited from December 4, 2014 to April 7, 2015.

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

COURTENAY BRAEMAR WILLIAMS
DEPUTY CHAIRMAN

Courtenay Williams is an Attorney-at-Law who has been in practice for 29 years, most of which have been spent at the private bar, specialising in banking, privatisation, commercial, intellectual property, project financing, capital market and debt restructuring transactions. Mr. Williams graduated from the University of the West Indies with a Bachelor of Laws Degree (Honours). He also obtained a Legal Education Certificate from the Hugh Wooding Law School in 1987.

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

He was appointed to the Board of First Citizens Bank Limited on June 17, 2014 and subsequently as Deputy Chairman of First Citizens Bank Limited, Chairman of the Board of First Citizens Trustee Services Limited and Chairman on the Boards of First Citizens (St. Lucia) Limited and First Citizens Financial Services (St. Lucia) Limited and Director First Citizens Holdings Limited.

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

Mr. Williams is a past President of the Art Society of Trinidad and Tobago and Deputy Chairman of the Trinidad and Tobago Film Company Limited. He currently sits on the Boards of the Bocas Literary Festival and Trinity College Limited and is a Consultant with Lex Caribbean, Attorneys-at-Law and Notaries Public.

FRANKA COSTELLOE
DIRECTOR

Franka Costelloe holds a Master's Degree (MSc) in Building and Construction Management (with distinction), an Associate Degree in Project Management (MBOS) and Bachelor of Science Degree (BSc) in Business Administration with a Major in Human Resources.

Ms. Costelloe is a Director of Lifetime Roofing Ltd, a manufacturer, distributor and contractor specialising in metal and flat roof waterproofing. She has experience in various departments including: human resources, project management, contracts, budget planning & administration, sales and marketing.

She was appointed to the Board of First Citizens Bank Limited on July 3, 2014 and subsequently to the Boards of First Citizens Investments Services Limited and First Citizens Trustee Services Limited.

Ms. Costelloe currently also sits on the Board of Trinidad and Tobago Manufacturers' Association.

TROY GARCIA
DIRECTOR

Troy Garcia holds a Bachelor's Degree in Business Administration from Stetson University, Florida, USA.

Mr. Garcia has over 20 years of experience and success in the fields of business and entrepreneurship. He is the Chief Executive Officer of Parts World Limited, Director of United Bearings and Equipment Agencies, and Managing Director of High Performance Coatings. He is also the Honorary Consul General to Finland for Trinidad and Tobago.

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

JAYSELLE MCFARLANE
DIRECTOR

Jayselle McFarlane is a member of the Association of Certified Charted Accountants (ACCA) and has experience in various sectors such as financial services, construction, hospitality and manufacturing. Her career as a Consultant stems from over 20 years of diverse experience, functioning in leading roles at various international/multinational companies. As a Chartered Accountant, she was able to hold the offices of Finance Analyst, Financial Controller and Corporate Secretary in these international/multinational companies.

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

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

IAN NARINE
DIRECTOR

Ian Narine has 21 years' experience in the financial services industry. He holds a Master in Business Administration (MBA) from Manchester Business School and is a Fellow of the Association of Chartered Certified Accountants. He is also a member of the Chartered Institute of Securities and Investments.

Over the course of his career, Mr. Narine has fulfilled numerous roles and disciplines across the financial services industry. He has practised as an accountant, auditor, corporate finance consultant, stockbroker, investment adviser, portfolio manager, wealth manager and private banker. He has also been involved in financial analysis and research, macroeconomic analysis, financial risk management and internal auditing.

Mr. Narine has had over ten years of senior management responsibility, including the positions of General Manager and Managing Director of units and subsidiaries associated with four publicly listed companies in Trinidad and Tobago. He was appointed to the Board of First Citizens Bank Limited on August 25, 2014 and subsequently to the Boards of First Citizens Trustee Services Limited, First Citizens Investment Services Limited and First Citizens Costa Rica S.A.

He is currently the Deputy Chairman of the Trinidad and Tobago Stock Exchange and is a member of the Board of the Telecommunications Services of Trinidad and Tobago.

Mr. Narine is also a regular contributor to the print and electronic media on matters related to investing, finance and the economy, and has written over 500 columns for the Business Guardian, spanning over 10 years.

IDREES OMARDEEN
DIRECTOR

Idrees Omardeen graduated from Presentation College, San Fernando in 1989. He became a member of the Association of Chartered Certified Accountants (ACCA) in 2004, five years after which, his expertise in the field granted him Fellow Membership Status within the Association.

With a keen eye for management, Mr. Omardeen operates the Omardeen School of Accountancy Limited, a family owned business. Here, Mr. Omardeen devotedly lectures on all levels of accounting - from entry level to professional level - while simultaneously liaising with stakeholders and planning, designing and implementing improvements to the facility.

Mr. Omardeen was appointed as a Director of First Citizens Bank Limited on June 17, 2016 and subsequently as a Director on the Board of First Citizens Investment Services Limited.

RYAN PROUDFOOT
DIRECTOR

Ryan Proudfoot holds a Bachelor of Arts degree (BSc) (with Hons) in Accounting from the University of Kent at Canterbury, UK and a Master of Business Administration (MBA) in International Management from the University of Exeter, U.K.

Mr. Proudfoot is the majority shareholder of Total Office, a Trinidadian-headquartered company with subsidiaries in Barbados and operations in 12 other southern Caribbean countries.

Prior to this, Mr. Proudfoot held the positions of General Manager, BNB Finance & Trust Corporation and General Manager BNB Treasury with Barbados National Bank Inc (renamed Republic Bank (Barbados) Ltd. and a subsidiary of Republic Bank Limited.)

Mr. Proudfoot joined BNB after serving as Business Head and Vice President, Citicorp Merchant Bank Limited (Barbados Branch) where he was responsible for the re-establishment of Citibank in Barbados.

He was appointed to the Board of First Citizens Bank Limited on July 3, 2014 and subsequently as Chairman of the Board of First Citizens Investment Services (FCIS) (Barbados) Limited, and a Director on the Boards of FCIS, First Citizens Brokerage and Advisory Services Limited and First Citizens Bank (Barbados) Limited.

RAJESH RAJKUMARSINGH
DIRECTOR

Rajesh Rajkumarsingh is a Fellow of the Association of Chartered Certified Accountants and holds a Master of Business Administration (MBA) in Strategic Planning from Heriot Watt University. At present, he is the Group Finance Director and Company Secretary at Agostini's Limited. He has previously held the positions of Vice President of Finance and Subsidiaries at S.M. Jaleel & Company Limited, Finance Director at Electrical Industries Limited (EIL) and Audit Manager at PricewaterhouseCoopers.

He has extensive experience in strategic planning, regional and international mergers and acquisitions, international tax planning, insurance and risk management, financial reporting and corporate governance.

Mr. Rajkumarsingh was appointed to the Board of First Citizens Holdings Limited on November 17, 2014 and is also the Chairman of its Audit Committee. He was subsequently appointed as a Non-Executive Director on the Boards of First Citizens Bank Limited and First Citizens Brokerage and Advisory Services Limited.

He currently serves as a director of Agostini's Limited, Caribbean Distribution Partners Limited, Hand Arnold Trinidad Limited, Hanschell Inniss Limited (Barbados) and Desinco Limited (Guyana). Mr. Rajkumarsingh is also a Director of Electrical Industries Group Limited and serves as Chairman of its Audit Committee.

SAVITREE SEEPERSAD
DIRECTOR

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

Mrs. Seepersad is currently the Deputy Permanent Secretary, Ministry of Finance. She joined the Public Service 32 years ago where she served in various positions in the Ministry of Finance including Treasury Accountant, Senior Treasury Accountant and Treasury Director.

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

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

1,2,3 STEPS AHEAD

EXECUTIVE MANAGEMENT

KAREN DARBASIE

GROUP CHIEF EXECUTIVE OFFICER

Karen Darbasie holds a Bachelor of Science (BSc) degree with honours in Electrical Engineering from the University of the West Indies, a Master of Science (MSc) with distinction in Telecommunications and Information Systems from the University of Essex, England, and a Master of Business Administration (MBA) with distinction from the University of Warwick, England.

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

With over 22 years of experience and such a diverse educational background, Ms. Darbasie will continue growing the First Citizens brand throughout Trinidad and Tobago, St. Lucia, St. Vincent and the Grenadines, Barbados and Central America (through the initial extension into Costa Rica.) In addition, she sits on the boards of several subsidiaries within the First Citizens Group.

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

STERLING FROST

DEPUTY CHIEF EXECUTIVE OFFICER - OPERATIONS AND ADMINISTRATION

Sterling K. Frost was appointed to the position of Deputy Chief Executive Officer, Operations and Administration in August 2016. Mr. Frost, a career banker, came directly from Citibank's Latin America Head Office as Director of Human Resources based in Miami.

His career spans over 25 years in banking and finance locally and internationally. He has held senior positions in major banks in areas of Retail and Commercial Banking, Operations, Public Affairs and Human Resources. His experience has been bolstered by his directorships of financial (banking) institutions in Trinidad and Tobago, Panama, Nicaragua and Honduras.

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

He is a member of the Adjunct Faculty at the Arthur Lok Jack Graduate School of Business, UWI. In addition, he sits on the boards of several subsidiaries within the First Citizens Group.

JASON JULIEN

DEPUTY CHIEF EXECUTIVE OFFICER - BUSINESS GENERATION

Jason Julien is a Chartered Financial Analyst with over 19 years of experience in the financial services industry. He holds a BSc in Management Studies with honours from the UWI, and an MBA from Edinburgh Business School.

His career has covered consultancy with PricewaterhouseCoopers and management positions at an international bank. He is a member of the Finance Faculty at the Arthur Lok Jack Graduate School of Business, and is a commentator on economic, investment and financial matters.

Mr. Julien has served on the Boards of the Mutual Fund Association of Trinidad and Tobago, the Securities Dealers Association of Trinidad and Tobago, as Chairman of the Airports Authority of Trinidad and Tobago, and he is a Past President of the CFA Society of T&T.

He is currently the Vice President of the Scouts Association of Trinidad and Tobago and is a Director of the boards of the T&T Chamber of Industry and Commerce and several subsidiaries within the First Citizens Group. He has been honoured as one of the Distinguished Alumni of UWI, St Augustine.

382 YEARS OF FINANCIAL EXPERTISE

SENIOR MANAGEMENT TEAM

From Left to Right:
Neela Moonilal-Kissoon – Chief Information Officer, Information and Communications Technology, **Nicole De Freitas** – General Manager, Operations, **Margaret Corbie** – General Manager, Human Resources, **Christopher Sandy** – General Manager, First Citizens Trustee Services, **Kirt Tempro** – Manager, Systems and Procedures, **Lindi Ballah-Tull** – Head, Legal, Compliance and Governance, **Akenathon Marcano** – Assistant General Manager, Group Operational Risk and Controls, **Shiva Manraj** – Group Chief Financial Officer, Finance and Planning, **Kurt Valley** – General Manager, First Citizens Asset Management Limited, **Robin Lewis** – General Manager, Retail and Commercial Banking, **Carole Eleuthere-Jn Marie** – Interim CEO, First Citizens Bank (Barbados) Limited

From Left to Right:
Ishwarlal Mongru – Head, Commercial Banking, **Keshwar Khodai** – Assistant General Manager, Group Treasury and International Trade, **Brian Woo** – General Manager, Corporate and Investment Banking, **Sana Ragbir** – General Manager, First Citizens Investment Services, **Anthony St. Clair** – Chief Internal Auditor, Group Internal Audit, **Deborah Moffet** – Manager, Shared Services (Acting), **Felipe Castro** – Regional Manager, Central America, First Citizens Costa Rica, **Kurt Headley** – Head, Retail Banking**, Avril Edwards** – Assistant General Manager, Electronic Banking, **Richard Look Kin** – Group Chief Risk Officer

MANY THOUGHTS ONE PERSPECTIVE

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

The following discussion aims to offer Management's perspective on the Group's financial statements and its general operations for the year ended 30 September 2016.

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

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

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

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

CRITICAL ACCOUNTING POLICIES

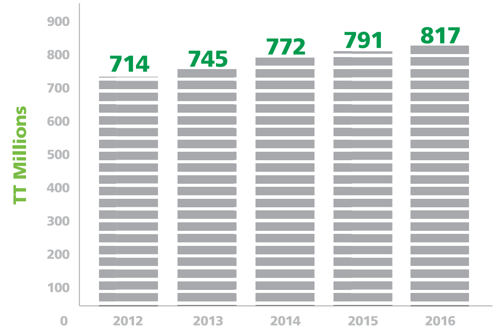
The accounting and reporting policies of the Group conform to International Financial Reporting Standards (IFRS). Developments related to these standards are actively monitored and disclosure is provided in accordance with global industry best practice.

SUMMARY OF OPERATIONS

At the end of the financial year ended 30 September 2016, First Citizens Group reported a profit before tax of $817.4 million. This profit represented $26.6 million, or 3.4%, growth over the $790.8 million earned in September 2015. Total net income increased by 13.1% to approximately $2.0 billion whereas operating or core profit increased by $26.7 million to $801.5 million (2015 - $774.8 million). Profit after tax amounted to $637.2 million as compared to $630.4 million in 2015.

Overall total assets increased by 3.5% from $37.5 billion to $38.9 billion in 2016. The Group's funding base increased from $27.7 billion to $30.9 billion. The Group's customers' loans and other advances increased by 1.9% from $15.1 billion to $15.4 billion, investments also increased from $12.29 billion to $12.97 billion.

Profit Before Tax



The Group continues to identify threats to the financial sector and formulate strategies to mitigate risks. The local economy continues to experience contraction in the energy and non-energy sectors. These factors, considered in the context of excess liquidity within the domestic market and an environment with increasing inflation required First Citizens to take proactive measures to manage our loan and investment portfolios.

NET INTEREST INCOME

Net interest Income has increased to $1.28 billion or a 9.8% increase from $1.17 billion in 2015. Net interest income continues to be the most significant contributor to the Group's net income, accounting for 64.3% of the Group's total income.

Net Interest Income

Over the financial year ended 30 September 2016, interest income increased by $101.0 million or 7.0% to $1,551.5 million, the major contributors being investment interest income which accounted for $85.0 million or 16.2% increase and loan interest income which increased by $43.8 million. This was partly offset by a decrease in loan note interest income by $27.7 million. The increase in investment interest income was due mainly to higher yields on the investment portfolio which moved from 4.13% in 2015 to 4.36% in 2016. Loan interest income increase was due to an increase in the average portfolio balance, which was offset by declining yields on the loans portfolio from 6.53% in 2015 to 6.39% in 2016.

Interest expense decreased by $13.8 million or 4.9% to $267.8 million. This decrease was due mainly to a decrease in bond payables interest expenses, partly offset by an increase other funding (repo) interest expenses and deposits interest expenses. The decrease in the bond payable interest expense was due mainly to the repayment of the USD175 million international fixed rate bond.

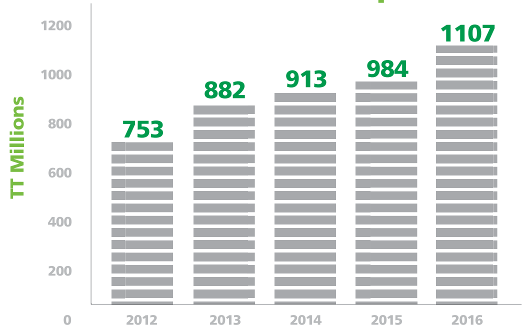
The following table sets forth a summary of changes in interest income and interest expense resulting from changes in volumes (average balances) and changes in rates:

	Year Ended September 30, 2015 vs September 30, 2016				Year Ended September 30, 2014 vs September 30, 2015			
	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	68,734	14,372	1,883	84,989	39,703	(71,792)	(5,074)	(37,163)
Loans to customers	72,489	(26,427)	(2,286)	43,776	79,513	(46,459)	(4,563)	28,491
Loan notes	(38,301)	18,783	(8,195)	(27,713)	(7,559)	(4,850)	367	(12,041)
Total increase/(decrease) in interest income	102,922	6,728	(8,598)	101,052	111,657	(123,101)	(9,270)	(20,713)
Interest expense Attributable to:								
Customers' deposits	7,019	952	94	8,065	(11)	(5,829)	1	(5,839)
Other funding instruments	(3,309)	6,895	(230)	3,357	606	49,109	608	50,323
Due to other banks	7,242	(855)	(1,138)	5,248	2,467	15	12	2,494
Debt securities in issue	(14,892)	(18,107)	2,551	(30,448)	(22,120)	(65,644)	7,822	(79,942)
Total increase/(decrease) in interest expense	(3,940)	(11,115)	1,277	(13,778)	(19,058)	(22,349)	8,443	(32,964)
Total increase/(decrease) in net interest income	106,862	17,843	(9,875)	114,830	130,715	(100,752)	(17,713)	12,251

Non-Interest Income
In the year 2016, non-interest income increased by 19.7% to $711.3 million, accounting for 35.6% of total revenues (2015: 33.7%). The major contributors to this growth were derived from increased contributions in the categories of foreign exchange gains and credit related fees.

Non-Interest Expense
Total non-interest expense increased by $123.3 million or 12.5%, amounting to $1,107.4 million at the end of September 2016. This increase was mainly due to the increase in salaries and staff expenses ($98.7 million). Within this period, great focus was put on institutional strengthening, which resulted in filling several key senior positions, along with negotiated salary increases for both non managerial and managerial staff.

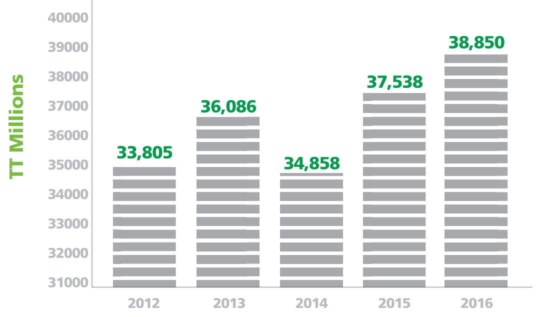
Non-Interest Expense



The Group's efficiency ratio, the ratio of non-interest expenses (excluding impairment provision) to total income increased to 55.5% in 2016. The Group continues to renew its commitment towards increasing efficiency of utilisation of resources and controlling its expense levels, while delivering superior customer service.

Assets and Liabilities
Total Assets were $38.9 billion as at the end of September 2016 an increase of $1.4 billion or 3.5%. Significant growth was shown in cash and due from other banks and the investment portfolios.

Asset Growth - Total Assets



The Loan to Customers Portfolio
As at 30 September 2016, the gross loan portfolio decreased by $0.45 billion to $13.7 billion, although the Group booked over $3.6 billion in new loans facilities. This was mainly due to maturities and syndication of some existing facilities. Loans decreased within the three sectors led by construction ($1,430.7 million), personal ($262.6 million) and other business services ($204.3 million). There were increases in the other sectors, such as mortgages ($509.0 million), petroleum ($347.3 million), finance and insurance ($338.2 million) and consumers ($211.3 million).

Non-performing loans as a percentage of total gross loans deteriorated to 3.89% at the close of 2016 compared 3.39% in 2015. The credit risk department and business units continue to effectively manage our delinquency, asset quality and credit exposure by setting and ensuring compliance with our credit limits.

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 2016 amounted to $341.2 million, which represents 2.5% of total loans and 0.64 times coverage on the value of total non-performing loans. General provisioning increased by $52.8 million, as the Group continues to demonstrate a prudent risk management approach in the current economic conditions.

Other Loans and Receivables
Other Loans and Receivables increased during the year to $2.0 billion from $1.3 billion, an increase of 62.3%.

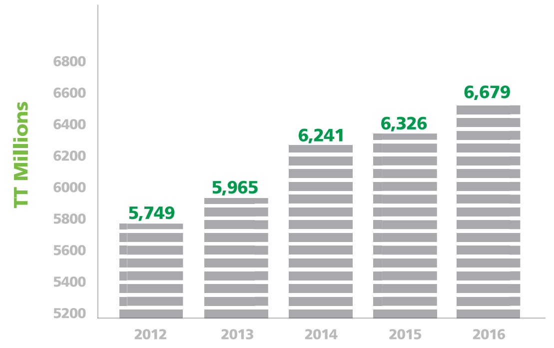
Investment Portfolio
Available for sale financial assets increased during the year to $11.5 billion from $10.5 billion. This increase of $1.0 billion, or 9.8%, was mainly driven by the purchase of GORTT bonds and treasury bills.

Provision for Taxation
The Group recorded a taxation charge for the year of $180.2 million compared to $160.3 million in 2015. The increase in the effective taxation rate to 22.0% (2015 - 20.3%) was partially due to the maturity of tax exempt instruments during 2016.

Shareholders' Equity
Total shareholders equity increased by $0.35 billion over the last financial year to $6.7 billion. The increase in the Group's capital base was as a result of the increase in net profit for the year and the reserves of $71.0 million arising from the depreciation of the TT dollar, offset by a dividend of $354.8 million paid to shareholders.

The Group and its subsidiaries are subject to various capital requirements administered by banking regulators. Such regulators require that the Bank maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulation) to risk weighted assets (as defined). This standard corresponds with International Basel standards wherein there is a minimum capital adequacy ratio of 8%. This is a risk-based capital measure which recognises the inherent credit risk in off-balance sheet transactions. As at the year's end, the Group was well capitalised with a capital adequacy ratio of 48.72%.

Shareholders' Equity - Growth



RISK MANAGEMENT

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 Enterprise Risk function is currently divided into three main risk monitoring areas: Credit, Market and Operational Risk.

The Enterprise Risk Management framework integrates all aspects of risks across the Group and supports the various business units within the Group in the effective management of risks. It has been developed in accordance with:

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

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

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

An integral part of any control framework is monitoring and assessing its effectiveness over time. The First Citizens Board acknowledges and understands that it has ultimate responsibility for ensuring and providing oversight for the effectiveness of the overall risk management and control framework and policies for the First Citizens Group.

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 that ensures 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 interest rates, foreign exchange rates, equity prices, market volatilities and liquidity.

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

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

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

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

Computer models are used to calculate the potential change in income that would result from the instantaneous change in rates on a static portfolio at a point in 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 that 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 ALCO and the Senior Management.

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 re-written in strict adherence to the Standards for the Professional Practice of Internal Auditing. In addition, the COSO and COBIT control frameworks have been inculcated into the audit process.

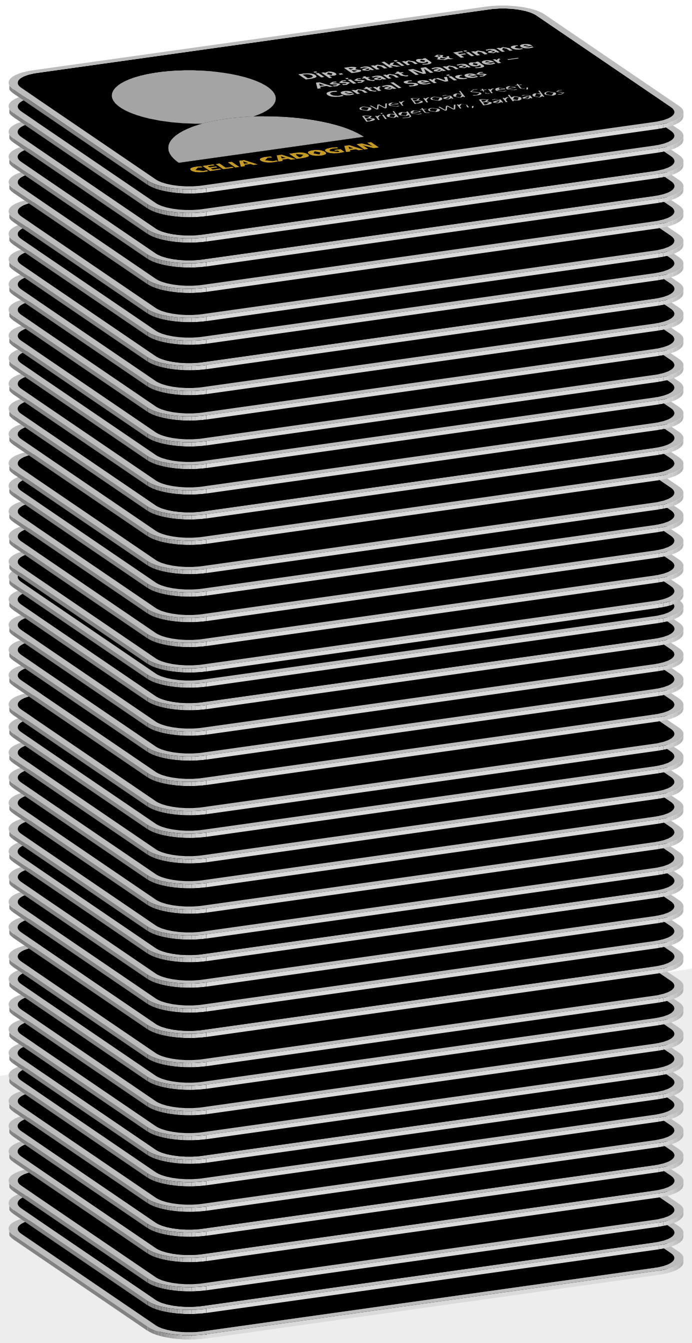
Frequent internal assessments ensure the quality of these processes; these are subject to an independent external quality assessment every five years. The next scheduled external review is due in 2017. The Group's internal audit process continues to receive the highest rating accreditation. This affirms 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.

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

The Compliance function which is a subset of the Legal, Compliance and Governance Unit has the overall managerial responsibility to develop, establish and maintain effective programmes 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 programmes. 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. 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 2016 with solid growth in Total Assets, and Shareholders' Equity. Despite the challenges of continued depressed economic activity, internationally, regionally and locally, the Group continues to position itself as a strong financial institution. Coupled with sound management and corporate governance, the First Citizens Group continues to be well-placed to maintain its position as one of the most competitive financial institutions in the region.



5 COUNTRIES
31 BRANCHES
31 UNITS

GROUP PROFILE

EXECUTIVE MANAGEMENT

KAREN DARBASIE
MBA (Dist.), M.Sc Telecommunications and Information Systems (Dist.)
B.Sc. Electrical Engineering (Hons.)
Group Chief Executive Officer
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

STERLING FROST
MBA, Doctorate in Business Management (pursuing)
Deputy Chief Executive Officer – Operations and Administration
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

JASON JULIEN
MBA (Dist.), CFA, B.Sc. Management (Hons.)
Deputy Chief Executive Officer – Business Generation
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

SENIOR MANAGEMENT

LINDI JOY BALLAH-TULL
LLB, LEC
Head – Legal, Compliance and Governance (Group Corporate Secretary)
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

FELIPE CASTRO
Advanced Leadership Program, Mexico (IPADE),
Post Graduate Degree in Capital Markets,
BA Business Administration
Regional Manager – Central America
Oficentro Eurocenter 1,
Barreal de Heredia, Costa Rica

MARGARET CORBIE
MBA, BBA
General Manager – Group Human Resources
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

NICOLE DE FREITAS
EMBA (Dist.) Business Administration
B.Sc. Mathematics/Computer Science (First Class Hons.)
PGDMIS (Dist.) Management Information Systems
General Manager – Operations
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

AVRIL EDWARDS
MBA International Business Management,
BA History & Social Science, Cert. Principles of Management
Assistant General Manager – Electronic Banking
First Floor, 62 Independence Square,
Port of Spain

CAROLE ELEUTHERE-JN MARIE
FCCA, B.Sc. (Hons) Accounting, ECSE Licensed Principal
Interim CEO, First Citizens Bank (Barbados) Limited
Carlisle House, Hincks Street,
Bridgetown, Barbados

KURT HEADLEY
MBA – Business Management
Dip. Management Studies, Cert. Management Studies
Head – Retail Banking
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

KESHWAR KHODAI
B.Sc. Chemistry and Management,
Assistant General Manager – Group Treasury and International Trade
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

ROBIN LEWIS
MBA, Dip. Business Management
General Manager – Retail and Commercial Banking
One Woodbrook Place,
189 Tragarete Road, Port of Spain

RICHARD LOOK KIN
Masters Business Administration,
Bachelor of Commerce, CFA, Professional Risk Managers' International Association (PRMIA)
Group Chief Risk Officer
Office of the Chief Risk Officer,
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

SHIVA MANRAJ
FCCA, CA
Group Chief Financial Officer
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

AKHENATON MARCANO
B.Sc. Actuarial Science ACBP, FRM
Assistant General Manager – Group Operational Risk and Controls
Yufe's Building
Market Street, Chaguanas

DEBORAH MOFFETT
Grad ICSA, Cert. GMDP, MBCP
Manager – Shared Services (Ag)
76 Boundary Road, San Juan

ISHWARLAL MONGRU
B.Sc. Economics
Head – Commercial Banking
20-24 Eastern Main Road, Tunapuna

NEELA MOONILAL-KISSOON
MBA, B.Sc., CISA, CRISC
Chief Information Officer
Cor. Park & Henry Streets, Port of Spain

SANA RAGBIR
MBA, CFA, B.Sc. Chemistry/Management
General Manager – Investment Services
17 Wainwright Street, St. Clair

CHRISTOPHER SANDY
M.Sc. Accounting, CFA, B.Sc.
Management Studies
General Manager – Trustee Services
45 Abercromby Street, Port of Spain

ANTHONY ST. CLAIR
CIA, FCCA, CA, B.Sc. Industrial
Management
Chief Internal Auditor
80-84 Charlotte Street, Port of Spain

KIRT TEMPRO
MBA (Executive), BSc (Hons) Computing,
CISA (Non- practicing)
Manager – Systems & Procedures
76 Boundary Road, San Juan

KURT VALLEY
MBA, BBA
General Manager -
First Citizens Asset Management
50 St. Vincent Street, Port of Spain

BRIAN WOO
MBA, BA Operations Research
General Manager – Corporate and
Investment Banking
Third Floor,
First Citizens Corporate Centre
9 Queen's Park East, Port-of-Spain

BRANCH MANAGEMENT

East, Central and Tobago

Arima

KURT PHIPPS
Cert. Executive Development,
Cert. Business Management
Branch Manager
Cor. Hollis Avenue and
Woodford Street, Arima

MICHELLE PHILLIPS-ROSE
MABE, IBAF, Adv. Dip. Business
Administration
Assistant Branch Manager
Cor. Hollis Avenue and
Woodford Street, Arima

Chaguanas

CHERYL-ANN LA ROCHE
MBA - Leadership, Entrepreneurship and
Innovation
Bachelor of Laws-LLB (Hons)
Diploma in Banking
Cluster Manager – East/Central/Tobago
Market Street Extension, Chaguanas

BALDATH MAHARAJ
M.Sc. Marketing, CIM
Branch Manager
Market Street Extension, Chaguanas

COONTIE RAMCHARAN
Executive Diploma Business Management
Assistant Branch Manager
Market Street Extension, Chaguanas

Montrose

SATYAN SEURAJ
Executive Dip. Business
Management, Cert. FA
Branch Manager
Main Road, Montrose, Chaguanas

San Juan

DIANNE GOPAUL
Executive Diploma Business
Branch Manager
23-27 Eastern Main Road, San Juan

DEBRA LENDOR-GRANT
Masters (Business Administration),
Executive Dip. Business Management,
Cert. FA
Assistant Branch Manager
23-27 Eastern Main Road, San Juan

Sangre Grande

BERNADETTE BROWN
Cert. FA, Executive Dip. Business
Management
Branch Manager
Eastern Main Road, Sangre Grande

SAVITRI JOHN
Executive Masters in Business
Administration
Executive Dip. Business Management,
Cert. FA,
Cert. Banking (IBAF)
Assistant Branch Manager
Eastern Main Road, Sangre Grande

Tobago

ANDREA TUITT
BA Business & Finance, ABE (Advanced
Dip.), Cert. Executive Development
Branch Manager – Tobago Branches
Milford Road, Canaan, Tobago

ARLENE ST. LOUIS-BRAITHWAITE
Executive Diploma Cert.
GMDP
Assistant Branch Manager – Canaan
Milford Road, Canaan, Tobago

BELINDA EDWARDS
B.Sc. Management Studies
Assistant Branch Manager – Scarborough
Scarborough, Tobago

Tunapuna

MARLON SEALE
MBA, Cert. ACCA (Level 1),
Cert. GMDP
Branch Manager
20-24 Eastern Main Road, Tunapuna

JEAN GEORGE-BAPTISTE
Post Grad Dip. Public Administration,
B.Sc. Social Sciences, Cert. GMDP
Assistant Branch Manager
22-24 Eastern Main Road, Tunapuna

North

Independence Square

GARY LE BLANC
Cert. Executive Development
Branch Manager
62 Independence Square,
Port of Spain

CHARMAINE MYLAN
MBA Business Administration, Executive
Dip. Business Management
Manager – Business Development
62 Independence Square,
Port of Spain

Maraval Road

CURTIS HINKSON
BA Human Resource Management, Cert.
Human Resources
Branch Manager (Ag.)
44-46 Maraval Road, Port of Spain

MovieTowne Financial Centre

STEPHEN PENNIE
Executive Dip. Business Management
Branch Manager
Movie Towne, Invaders Bay,
Port of Spain

One Woodbrook Place

JACQUELINE JUMAN
MBA General Management, Dip. Business
Administration
Cert. Executive Development,
Cluster Manager – North Branches
One Woodbrook Place,
189 Tragarete Road, Port of Spain

RACHAEL JUMAN
BA Business Management, Dip.
Banking (IBAF),
Cert. GMDP
Branch Manager
One Woodbrook Place,
189 Tragarete Road, Port of Spain

AMRIKA ATWELL
MSc Project Management, BSc Statistics
& Economics
Assistant Branch Manager
One Woodbrook Place,
189 Tragarete Road, Port of Spain

Park Street

NADINE HARDING-MOHAN
MBA Marketing, M.Sc. Economics, B.Sc.
Economics
Branch Manager
Cor. Park & Henry Streets, Port of Spain

DENESE H. PATTERSON
MBA Entrepreneurship, Innovation
and Leadership,
BA Business Management, AMABE
Business Administration
Assistant Branch Manager
Corner Park and Henry Streets,
Port of Spain

St. Vincent Street

HOLLAND BRONTE TINKEW
MBA, BBA, Cert F.A.
Branch Manager
50 St. Vincent Street, Port of Spain

LISA DE NOBRIGA
BA Business Administration,
Concentrations: Finance & International
Business
Assistant Branch Manager
50 St. Vincent Street, Port of Spain

West Court

JENNYLYN DANIEL BRANKER
Dip. Executive Managerial Development,
Cert. Project Management, Cert. CIM,
Cert. Marketing & Public Relations
Branch Manager (Ag.)
44 Western Main Road, Diego Martin

South

Couva

EDWIN CHARIAH
B.Sc. Management Studies
Branch Manager
Southern Main Road and Noel Street,
Couva

MARCIA GOUVEIA
Executive Masters of Business
Administration
(Lok Jack GSB, U.W.I)
ASc Human Resource Management, IBAF
Cert. Banking
Assistant Branch Manager
Southern Main Road and Noel Street,
Couva

Gulf View

ZORINA MOHAMMED
Cert. Executive Development,
Dip. Administrative Management – IAM
Branch Manager
2 South Truck Road, La Romain

Marabella

RUSSEL BACHAN
MBA Marketing, B.Sc. Industrial
Management
Branch Manager
Southern Main Road, Marabella

EMERSON CHEDDIE
Diploma Project M
anagement (ICM) England
Certificate in Mediation
and Conflict Resolution
Certificate in Computing Skills
Assistant Branch Manager
Southern Main Road, Marabella

Penal

ANDRA SANKAR
IAM Adv. Dip. Administrative
Management, BA
Strategic Administrative Management
Acting Branch Manager
Cor. High Street & Penitence Streets,
San Fernando

Point Fortin

ELIZABETH MAHARAJ
GMDP
Branch Manager
Cor. Southern Main Road & Cap de Ville
Road, Point Fortin

Point Lisas

CALLISTRA WILLIAMS-WELCOME
FCCA, Cert. Executive Development
Branch Manager
Cor. Atlantic Avenue & Orinoco Drive,
Point Lisas

JILLISCIA DE VERTEUIL
MBA, Bsc Business Management
Professional Certificate for Financial Advisors (Cert FA)
Assistant Branch Manager
Cor. Atlantic Avenue & Orinoco Drive, Point Lisas

Princes Town

TRUDY NOOR
MBA – Business Administration
Cert. Human Resources Management
Branch Manager
21 High Street, Princes Town

MARLON WILLIAMS
Exec. Dip. Business Management
Assistant Branch Manager
21 High Street, Princes Town

San Fernando

ANNA ASSIU
Cert. Executive Development,
Certified Financial Planner
Branch Manager
Cor. High Street & Penitence Streets, San Fernando

BRENDA SINGH
Cert. Executive Development
Cluster Manager – South Manager
High Street, San Fernando

DESMOND FAHEY
Executive Diploma Business Management
Assistant Branch Manager
Cor. High & Penitence Street, San Fernando

Siparia

MARLENE JOHN
B.Sc. Management Studies,
Cert. Financial Planning
Branch Manager
2 High Street, Siparia

Barbados

KELLY-ANN CODRINGTON
MSc International Management,
B.Sc. (Hons) Management,
Assistant Manager – Operations
Retail Banking & Central Services
Collymore Rock Branch
Collymore Rock,
St. Michael, Barbados

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

DAWN HENDRICKS
EMBA, B.Sc. (Hons) Management Studies,
Branch Manager
Welches, St. Thomas, Barbados

MARIA BOWEN
Dip. Finance & Banking
Assistant Manager – Operations
Somerley Branch
Worthing, Christ Church, Barbados

DEBORAH JONES-WILSON
B.Sc. Economics & Management, Dip. Administrative Management
Branch Manager
Collymore Rock Branch
Collymore Rock, St. Michael

RAMONA STUART
B.Sc. Accounting & Finance
Assistant Manager – Operations
Welches, St. Thomas, Barbados

MARLENE WILTSHIRE
Associate Institute of Canadian Bankers
Assistant Manager – Operations
Worthing, Christ Church, Barbados

DIONNE KNIGHT
B.Sc. (Hons) Sociology & Psychology
Assistant Manager – Operations
Carlisle House, Hincks Street,
Bridgetown, Barbados

RODNEY MAYERS
International MBA
Branch Manager
Somerley Branch
Worthing, Christ Church, Barbados

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

UNIT MANAGEMENT

Centralised Collections Unit

DEREK FRANCIS
Executive Dip. Business Management,
Cert. ACCA (Level 11)
Manager – Central Collections
23-27 Eastern Main Road, San Juan

Commercial Banking Unit

MARK PARKINSON
Cert. Executive Development
Manager – Transaction Verification
20-24 Eastern Main Road, Tunapuna

Commercial Business Centre – Chaguanas

SALOME RAMDIAL
B.Sc. Management Studies, Cert. GMDP
Senior Account Manager
Market Street Extension, Chaguanas

RAYMOND LATCHMAN
BSc Banking & Finance
Account Manager
Market Street Extension, Chaguanas

Commercial Business Centre – Gulf View

RAVI RAMLOGAN
B.Sc. Management Studies, Finance
Senior Account Manager
SuperPharm Building,
2 South Trunk Road, La Romain

NATALIE SIEWDASS
B.Sc. Management
Account Manager
SuperPharm Building,
2 South Trunk Road, La Romain

Commercial Business Centre – One Woodbrook Place

REYNOLD THOMAS
ABE Adv. Dip. Business Administration,
Cert. Banking. GMDP
Senior Account Manager
One Woodbrook Place, 189 Tragarete Road, Port of Spain

SIMON BURKE
Executive Dip. Business Management
Account Manager
One Woodbrook Place, 189 Tragarete Road, Port of Spain

NADINE RAMLOGAN
B.Sc. Psychology
Account Manager
One Woodbrook Place, 189 Tragarete Road, Port of Spain

Commercial Business Centre – Tunapuna

KEVIN MOHAMMED
MBA (Finance), ABE Advanced Dip.
Senior Account Manager
22-24 Eastern Main Road, Tunapuna

DAVE KHAN
Cert. GMPD (Lok Jack GSB)
Account Manager
Market Street Extension, Tunapuna

Corporate and Investment Banking Unit

DERECK RAMLAL
MBA Finance, B.Sc. Economics
Head – Private Sector & Energy
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

JO-ANNE WARD
Cert. GMDP
Senior Account Manager
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

MARIA MIKE
B.Sc. Computer Science, Cert. GMDP
Senior Account Manager
Second Floor,
First Citizens Corporate Centre
9 Queen's Park East, Port of Spain

NADINE PAUL
B.Sc. Management
Account Manager
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

MARSHIA SAVARY-PHIPPS
Executive Diploma Business Management
Dip. Association of Business Executives,
Certificate in Banking
Manager, Transaction Verification
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

ROHINI BALLIE
BBA Management & pursuing MBA Oil and Gas Specialization
Senior Account Manager – South/Energy Portfolio
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

SASCHA SYNE
BBA (Fin), MSc Financial Management
Head – Government Business
Corporate and Investment Banking
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

SEAN REID
M.Sc. International Finance, B.Sc. Economics
Account Manager – Government Business
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

DAVE DOOKIE
M.Sc. Finance, BSc Accounting & Finance
Corporate Manager – Structuring and Advisory
17 Wainwright Street, St. Clair

TARIQ ALLI
MBA, B.Sc. Accounting
Head – Capital Markets
17 Wainwright Street, St. Clair

MIKKEL JACKSON
BA Business and Finance
Manager – Capital Markets
17 Wainwright Street St. Clair

Electronic Banking Unit

EARL CUMBERBATCH
MBA, Diploma in the Financial Advisors Programme (Cert. FA)
Manager – Operations and Customer Services
First Floor, 62 Independence Square, Port of Spain

ROBERT GEORGE
AICB, Cert. Human Resource Management, Cert. Banking
Manager – Credit Risk Management
First Floor, 62 Independence Square, Port of Spain

KANDICE SPENCER
ACCA
Manager – Accounting and Settlement
First Floor, 62 Independence Square, Port of Spain

RAY GOPAUL
CIMA Level 1
Manager – Business Development and Analytics
First Floor, 62 Independence Square, Port of Spain

RYAN KONG
Cert. GMDP
Manager – Operations & Customer Service
First Floor, 62 Independence Square, Port of Spain

RAJDAI KISTO
B.Sc. Management
Manager – Sales Management
First Floor, 62 Independence Square, Port of Spain

MAURICE PHILIP
B.Sc. Chemistry & Management
Manager – Operations Effectiveness
First Floor, 62 Independence Square,
Port of Spain

ALAN SIU KWAN HANG
B.Sc. Management Studies
Channel Manager – Channel
Management
First Floor, 62 Independence Square,
Port of Spain

CARLENE MUNROE
B.Sc. Information Systems AIMIS
Product Specialist – Electronic Banking
First Floor, 62 Independence Square,
Port of Spain

First Citizens Asset Management Limited

AMOL GOLIKERI
MBA Finance, BSc (Econ)
Assistant General Manager – Investments
and Investment Operations
50 St. Vincent Street, Port of Spain

GREG FERREIRA
CFA, B.Sc. Management Studies, Finance
(Minor)
Senior Manager – Investment
Management
50 St. Vincent Street, Port of Spain

TENISHA ALI
BBA, Finance (Concentration)
Portfolio Manager
50 St. Vincent Street, Port of Spain

DIRK BOSLAND
BBA Finance & Human Resources
(Concentrations)
Manager – Investment Operations &
Process Improvement
50 St. Vincent Street, Port of Spain

AMRIL DONALDSON-JEFFREY
MBA International Finance; BBA, Finance
(Concentration)
Portfolio Manager
50 St. Vincent Street, Port of Spain

JUDY OXLEY-FULLERTON
LCCI Dip. Managerial Principles & Public
Relations, Post Grad. Dip. Marketing,
Dip. MACIM, Dip. Fin. Management –
ACCA
Manager – Marketing & Sales
Development
50 St. Vincent Street, Port of Spain

MARITZA FERREIRA
CFA; BSc Management Studies, Finance
(Minor)
Investment Manager
50 St. Vincent Street, Port of Spain

First Citizens Investment Services Trinidad and Tobago

NARDA CLARKE-MOHAN
FCCA
Head – Operations
17 Wainwright Street, St. Clair

BEVERLY DURITY-BAPTISTE
MBA University of Manchester, ACCA
Head – Finance
17 Wainwright Street, St. Clair

VISHWATEE JAGROOP
Bachelor of Commerce, CFA
Corporate Manager – Proprietary
Portfolio Management
17 Wainwright Street, St. Clair

DANIEL YOUSSEF
MBA, BA International Business
Administration
Head – Wealth Management
17 Wainwright Street, St. Clair

GILLIAN PAGEE
B.Sc. Management, Post Grad. Dip.
Customer Service Management,
Dip. FM (ACCA)
Senior Manager – Wealth Management
Centre
17 Wainwright Street, St. Clair

LESLIE ST. LOUIS
ACCA, Associate Membership
Manager – Brokerage Services, First
Citizens Brokerage and Advisory
17 Wainwright Street, St. Clair

MARGARET MAHABIRSINGH
MBA, Certified Financial Planner
Centre Manager – South, Wealth
Management
46 Lady Hailes Avenue, San Fernando

MELANIE DARBEAU-AYOUNG
B.Sc. Management Studies, Associate
Degree
Business Administration
Manager – Operations
17 Wainwright Street, St. Clair

VANGIE BHAGOO-RAMRATTAN
M.Sc. Economic, BSc Economics
Head – Research
17 Wainwright Street, St. Clair

KEISHA MAC QUAN
MBA, B.Sc. Management Studies
Centre Manager – North, Wealth
Management
17 Wainwright Street, St. Clair

ROMESH DRAKES-MC KELL
B.Sc. Information Systems
Wealth Manager
17 Wainwright Street, St. Clair

GIA SINGH
MBA Innovation & Entrepreneurship,
B.Sc. Management
Wealth Manager
17 Wainwright Street, St. Clair

STERLYNE SMITH
FCCA
Manager – Finance
17 Wainwright Street, St. Clair

SHERMA MAHABIRSINGH
B.Sc. Economics & Management
Manager – Pension Plans and Private
Portfolio
17 Wainwright Street, St. Clair

SHANE SEEPERSAD
CFA, M.Sc. International Finance, BSc.
Mathematics and Economics
Investment Manager
17 Wainwright Street, St Clair

SUNITA TIWARI
MBA, BA Business Management
Manager – Strategic and Business
Development
17 Wainwright Street, St. Clair

First Citizens Investment Services Barbados

JOHN-PAUL STUART
MA International Economics & Finance
BA History (Hons)
Acting Country Manager
First Citizens Investment Services
1 Welches, St. Thomas, Barbados

First Citizens Investment Services St. Lucia

ARLETTA HUNTLEY-WELLS
Masters Degree in Finance, B.Sc.
Economics & Accounting, ACCA
Acting Regional Manager - Eastern
Caribbean & Barbados
9 Brazil Street, Castries, St. Lucia

First Citizens Investment Services St. Vincent and the Grenadines

NORLANN GABRIEL
MBA Finance, BBA Finance & Economics
ECSE Licensed Principal
Country Manager
Third Floor, Sprott Bros. Plaza, Bay Street,
Kingstown, St. Vincent & the Grenadines

First Citizens Trustee Services Limited

MARCIA TONEY-GOODING
CPA-CMA, Bachelor's Degree in
Commerce
Manager – Financial Accounting
50 St. Vincent Street, Port of Spain

KRYSTAL MULCHAN
B.Sc. Mathematics
Assistant Manager – Pensions
Administration
45 Abercromby Street, Port of Spain

MICHAEL LALL
Associate of the Society of Actuaries,
BA Mathematics (Hons Actuarial Science)
Manager – Pensions Administration
45 Abercromby Street, Port of Spain

TESSA CLIFFORD
LLB, LEC, LLM
Manager – Trust Services
45 Abercromby Street, Port of Spain

GRACE M. LIMA
ACCA
Assistant Manager – Financial Accounting
50 St Vincent Street, Port of Spain

Finance and Planning

NOLA DRAYTON-SMITH
FCCA, CA
Group Finance Manager
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

KARLA RAUCEO-HULL
FCCA, CA, B.Sc. Computer Science &
Mathematics
Manager – Financial and Management
Accounting
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

MARCUS ATHERTON
ACCA
Manager – Taxation and Compliance
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

AVION WALTERS
MSc Financial Management, ACCA, CA
Assistant Manager – Financial Reporting
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

Group Corporate Communications

DEXTER CHARLES
MBA, Cert. Chartered Institute
of Marketing
Manager – Group Corporate
Communications
Second Floor, DHL Building,
Cor. Churchill Roosevelt Highway
& El Socorro Extension Road, El Socorro

Group Enterprise Risk Management Unit

DAVID C. M. METIVIER
BA Business Management, Advanced Dip.
Business Administration,
Post Grad Dip. Business Management,
Certificate Banking & Finance (IBAFIT)
Senior Manager – Corporate Credit
4 Market Street, Chaguanas

SHARON BULLEN
MBA General Management,
Dip. Business Administration
Manager – Corporate/Commercial Credit
Yufe's Building
Market Street, Chaguanas

FELINA MOHAMMED
M.Sc. International Finance, BBA
International Business
Risk Manager – Group Market Risk
17 Wainwright Street, St. Clair

TRAVIS RAMPERSAD
CFA, FCCA, B.Sc. Applied Accounting
Risk Manager – Group Market Risk
17 Wainwright Street, St. Clair

NESHA RAMKHALAWAN
CFA, BSc Management Studies (Minor in
Finance)
Corporate Manager – Group Market Risk
17 Wainwright Street, St. Clair

KUMARIE RAGOOBAR
Masters Business Administration
B.Sc. Public Sector Management, (Minor-
International Relations)
Manager – Controls Monitoring and
Insurance Administration
4 Market Street, Chaguanas

CLAUDE NERO
Advanced Dip. – Business Management
Senior Manager – Credit Administration
Yufe's Building
Market Street, Chaguanas

RAMESH RAMSAMOOJ
MBA (Finance), B.Sc. Management
Studies
Senior Manager – Credit (Special Assets)
Yufe's Building
Market Street, Chaguanas

OBIKA GELLINEAU
M.Sc. Information Management, BSc
Chemistry
Manager – Information Security
Yufe's Building
Market Street, Chaguanas

JOEL SOOKRAM
B.Sc. Computer Science, M.Sc. Computer Science,
CISSP, CICRA, ITIL V3 Foundation Cert.
Manager – Operational Risk
Yufe's Building
Market Street, Chaguanas

SHERMA LEOPOLD
MBA, ACMA/CGMA
Manager – Commercial Workout
Yufe's Building
Market Street, Chaguanas

NEESHA GILBERT
MBA (Business Development and Innovation),
B.Sc. Computer Science & Management,
ITIL V3 Foundation Cert., MCP, ABCP
Group BCP Coordinator (Ag)
Yufe's Building
Market Street, Chaguanas

ROMANUS TSOI-A-SUE
Cert. Executive Development
Manager – Taurus Services
34 Southern Main Road, Curepe

ABDUL HASEEB ALI
Executive Dip. Business Management
Manager – Taurus Services
34 Southern Main Road, Curepe

Group Facilities Management Services

KEITH SPENCER
M.Sc. Real Estate & Property Management,
B.Sc. Land Surveying, Dip. Project Management
Senior Manager – Group Facilities Management
45 Abercromby Street, Port of Spain

IFE PHILLIP
M.Sc. Strategic Leadership and Management,
B.Sc. Health, Safety & Environment Management
Manager – Health, Safety & Environment
45 Abercromby Street, Port of Spain

DIBIA HODGE-WILSON
POST-MBA (Lok Jack GSB), MBA Leadership, Entrepreneurship and Innovation,
B.Sc. Geomatics, Project Management Professional (PMP)
Manager – Group Facilities Management
45 Abercromby Street, Port of Spain

Group Human Resources

KIRLYN ARCHIE-LEWIS
M.Sc. Management, B.Sc. Management (HR Specialisation),
Advance Dip. Business Administration,
SHRM, Senior Certified Professional (SCP)
Manager – Recruitment and Selection/ Talent Management
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

JANINE DELZIN-BURKE
B.Sc. Sociology and Management
Manager – Regional Operations and Compensation & Benefits
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

WENDELL SEEPERSAD
LLB, LEC
Manger – Employee Engagement/ Industrial Relations
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

SASHA MARTIN
Master of Human Resources Management
B.Sc. Economics, (Minor in Psychology)
Manager – Learning and Performance Development
Learning Centre,
Market Street Extension, Chaguanas

ADRIAN BLAKE
GMDP
Assistant Manager – Compensation and Benefits Learning Centre,
Market Street Extension, Chaguanas

Group Internal Audit

KEVIN F. BAPTISTE
FCCA, M.Sc. International Finance
Manager – Internal Audit
80-84 Charlotte Street, Port of Spain

SEAN ANTHONY
BA English, Cert. FA
Audit Manager –
Banking & Support Services
80-84 Charlotte Street, Port of Spain

JULIA MARIA DANIEL
MSc. Strategic Leadership and Management
B.Sc. Management Studies,
Assoc. Degree, IS Management, ACP
Audit Manager – Information Technology
80-84 Charlotte Street, Port of Spain

URMILLA PERSAD
B.Sc. Social Sciences, CISA,
CISM, CRISC, MCSE, CEH,
ITIL V3 Foundation Cert.
Manager, Internal Audit,
Technology, Security & Change Management
80-84 Charlotte Street, Port of Spain

MAXAYNE SPENCER
ACCA
Manager – Audit
80-84 Charlotte Street, Port of Spain

Group Operations and Process Improvement

HAZEL GRANT-CHEVALIER
BBA Management, APS,
Cert. GMDP
Post Grad Certificate in Human Resource Management
Manager – Centralised Operations
76 Boundary Road, San Juan

MAUREEN CRAIG-ROUSSEAU
ACIB, Cert. Banking IBAF, AML/CA
Manager – Payment Processing
46 Boundary Road, San Juan

CHRISTINE HERNANDEZ- BRYANT
Cert. Executive Development (UWI/IOB)
Manager – Central Branch Support Unit
76 Boundary Road, San Juan

JASON ROSTANT
B.Sc. Economics, Minor in International Relations
Associate of Science Degree Chemistry
Manager – Cash Management Centre
4 Market Street, Chaguanas

Group Project Management Office

PRINCESS ADAMS
PMP (Project Management Professional),
MBA Entrepreneurship & Business Venturing,
Masters Cert. Project Management,
BA Business & Finance, ITIL V3 Foundation Cert.
Head- Group Project Management Office
2nd Floor Learning Centre, Market Street Ext. Chaguanas

CAROL RAMNANAN
PMP (Project Management Professional),
BA Management
AMABE Business Management
Project Manager - Group Project Management Office
2nd Floor Learning Centre, Market Street Ext. Chaguanas

SABRINA LALSIE
MBA Business Administration, BA Business Administration
Cert. Business Administration
Project Manager - Group Project Management Office
2nd Floor Learning Centre, Market Street Ext. Chaguanas

Group Strategic & Corporate Planning

KHALIQ ALI
M.Sc. Information Systems Management
B.Sc. Computing & Information Systems
B.Sc. Management Studies (Minor in Finance & Economics)
Manager – Report Monitoring & Analytics
Third Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

Information and Communications Technology

ANIL BARRAN
B.Sc. Computer Science & Physics,
ITIL V3 Foundation Cert.
Senior Manager – Service Delivery
Cor. Park & Henry Streets, Port of Spain

DENNIS KHAN
MBA Entrepreneurship, Innovation and Leadership,
ITIL Foundation, MCP, MCSE, MCDBA, MCSA,
IMIS Dip. Information Systems, LIMIS
Manager – Systems Architecture
Cor. Park & Henry Streets, Port of Spain

CHRISTOPHER SEEMUNGAL
Executive Dip. Business Management
ITIL V3 Foundation Cert.
Manager – Service Delivery
Cor. Park & Henry Streets, Port of Spain

MARK CAPE
B.Sc. Information Systems & Management (Hons.)
Manager – Electronic Banking Support
121 Henry Street, Port of Spain

JANAK MARAJ
B.Sc. Computing & Information Systems (Hons.)
Diploma & Advance Diploma in Programming & Computer System Design
Manager – Database Administrator
Cor. Park & Henry Streets, Port of Spain

SITA MOHAN
MBA, B.Sc. Computing & Information Systems
Change Release Manager
Cor. Park & Henry Streets, Port of Spain

ROBERT ROMERO
ITIL V3 Foundation Cert., BSc Computing & Information Systems, Cert. Management
Manager – Database Administrator
Cor. Park & Henry Streets, Port of Spain

ERROL DOS SANTOS
EMBA, Dip. Business Administration,
ITIL V3 Foundation Certification
Corporate Manager – Service Support
Cor. Park & Henry Streets, Port of Spain

LINDA MALLIAN
B.Sc. Computing (Hons.)
ITIL V3 Foundation Certification, CISA
Manager – Applications Support
Cor. Park & Henry Streets, Port of Spain

SEBASTIEN ACHILLE
EMBA, Cert. GMDP
Manager – Banking Applications
Cor. Park & Henry Streets, Port of Spain

Legal, Compliance and Governance Unit

CHARLENE SIMON-THOMPSON
LLB, LEC, BA Language and Literature
Senior Manager – Legal
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

NATHALIA CAMERON
LLB, LEC
Senior Manager – Compliance
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

CHRISTINA JAGDEO
LLB, LEC
Manager – Corporate Ethics and Governance
Second Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

SHASHI SEECHARAN
LLB, LEC
Manager – Legal
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

GISELLE DE VERTEUIL
MBA, BBA, CAMS
ACCA Post. Grad Dip. Financial Management,
Assoc. of Science Degree Management,
Manager - Compliance
First Floor, First Citizens Corporate Centre,
9 Queens Park East, Port of Spain

KANIKA M. CHARLES
LLB, LEC
Manager – Legal and Compliance (Barbados)
No. 2 Broad Street,
Bridgetown, Barbados

JULIEANNE GRIFFITH
M.Sc. Financial Management,
BBA Business and Finance
Manager – Compliance (First Citizens Investment Services)
17 Wainwright Street, St. Clair

SIMONE BAYLEY
MBA, BA Business Administration
Manager – Compliance (First Citizens Asset Management)
50 St. Vincent Street, Port of Spain

Marketing Department

GILLIAN BENJAMIN
MBA Business Administration, B.Sc. Management Studies
Manager – Marketing
Second Floor, DHL Building,
Cor. Churchill Roosevelt Highway &
El Socorro Extension Road, El Socorro

CORELLI LYONS
Cert. Management, AAT
Manager – Customer Service
Second Floor, DHL Building,
Cor. Churchill Roosevelt Highway &
El Socorro Extension Road, El Socorro

JENELLE HOLLOWAY
M.Sc. Marketing, B.Sc. Business Administration
Manager – Product Management
Second Floor, DHL Building,
Cor. Churchill Roosevelt Highway &
El Socorro Extension Road, El Socorro

Retail and Commercial Banking Unit

ROMA WILKINSON
B.Sc. Economics
Manager – Consumer Lending
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

ADANNA BRANFORD-STEWART
MBA, BA Economics,
AAS Information Technology,
Professional Dip. Marketing & Sales
Manager – Strategic Business Generation
First Floor, First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

ANELLA CARR-TOYER
Executive Masters Business Administration
Executive Diploma Business Administration
Manager – Retail Administration
First Floor, First Citizens Corporate Centre
9 Queen's Park East, Port of Spain

KAREN ATHERLY-DOWDING
B.Sc. Management Studies
Manager Projects – Retail Banking
SuperPharm Building,
2 South Trunk Road, La Romain

CINDY GOOLCHARAN
M.Sc. Marketing, BBA Management,
Customer Service Certification
Manager – External Sales
3rd Floor, Abercromby Street, Port of Spain

VASHTI PHEKOO
MBA Marketing & Finance,
B.Sc. Management Studies
Senior Manager
Cor. Park & Henry Streets, Port of Spain

Security Services Unit

HAYDEN DE FOUR
B.Sc. Management Studies, Certified Protection
Professional (CPP), Professional Certified Investigator (PCI)
Senior Manager – Security Services
80-84 Charlotte Street, Port of Spain

FIONA PERKINS
B.Sc. Political Science & Sociology, Dip. Advanced
Financial Crime Prevention
Assistant Manager – Security Services
80-84 Charlotte Street, Port of Spain

Treasury/International Trade Centre

NICHOLAS CHEN
MBA – International Finance
Bachelor Business Administration
Senior Manager – Trading
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

KAREN MILLER-PHILIP
BBA Management (Concentration in HR and Finance), CFE
Senior Manager – Operations & Finance
Treasury International Trade Centre
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

CHRISTOPHER ALI
ACCA
Senior Manager – Treasury
Ground Floor,
First Citizens Corporate Centre,
9 Queen's Park East, Port of Spain

First Citizens Bank (Barbados) Limited

JACQUELINE BROWNE
FCA, CGA, B.Sc. (Hons) Accounting
Senior Manager & Chief Financial Officer – Finance & Treasury
Carlisle House, Hincks Street,
Bridgetown, Barbados

KAYE-ANNE BRAITHWAITE
M.Sc. Business and Financial Economics,
B.Sc. Economics and Accounting
Senior Manager Commercial and Consumer Credit
Carlisle House, Hincks Street,
Bridgetown, Barbados

BEVERLEY PRESCOD
MBA, Executive Dip. Management,
Senior Manager – Retail Banking & Central Services
Lower Broad Street,
Bridgetown, Barbados

VASHTI INCE
B.Sc. Economics & Management,
Dip. Financial Management Services
Senior Manager – Credit Risk Management
Carlisle House, Hincks Street,
Bridgetown, Barbados

DONNA MILLER
B.Sc. (Hons) Accounting, FCCA, CIA
Manager – Internal Audit
Carlisle House, Hincks Street,
Bridgetown, Barbados

NICOLA HARRIS
M.Sc. Human Resource Management,
B.Sc. Economics and Management
Professional in Human Resources (PHR)
Manager – Human Resources
Carlisle House, Hincks Street,
Bridgetown, Barbados

RHEA WELCH
M.Sc. Financial Management Services,
B.Sc. Economics & Management
Assistant Manager – Commercial & Consumer Lending
Carlisle House, Hincks Street,
Bridgetown, Barbados

DACOSTA HOLDER
B.Sc. (Hons) Agricultural Science,
British Bankers Certificate
Assistant Manager – Commercial & Consumer Lending
Carlisle House, Hincks Street,
Bridgetown, Barbados

ANTHONY PILGRIM
Assistant Manager – Recoveries Credit Risk Management
Carlisle House, Hincks Street,
Bridgetown, Barbados

TYRONE FORDE
Assistant Manager – Credit Risk Management
Carlisle House, Hincks Street,
Bridgetown, Barbados

RENEE PETERS
ACCA, B.Sc. (Hons) Mathematics & Accounting,
Assistant Manager – Finance & Treasury
Carlisle House, Hincks Street,
Bridgetown, Barbados

EMERALD HOLDER
MBA, Certified Property Administrator,
Specialization in Engineering Management
University of Michigan
Facilities and Health & Safety Officer
Carlisle House, Hincks Street,
Bridgetown, Barbados

CHARLES GILL
M.Sc. Corporate Risk & Security Management,
Executive Diploma in Management Studies, Associate Certified Administrative Manager (ACAM)
Operational Risk Analyst
Carlisle House, Hincks Street,
Bridgetown, Barbados

Electronic Banking Unit (Barbados)

SONNIA SQUIRES
BA, History & Law
Manager – Electronic Banking
Carlisle House, Hincks Street,
Bridgetown, Barbados

KATHY HOWELL
B.Sc. Sociology
Assistant Manager – Electronic Banking
Carlisle House, Hincks Street,
Bridgetown, Barbados

CELIA CADOGAN
Dip. Banking & Finance
Assistant Manager – Central Services
Lower Broad Street,
Bridgetown, Barbados

HENDERSON SOBERS
MBA, Dip. Business Information Systems
Manager – Information & Communication Technology
Lower Broad Street,
Bridgetown, Barbados

(THE WHOLE IS THE SUM OF ITS PEOPLE)

CORPORATE GOVERNANCE STRUCTURE

Corporate Governance can be described as the activities of the Board and its relationships with management, shareholders, regulators, external auditors and other relevant stakeholders. First Citizens remains committed to achieving sound governance practices and has endorsed the recommendations set out in the Corporate Governance Code (2013) and its objectives:

1. Enhance Business Governance and Performance;
2. Strengthen Transparency and Efficiency in the Market; and
3. Improve the Investment Culture.

First Citizens continues to implement, as far as possible, the central principles underpinning the said Code, which are also aligned to our mission to "build a highly profitable financial services franchise renowned for innovativeness, service excellence and sound corporate governance."

These central principles are to:

1. Establish a Framework for Effective Governance; and
2. Strengthen the Composition and Performance of Boards and Committees.

The Group Corporate Governance Committee, Group Human Resources Committee, the Board(s) and Management embarked upon the following activities in support of these central principles.

INSIDER TRADING POLICY

First Citizens has made revisions to its Insider Trading Policy and issued guidance to its Directors, managerial and non-managerial employees as it continues to enhance internal controls around trades/transactions and ensure that all Board Members, Sub-Committee Members and employees are aware of the necessary treatment of material non-public information:

1. In FIRST shares;
2. In the securities of the Bank and its various subsidiaries in the jurisdictions in which the Group has a presence; and
3. In securities in companies with which the companies of the Group do business, or may do business, or in which the Group has invested or might intend to invest.

BOARD OF DIRECTORS CHARTERS

Following the revision of the Board of Directors Charter of the Bank (as "Parent Company"), the charters for the other subsidiaries within the Group were modified and approved by the respective Boards.

All Directors acting on behalf of the Group continue to be aware of their duties and responsibilities as Directors and the various legal requirements and accompanying obligations affecting their conduct, in addition to the principles and practices of good corporate governance to be applied in their dealings in respect, and on behalf, of First Citizens.

EVALUATION OF DIRECTORS

First Citizens embarked upon its first formal evaluation of the Directors of its Boards and Sub-Committees for the Group, with the assistance of an external consulting company, demonstrating its support for the performance and effective functioning of members of its Boards and Sub-Committees.

The findings of the evaluation have been disseminated and the Boards and Sub-Committees will begin their exciting work of developing plans/programmes to refine performance for the next financial year, thereby improving the quality of their corporate governance.

COMPOSITION OF DIRECTORS

The Board of First Citizens Bank Limited is comprised of ten Directors, all of whom are non-executive. First Citizens remains committed to board diversity and will continue its efforts towards creating a truly diverse board.

KEY POSITIONS

During the year, the following key positions were filled:

- Deputy CEO-Operations and Administration (to replace retiring DCEO)
- Group Corporate Secretary (to replace retiring Group Corporate Secretary)
- General Manager Operations

GOVERNANCE OVERSIGHT

The Parent Company has delegated some of its oversight functions to its Sub-Committees. In particular, governance matters are regulated through key Sub-Committees as highlighted below.

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 Boards.

OTHER RESPONSIBILITIES INCLUDE:

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

THE MEMBERS OF THE CORPORATE GOVERNANCE COMMITTEE ARE:

Courtenay Braemar Williams – Chairman
Franka Costelloe – Member
Feona Lue Ping Wa – Member

HUMAN RESOURCES COMMITTEE

The Human Resources Committee of the Board consists of six members, of which the Group Chief Executive Officer, the Group Corporate Secretary and the General Manager - Human Resources are ex officio members.
The Board selects the chair of the Human Resources Committee, and he/she serves in that capacity for a period.
The role of the Committee is to:

1. Approve and monitor the implementation of the Human Resources Strategic Plan in support of the Company's Business Plan.
2. Provide guidance for the development of key Human Resources Policies and to review and approve as necessary.
3. Consider and make recommendations to the Board as appropriate with reference to:

Recruitment, Selection and Succession Planning
- Policies on the recruitment, retention and succession planning for employees within the Group

Terms and Conditions of Employment
- The compensation philosophy to be adopted by the Group
- The review of the proposals for any new Collective Agreement for the bargaining Unit staff
- Grievances, disputes and matters arising between the Bank and the employees and the representative Union

Learning and Growth
- The policies relating to training and development of staff and to review and assess the adequacy of such training

Occupational Health and Safety
- The policies relating to Occupational Health and Safety that ensure compliance with the Occupational Safety and Health Act

Culture and Core Values
- The policies relating to the core values, beliefs and behaviours to be promoted throughout the Group, and to review the programmes in support of employee morale and satisfaction

Organisational Structure
- The policies relating to the Group's operating model and its organisation design principles

THE BOARD MEMBERS OF THE HR COMMITTEE ARE:

Franka Costelloe – Chairperson
Savitree Seepersad – Member
Jayselle McFarlane – Member

BOARD ENTERPRISE RISK MANAGEMENT COMMITTEE

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

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

1. Overseeing Senior Management's implementation of an Enterprise Risk Management framework and the development of a defined Risk Appetite, while ensuring alignment to the Group's risk profile contained within the strategic plan, goals and objectives for the Bank and its subsidiaries/affiliates.
2. Reviewing with Senior Management, the Group's processes (including policies, procedures, guidelines, benchmarks, management committees and stress testing) for the identification and management of the risks associated with the business of the Group.
3. Planning for anticipated changes in these risks, in line with changes in the environment and changes in business strategies.
4. Receiving and reviewing reports from Senior Management regarding compliance with applicable risk related policies, procedures and tolerances, and reviewing the Group's performance relative to same.
5. Reviewing and assessing the adequacy of the Group's liquidity and funding and the Group's capital (economic and regulatory and its allocation to the Group's businesses.)
6. Receiving and reviewing reports on selected risk topics as management or the Committee deems appropriate.
7. Reviewing and discussing with management significant regulatory reports of the Group and remediation plans related to such.
8. Meeting at least annually with the Group Audit Committee on topics of common interest.

THE MEMBERS OF THE COMMITTEE ARE:

Ryan Proudfoot – Chairman
Idrees Omardeen – Member
Courtenay B. Williams – Member
Ian Narine – Member

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:
1. Quality and integrity of the Group's financial statements
2. Independence, qualifications, engagement and performance of the external auditors
3. Review of the performance of the Group's internal auditors

AUDIT COMMITTEES (continued)

4. Integrity and adequacy of internal controls and the quality and adequacy of disclosures to shareholders
5. Scope and results of audits performed by the external auditor and the Group Internal Audit Department, as well as reports of the Inspector of Banks

The Committee's responsibility is supervisory and it therefore recognises that the Group's management will have more knowledge and more detailed information about the Group than 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 roles and responsibilities of the Audit Committees of the Boards of the First Citizens Group are:

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 determining the selection criteria for the appointment of the external auditor
- Critical accounting judgments and estimates – Reviewing and discussing with management and the external auditor the Group's critical accounting policies and the quality of accounting judgments and estimates made by management
- 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
- Compliance – Reviewing the organisation's procedures in addressing compliance with the law and important corporate policies, including the company's Code of Conduct
- 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

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 important 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 fulfil its agreed objective

COMMUNICATION

- Providing a channel of communication to the Board for the external and internal auditors

COMPOSITION

- The First Citizens Group has established five Audit Committees among its Parent Company and subsidiaries. Each Committee consists of at least three Members, of which the majority are independent directors and at least one Member is a financial expert

THE MEMBERS OF THE GROUP AUDIT COMMITTEES ARE:

BANK
Jayselle McFarlane – Chairperson, appointed June 16, 2016
Idrees Omardeen – Appointed September 19, 2016
Ryan Proudfoot – Member
Samuel Henry – Appointed June 16 2016 and resigned September 12, 2016
Joel Pemberton – Chairman, resigned June 13, 2016
Hazar Hosein – Resigned June 13, 2016

ASSET MANAGEMENT
Narinejit Pariag – Chairman
Feona Lue Ping Wa – Deputy Chairperson
Susan Romano-Davis – Member

TRUSTEE SERVICES
Ian Narine – Chairman
Franka Costelloe – Member
Jayselle McFarlane – Appointed June 16, 2016
Hazar Hosein – Resigned June 13, 2016

FIRST CITIZENS INVESTMENT SERVICES
Ian Narine – Appointed Chairman June 16, 2016
Troy Garcia – Appointed June 16, 2016
Franka Costelloe – Member
Karen Darbasie – Member
Joel Pemberton – Chairman, resigned June 13, 2016

FIRST CITIZENS BANK (BARBADOS) LIMITED
Renee Kowlessar – Chairperson
Peter Williams – Member
Sir Trevor Carmichael – Member

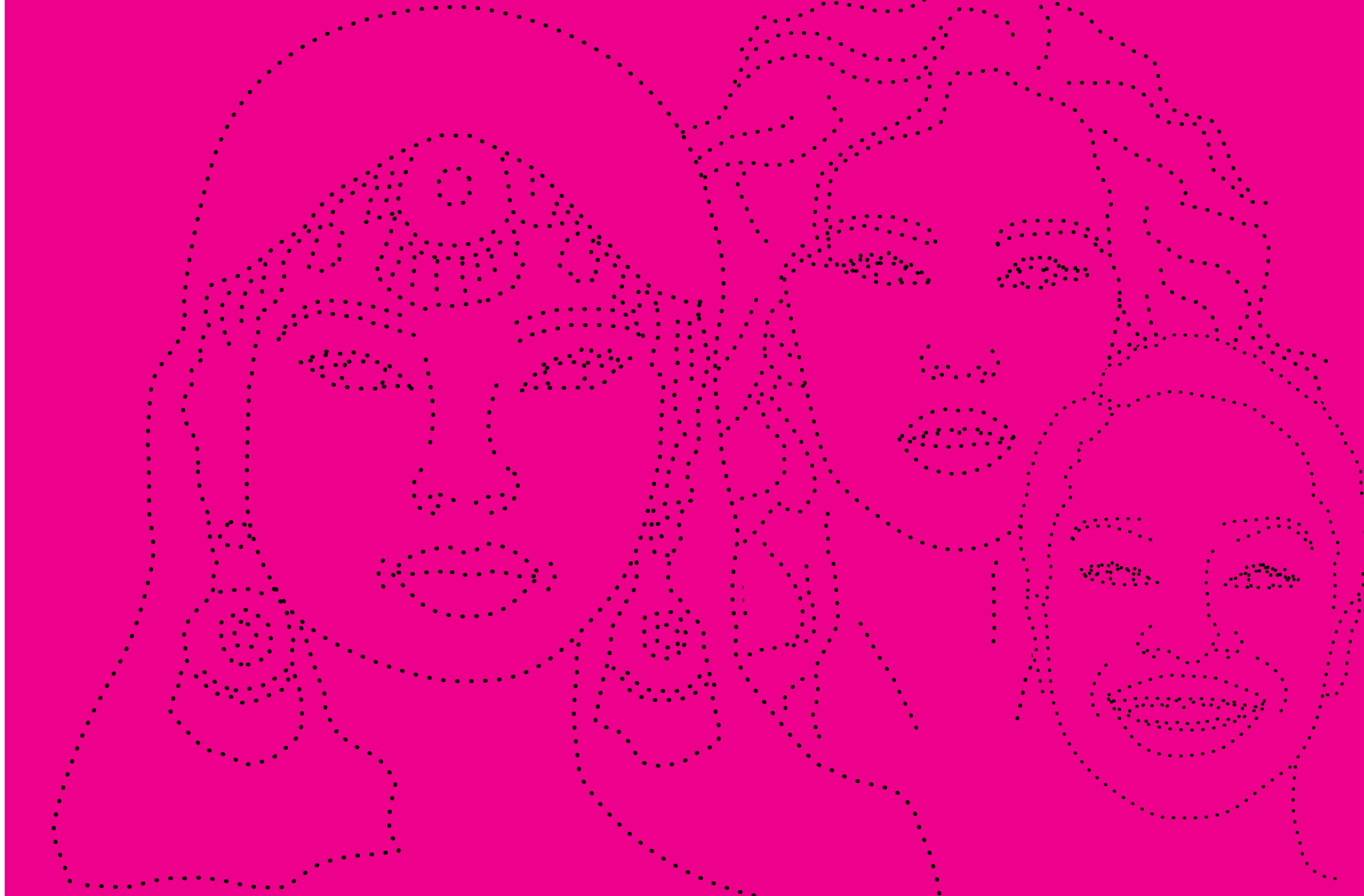
FEES
The fees for audit services paid to our auditors amounted to $5.6M inclusive of VAT. Fees incurred for non-audit work performed by the auditors amounted to $1,033,533.00

FROM A
MULTITUDE
OF ACTIONS

WE'VE CHANGED UNTOLD LIVES

1 THOUGHT = A MOVEMENT

WOMEN - OUR CORPORATE SOCIAL RESPONSIBILITY



FIRST CITIZENS PROVIDES FUNDING FOR CANCER GUIDE BOOKLET

One of the leading causes of illness and death in Trinidad and Tobago, cancer has continued to be a NCD (Non-communicable Disease) of great concern within the population. However, with early detection, treatment and opting for healthier choices in one's lifestyle and diet, the chances of developing cancer can be reduced. Amongst the various types of cancer, breast cancer has become one of the most predominant types of cancer affecting women.

Fortunately, there are a wide range of resources and treatment options available with many persons living full and healthy lives post diagnosis and treatment. The impact of the process however can be life changing and even devastating for not only the survivor but their families and friends. Survivors are often left with the burden of having to navigate the long term effects of treatment.

The Guide focuses on the specific challenges that many survivors face and offers practical self-help to deal with each challenge. The section: Facts about Cancer relates the facts and treatment on all types of Cancers with a comprehensive focus on Breast; Follow-Up Care offers suggestions to help you communicate better with your healthcare providers. Emotional Well-Being and Self-Care offers a way to assist in enhancing one's self-care and relieve stress. Family Support, Partner Relationship and Group Support provide support from loved ones. Intimacy and Sexuality shares the challenges in intimate relations and suggests ways to enhance intimacy and sexuality.

The booklet was developed by the Health Sciences Unit at the University of Trinidad and Tobago in collaboration with Cancer Survivors in Action-Caribbean Coalition. Based on our trust for Women Issues, we thought it necessary for the Group to provide funding for this Cancer Guide Booklet.

Jennifer Armstrong-Khan – Senior Communications Officer, First Citizens receives copies of the booklet from Professor Dyer Narinesingh – President, UTT in the presence of Dr. Agatha Carrington - Assistant Professor (Health Sciences), UTT

FIRST CITIZENS PINK FUND ENHANCES MOBILITY FOR THE COUVA CHILDREN'S HOME AND CRISIS NURSERY

First Citizens continues to demonstrate its commitment to youth and community development with the recent donation of a 15 seater bus to the Couva Children's Home and Crisis Nursery (CCHCN). The valuable gift was made through the Group's Pink Card Fund which was launched in 2011 to assist in helping women/families heal after domestic unrest.

CCHCN was started by Mrs Albertina Phillips more than 30 years ago for children who have been abandoned, displaced, orphaned,or are unable to be cared for by their parents or otherwise been subject to extreme and harsh social circumstances. Today, in addition to being a children's residence, the home also acts as a safe haven or rescue care centre for children who are removed from situation of neglect, domestic violence and abuse.

Mrs. Michal Andrews, Chairman – First Citizens Pink Fund said at the presentation ceremony "…..after a few interviews and much scrutiny, the level of transparency and accountability noted at this institution persuaded the Pink Fund Committee. We also recognised that it was a challenge to have educational field trips as team. Now thanks to the First Citizens Pink Fund Committee the mobility of this institution as a family is enhanced."

Upon receiving the keys from Mr. Sterling Frost – Deputy CEO, Operations and Administration, Ms. Beverly John – Chairman, CCHCN expressed gratitude on behalf of the home. We at First Citizens believe that this asset will serve to enhance the lives of the beneficiaries and facilitate access to activities which are available to all children.

(L-R) Norma Ottley – CCHCN Director, Sterling Frost – First Citizens Deputy CEO – Operations and Administration, Michal Andrews – Chairman Pink Fund, Beverly John – CCHCN, Chairman and Andrea Abdulah – CCHNC Director alongside the bus

Beverly John – CCHCN, Chairman (R) receives keys for bus from Sterling Frost – Deputy CEO – Operations and Administration with Michal Andrews - Chairman Pink Fund

BARBADOS - SUCCESS SHOWCASE WOMEN'S CONFERENCE

The Cave Hill School of Business in collaboration with First Citizens hosted the 3rd annual "Success Showcase" under the theme, "What Fearless Women Do That Others Don't" at the Cave Hill School of Business Conference and Training facility Barbados.

The group was represented by Ms. Sharon Christopher, now former Deputy CEO – Operations and Administration, who delivered on the theme entitled "Promote Your Accomplishments: It's Not Bragging If it's True."

Members of the audience enjoying themselves at the conference

A Success Showcase participant received a prize from the CEO of the Cave Hill School of Business, Dr. Jeannine Comma.

SAINT LUCIA - WOMEN'S SEMINAR

A clarion call was made for women of all ages and walks of life to "Make It Happen" at the inspirational St. Lucia Women's Seminar.

The speakers included the now retired First Citizens Deputy CEO Sharon Christopher and First Citizens Investment Services Regional Manager Carole Eleuthere-Jn Marie. Also joining the panel was Managing Director of BDO St Lucia Brenda Duncan, Business and Environmental Consultant Geraldine Lendor-Gabriel, Counsellor Faith St Catherine and Health Consultant Candy Nicholas.

Held in collaboration with Neutrogena, the seminar touched on a variety of issues aimed at helping women improve their financial management skills, stimulate their mind, build confidence and maintain good health.

The first speaker, a crowd favourite Ms. Sharon Christopher presented on the topic "Make It Happen vs. Let It Happen." By the end of the day Ms. Christopher said women should be able to answer these three questions about themselves: "Who am I? What do I want? How will I get it?" The audience was astonished as Ms. Christopher spoke of the power of goal setting and positive affirmations, while also imparting personal experiences which moulded her to become who she is today.

Carole Eleuthere-Jn Marie then spoke to the all-female group about "Making it Count: Claiming You Financial Independence". "Making Career Magic Happen Outside Of Your Comfort Zone" was the topic addressed by Brenda Duncan. The energetic Geraldine Lendor-Gabriel delivered on the topic "The Art of Making Lemonade From Life's Lemons." She began by reminding the audience that "Every challenge and every difficulty we successfully confront in life serves to strengthen our will, confidence and ability to conquer future obstacles." The women were reminded to "cultivate faith, courage and resilience, the more of these qualities with which you are armed, the lesser the impact of any adversity."

Some members of the Women Seminar Panelists (l-r) – Geraldine, Sharon (now former DCEO), Carole, Brenda and Candy

Sharon emphasizes her presentation with a pie chart graph

ST. VINCENT AND THE GRENADINES - WOMEN'S CONFERENCE

Women from sectors as diverse as Agriculture, Accounting, Consultancy, Education, Financial Services, Legal, Public Administration, Retail and Tourism, gathered at the Conference Room of the Beachcombers Hotel for First Citizens Investment Services' fourth annual Women's Conference themed "Diary of a Smart Woman". Partners included Beachcombers Hotel, ECGC, Belvedere Farms, Courts (St Vincent Ltd), St Vincent Brewery (Vita Malt), Gonsalves Liquors, Fitness Quest, Xtreme 104.3 FM, Oasis Spa, The Vincentian and KPMG Eastern Caribbean.

The panel of presenters, all versed and experienced in their respective fields, included the now retired Deputy CEO of First Citizens, Ms Sharon Christopher; Regional Manager of First Citizens Investment Services, Mrs. Carole Eleuthere-Jn Marie; Health Psychologist, Dr. Jozelle Miller; Station Sergeant Sherol James; Entrepreneur, Ms Erica McIntosh; Commercial Manager at the St Vincent Brewery, Mrs Shafia London-Williams and Ms Shirlan Barnwell, Barrister-At-Law. The motivating and educational presentations covered a wide range of issues and were delivered with much eloquence.

It was an extremely interactive and informative session and participants' feedback indicated high satisfaction with the content and delivery of the entire conference.

Sharon Christopher, now former Deputy Chief Executive Officer, during her presentation at the Conference.

Participants enjoying themselves at the conference.

TRINIDAD & TOBAGO - ANNUAL WOMEN'S CONFERENCE

"Lights, Camera, Action….Being the Star of Your Own Movie"; this was the perfect theme to set the stage which marked the 3rd instalment of the highly anticipated First Citizens Annual Women's Conference. On 18th October 2015, 250 women gathered at the Banquet and Conference Centre Movietowne, to enhance their wellbeing through self-discovery and to experience thought provoking presentations.

It was a Sunday of true inspiration and motivation among women of all professions, age, and social status which offered an opportunity to reconnect, network and develop that additional layer required to bring about constructive change and build stronger relationships.

Born out of the Group's effort to highlight the need for women to put themselves first, Group Chief Executive Officer - Karen Darbasie said, "We at First Citizens acknowledge women as the caregivers of this country. We are giving women the opportunity to have that space to develop and grow. We are proud to be part of this day of enhancement."

The cast for the day included US based Chief Human Resources Officer Mrs. Keisha Smith-Jeremie, Enabling Enterprise, Gender & Entrepreneurship Specialist & Author, Ms. Akousua Dardaine Edwards, former Deputy Chief Executive Officer, Sharon Christopher and others.

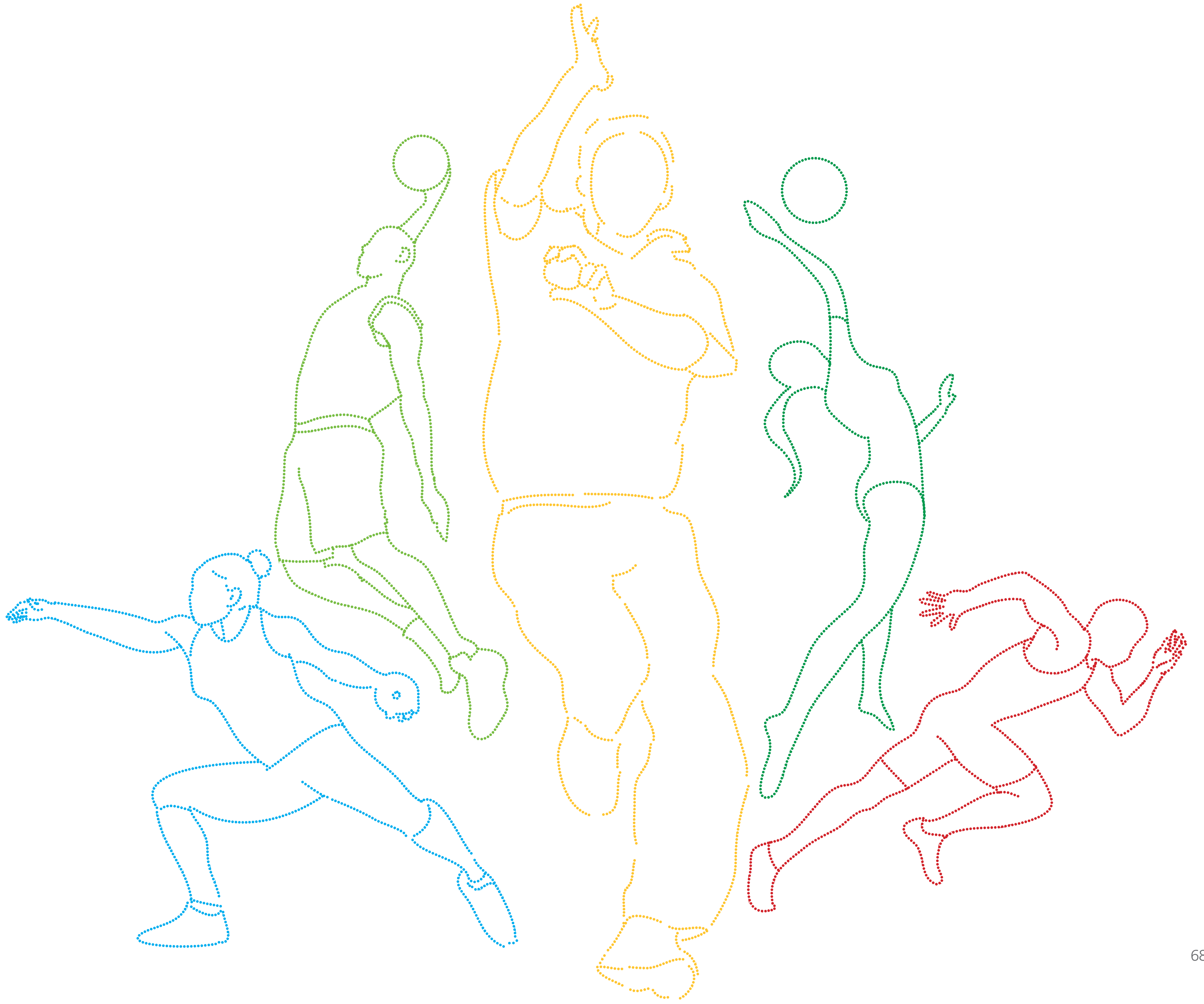
In keeping with First Citizens role and dedication to charitable organizations, the proceeds of this successful event were deposited to the Pink Card fund for onward donation to the charities under the First Citizens Pink Credit Card.

Mrs. Sharon Rowley, wife of Prime Minister Dr. Keith Rowley shares a touching moment with Ms. Hazel Brown co-ordinator of the Network of NGOs of T&T for the Advancement of Women

First Citizens Director Franka Costelloe, former Deputy CEO – Operations and Administration – Sharon Christopher and Mrs. Sharon Rowley, wife of Prime Minister Dr. Keith Rowley look on delightedly as Group CEO, Ms. Karen Darbasie, jokingly attempts to capture some footage with the camera

COUNTLESS EFFORT: 1 MOMENT OF GLORY

SPORT - OUR CORPORATE SOCIAL RESPONSIBILITY



CHAMPIONS...CHAMPIONS...CHAMPIONS...

As in previous years, First Citizens staff attended in their numbers to continue their winning streak at the 2016 Carifin Games. At the end, more champions were produced. The fun, fitness and friendship atmosphere was truly exhibited by First Citizens staff throughout the network who cheered, ran, walked and won.

First Citizens continues to be the Gold Sponsor for the Games, which kicked off with the Torch Run which took us through the streets of Port of Spain, the 1 Lap Savannah, Green Mile, Chancellor Challenge, Cricket and Football, Aerobics Burnout, All Fours and climaxed with the exciting Family Day at the Sevilla Golf Course.

The "Team Spirit" for this 25th Anniversary was truly alive and we conquered all challenges which came our way. We are indeed Champions!

FIRST CITIZENS SPORTS FOUNDATION SPORTSMAN & SPORTS-WOMAN OF THE YEAR AWARDS 2015

The First Citizens Sports Foundation held its 53rd annual Sports Awards Ceremony themed 'Spotlight on Gold' which saluted Trinidad and Tobago's athletes' achievements in various sporting disciplines. At the ceremony, 55 nominees from 31 different sporting disciplines were recognised. The emerging winners at the gala event were Machel Cedenio - Sportsman of the Year 2015 and Cleopatra Borel - Sportswoman of the Year 2015.

The National Association of Athletic Administrations received the Jeffrey Stollmeyer Award 2015 (large category), and the Trinidad and Tobago Chess Association received the Jeffrey Stollmeyer Award 2015 (small category.) The Trinidad and Tobago men's 4x400M relay team received the Lystra Lewis Team Award.

The event was witnessed by their Excellencies President of the Republic of Trinidad and Tobago Anthony Carmona S.C. and Mrs. Carmona, The Honourable Chief Justice Ivor Archie and Ms. Rodriguez-Archie, The Minister of Sport and Youth Affairs - The Honourable Darryl Smith, TT Olympic Committee President, Brian Lewis, Group CEO - Mrs. Karen Darbasie, Deputy CEO's - Sharon Christopher (now retired), Jason Julien and members of the diplomatic corps, and other notable dignitaries.

Sportsman of the Year 2015 Machel Cedenio receiving his trophy from the President of Trinidad and Tobago Anthony Carmona

Sportswoman of the Year 2015 Cleopatra Borel receiving her trophy from the First Lady of Trinidad and Tobago Mrs. Carmona

HOWZAT PENAL T10 COMMUNITY CRICKET

Richard Hansraj of First Citizens Penal was invited to deliver the first ball to kick off the First Citizens sponsored Clarke Road United Penal T10 Cricket Tournament.

Clark Road United has been sponsored by First Citizens for a number of years and they have become a force to be reckoned within community cricket.

Richard Hansraj as he bowls the first ball at the start of the tournament

WATER POLO

Royhil Seals broke away from tradition this year and hosted a combined closing ceremony for both tournaments. The grand closing was attended by approximately 500 persons and was held at the St. Mary's College Auditorium. Highlights of the night included the medaling of the champions of the tournaments and a performance by the Queen's Royal College Steel band.

Highlight from Mini and Waterpolo 2016

STAFF REWARDED FOR PARTICIPATION IN THE UWI SPEC HALF MARATHON

Months of hard work and preparation were rewarded when the Group Corporate Communications Unit hosted the annual Prize Giving Ceremony for First Citizens Staff who participated and successfully completed the UWI SPEC International Half Marathon 2015. As is customary, the top five male and female winners, as well as the largest Branch/ Unit to have participated were honoured. Mr. Dexter Charles, Manager, Group Corporate Communications was on hand to deliver a few inspirational words to the runners as well as present them with their much deserved prizes.

Topping the group in the Men's Category this year was ICT's John Donaldson, while Staceyanne Jack of Group Project Management won first place in the Female Category.

A large Sangre Grande Branch contingent made it possible for them to win the prize for the largest Branch/Unit participation.

Veteran Runner John Donaldson accepting his 1st place prize from Mr. Dexter Charles – Manager, Group Corporate Communications

Staceyanne Jack - Top Female performer accepting her prize from Mr. Dexter Charles – Manager, Group Corporate Communications

Henrietta Lee Lord proudly accepting on behalf of the Sangre Grande Branch for the Largest Branch/Unit Participation

TV6 COMMUNITY CRICKET LEAGUE

Once again First Citizens partnered with TV6 to sponsor this year's T10 League at the Caldrac Cricket Ground.

This initiative - which is focused on integrating and developing communities and families through healthy rivalry in sport - will see sixteen (16) teams coming up against each other in the hopes of winning the coveted title when the league culminates. The matches generated a great deal of excitement as the various teams and communities faced off, all hoping to reach the finals.

Opponents in close contact on the pitch

The coveted T10 Community Cricket League Trophy

"A RIVER CUTS THROUGH ROCK, NOT BECAUSE OF ITS POWER, BUT BECAUSE OF ITS PERSISTENCE.."

– JIM WATKINS

YOUTH + EDUCATION

THE SUM TOTAL OF OUR FUTURE

OUR CORPORATE SOCIAL RESPONSIBILITY

AMCHAM T&T – NATIONAL YOUTH PRODUCTIVITY FORUM (NYPF) 2016

First Citizens partnered with AmCham T&T for the successful staging of its 2016 NYPF. The forum was successful in training over 150 students from secondary schools across Trinidad and Tobago in the disciplines of critical and creative thinking, public speaking, entrepreneurship and finance.

The following four teams represented various sectors and participated in the final debate themed 'Diversity …Inclusion…Towards a More Productive T&T' which was held at the University of Trinidad and Tobago - O' Meara Campus:

- Queen's Royal College – Business Sector
- St Joseph Convent, Port of Spain – representing the Government
- Woodbrook Secondary – representing the Labor Force
- Cowen Hamilton Secondary – Voice of Civil Society (Winners)

Top 4 schools with the Minister of Education – Anthony Garcia, AmCham representatives and Teachers

EXPRESS NATIONAL WORD CHAMPIONSHIPS

The Express National Word Champion Competition is an annual national Spelling Bee which we proudly sponsored over the past 3 years. The competition engages primary school students and runs from September to January. The finals are aired on TV6 and hosted by television and radio personality Jus Jase. San Fernando TML went on to become the 2015 champs.

STEELPAN AND JAZZ – 2015

During the month of October, music students across Trinidad participated in the 2015 First Citizens Young Musicians Workshops; part of the Q.R.C Foundation's annual Steelpan & Jazz Festival.

First Citizens is the exclusive sponsor of the Student Developmental Workshops which are held every year during the week leading up to the Festival/Concert. The roving workshops visited communities across Trinidad with its cast of both local and international professionals who shared valuable musical tips and tricks with the students.

Students of Arima Central Secondary, SWAHA Hindu College and Brazil Secondary are taken through the paces by Drum instructor Kristle Bascombe

Vocal coach Keithson Cruickshank imparting his knowledge and experiences with students

BOCAS LIT FEST

The Bocas Lit Fest is an annual Literary Arts Festival which promotes literacy through supporting local and regional writers. Its aim is to celebrate the work of all stakeholders in the local and regional literary world. Performance poetry - which has found a home at the festival - has managed to position itself as one of the festival's main attractions.

The First Citizens National Poetry Slam (formerly the Verses Poetry Slam) is now the most buzzed about national performance poetry event. The competition attracts hundreds of poets and begins well before the festival's official close in January. In May, the thrill and intensity of the captivating performances were witnessed by a packed audience at the Globe Theatre.

The event was patronized by Chief Justice Ivor Archie, Minister of Community Development – Dr. Nyan Gadsby-Dolly and Minister of Tourism Shamfa Cudjoe who opened the show with a performance of a piece of her own.

Seth Sylvester earned the TT$20,000.00 cash prize after a haunting performance which warned of the perils of a life of crime and extolled the virtues of choosing "books over death".

Winner Seth Sylvester passionately performs his piece

Seth Sylvester is presented with a life size cheque by Deputy CEO Business Generation – Jason Julien

YOUTH ROCK 2016

YOUth Rock Awards garnered so much interest that in 2016 it took on new life as it was merged with the 2016 nEo Education Awards.

The YOUth Rock Awards provides a forum through which the group seeks to inspire youngsters to develop their talents and pursue their dreams. Through recognition of their achievements in specific areas of academic, co-curricular, environmental and community projects, we offer the youngsters the opportunity to explore and develop their talents and be rewarded for it.

The process involves SEA graduates being nominated by their parents in one of six categories: 'Music & Dance Rocks!', 'Sports Rocks!', 'Health & Recreation Rocks!', 'Visual Arts Rocks!', 'Academics Rocks!', 'Community & Environmental Work Rocks!', and 'Writing and Drama Rocks!', Nominees are then challenged to submit evidence of their work in the areas in which they are nominated. In the 'Academics Rocks!' category, the student's SEA results report is submitted. The entries are then complied and judged and awards are presented at the event.

In 2016, with the merging of SEA YOUth Rock and the nEo Education Awards, additional awards were presented to nEo customers who excelled in their academic pursuits.

Deputy CEO Operations & Administration, Mr. Sterling Frost flanked by nEo Education Awards recipients at the YOUth Rock Awards 2016

SCRABBLE 10101

This year, the tournament celebrated its 21st Anniversary and was held at the UTT O'Meara Pavilion. Deputy CEO Business Generation – Jason Julien was on hand to welcome the competitors and officially open the tournament.

For the second consecutive year, The University School dominated the First Citizens National School's Scrabble Tournament and won the tournament's top prize of TT$10,000.00. St. Joseph's Convent St. Joseph and Arima Centenary Government Primary School earned second and third place respectively.

Mr. Julien greets some of our eager participants before they begin

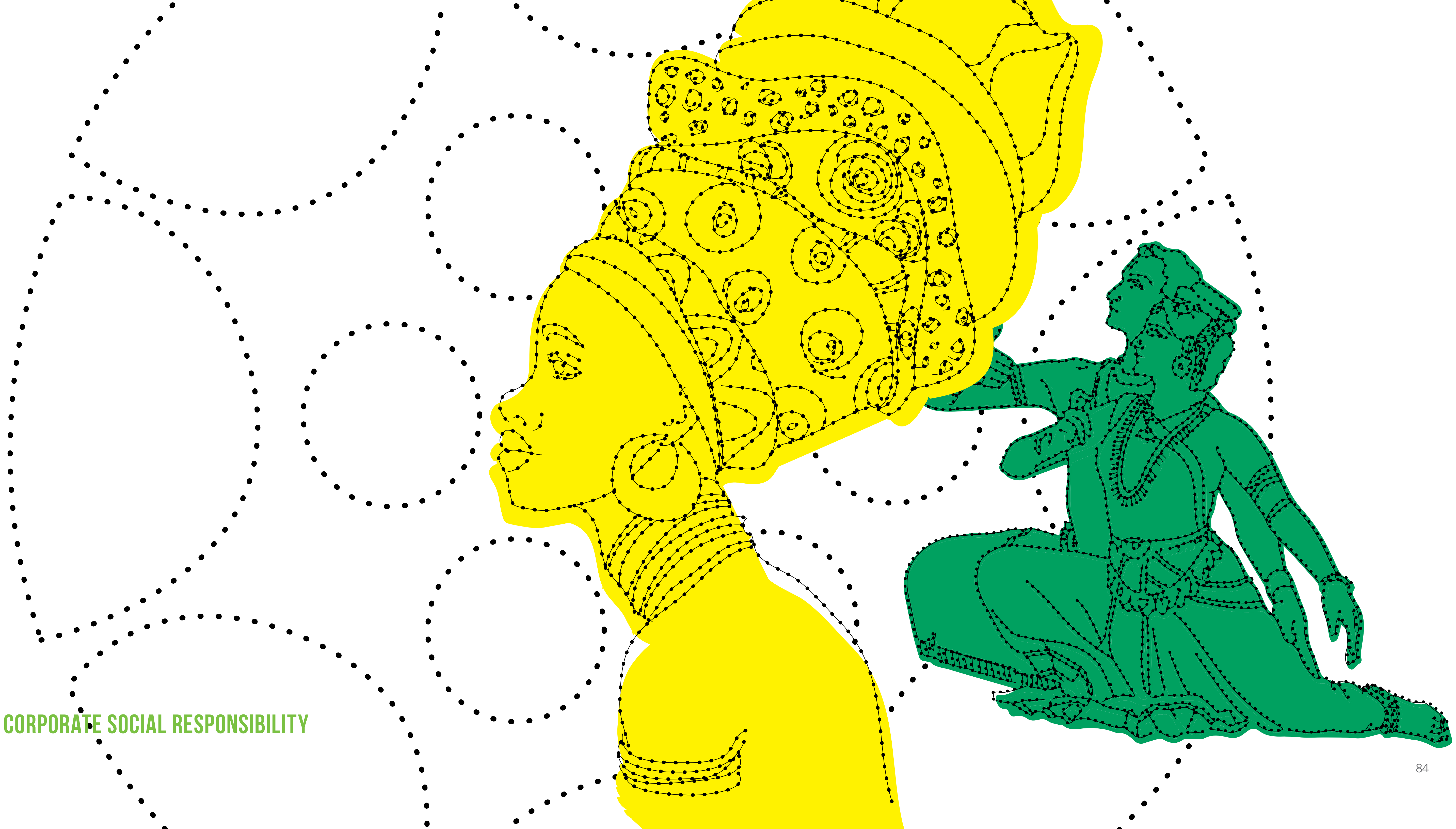
2016 Scrabble Champions, The University School poses with their winning trophies

MANY CULTURES

1

PEOPLE

CULTURE - OUR CORPORATE SOCIAL RESPONSIBILITY



MS. TOBAGO HERITAGE PERSONALITY

Every year, young women representing villages across the island of Tobago vie for the coveted title of Ms. Tobago Heritage Personality. This year, 2016, was no different, as under the theme, "Remember When", contestants showcased their talents, evening gowns and intelligence. After weeks of training and appearances, Bethel's Liselle Javia Taylor copped the Ms. Tobago Heritage Personality crown as her response to her final question drew the audience to their feet with applause. First runner up was Pembroke's Cavel Gordon and second runner up was Mount St. George's Shantell Henry.

(L-R) Wendell Berkley, Chairman Tobago Festival Committee, first runner up, Ms. Pembroke Cavel Gordon, Ms. Heritage Personality 2016, Ms. Bethel Liselle Javia Taylor, Councilor Dr. Denise Tsoisfatt-Angus, Secretary of Community Development and Culture, second runner up Ms. Mount St. George Shantell Henry and Julien Celestine, Chairman Tobago Festivals Commission

EMANCIPATION CALYPSO COMPETITION

The Emancipation Calypso Competition is hosted annually by the National Action Cultural Committee (NACC) and gives young calypsonians an additional out let to hone their performance. The competition is preceded by writing and performing workshops which aids in the development of the young calypsonians. Each year patrons enjoy thoughtfully penned pieces and exuberant performances by our nation's best young calypsonians.

NACC: Champion Duane Ta'zyah O'Connor performs his winning piece at the finals of the 2016 Emancipation Calypso Competition held at City Hall Port of Spain

FIRST CITIZENS & LIFE 97.5 FM: CHRISTMAS NOTES – THE JAZZ EDITION

The Sanctuary Empowerment Centre was filled with the sounds of jazz, carolling and fellowship as Christmas Notes – The Jazz Edition unfolded. We were once again pleased to partner with the Sanctuary Empowerment Centre to co-sponsor their annual Christmas event. The exquisite talents of Barbadian musicians and artistes were displayed to raise funds for the children of the Pediatric Intensive Care Unit at the Queen Elizabeth Hospital, Bridgetown, with the hope of giving them a joyous and memorable holiday season.

Christmas Notes The Jazz Edition

DIVALI NAGAR 2015

First Citizens once again partnered with the NCIC as they hosted this year's Divali Nagar festival. In addition to our commitment as the Opening Ceremony sponsor on Saturday 1st November, the Group was present via an Offsite Branch where staff promoted most of our products and services through contests including "Name that Dish", "How well do you know First Citizens" and "Be an Ethnic Fashionista".

As part of an educational programme, financial seminars were tailored for the Divali Queen delegates and visiting primary and secondary schools.

One of the performances at the opening night of the Nagar

Staff members at the Nagar

FIRST CITIZENS PAN FUSION 2016

For the 6th consecutive year, First Citizens sponsored Pan Fusion, a signature event on the Barbados Crop Over calendar. The event was held at Ilaro Court, the official residence of the Prime Minister of Barbados. This event signalled the official start of a weekend of exciting pan events organised by the National Cultural Foundation.

During the evening, patrons were taken on a musical journey which featured an exciting line up of artists spanning a gamut of musical genres. The event began with the sweet sounds of Brazilian musician Ana Costa and the Band, performing a selection of samba songs to the delight of the crowd. The audience then travelled south to Trinidad and Tobago with renditions from Xavier Strings and the Newton Playboys Symphony. Then it was home to Barbados with performances from musical guru Arturo Tappin the Band, and guest appearances by Nikita, Philip 7, Terry Mexican Arthur and the legendary Carolyn Leacock.

Xavier Strings of Trinidad and Tobago delivered an energetic performance.

The First Citizens hospitality tent was abuzz with laughter and cheer as Board Members, management and staff mingled with specially invited guests to the backdrop of pan.

Front Row: Elizabeth Morgan, former Country Manager, First Citizens Investment Services (Barbados) Ltd; Sterling Frost, Deputy CEO - Operations and Administration; Maureen Graham, Chairman of the Board National Cultural Foundation and Cranston Browne, CEO, National Cultural Foundation.

Back Row: Dexter Charles, Manager, Group Corporate Communications; Carole Eleuthere-Jn Marie, now interim CEO Frist Citizens Bank (Barbados) Ltd and Glyne Harrison, former Chief Executive Officer, First Citizens Bank (Barbados) Ltd.

TUCO JUNIOR CALYPSO MONARCH & ROVING TENT 2016

During the Carnival season young calypsonians from across Trinidad and Tobago competed for the auspicious title of Junior Calypso Monarch at the Queen's Park Savannah. The competition was again patronised by His Excellency, President of the Republic of Trinidad and Tobago Anthony Carmona, S.C., as well as Minister of Education, the Honourable Anthony Garcia, while the Group was represented by Deputy CEO, Business Generation, Jason Julien.

The competition was truly a keen one with host Sunny Bling noting that the content and quality of the performances could even rival those of the senior calypsonians. Sharissa Camejo of Holy Name Convent placed first while Duane T'zyah O'Connor and Desle Julien of St. Mary's College placed second and third respectively.

Celebrations continued with the cast of the 2016 Junior Calypso Roving Tent closing their season with a grand finale performance on the Brain Lara Promenade, Port of Spain. The open air performance drew crowds of shoppers and commuters, who all enjoyed the passionate performances of the reigning Junior Calypso Monarch Sharissa Camejo and the entire cast of the Roving Tent.

Deputy CEO Business Generation – Jason Julien featured with the 2016 TUCO Junior Calypso Monarch - Sharissa Camejo (centre) of Holy Name Convent and 2nd and 3rd place winners Desle Julien (left) and T'zakyah O'Connor (right) both of St. Mary's College

BRONZE SPONSOR - SAINT LUCIA CARNIVAL 2016

First Citizens sponsored Saint Lucia Carnival 2016 at the Bronze level for the fourth consecutive year along with Carnival bands Red Rebellion and Looshan Revellers.

During a press briefing ahead of the main events, now interim CEO First Citizens Bank Barbados Ltd, Carole Eleuthere-Jn Marie expressed that the continued partnership with the Carnival Planning and Management Agency (CPMA) shows the Group's commitment to Saint Lucia and the region.

Ms. Eleuthere-Jn Marie stated that there are several layers to Carnival celebrations, hence the reason the Group continues to spread its support in order to ensure we have a significant impact. The now interim CEO First Citizens Bank Barbados Ltd, indicated that the First Citizens group appreciated the work done by the Committee and looks forward to working with them in the future to make Saint Lucia Carnival a great product for locals and visitors.

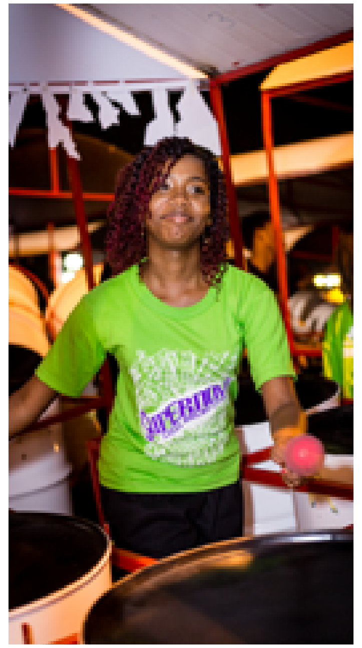
Director of Carnival Teddy Francis thanked the Group for once again supporting the event and is looking forward to more private sector partners like First Citizens coming on board to support the growth and development of the island's Carnival product.

Ms. Carole Eleuthere-Jn Marie with Director of Carnival Teddy Francis

FIRST CITIZENS SUPERNOVAS SHINE BRIGHT

As part of our CSR initiative, First Citizens proudly sponsors the Supernovas Steel Orchestra, from Surrey Village, Lopinot, Trinidad.

The band came 2nd in the 2016 Large Conventional Bands Panorama, and has been making an unforgettable mark on the history of Steelpan under the musical direction of Amrit Samaroo, son of Pan legend Jit Samaroo (deceased).



Young performer entertains

Supernovas enchant crowd

Supernovas on the big stage

"A NATION'S CULTURE RESIDES IN THE HEARTS AND IN THE SOUL OF ITS PEOPLE."

– MAHATMA GANDHI

NARRATIVES OF SUCCESS

EMPLOYEE OF THE YEAR

DALE MOHAMMED

Communications Officer – Community Relations
Group Corporate Communications Unit

The theme behind this year's annual report is 'The Story Behind the Numbers'. What's your story – what's one thing you want people to understand about you?

Regardless of what I'm doing, I do it to the best of my ability. I know a lot of people who find it hard to go to work every day. I don't. I enjoy and love what I do. That passion makes all the difference!

What were your first impressions of First Citizens before joining the organisation? Has that changed?

I knew very little about First Citizens when I started some 16 years ago, but one of the first things I learnt was how warm and friendly the staff was. First Citizens staff is extremely dedicated and I've been privileged to see the organization grow from strength to strength each year. They are a force to be reckoned with and I am proud to be part of the First Citizens family.

Which of the First Citizens values/corporate attributes resonates with you the most?

First Citizens is very focused on giving back to the community in Trinidad & Tobago and the region, in the areas of sport, culture, community, the environment, youth development and women's issues. We are the largest sponsor of the Tobago Heritage Festival, a sponsorship which I've been coordinating for the past ten years. It's a lot of work but I find it fun and rewarding because I interact with people and I am part of the change in the community.

Are there any company-driven causes or initiatives that particularly interest you?

The Group's Corporate Social Responsibility (CSR) programme, particularly its sponsorship of the Tobago Heritage Festival, is one that I am most fond of. Within the festival, the Group is the main sponsor of the Ms. Heritage Personality Show: a cultural showcase of all that Tobago has to offer. Over the 10 years that I have worked on this sponsorship, I have learnt alot about Tobago's Heritage and Culture and also established many lasting relationships. Such initiatives allow me to be on the ground in communities, hear about projects first hand and work with people to realise the final product. The entire process, albeit tedious at times, is one that I enjoy immensely.

Tell us about some of the most memorable moments you've experienced through business, or your personal life.

There are so many, but if I had to name a few they would be: having the opportunity to discuss CSR on a global platform in Sao Paulo, Brazil in 2006; being with the T&T Team in Barbados when they won the 2011 Caribbean T/20; sailing in the Grenadines for the 2012 Bequia Easter Regatta and, of course, creating history by winning Employee of the Year for the second time in 2016.

There were times in the past when First Citizens came under heavy public criticism but it still managed to remain a strong, resourceful and profitable institution. What does that tell you about its values, vision and culture?

Situations like these really show how strong the First Citizens brand is. The Group's sound corporate governance and commitment to integrity ensures that it handles such matters in the best way possible, in the interest of its stakeholders.

"IT'S A LOT OF WORK BUT I FIND IT FUN AND REWARDING BECAUSE I INTERACT WITH PEOPLE AND I AM PART OF THE CHANGE IN THE COMMUNITY."

"WHEN YOU ARE PART OF THE BANK, YOU GET AN APPRECIATION OF THE FIRST CITIZENS STORY. THAT HISTORY IN ITSELF PROPELS US TO SAY 'LISTEN, NOT UNDER MY WATCH. WE'RE NOT FAILING. WE'RE GOING FORWARD."

The theme behind this year's annual report is 'The Story Behind the Numbers'. What's your story – what's one thing you want people to understand about you?

One thing I've learned over the years is to be solution-oriented. We can find about 10 different reasons why we can't do something, but what's next?
One thing I look at is how do we solve the problem? Where do we go from here?

What motivates you to perform?

I'm at a stage where I am loving life. I like what I do. I do a lot of coaching, mentoring and motivating. The work is a lot, but it's manageable.
There are times when you need to be challenged. Because of the nature of the job, there are always different issues I need to work out, and that challenge keeps it interesting.

What does being Manager of the Year mean to you?

To me, it's an acknowledgement that no matter where you are, you can really shine and perform at a standard of excellence and greatness that can inspire everyone around you.

Do you see First Citizens as a responsible and supportive member of the community?

Yes, I do. The bank sponsors so many things. We are there for the community in a lot of different areas. We are giving and supporting and putting that corporate presence out there.

Over the last few years, First Citizens has grown in both profits and performance. What do you think contributed to this?

The people. There are committed individuals who, despite whatever has been happening, will stick with the institution. When you are part of the bank, you get an appreciation of the First Citizens story and that history in itself propels us to say, 'Listen, not under my watch. We're not failing. We're going forward.'

How would you describe First Citizens in a few words?

Our current strategic pillars sum it up nicely. We are EPIC: Excellence, People, Integrity, and Customers.

Which of the First Citizens values/ corporate attributes resonates with you the most?

Excellence. I believe that whatever you do, you must show honour and glory to God. Out of excellence comes everything else. Once you understand that is the level you are operating on – not average but pushing for more – whatever you do, service, integrity team work, you always bear in mind who you are and operate accordingly.

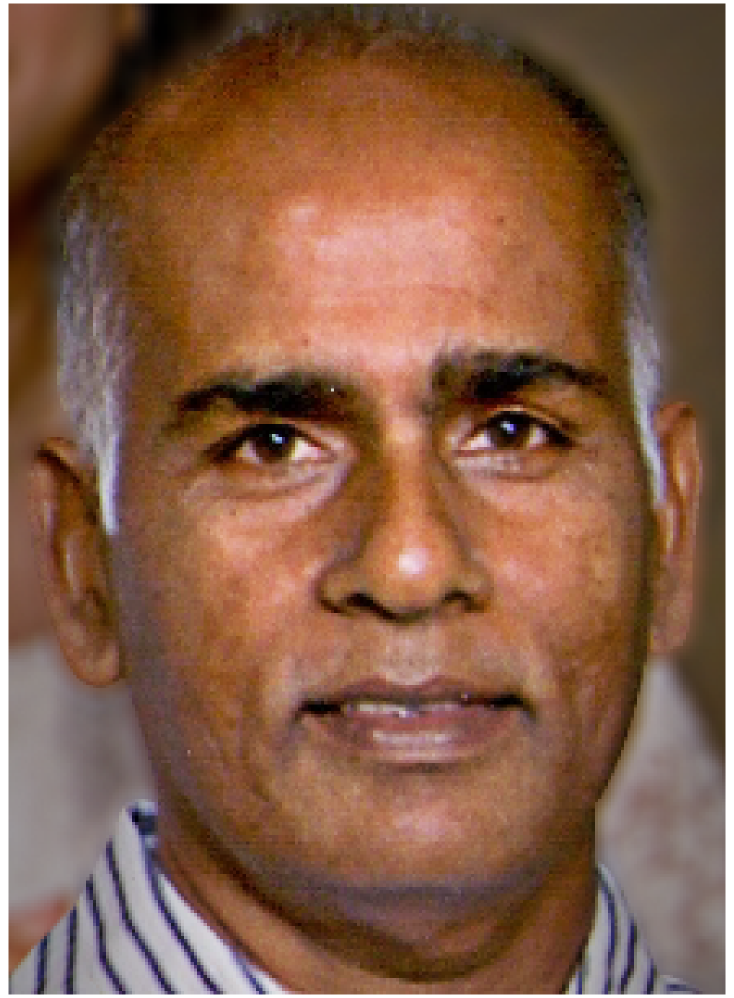
There were times in the past when First Citizens came under heavy public criticism but it still managed to remain a strong, resourceful and profitable institution. What does that tell you about its values, vision and culture?

Our values, vision and culture are demonstrated in the results we have achieved. The drive and determination to produce exceptional results, regardless of the circumstances, transcend our past experiences and are manifested in the growth of the First Citizens brand.

MANAGER OF THE YEAR

SHERMA LEOPOLD

Manager - Commercial Workout Unit
(Group Enterprise Risk Management)



RETAIL CUSTOMER

KRISHNA SINGH

What were your first impressions of First Citizens?
There was a new Bank opening in Princes Town and I did not have an account with First Citizens or any other Bank, so I said, "It's a new Bank, let me give it a try".

How was First Citizens instrumental in the achievement of your personal goals in the last year?
I went to First Citizens and I took out a big loan, and I paid off my siblings for the property that I am now living in. So I did it with the help of First Citizens.

What made First Citizens stand out to you above all others?
They took a chance with me, and I didn't disappoint them. I can remember when I started banking with them. The Bank Manager at the time called me in one day and said, "You look like a person who doesn't give up." She gave me a credit card, and we were upstairs and she told me, "You're not going to disappoint me, right?" I agreed; I made that promise. That is where it all started. She gave me that break, and since then I haven't looked back.

What is a positive First Citizens experience that has stuck with you over the years?
I must mention this: one individual has given me personal attention - Myra Ramsingh. If I call her any time of the day with a problem, she will listen. That is an amazing thing with First Citizens. They give you the personal care that you wouldn't expect other institutions will give you.

"FIRST CITIZENS GIVES YOU THE PERSONAL CARE THAT YOU WOULDN'T EXPECT OTHER INSTITUTIONS TO GIVE YOU."

COMMERCIAL CUSTOMER

MIKEY JOSEPH

Managing Director - Structural & Mechanical Agencies Ltd.

What made First Citizens stand out to you above all others?

When I started my business and I wanted a loan. The bank I was with at the time said I was a good customer, so I went to them, armed with a letter for this loan to purchase my equipment. A Loans Officer said to me, "Look Mr. Joseph, your business plan is good and everything, but we can't lend you any money."

So I went downstairs, cleared my account, went across to NCB (National Commercial Bank - First Citizens precursor) deposited the money, and the following day I went to see a Loans Officer and asked if I could get a loan. The Loans Officer said "Sure!" I got my loan on the same day, bought the equipment I needed, and refused to ever bank elsewhere again.

Do you appreciate the risk the bank took on you as a young person?

I appreciated the fact that they lent me the money. It continued to give me the strength to maintain a certain degree of commitment and focus on the right way of doing business.

There's a discipline that comes from seeking credit and it strengthened me. When you receive one loan and pay it back, it qualifies you for another and that facilitated the growth of our business.

How has the bank helped you and your company to navigate uncertain economic times?

We've had our challenges. It's not a perfect relationship, but in every instance what I've found is that people are willing to listen and work with you. The construction industry is very demanding. You can be king today and pauper tomorrow. We've had our fair share of ups and downs in terms of projects, some successful and some bringing us to our knees, and in every instance we found that First Citizens was willing to understand.

Is there a particular aspect of First Citizens service that you rely on most?

The demand loan and overdraft facilities - those facilities have been working for us tremendously in many ways.

Have you had any particular moments/ significant milestones in business because of the bank?

I remember many years ago we got a contract to do some work in St. Vincent from a foreign firm. We needed financing and in record time, First Citizens put the facilities in place and really assisted us in executing the project quickly.

"I APPRECIATED THE FACT THAT THEY LENT ME THE MONEY. IT CONTINUED TO GIVE ME THE STRENGTH TO MAINTAIN A CERTAIN DEGREE OF COMMITMENT AND FOCUS ON TO THE RIGHT WAY OF DOING BUSINESS."

CORPORATE CUSTOMER

ERROL LE BLANC

Managing Director - Unicomer

Of all of the banks, why choose First Citizens?
When we want financing for big projects, we would invite a number of financial institutions to make us an offer. First Citizens had the best offer. We also like to support indigenous institutions if possible, so that would have definitely worked in their favour. Above and beyond that, the chemistry between our teams is quite good.

How is First Citizens helping Unicomer reach its goals?
Our main goal is sustainable profitability. We've gone into the market on many different occasions trying to raise financing and First Citizens has been a part of that, not only with our Freeport project, but also in financing other aspects of our business. First Citizens is also involved in the fund exchange, which is a big issue in Trinidad now from a macroeconomic standpoint.

Is there any particular experience with First Citizens you can call to mind as an example of good service?
The relationship, in terms of how First Citizens interacts with people, from our perspective, has always been very cordial and respectful. We really appreciate that. Sometimes, you may try to do business with a bank, and they can be condescending, but the people at First Citizens are very helpful.

Can you draw a parallel between Unicomer and First Citizens?
We at Unicomer like to think that we are there for the 'small man', because that is our strength. We try to serve the ordinary working-class person. First Citizens does a very good job at that as well. We are alike in this regard.

Do you see First Citizens as a responsible and supportive member of the community?
I would say so. Similar to Unicomer, First Citizens has a very big Corporate Social Responsibility Programme. My expectation is that any legitimate organisation should have such a programme in place to give back to the communities that support them. I think First Citizens has played its part in that regard.

There were times in the past when First Citizens came under heavy public criticism but it still managed to remain a strong, resourceful and profitable institution. What does that tell you about its values, vision and culture?
At the end of the day, what we're looking for is good service, good prices and good relationships. The type of issues that First Citizens would have had would not have seriously attracted our attention.

> "THE RELATIONSHIP, IN TERMS OF HOW FIRST CITIZENS INTERACTS WITH PEOPLE, HAS ALWAYS BEEN VERY CORDIAL AND RESPECTFUL. WE REALLY APPRECIATE THAT."


Artwork © Calvert Jones

THE POWER OF THE GROUP

Commitment to our Customers, Employees, Integrity and a continuous drive for Excellence is how we put you First.

Our collective strength is what makes us the First Citizens Group.

First Citizens

We put you first

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MILLION IN PROFIT

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MILLION STORIES OF SUCCESS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
First Citizens Bank Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of First Citizens Bank Limited (the Bank) and its subsidiaries (together, the Group), which comprise the consolidated statement of financial position as at 30 September 2016 and the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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 consolidated 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 about 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of First Citizens Bank Limited and its subsidiaries as at 30 September 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

12 December 2016
Port of Spain
Trinidad, West Indies

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2016 $'000	2015 $'000 Restated
	41		
Assets			
Cash and due from other banks	6	4,708,544	2,221,519
Statutory deposits with Central Banks	7	3,971,466	4,423,255
Financial assets			
- Available-for-sale	8(a),41	11,483,930	10,459,790
- Held to maturity	8(b)	1,242,923	1,606,273
- Fair value through profit or loss	8(c),41	239,958	227,957
- Loans and receivables less allowances for losses:			
Loans to customers	9	13,331,941	13,830,535
Other loans and receivables	10	2,048,661	1,261,932
Loan notes	11	442,198	2,158,054
Finance leases	12	340	588
Other assets	13	357,181	396,964
Investment accounted for using equity methods	14	171,149	158,570
Due from parent company		3,580	2,935
Tax recoverable		61,595	69,366
Property, plant and equipment	15	542,222	486,325
Intangible assets	16	244,667	234,251
Total assets		38,850,355	37,538,314
Liabilities			
Customers' deposits	17	25,022,867	20,994,527
Other funding instruments	18	4,489,574	4,749,618
Due to other banks		459,470	200,911
Creditors and accrued expenses	19	452,650	2,970,784
Taxation payable		30,695	22,169
Retirement benefit liability	20	29,453	20,159
Bonds payable	21	1,400,000	1,927,574
Deferred income tax liability	22	228,342	268,682
Notes due to parent company	23	58,000	58,000
Total liabilities		32,171,051	31,212,424
Capital and reserves attributable to the parent company's equity holders			
Share capital	24	643,557	643,557
Statutory reserves	25	677,698	675,726
Retained earnings	26	4,206,938	3,926,505
Other reserves	27	1,151,111	1,080,102
Total shareholders' equity		6,679,304	6,325,890
Total equity and liabilities		38,850,355	37,538,314

The notes on pages 115 to 216 are an integral part of these consolidated financial statements.

On 12 December 2016, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Director

Director

Consolidated Income Statement

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2016 $'000	2015 $'000
Interest income	28	1,551,539	1,450,487
Interest expense	29	(267,777)	(281,555)
Net interest income		1,283,762	1,168,932
Fees and commissions	30	430,716	414,768
Gains from investment securities, net		36,494	27,465
Other Income	31	244,120	152,185
Total net income		1,995,092	1,763,350
Impairment loss on loans, net of recoveries	9	(86,976)	(5,909)
Impairment loss on other financial assets, net of recoveries	32	754	1,360
Administrative expenses	33	(700,450)	(594,366)
Other operating expenses	34	(406,910)	(389,647)
Operating profit		801,510	774,788
Share of profit in associate	14	11,655	12,297
Share of profit in joint ventures	14	4,210	3,696
Profit before taxation		817,375	790,781
Taxation	35	(180,153)	(160,343)
Profit for the year		637,222	630,438
Earnings per share			
Basic		$2.52	$2.50
Weighted average number of shares			
Basic		251,353,562	251,353,562

The notes on pages 115 to 216 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Year ended 30 September 2016 $'000	2015 $'000
Profit for the year	637,222	630,438
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement of defined benefit obligation	17,160	(51,305)
Revaluation of property, plant and equipment, net of tax	35,401	25,249
	52,561	(26,056)
Items that may be reclassified to profit or loss		
Change in fair value of held to maturity assets, net of tax	(3,772)	(4,011)
Exchange difference on translation	61,686	(1,580)
Transfer of net realised gain to current year income	(36,494)	(27,465)
Change in fair value of available-for-sale assets, net of tax	(2,972)	(184,756)
	18,448	(217,812)
Total other comprehensive income for the year	71,009	(243,868)
Total comprehensive income for the year	708,231	386,570

The notes on pages 115 to 216 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Re-measurement of Defined Benefits $'000	Revaluation Surplus $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 October 2015	643,557	675,726	824,606	112,204	125,887	17,405	3,926,505	6,325,890
Profit for the year	—	—	—	—	—	—	637,222	637,222
Other comprehensive income for the year	—	—	(43,238)	17,160	35,401	61,686	—	71,009
Transfer to statutory reserve	—	1,972	—	—	—	—	(1,972)	—
Dividends	—	—	—	—	—	—	(354,817)	(354,817)
Balance at 30 September 2016	643,557	677,698	781,368	129,364	161,288	79,091	4,206,938	6,679,304
Balance as at 1 October 2014	643,557	672,768	1,040,838	163,509	100,638	18,985	3,601,058	6,241,353
Profit for the year	—	—	—	—	—	—	630,438	630,438
Other comprehensive income for the year	—	—	(216,232)	(51,305)	25,249	(1,580)	—	(243,868)
Transfer to statutory reserve	—	2,958	—	—	—	—	(2,958)	—
Dividends	—	—	—	—	—	—	(302,033)	(302,033)
Balance at 30 September 2015	643,557	675,726	824,606	112,204	125,887	17,405	3,926,505	6,325,890

The notes on pages 115 to 216 are an integral part of these consolidated financial statements.

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

	Notes	Year ended 30 September 2016 $'000	Restated 2015 $'000
Profit before taxation		817,375	790,781
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associate		(11,655)	(12,297)
Share of profit in joint ventures		(4,210)	(3,696)
Interest income		(1,551,539)	(1,450,487)
Interest received		1,519,610	1,449,347
Interest expense		267,777	281,554
Interest paid		(260,143)	(280,021)
Depreciation	15	49,522	49,448
(Gain)/loss on disposal of property, plant and equipment		219	(1,557)
Gain on sale of available-for-sale financial assets		(36,494)	(27,465)
Amortisation of premium on investment securities		5,652	21,949
Amortisation of bond issue cost		1,720	3,205
Amortisation of intangible asset	16	26,447	20,871
Impairment loss on other financial assets		(754)	(1,360)
Net pension expense	20	59,828	50,044
Net movement in allowance for loan loss		47,596	(13,097)
Cash flows from operating activities before changes in operating assets and liabilities		930,951	877,219
Net change in loans to customers		450,998	(2,663,702)
Net change in finance leases		248	230
Net change in customers' deposits		4,028,340	104,728
Net change in other funding instruments		(260,044)	(58,442)
Net change in other assets		71,712	(100,629)
Net change in due from parent company		(645)	(110)
Net change in statutory deposits with Central Bank		451,789	985,549
Dividends received		1,115	316
Net change in creditors and accrued expenses		(2,525,768)	2,526,668
Pension contributions paid	20	(27,654)	(23,359)
Taxes paid		(164,733)	(195,326)
Net cash flows from operating activities		2,956,309	1,453,142

The notes on pages 115 to 216 are an integral part of these consolidated financial statements.

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

	Notes	Year ended 30 September 2016 $'000	Restated 2015 $'000
Cash flows from investing activities			
Purchase of financial assets			
- Available-for-sale	8(a)	(12,944,352)	(8,036,410)
- Held to maturity	8(b)	(26,749)	(20,341)
- Other loans and receivable	10	(723,988)	—
- Fair value through profit or loss	8(c)	—	(227,875)
Proceeds from sale of investments			
- Available-for-sale	8(a)	12,029,927	5,950,831
- Other loans and receivable	10	—	1,131
Proceeds from maturity/redemption of held to maturity	8(b)	443,944	203,768
Repayment on loan notes receivable		1,715,856	296,947
Net change in short-term investments		(1,054,882)	311,888
Proceeds from disposal of property, plant and equipment		1,937	7,150
Purchase of intangible assets	16	(27,035)	(22,884)
Purchase of property, plant and equipment	15	(114,956)	(57,822)
Net cash flows from investing activities		(700,298)	(1,593,617)
Cash flows from financing activities			
Net change in debt securities		(527,574)	(18,195)
Ordinary dividend paid		(351,895)	(299,111)
Preference dividend paid		(2,922)	(2,922)
Net cash flows from financing activities		(882,391)	(320,228)
Effect of exchange rate changes		(200,036)	(1,294)
Net increase/(decrease) in cash and cash equivalents		1,173,854	(461,997)
Cash and cash equivalents at beginning of period		1,720,431	2,182,428
Cash and cash equivalents at end of period		2,894,015	1,720,431

The notes on pages 115 to 216 are 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), and its registered office is located at 9 Queen's Park East, Port of Spain. First Citizens Holdings has 77.2% controlling interest. The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

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

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

The Group currently comprises the following entities:

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

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Investment Services Limited	Investment & asset management services and repo business	Trinidad & Tobago	100%
First Citizens Securities Trading Limited	Financial management services and repo business	Trinidad & Tobago	100%
First Citizens (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and bond paying agency services	Trinidad & Tobago	100%

The Group also has investments in the following entities:

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

2 Summary of significant accounting policies

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

a. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. 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 designated at fair value through profit or loss, financial liabilities at fair value through profit and loss and derivative financial instruments.

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

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

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

- IAS 19 – *Amendment to IAS 19,'Employee benefits', regarding defined benefit plans (effective annual periods on or after 1 July 2014 although endorsed for annual periods on or after 1 February 2015)* - These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- *Annual improvements 2012 (effective annual periods on or after 1 July 2014 although endorsed for annual periods on or after 1 February 2015)* - These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:

  - IFRS 3, 'Business combinations'
  - IFRS 8, 'Operating segments'
  - IFRS 13, 'Fair value measurement'
  - IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
  - Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
  - IAS 39, Financial instruments –Recognition and measurement'.

- Annual improvements 2013 (effective annual periods on or after 1 July 2014 although endorsed for annual periods on or after 1 January 2015) – The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 3 standards:

  - IFRS 1, 'First time adoption'
  - IFRS 3, 'Business combinations' and
  - IFRS 13, 'Fair value measurement'

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

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2015 and have not been early adopted by the Group:

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

- IAS 12 - Income Taxes (Amendment effective 1 January 2017). Recognition of Deferred Tax Assets for Unrealised Losses –– This amendment is to clarify the following aspects:

  - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or use.
  - The carrying amount of the asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax asset in combination with other deferred assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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

- IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

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

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

- IFRS 11 – Joint Arrangements - (Amendment effective 1 January 2016). This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

  - Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
  - Disclose the information required by IFRS 3 and other IFRSs for business combinations.
  - The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets (amendment effective 1 January 2016). This amendment is to:

  - Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment

  - Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

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

b. Consolidation

(i) Principles of consolidation

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

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

(ii) Investment in subsidiaries

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

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

(iii) Business combinations and goodwill

Acquisition-related costs are expensed as incurred.

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

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

2 Summary of significant accounting policies (continued)

b. Consolidation (continued)

(iii) Business combinations and goodwill (continued)

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

(iv) Transactions and non-controlling interests

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

(v) Investment in joint ventures

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

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

(vi) Investment in associates

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

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

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

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

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

c. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.6553 =US$1.00 (2015 - TT$6.2986= US$1.00), which represent the Group's mid-rate. The exchange rate between the TT dollar and the Barbados dollar as at the date of these statements was TT$3.3883 = BB$1 (2015 - TT$3.1852 = BB$1.00), which represents the Group's cover rate.

(ii) Transactions and balances

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

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

2 Summary of significant accounting policies (continued)

c. Foreign currency translation (continued)

(iii) Group companies

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

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

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

d. Derivative financial instruments

Derivative financial instruments including swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

e. Financial assets and financial liabilities

(i) Financial assets

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

(a) Loans and receivables

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

- Those that the Group intends to sell immediately or in the short term and those that the entity upon initial recognition designates at fair value through profit or loss;
- Those that the entity upon initial recognition designates as available-for-sale;
- Those assets for which the holder may not recover all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

(b) Available-for-sale financial assets

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

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

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

(d) Held to maturity

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

(ii) Recognition and measurement

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

2 Summary of significant accounting policies (continued)

(d) Held to maturity (continued)

(ii) Recognition and measurement (continued)

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

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

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

(iii) Financial liabilities

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

(iv) Recognition and de-recognition of financial instruments

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

Financial assets are derecognised when the contractual right to receive the 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 derecognised when they have been redeemed or otherwise extinguished.

(v) Determination of fair value

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

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

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

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

f. Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

2 Summary of significant accounting policies (continued)

f. Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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.

(ii) Assets classified as available-for-sale

The Group assesses at the year end whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered 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.

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

(iii) Renegotiated loans

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

g. Impairment of non-financial assets

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

h. Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

i. Sale and repurchase agreements and lending of securities

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

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

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

j. Lease transactions

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

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

(i) The Group as the lessee

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

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

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

(ii) The Group as the lessor

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

k. Property, plant and equipment

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

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

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

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

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

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

Depreciation and amortisation are computed on all assets except land.

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

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

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

2 Summary of significant accounting policies (continued)

k. Property, plant and equipment (continued)

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

l. Income tax

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

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

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

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

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

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

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

m. Employee benefits

(i) Pension plans

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

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

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

(ii) Profit sharing and bonus plans

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

n. Cash and cash equivalents

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

2 Summary of significant accounting policies (continued)

o. Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cashflows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

p. Fee and commission income

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

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

q. Dividend income

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

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

r. Borrowings

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

s. Acceptances

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

t. Dividend distribution

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

u. Preference shares

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

v. Provisions

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

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)

w. Intangible assets

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

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

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

(i) Goodwill

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

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

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

(ii) Other intangible assets

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

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

(iii) Computer software

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

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

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

x. Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group (Note 3.4).

y. Earnings per share

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

z. Segment reporting

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

3 Financial risk management

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

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

Risk management framework

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

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

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

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

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

a. Credit risk

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

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

(i) Credit risk management

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

(ii) Credit risk measurement

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

3 Financial risk management (continued)

a. Credit risk (coninued)

(iii) Credit classification system

(a) Loans to customers

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

Criticised Loans

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

(b) Debt securities and other bills

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

(c) Other loans and receivables

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

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

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

(iv) Risk limit control and mitigation policy

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

(a) Single borrower and borrower group exposure limits

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

(b) Industry exposure limits

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

(c) Country exposure limits

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

3 Financial risk management (continued)

a. Credit risk (continued)

(iv) Risk limit control and mitigation policy (continued)

(d) Collateral

The principal collateral types for loans and advances are:

- Cash deposits;
- Mortgages over residential properties;
- Charges over business assets such as premises and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Government guarantees and indemnities

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

(e) Liquidity support agreement

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

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

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

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Under the terms of the LSA, the Bank had until 14 May 2015 to claim for losses in respect of balances due from CL Financial and its affiliates and a claim was submitted on 8 May 2015 in respect of unrecovered exposures as at that date and a request was made by the Bank to the GORTT for an extension of the indemnification under the LSA.

GORTT, by letter dated 29 May, 2015 granted an eighteen (18) month extension of the LSA consequent upon the Bank providing certain information to the Ministry of Finance and Economy by 30 September 2015, which information was submitted by the Bank to the GORTT in fulfillment of same. Subsequent to the balance sheet date, the GORTT and CBTT signed the supplemental agreement to the LSA formalising the eighteen (18) month extension with effect from 15 May 2015.

GORTT and CBTT have signed another supplemental agreement for a further twelve (12) month extension with effect from November 15 2016. As at 30 September 2016, balances covered but not yet claimed amounted to TTD 215.4M and USD 91.6M (2015 TTD 206.8M and USD 88.6M).

(f) Credit-related commitments

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

(v) Impairment and provisioning policies

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

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

Collectively assessed 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. The quarterly assessment of the impairment allowances are approved by the Audit Committee of the Board.

3 Financial risk management (continued)

a. Credit risk (continued)

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

	Gross maximum exposure 2016 $'000	Restated Gross maximum exposure 2015 $'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	4,708,544	2,221,519
Statutory Deposit with Central Bank	3,971,466	4,423,255
Financial assets		
Available-for-sale	11,452,596	10,423,406
Held to maturity	1,242,923	1,606,273
Loans to customers	13,673,124	14,124,121
Other loans and receivables	2,052,930	1,267,020
Loan notes	442,198	2,158,054
Finance leases	340	588
Other assets	316,915	365,783
Due from parent company	3,580	2,935
Total credit risk exposure	37,864,616	36,592,954

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

(vii) Loans to customers and other financial assets

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

30 September 2016

	Loans to customers $'000	Other loans and receivables $'000	Financial assets available-for-sale $'000	Held-to-maturity $'000	Loan notes $'000	Finance leases $'000
Neither past due nor impaired	10,993,115	1,214,093	11,444,343	1,242,923	442,198	340
Past due but not impaired	2,149,947	827,872	—	—	—	—
Individually impaired	532,925	10,965	8,253	—	—	—
Gross	13,675,987	2,052,930	11,452,596	1,242,923	442,198	340
Unearned interest	(2,863)	—	—	—	—	—
Less: Allowance for impairment	(341,183)	(4,269)	(8,253)	—	—	—
Net	13,331,941	2,048,661	11,444,343	1,242,923	442,198	340

3 Financial risk management (continued)

a. Credit risk (continued)

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

	Restated 30 September 2015					
	Loans to customers $'000	Other loans and receivables $'000	Financial assets available-for-sale $'000	Held-to-maturity $'000	Loan notes $'000	Finance leases $'000
Neither past due nor impaired	10,976,166	491,298	10,415,596	1,606,273	2,158,054	588
Past due but not impaired	2,462,031	764,816	—	—	—	—
Individually impaired	688,514	10,906	7,810	—	—	—
Gross	14,126,711	1,267,020	10,423,406	1,606,273	2,158,054	588
Unearned interest	(2,590)	—	—	—	—	—
Less: Allowance for impairment	(293,586)	(5,088)	(7,810)	—	—	—
Net	13,830,535	1,261,932	10,415,596	1,606,273	2,158,054	588

Included in receivable past due but not impaired are loans and receivables due to CL Financial and its affiliates which have not yet been claimed under the LSA. The amount outstanding stood at TTD 215.4 million and USD 91.6 million as at 30 September 2016 (2015: TTD 206.8 million and USD 88.6 million). Interest continues to accrue on these amounts.

(a) Neither past due nor impaired

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

(a) Neither past due nor impaired (continued)

	30 September 2016			30 September 2015		
	Loans to customers			Loans to customers		
	Individual $'000	Corporate $'000	Total $'000	Individual $'000	Corporate $'000	Total $'000
Standard	3,156,942	5,920,161	9,077,103	3,047,888	6,434,339	9,482,227
Special mention	219,562	1,696,450	1,916,012	165,248	1,328,691	1,493,939
	3,376,504	7,616,611	10,993,115	3,213,136	7,763,030	10,976,166

	Other Loans and Receivables					
	30 September 2016			30 September 2015		
	Individual $'000	Corporate $'000	Total Loans $'000	Individual $'000	Corporate $'000	Total Loans $'000
Investment grade	14	963,036	963,050	25	474,971	474,996
Speculative grade	4,887	246,155	251,043	5,665	10,637	16,302
	4,901	1,209,192	1,214,093	5,690	485,608	491,298

3 Financial risk management (continued)

a. Credit risk (continued)

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

(a) Neither past due nor impaired (continued)

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

	30 September 2016		
	Individual (retail customers) $'000	Corporate $'000	Total $'000
Instalment loans	994,607	16,439	1,011,046
Demand loans	216,856	6,881,879	7,098,735
Overdrafts	5,119	149,066	154,185
Credit cards	384,335	14,580	398,915
Mortgages	1,775,587	554,647	2,330,234
Loans to customers	3,376,504	7,616,611	10,993,115
Impairment allowance	(46,210)	(83,283)	(129,493)
Loans net of impairment	3,330,294	7,533,328	10,863,622

	30 September 2015		
	Individual (retail customers) $'000	Corporate $'000	Total $'000
Instalment loans	888,133	18,240	906,373
Demand loans	216,979	7,007,066	7,224,045
Overdrafts	7,344	180,064	187,408
Credit cards	345,827	15,214	361,041
Mortgages	1,754,853	542,446	2,297,299
Loans to customers	3,213,136	7,763,030	10,976,166
Impairment allowance	(42,458)	(57,323)	(99,781)
Loans net of impairment	3,170,678	7,705,707	10,876,385

(b) Past due but not impaired

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

30 September 2016	Up to 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	> 90 days $'000	Total $'000
Individual (retail customers)					
Instalment loans	174,412	18,847	5,244	—	198,503
Demand loans	69,235	24,917	13,000	2,382	109,534
Overdrafts	3,266	17	82	—	3,365
Credit cards	4,398	9,337	3,797	—	17,532
Mortgages	653,317	76,660	51,925	23,264	805,166
Sub-Total	904,628	129,778	74,048	25,646	1,134,100
Corporate					
Other Loans	452,729	17,317	8,743	41	478,830
Mortgages	495,755	24,781	16,481	—	537,017
Sub-Total	948,484	42,098	25,224	41	1,015,847
Total loans to customers	1,853,112	171,876	99,272	25,687	2,149,947
Fair value of collateral					
Individual (retail customers)	1,237,831	154,685	117,565	37,975	1,548,056
Corporate	1,627,904	134,672	38,409	50	1,801,035
Total fair value of collateral	2,865,735	289,357	155,974	38,025	3,349,091
Impairment allowance					
Individual (retail customers)	(8,322)	(1,417)	(716)	(244)	(10,699)
Corporate	(15,178)	(631)	(194)	—	(16,003)
Total impairment allowance	(23,500)	(2,048)	(910)	(244)	(26,702)
Other loans and receivables	—	—	—	827,872	827,872

3 Financial risk management (continued)

a. Credit risk (continued)

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

(b) Past due but not impaired (continued)

30 September 2015	Up to 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	> 90 days $'000	Total $'000
Individual (retail customers)					
Instalment loans	171,885	15,383	3,872	47	191,187
Demand loans	71,672	18,064	4,744	2,558	97,038
Overdrafts	3,742	196	40	—	3,978
Credit cards	5,466	6,968	3,578	2,361	18,373
Mortgages	577,558	69,068	11,690	18,567	676,883
Sub-Total	830,323	109,679	23,924	23,533	987,459
Corporate					
Demand loans	913,000	29,149	11,002	—	953,151
Mortgages	459,707	58,018	3,696	—	521,421
Sub-Total	1,372,707	87,167	14,698	—	1,474,572
Total loans to customers	2,203,030	196,846	38,622	23,533	2,462,031
Fair value of collateral					
Individual (retail customers)	1,176,089	159,825	71,617	34,808	1,442,339
Corporate	1,506,571	199,977	27,540	—	1,734,088
Total fair value of collateral	2,682,660	359,802	99,157	34,808	3,176,427
Impairment allowance					
Individual (retail customers)	(8,051)	(1,400)	(392)	(300)	(10,143)
Corporate	(7,886)	(273)	(65)	—	(8,224)
Total impairment allowance	(15,937)	(1,673)	(457)	(300)	(18,367)
Other loans and receivables	—	—	—	764,816	764,816

(c) Individually impaired

	Individual (retail customers)					Corporate		
	Instalment $'000	Loans $'000	Demand Overdrafts $'000	Cards $'000	Credit Mortgages $'000	Loans $'000	Demand Mortgages $'000	Total $'000
30 September 2016								
Loans to customers	32,976	55,515	1,115	26,461	69,393	304,640	42,825	532,925
Fair value of collateral	14,067	128,513	16	—	92,789	542,449	47,181	825,015
Impairment allowance	(26,268)	(12,199)	(753)	(19,675)	(19,928)	(92,869)	(13,419)	(185,111)
30 September 2015								
Loans to customers	23,295	54,146	604	24,402	57,976	497,387	30,703	688,513
Fair value of collateral	12,011	105,917	194	—	78,786	679,053	34,830	910,791
Impairment allowance	(20,060)	(11,039)	(545)	(17,254)	(10,536)	(108,183)	(7,771)	(175,388)

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.

3 Financial risk management (continued)

a. Credit risk (continued)

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

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

30 September 2016

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

Restated 30 September 2015

S&P	Other loans & receivables $'000	Available-for-sale securities $'000	Held to maturity $'000
Investment grade	981,720	9,490,856	839,466
Speculative grade	280,212	924,740	766,807
	1,261,932	10,415,596	1,606,273

(ix) Repossessed collateral

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

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

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

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

	2016 Gross Maximum Exposure $'000	Restated 2015 Gross Maximum Exposure $'000
Financial assets:		
Consumer	2,601,152	2,390,624
Agriculture	18,082	9,049
Petroleum	541,285	596,454
Manufacturing	386,635	353,686
Construction	3,358,413	4,835,323
Distribution	283,897	259,266
Hotels and guest houses	528,074	532,766
Transport, storage and communications	1,223,091	1,038,308
Finance, insurance and real estate	4,175,349	4,564,030
Other business services	1,281,325	1,429,658
Personal services	26,415	288,978
Real estate mortgages	3,619,700	3,197,802
Government related	10,823,933	10,082,931
Finance leases	340	588
Financial institutions	4,708,544	2,224,454
Other assets	316,915	365,783
	33,893,150	32,169,700

3 Financial risk management (continued)

b. Market risk

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

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

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

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

(i) Currency risk

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

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

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

	TT$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2016				
Financial assets				
Cash and due from other banks	257,362	3,691,247	759,935	4,708,544
Statutory deposits with Central Banks	3,870,373	37,424	63,669	3,971,466
Financial assets:				
- Available-for-sale	8,552,111	2,089,006	842,813	11,483,930
- Held to maturity	511,188	82,697	649,038	1,242,923
- Fair value through profit or loss	7	88	239,863	239,958
- Loans and receivables less allowance for losses:				
- Loans to customers	8,435,600	3,429,760	1,466,581	13,331,941
- Other loans and receivables	742,876	1,058,847	246,938	2,048,661
Other assets	277,257	46,042	33,883	357,182
Loan notes	442,198	—	—	442,198
Due from parent	3,580	—	—	3,580
Investment accounted for using equity methods	30,035	141,114	—	171,149
Total financial assets	23,122,587	10,576,225	4,302,720	38,001,532
Financial liabilities				
Customers' deposits	17,179,191	5,470,790	2,372,886	25,022,867
Other funding instruments	1,270,621	1,732,769	1,486,184	4,489,574
Due to other banks	—	—	459,470	459,470
Notes due to parent	58,000	—	—	58,000
Bonds payable	1,400,000	—	—	1,400,000
Creditors and accrued expenses	(1,174,898)	1,537,919	89,629	452,650
Total financial liabilities	18,732,914	8,741,478	4,408,169	31,882,561
Net on balance sheet position	4,389,673	1,834,747	(105,449)	6,118,971
Off balance sheet items	164,985	64,044	680	229,709
Credit commitments	230,152	—	338,071	568,223

3 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk (continued)

Restated As at 30 September 2015	TT$ $'000	US$ $'000	Other $'000	Total $'000
Financial assets				
Cash and due from other banks	526,879	1,109,896	584,744	2,221,519
Statutory deposits with Central Banks	4,335,455	2,070	85,730	4,423,255
Financial assets:				
- Available-for-sale	7,852,553	1,972,016	635,221	10,459,790
- Held to maturity	530,576	349,638	726,059	1,606,273
- Fair value through profit or loss	8	227,949	—	227,957
- Loans and receivables less allowances for losses:				
- Loans to customers	216,579	795,923	249,430	1,261,932
- Other loans and receivables	8,929,828	3,589,088	1,311,619	13,830,535
- Loan notes	1,544,313	613,741	—	2,158,054
Other assets	292,079	69,769	35,116	396,964
Investment accounted for using equity methods	79,983	78,587	—	158,570
Total financial assets	24,308,253	8,808,677	3,627,919	36,744,849
Financial liabilities				
Customers' deposits	15,080,125	3,902,518	2,011,884	20,994,527
Other funding instruments	1,716,278	3,033,255	85	4,749,618
Due to other banks	—	—	200,911	200,911
Bonds payable	906,550	1,021,024	—	1,927,574
Creditors and accrued expenses	2,893,799	29,488	47,497	2,970,784
Total financial liabilities	20,596,752	7,986,285	2,260,377	30,843,414
Net on balance sheet position	3,711,501	822,392	1,367,542	5,901,435
Off balance sheet items	146,415	11,508	191	158,114
Credit commitments	230,289	31,493	245,251	507,033

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

If the TT$ appreciates by 250 basis points against the US$, the profit would decrease by $43.2 million. The average change for the last three (3) years was 167 basis point (2015: 5.2 basis points). The change for 2016 was 566 basis points.

(ii) Interest rate risk

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

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

(iii) Interest rate risk

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)

b. Market risk (continued)

(iii) Interest rate risk (continued)

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

As at 30 September 2016	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and due from other banks	3,038,550	497,071	898,466	—	—	274,456	4,708,543
Statutory deposits with Central Banks	344,111	—	310,026	—	—	3,317,329	3,971,466
Financial assets:							
- Available-for-sale	387,804	238,420	2,276,777	3,752,705	4,788,553	39,671	11,483,930
- Held to maturity	75,819	9,433	8,994	807,715	340,962	—	1,242,923
- Fair value through profit or loss	—	—	—	171,220	68,643	95	239,958
- Loan to customers and finance leases	2,277,008	1,079,774	2,780,967	4,636,835	2,898,880	(341,182)	13,332,282
- Other loans and receivables	154,590	990,928	39,532	264,269	599,342	—	2,048,661
- Loan notes	73,208	74,240	150,915	69,144	73,700	992	442,199
Other assets	2,159	22	—	—	—	354,999	357,180
Due from parent company	—	—	—	—	—	3,580	3,580
Total financial assets	6,353,249	2,889,888	6,465,677	9,701,888	8,770,080	3,649,940	37,830,722
Financial liabilities							
Customers' deposits	19,657,295	1,486,380	2,953,304	374,051	6,285	545,555	25,022,870
Other funding instruments	654,559	1,025,644	2,146,450	415,557	247,364	—	4,489,574
Due to other banks	267,790	—	—	166,826	—	24,854	459,470
Bonds payable	—	—	—	1,400,000	—	—	1,400,000
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	15,932	—	—	—	—	436,718	452,650
Total financial liabilities	20,595,576	2,512,024	5,099,754	2,356,434	253,649	1,067,127	31,882,564
Interest sensitivity gap	(14,242,327)	377,864	1,365,923	7,345,455	8,516,431		

Restated as at 30 September 2015	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	1,352,865	168,081	211,144	—	—	489,429	2,221,519
Statutory deposits with Central Banks	824,510	322,696	524,786	—	—	2,751,263	4,423,255
Financial assets:							
- Available-for-sale	862,807	1,523,228	931,146	2,422,355	4,675,979	44,275	10,459,790
- Held to maturity	12,906	—	350,842	659,618	582,907	—	1,606,273
- Fair value through profit or loss	—	—	—	63,198	164,677	82	227,957
- Loan to customers and finance leases	3,475,003	1,242,054	3,853,492	3,284,981	1,971,774	3,819	13,831,123
- Other loans and receivables	4,348	816,243	8,033	340,841	92,467	—	1,261,932
- Loan notes	709,455	—	1,006,401	294,798	147,400	—	2,158,054
Other assets	9,983	—	—	—	—	386,981	396,964
Due from parent company	—	—	—	—	—	2,935	2,935
Total financial assets	7,251,877	4,072,302	6,885,844	7,065,791	7,635,204	3,678,784	36,589,802
Financial liabilities							
Customers' deposits	17,549,794	811,494	2,013,589	230,979	843	387,827	20,994,526
Other funding instruments	932,875	1,135,972	2,416,022	264,749	—	—	4,749,618
Due to other banks	20,954	—	—	157,899	—	22,058	200,911
Bonds payable	406,550	—	1,021,024	—	500,000	—	1,927,574
Notes due to parent company	—	—	—	—	—	58,000	58,000
Creditors and accrued expenses	2,697,844	—	—	—	—	272,941	2,970,785
Total financial liabilities	21,608,017	1,947,466	5,450,635	653,627	500,843	740,826	30,901,414
Interest sensitivity gap	(14,356,140)	2,124,836	1,435,209	6,412,164	7,134,361		

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 a decrease in profit of $17.9 million (2015: $29.8 million) and a decrease in reserves of $337.3 million (2015: $449.9 million).

3 Financial risk management (continued)

b. Market risk (continued)

(iv) Other price risk

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

c. Liquidity risk

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

Liquidity risk management process

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

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

(i) Financial assets and liabilities

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

As at 30 September 2016	month $'000	Up to 1 months $'000	1 to 3 months $'000	3 to 12 years $'000	1 to 5 5 years $'000	Over Total $'000
Financial liabilities						
Customers' deposits	20,195,251	1,494,716	2,984,060	386,681	7,140	25,067,848
Other funding instruments	661,405	1,030,445	2,184,857	466,718	252,002	4,595,427
Due to other banks	320,346	—	5,430	166,383	—	492,159
Bonds payable	—	—	53,900	1,682,980	—	1,736,880
Notes due to parent company	58,000	—	—	—	—	58,000
Creditors and accrued expenses	447,907	4,753	—	—	—	452,650
Total financial liabilities	21,682,909	2,529,914	5,228,247	2,702,762	259,142	32,402,974
Total financial assets	6,742,760	3,179,019	7,541,616	13,407,588	14,589,598	45,460,581
Liquidity gap	(14,940,149)	649,105	2,313,369	10,704,826	14,330,456	13,057,607

3 Financial risk management (continued)

c. Liquidity risk (continued)

(i) Financial assets and liabilities (continued)

As at 30 September 2015	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	18,126,821	655,738	2,022,386	236,844	967	21,042,756
Other funding instruments	937,448	1,141,069	2,446,016	276,658	—	4,801,191
Due to banks	43,035	—	—	—	166,146	209,181
Bonds payable	520,932	—	1,144,970	62,643	525,445	2,253,990
Notes due to parent company	58,000	—	—	—	—	58,000
Creditors and accrued expenses	2,970,785	—	—	—	—	2,970,785
Total financial liabilities	22,657,021	1,796,807	5,613,372	576,145	692,558	31,335,903
Total financial assets	9,098,591	4,660,442	9,902,437	10,123,798	13,997,810	47,783,078
Liquidity gap	(13,558,430)	2,863,635	4,289,065	9,547,653	13,305,252	16,447,175

(ii) Assets held for managing liquidity risk

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

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

(iii) Off-Balance sheet items

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

As at 30 September 2016	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	7,370	—	560,853	—	—	568,223
Acceptances	11,653	7,980	13,522	—	—	33,155
Guarantees	87,449	5,653	13,097	74,075	21	180,295
Letters of credit	8,653	1,281	7,500	620	—	18,054
Operating leases	2,379	4,762	21,538	59,413	31,099	119,191
Capital commitments	—	—	19,477	—	—	19,477
Total	117,504	19,676	635,987	134,108	31,120	938,395

As at 30 September 2015	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	261,782	—	245,251	—	—	507,033
Acceptances	2,602	1,181	19,226	—	—	23,009
Guarantees	79,118	1,115	23,735	17,089	21	121,078
Letters of credit	5,263	681	7,500	583	—	14,027
Operating leases	510	1,016	29,505	75,215	61,662	167,908
Capital commitments	—	—	15,930	—	—	15,930
Total	349,275	3,993	341,147	92,887	61,683	848,985

3 Financial risk management (continued)

d. Fiduciary activities

The Group provides custody, trustee and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. The assets under administration at 30 September 2016 totalled $30.3 billion (2015 - $30.9 billion).

e. Operational risk

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

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

f. Capital management

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

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

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

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

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

The Group's regulatory capital is comprised of:-

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

	2016 $'000	2015 $'000
Tier 1 (Core) Capital		
Share capital	539,957	539,957
Statutory reserve	677,697	675,726
Retained earnings	4,206,938	3,926,505
Less: Intangible assets	(227,344)	(199,307)
Total Tier 1	5,197,248	4,942,881
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	1,039,450	988,576
Eligible reserve provision	167,116	162,817
Total Tier 2 Capital	1,310,166	1,254,993
Total Capital	6,507,414	6,197,874
Ratios		
Risk adjusted assets	13,357,562	12,879,428
Qualifying capital to risk adjusted assets	48.72%	48.12%
Core capital to qualifying capital	79.87%	79.75%

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**
Cash and due from other banks	4,708,544	2,221,519	4,708,544	2,221,694
Statutory deposits with Central Banks	3,971,466	4,423,255	3,971,466	4,423,300
Financial assets:-				
- Loans to customers	13,331,941	13,830,535	14,738,972	14,836,734
- Held to maturity	1,242,923	1,606,273	1,265,879	1,657,802
- Other loans and receivables	2,048,661	1,261,932	2,055,834	1,249,316
- Loan notes	442,198	2,158,054	554,110	2,331,769
- Finance leases	340	588	541	632
Other assets	357,182	396,964	357,182	396,964
Due from parent	3,580	3,580	2,935	2,935
Financial liabilities				
Customers' deposits	25,022,867	20,994,526	25,159,502	21,044,134
Other funding instruments	4,489,574	4,749,618	4,327,032	4,791,125
Bonds payable	1,400,000	1,927,574	1,405,869	1,946,701
Notes due to parent	58,000	58,000	58,000	58,000
Due to other banks	457,470	200,911	457,470	200,911
Creditors and accrued expenses	452,650	2,970,784	452,650	2,970,784

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

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

Financial instruments where carrying value is equal to fair value

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

Loans to customers less allowance for loan losses

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

Held to maturity investments

Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the held to maturity portfolio is computed for disclosure purposes only.

Other loans and receivables

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

Loan notes

The fair value of these notes are calculated using discounted cash flow analysis 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 analysis at current market interest rates.

Bonds payable

The fair value of bonds payable 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.

3 Financial risk management (continued)

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

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

Note due to parent company

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

(ii) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., 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 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value				
- Debt securities	—	—	239,958	239,958
	—	—	239,958	239,958
Available-for-sale financial assets:				
- Investment securities – debt	653,324	9,703,687	1,087,332	11,444,343
- Investment securities – equity	30,770	310	8,507	39,587
	684,094	9,703,997	1,095,839	11,483,930
Total financial assets	684,094	9,703,997	1,335,797	11,723,888

Restated As at 30 September 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value				
- Equity securities	—	—	227,957	227,957
	—	—	227,957	227,957
Available-for-sale financial assets:				
- Investment securities – debt	677,907	8,808,786	928,903	10,415,596
- Investment securities – equity	36,541	280	7,373	44,194
	714,448	8,809,066	936,276	10,459,790
Total financial assets	714,448	8,809,066	1,164,233	10,687,747

3 Financial risk management (continued)

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

(ii) Fair value hierarchy (continued)

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

	30 September 2016				Restated 30 September 2015			
	Debt Securities $'000	Equity $'000	Designated at Fair Value $'000	Total $'000	Debt Securities $'000	Equity $'000	Designated at Fair Value $'000	Total $'000
Opening balance	928,903	7,373	227,957	1,164,233	99,623	7,501	104	107,228
Exchange	—	100	13,173	13,273	—	—	—	—
Purchased	393,311	—	—	393,311	897,866	123	227,875	1,125,864
Settlement	(380,745)	—	—	(380,745)	(70,121)	—	—	(70,121)
Transfer into or out of level 3	123,005	—	—	123,005	—	—	—	—
Total losses – OCI	22,858	1,034	(1,172)	22,720	1,535	(251)	(22)	1,262
Closing balance	1,087,332	8,507	239,958	1,335,797	928,903	7,373	227,957	1,164,233

4 Critical accounting estimates and judgements

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

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

The Group uses the discounted cash flow method to determine the fair value of available-for-sale financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of available-for-sale financial assets would decrease by $337.3 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2015 - $449.9 million).

b. Estimation of the impairment loss on the loan portfolio

The Group estimates the impairment loss on its loan portfolio by comparing the present value of the future 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. The Group uses five (5) years of historical data in its assessment.

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 of loans not considered individually impaired were adjusted by 100 basis points upwards, the impairment provision for loans and receivables would increase by $1.4 million (2015 - $0.9 million), and if the historical period is adjusted from 5 years to 3 years, the provision will decrease by $8.6 million (2015 – increase by $8.5 million).

c. Impairment losses of debt securities

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

d. 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 $1,266.million (2015: $1,658 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 $22.9 million (2015: $18.0 million), with a corresponding entry in the fair value reserve in shareholders' equity.

4 Critical accounting estimates and judgements (continued)

e. Income taxes

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

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

f. Retirement benefits

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

The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds, and where no deep corporate market exist, the Government bonds are used, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. In determining the salary increases, the Group considered long-term salary inflation, age, merit and promotion (see Note 20.j for sensitivity).

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

g. Fair valuation of properties

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

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

The valuations are based on current market conditions and thus may change in the future.

h. Estimated impairment of goodwill

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

5 Segment analysis

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

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

5 Segment analysis (continued)

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

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

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

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

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

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

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

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

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

a. Segment results of operations

The segment information provided to the Executive Management for the reportable segments for the year ended 30 September 2016 is as follows:-

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

5 Segment analysis (continued)

a. Segment results of operations (continued)

Year ended 30 September 2015	Retail Banking $'000	Corporate Banking $'000	Treasury & Investments Banking $'000	Trustee & Asset Management $'000	Group Functions $'000	Total $'000
Net interest Income	479,617	371,951	315,610	2,904	833	1,170,915
Inter-segment net interest income	57,362	(31,221)	(26,141)	—	—	—
Net fee and commission income	143,982	16,701	46,198	211,436	3,816	422,133
Foreign exchange gains	41,042	2,186	76,368	43	873	120,512
Other income	168	24	701,058	4,375	33	705,658
Total income	722,171	359,641	1,113,093	218,758	5,555	2,419,218
Loan impairment charges	(11,416)	8,934	(2,067)	—	—	(4,549)
Depreciation and amortisation expense	(29,788)	(652)	(8,922)	(1,155)	(23,522)	(64,039)
Administrative expenses	(188,911)	(11,755)	(170,815)	(21,257)	(136,090)	(528,828)
Other operating expenses	(246,911)	(27,002)	(69,202)	(18,656)	(34,614)	(396,385)
Total non-interest expenses	(477,026)	(30,475)	(251,006)	(41,068)	(194,226)	(993,801)
Profit before taxation	245,145	329,166	862,087	177,690	(188,671)	1,425,417
Income tax expense	(1,166)	(226)	(35,490)	(42,450)	(82,490)	(161,822)
Profit for the year	243,979	328,940	826,597	135,240	(271,161)	1,263,595
As at 30 September 2015						
Total assets	6,977,892	10,470,563	24,992,527	358,345	484,375	43,283,702
Total liabilities	16,748,444	3,497,569	15,985,026	65,984	9,862	36,306,885

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

Year Ended 30 September 2016	Total management reporting $'000	Consolidation and adjustments $'000	Total consolidated $'000
Net interest income	1,289,012	(5,250)	1,283,762
Non-interest income	923,153	(211,823)	711,330
Impairment losses	(81,266)	(4,956)	(86,222)
Non-interest expenses	(1,120,821)	13,461	(1,107,360)
Operating profit	1,010,078	(208,568)	801,510
Share of profit of associates and joint ventures accounted for by the equity method	—	15,865	15,865
Income tax expense	(183,874)	3,721	(180,153)
Profit for the year	826,204	(188,982)	637,222
As at 30 September 2016			
Total assets	40,785,065	(1,934,710)	38,850,355
Total liabilities	33,437,516	(1,266,465)	32,171,051

5 Segment analysis (continued)

b. Reconciliation of segment results of operations to consolidated results of operations (continued)

Year Ended 30 September 2015	Total management reporting $'000	Consolidation and adjustments $'000	Total consolidated $'000
Net interest income	1,170,915	(1,983)	1,168,932
Non-interest income	1,248,303	(653,885)	594,418
Impairment losses	(4,549)	—	(4,549)
Non-interest expenses	(989,252)	5,239	(984,013)
Operating profit	1,425,417	(650,629)	774,788
Share of profit of associates and joint ventures accounted for by the equity method	—	15,993	15,993
Income tax expense	(161,822)	1,479	(160,343)
Profit for the year	1,263,595	(633,157)	630,438
As at 30 September 2015			
Total assets	43,283,702	(5,745,388)	37,538,314
Total liabilities	36,306,885	(5,094,461)	31,212,424

6 Cash and due from other banks

	2016 $'000	2015 $'000
Cash and bank balances	2,766,748	1,597,982
Short-term investments	1,941,796	623,537
	4,708,544	2,221,519
Short-term investments:		
- Maturity within 3 months	586,737	323,360
- Maturity over 3 months	1,355,059	300,177
	1,941,796	623,537

The average effective interest rate on short-term bank deposits was 1.0% (2015: 0.65%); these deposits have an average maturity of 90 days (2015: 90 days).

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

	2016 $'000	2015 $'000
Cash and bank balances	2,766,748	1,597,982
Short-term investments – maturity within 3 months	586,737	323,360
Due to other banks	(459,470)	(200,911)
	2,894,015	1,720,431

7 Statutory deposits with Central Bank

Under the provisions of Financial Institutions Act 2008 (Trinidad and Tobago), the Bank and its subsidiary (First Citizens Asset Management Limited) are required to maintain as a deposit with the Central Bank of Trinidad and Tobago restricted cash balances. These balances represent a ratio of certain deposit liabilities held in such form and to such extent as the Central Bank may prescribe from time to time. As of 30 September 2016, 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 $652 million as at year end (2015: $2,751.2 million) and carries an average interest rate of 0.56% (2015: 0.47%) per annum. Interest is to be paid semi-annually.

7 Statutory deposits with Central Bank (continued)

In Barbados, under the provisions of the Financial Institution Act, 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to maintain as a deposit with the Central Bank of Barbados restricted cash balances. This balance represents a ratio of customers deposit balances (both domestic and foreign currency) held in such form and to such extent as the Minister, on advice of the Central Bank may prescribe from time to time. As at 30 September 2016, the ratio was 15% of total domestic customer deposit balances (comprising 10% government securities and 5% cash) plus 2% of total foreign customer deposit balances.

As at 30 September 2016 the Bank and its qualifying subsidiaries were in compliance with these requirements.

8(a) Financial assets available-for-sale

	2016 $'000	2015 $'000 Restated
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	6,727,686	6,739,260
Listed investments	1,622,099	1,160,542
Unlisted investments	3,142,398	2,567,798
	11,492,183	10,467,600
Impairment allowance	(8,253)	(7,810)
	11,483,930	10,459,790
Debt securities		
Listed	1,591,387	1,123,604
Unlisted	9,852,956	9,291,992
	11,444,343	10,415,596
Equity securities		
Listed	31,079	36,821
Unlisted	8,508	7,373
	39,587	44,194
Total securities	11,483,930	10,459,790
Current portion	2,908,555	3,317,265
Non current portion	8,575,375	7,142,525
	11,483,930	10,459,790

Investment securities totalling $4,203 million (2015 - $4,660 million) are pledged to secure the repurchase agreements (see Note 18). Interest rates on these repos range from 0.15% to 7.7% in 2016 (2015 – 0.15% to 7.7%).

	2016 $'000	2015 $'000
Balance at beginning of the year	10,459,790	8,649,403
Exchange differences	121,210	2
Additions	12,944,352	8,264,285
Disposals	(11,993,433)	(5,945,753)
Reclassifications (note 41)	—	(227,875)
Impairment allowance	—	22,387
Net fair value gains	(47,989)	(302,659)
Balance at end of year	11,483,930	10,459,790
Fair value gains/(losses) based on:		
Quoted market prices	(24,580)	(65,098)
Other techniques	(23,409)	(237,561)
	(47,989)	(302,659)
The movement in the impairment allowance is as follows:		
Allowance at beginning of the year	7,810	7,810
Exchange difference	443	—
Allowance at the end of year	8,253	7,810

8(b) Financial assets held to maturity

	2016 $'000	2015 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	487,853	508,545
Unlisted investments	679,251	343,032
Listed investments	75,819	754,696
	1,242,923	1,606,273
Current portion	94,246	363,749
Non current portion	1,148,677	1,242,524
	1,242,923	1,606,273
Balance at beginning of the year	1,606,273	1,792,818
Exchange differences	66,220	(344)
Additions	26,749	20,341
Maturity/redemption	(443,944)	(203,768)
Impairment	—	13,862
Amortisation of reserve	(17,752)	(22,320)
Amortisation of discounts/(premiums)	5,377	5,684
Balance at end of year	1,242,923	1,606,273

8(c) Financial assets at fair value through profit and loss

	2016 $'000	2015 $'000 Restated
Debt securities:		
- Unlisted	239,958	227,957
At beginning of year	227,957	104
Exchange differences	13,173	—
Additions (note 41)	—	227,875
Gains from changes in fair value	(1,172)	(22)
At end of year	239,958	227,957

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 Loans to customers

	2016 $'000	2015 $'000
Performing loans	13,140,658	13,645,349
Non-performing loans	532,466	478,772
	13,673,124	14,124,121
Allowance for loan losses	(341,183)	(293,586)
	13,331,941	13,830,535
Loans analysed by sector		
Consumer	2,588,768	2,377,430
Agriculture	18,082	9,048
Petroleum	534,175	186,842
Manufacturing	381,610	346,170
Construction	2,442,638	3,873,394
Distribution	283,897	259,266
Hotels and guest houses	525,587	526,934
Transport, storage and communications	897,541	924,554
Finance, insurance and real estate	1,697,392	1,359,211
Other business services	879,128	1,083,426
Personal services	26,415	288,978
Real estate mortgage	3,397,891	2,888,868
	13,673,124	14,124,121
Current portion	5,968,157	8,690,414
Non current portion	7,704,967	5,433,707
	13,673,124	14,124,121
Allowance for loan losses		
Allowance at beginning of the year	293,586	306,684
Exchange difference	1,947	—
Charge for the year	89,299	17,213
Loans written off during the year	(43,649)	(30,311)
Allowance at the end of year	341,183	293,586
Impairment loss on loans net of recoveries		
Charge for the year	89,299	17,213
Amounts recovered during the year	(4,930)	(11,304)
	84,369	5,909

10 Other loans and receivables

	2016 $'000	2015 $'000
Corporate	2,037,064	1,250,423
Individuals	15,866	16,597
Total other loans and receivables	2,052,930	1,267,020
Impairment allowance	(4,269)	(5,088)
	2,048,661	1,261,932
Current portion	1,105,300	832,576
Non current portion	943,361	429,356
	2,048,661	1,261,932
Balance at beginning of the year	1,261,932	1,263,093
Exchange differences	61,858	(30)
Net disposals	723,988	(1,163)
Net movement in allowance	883	32
Balance at end of year	2,048,661	1,261,932

The movement in the impairment allowance is as follows:

Allowance at beginning of the year	5,088	5,120
Exchange differences	64	—
(Recovery)/charge for the year	(883)	(32)
Allowance at the end of year	4,269	5,088

11 Loan notes

The loan notes due to the Group comprise the following:

	2016 $'000	2015 $'000
(i) Taurus Services Limited	410,914	479,399
(ii) First Citizens Holdings Limited (Holdings)	31,284	36,499
(iii) Central Bank of Trinidad and Tobago	—	1,642,156
	442,198	2,158,054

(i) This represents several interest bearing notes issued by Taurus Services Limited as consideration for assets sold to Taurus Services Limited as part of the restructuring of the three former banks and Government support for the Company on its formation (See Note 1).

The terms of the original notes, dated 30 September 1994, were as follows:
- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 5 years on principal payments; and
- Government guarantee.

On 1 October 2000, a new agreement was entered into whereby the GORTT made a bullet payment to reduce part of the interest accrued. The unpaid portion of the interest up to that date of $150 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $198.4 million. The new principal balance outstanding on the restructured loan notes as at 30 September 2004 which includes all capitalised interest to date amounted to $1,267 million.

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.

11 Loan notes (continued)

(ii) This represents the balance on a loan note issued by Holdings as consideration for $40 million redeemable preference shares in the Bank and a non-interest bearing note in the amount of $58 million issued by the Bank. The original terms of the note were as follows:

- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum; and
- Government guarantee.

On 1 October 2000, a new agreement was entered into whereby unpaid interest up to that date of $11.2 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled $17.9 million. The new principal balance outstanding on the restructured loan note as at 30 September 2004 which includes all capitalised interest to date amounted to $96.5 million.

The terms of this new agreement are as follows:
- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, this note has been serviced in accordance with the agreements. This note is not transferable.

(iii) This balance represents four pro-notes due from the Central Bank of Trinidad & Tobago (CBTT), 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 1 February 2009. These notes were repaid in March 2016.

12 Finance leases

	2016 $'000	2015 $'000
Gross lease receivable	340	588
Unearned finance charges	—	—
Net investment in finance leases	340	588
The gross investment in finance lease receivable is analysed as follows:		
- Up to one year	40	249
- One year to five years	300	339
	340	288
The net investment in finance leases may be analysed as follows:		
- Up to one year	40	249
- One year to five years	300	339
	340	588

13 Other assets

	2016 $'000	2015 $'000
Prepayments	40,266	31,181
Accounts receivable	106,152	186,950
Accrued interest	210,763	178,833
	357,181	396,964

14 Investment accounted for using equity methods

	2016 $'000	2015 $'000
Investment in Joint Venture	29,901	26,661
Investment in Associate	141,248	131,909
	171,149	158,570

a. Investment in joint ventures

	2016	2015
i) Infolink Services Limited (ISL)	28,831	25,671
ii) Trinidad & Tobago Interbank Payment System Limited (TTIPS)	1,070	990
	29,901	26,661
Beginning of the year	26,661	24,117
Share of profit after tax	4,211	3,696
Dividend received from Joint Ventures	(971)	(1,152)
At end of year	29,901	26,661

(i) This investment represents 25% of the equity capital of Infolink Services Limited, a company incorporated in Trinidad and Tobago whose principal activity is the provision of electronic banking reciprocity. Infolink's reporting period is December. The financial information below reflects the results as at September 2016.

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(ii) This investment represents 14.29% in the equity capital of Trinidad & Tobago Inter-bank Payment System Limited whose principal activity is operation of an automatic clearings house. TIP's reporting period is October. The financial information below reflects the results as at August 2016.

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2016						
ISL	Trinidad & Tobago	120,025	4,702	31,405	16,519	25
TTIPS	Trinidad & Tobago	7,912	421	3,625	669	14.29
2015						
ISL	Trinidad & Tobago	105,412	2,727	25,803	14,447	25
TTIPS	Trinidad & Tobago	7,247	319	2,705	589	14.29

b. Investment in associate

	2016 $'000	2015 $'000
Beginning of the year	131,909	124,734
Share of reserve movement	1,554	2,252
Share of profit after tax	11,655	12,297
Exchange differences	4,450	—
Dividend received from associate	(8,320)	(7,374)
At end of year	141,248	131,909

St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange. The investment in associate at 30 September 2016 includes goodwill of $4.6 million (2015 - $4.6 million).

14 Investment accounted for using equity methods (continued)

a. Investment in joint ventures (continued)

The reporting period for St Lucia Electricity Services Limited is December. The information below reflects The Group's share of the results of associate and its share of the assets (including goodwill and liabilities) as at August 2016, are as follows:

Name	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest Held
2016						
St. Lucia Electricity Services Limited	St. Lucia	1,357,784	642,981	273,978	24,897	19.11
2015						
St. Lucia Electricity Services Limited	St. Lucia	1,309,903	644,484	566,562	64,273	19.11

The fair value of the investment in associate at 30 September 2016 is $141.2 million (2015: $131.9 million).

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15 Property, plant and equipment

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2016					
Opening net book amount	326,269	52,948	69,286	37,822	486,325
Additions	51,508	6,276	33,492	23,680	114,956
Disposals	—	—	(2,156)	—	(2,156)
Transfer	—	241	18,197	(18,438)	—
Reclassified to intangible assets (note16)	—	—	(9,828)	—	(9,828)
Revaluation surplus	2,447	—	—	—	2,447
Depreciation charge	(3,882)	(8,635)	(37,005)	—	(49,522)
Closing net book amount	376,342	50,830	71,986	43,064	542,222
At 30 September 2016					
Cost/valuation	395,849	139,180	472,410	43,064	1,050,503
Accumulated depreciation	(19,507)	(88,350)	(400,424)	—	(508,281)
Net book amount	376,342	50,830	71,986	43,064	542,222

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2015					
Opening net book amount	288,868	51,927	71,625	36,876	449,296
Additions	424	2,153	33,172	22,073	57,822
Disposals	(3,600)	(32)	(1,035)	—	(4,667)
Transfer	10,544	10,583	—	(21,127)	—
Revaluation surplus	33,322	—	—	—	33,322
Depreciation charge	(3,289)	(11,683)	(34,476)	—	(49,448)
Closing net book amount	326,269	52,948	69,286	37,822	486,325
At 30 September 2015					
Cost/valuation	341,893	132,663	432,705	37,822	945,083
Accumulated depreciation	(15,624)	(79,715)	(363,419)	—	(458,758)
Net book amount	326,269	52,948	69,286	37,822	486,325

15 Property, plant and equipment (continued)

a. Recognised fair value measurements

(i) Fair Value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non financial assets carried at fair value into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.7(b).

Level 3	2016 $'000	2015 $'000
Land and building	370,442	320,369
Building on Lease Land	5,300	5,300
Freehold Land	600	600
	376,342	326,269

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

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

As at 30 September, 2016, the Group's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

At the end of each reporting period, management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property's value within a range of reasonable fair value estimates.

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The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available Management considers information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

(iii) Transfer between level 2 and 3 and change in valuation techniques

There were no transfers between levels 2 and 3 for recurring fair value measurements nor change in the valuation technique during the financial year.

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

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

	2016 $'000	2015 $'000
Cost	258,943	206,985
Accumulated depreciation	(85,124)	(81,242)
Net book amount	173,819	125,743

16 Intangible assets

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2016				
Acquisition cost	174,836	237,913	36,284	449,033
Accumulated amortisation and impairment	—	(188,617)	(15,749)	(204,366)
Net book amount	174,836	49,296	20,535	244,667
Period ended 30 September 2016				
Opening net book amount	174,836	34,944	24,472	234,252
Additions	—	27,035	—	27,035
Reclassified from property, plant and equipment (note15)	—	9,828	—	9,828
Amortisation charge	—	(22,511)	(3,937)	(26,448)
Closing net book amount	174,836	49,296	20,535	244,667
As at 30 September 2015				
Acquisition cost	174,836	200,415	36,284	411,535
Accumulated amortisation and impairment	—	(165,471)	(11,813)	(177,284)
Net book amount	174,836	34,944	24,471	234,251
Year ended 30 September 2015				
Opening net book amount	174,836	29,918	28,409	233,163
Additions	—	22,884	—	22,884
Disposal	—	(925)	—	(925)
Amortisation charge	—	(16,933)	(3,938)	(20,871)
Closing net book amount	174,836	34,944	24,471	234,251

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. There was no impairment identified in 2016 (2015: nil).

Impairment test for goodwill

Goodwill is allocated for impairment testing purposes for the following cash generating units as follows:-

Goodwill

	2016 $'000	2015 $'000
First Citizens Investment Services (FCIS)	156,886	156,886
First Citizens Barbados Limited (FCBB)	17,949	17,949
	174,835	174,835

The recoverable amounts of the cash generating units were determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial projections by management covering a five (5) year period and a discount rate. Cash flow beyond that five year period have been extrapolated using the growth rate for the respective units.

The key estimates used in the value-in-use calculations are as follows:-

	2016		2015	
	FCIS	FCBB	FCIS	FCBB
Estimates Used in the Value-for-Use				
Net Interest Margin Growth	3.75%	6.95%	1.40%	6.38%
Growth Rate	5.25%	7.00%	4.89%	6.92%
Discount Factors	3.45%	7.75%	2.60%	7.75%

These assumptions were used for the analysis of each cash generating unit. Management determined the net interest margin and growth rate based on past performance and its expectations of the market developments.

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The impairment test carried out as at 30 September 2016, revealed that the recoverable amounts for the cash generating units are $5.2B for FCIS, being 236% of its carrying amount, and $0.5B for FCBB or 115% of its carrying amount.

17 Customers' deposits

Deposits are analysed by sector as follows:

	2016 $'000	2015 $'000
Public institutions	8,397,207	5,985,807
Private institutions	8,442,327	7,008,174
Consumers	8,183,333	8,000,546
	25,022,867	20,994,527
Current portion	24,409,595	20,762,135
Non current portion	613,272	232,392
	25,022,867	20,994,527

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $5.5 billion (2015: $4.2 billion) are at fixed rates. All other deposits amounting to $19.5 billion (2015: $16.8 billion) are at variable rates.

18 Other funding instruments

	2016 $'000	2015 $'000
Loan participation	6,980	9,247
Repurchase agreements	4,202,844	4,659,842
Funds under management	32,386	80,529
USD Fixed Rate Note	247,364	—
	4,489,574	4,749,618

Other funding instruments are analysed by sector as follows:

	2016 $'000	2015 $'000
Public institutions	1,840,853	2,540,400
Private institutions	1,685,255	1,425,560
Consumers	963,466	783,658
	4,489,574	4,749,618
Current portion	3,794,117	4,484,870
Non-current portion	695,457	264,748
	4,489,574	4,749,618

Interest rates on these repos range from 0.15% to 7.70% in 2016 (2015: 0.15% to 7.70%).

19 Creditors and accrued expenses

	2016 $'000	2015 $'000
Other liabilities	315,121	205,748
Interest payable	53,031	45,396
Due to GOTT	22,889	18,141
Funds payable to bondholders	61,609	11,835
Due to NGC (Proceeds from TTNGL IPO)	—	2,689,664
	452,650	2,970,784

The amount due to GORTT relates to what is owed by the Bank with respect to payments made on claims which were subsequently recovered pursuant to Liquidity Support Agreement outlined in note 3 a. (iv) (e).

20 Retirement benefit asset

	2016 $'000	2015 $'000
a. Net liability in balance sheet		
Present value of obligation	(1,254,103)	(1,232,361)
Pension plan assets at fair value	1,224,650	1,212,202
Value of deficit	(29,453)	(20,159)
Net defined benefit liability	(29,453)	(20,159)

	2016 $'000	2015 $'000
b. Movement in present value of defined benefits obligation:		
Beginning of year	1,232,361	1,134,832
Current year service cost	58,516	53,460
Interest cost	60,844	56,012
Members contributions	13,493	11,397
Re-measurements		
- Experience adjustments	36,616	6,211
- Actuarial (gains) from change in financial assumptions	(116,366)	—
Benefits paid	(31,361)	(29,551)
Defined benefit obligation at end of year	1,254,103	1,232,361
c. The defined benefit obligation is allocated between the Plan's members as follows:		
- Active	73%	73%
- Deferred members	7%	7%
- Pensioners	20%	20%

The weighted average duration of the defined benefit obligation at year end was 19.4 years

95% of the benefits for active members are vested

35% of the defined benefit obligation for active members is conditional on future salary increases

	2016 $'000	2015 $'000
d. Movement in fair value of plan assets:		
Beginning of year	1,212,202	1,209,765
Interest income	60,820	60,588
Return of plan assets, excluding interest income	(56,870)	(62,196)
Company's contributions	27,654	23,359
Members contributions	13,493	11,397
Benefits paid	(31,361)	(29,551)
Expense allowance	(1,288)	(1,160)
Fair value of plan assets at end of year	1,224,650	1,212,202
Actual return on plan asset	3,950	(1,608)

20 Retirement benefit asset (continued)

	2016 $'000	2015 $'000
e. Asset allocation		
Local and regional equity securities	382,733	386,486
Overseas equities (outside CARICOM)	197,155	180,745
TT$ denominated bonds	557,909	546,633
US$ denominated bonds	8,704	1,431
Cash and cash equivalents	77,929	96,698
Other (annuities, mortgages etc.)	220	209
Fair value of plan assets at end of year	1,224,650	1,212,202

All asset values as at 30 September 2016 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Plan's investment manager calculates the fair value of the government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested using a strategy agreed with the Plan's Trustee and Management Committee.

This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments.

There are no asset-liability matching strategies used by the Plan.

Notes to the Consolidated Financial Statements (continued)
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	2016 $'000	2015 $'000
f. Expenses recognised in profit or loss		
Current service costs	58,516	53,460
Net interest on net defined benefit liability/asset	24	(4,576)
Administrative expenses	1,288	1,160
Net pension income	59,828	50,044
g. Re-measurements		
Return on plan assets, excluding interest income	—	62,196
Experience (gains)/losses	(22,880)	6,211
Total amount recognised in other comprehensive income	(22,880)	68,407
h. Reconciliation of opening and closing balance sheet entries		
Opening defined benefit (liability)/asset	(20,159)	74,933
Net pension cost	(59,828)	(50,044)
Re-measurements recognised in other comprehensive income	22,880	(68,407)
Company contribution paid	27,654	23,359
Closing defined benefit (liability)/asset	(29,453)	(20,159)
i. Summary of principal assumptions as at 30 September		
Discount rate	5.5%	5.0%
Average individual salary increases	5.5%	5.5%
Future pension increases	1.5%	1.5%

20 Retirement benefit asset (continued)

i. Summary of principal assumptions as at 30 September (continued)

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 30 September 2016 are as follows:

	2016 $'000	2015 $'000
Life expectancy at age 60 for current pension in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

j. Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2016 would have changed as a result of a change in the assumptions used.

	1% pa decrease	1% pa increase
Discount rate	(185,000)	250,000
Future salary increases	83,000	(70,000)
Future pension increase	152,000	(119,000)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2016 by $19.0 million (2015: $21.8 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

k. Funding

The Bank meets the balance of the cost of funding the defined benefit Pension Plans and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $28.0 million to the Pension Plans during 2016/17.

Notes to the Consolidated Financial Statements (continued)
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21 Bonds payable

	2016 $'000	2015 $'000
(i) Fixed Rate Bond TTD$500 Million	—	406,550
(ii) First Citizens (St Lucia) Limited USD$175 million Bond	—	1,021,024
(iii) Fixed Rate Bond TTD$400 Million (Series 1)	400,000	400,000
(iv) Fixed Rate Bond TTD$100 Million (Series 2)	100,000	100,000
(v) Fixed Rate Bond TTD$900 Million	900,000	—
	1,400,000	1,927,574
Current portion	—	1,427,574
Non current portion	1,400,000	500,000
	1,400,000	1,927,574

(i) 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 was repaid on maturity in October 2015.

(ii) First Citizens (St. Lucia) Limited USD$175 million 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 was repaid on maturity in February 2016.

(iii) TTD Fixed Rate Bond Series 1 – In August 2014, this bond for $400 million was issued. This bond is unsecured and carries a fixed rate of 3.10% with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

(iv) TTD Fixed Rate Bond Series 2 – In August 2014, this bond for $100 million was issued. This bond is unsecured and carries a fixed rate of 3.25% with a tenor of ten (10) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 7th anniversary subject to the minimum notice of 90 days.

(v) TTD Fixed Rate Bond – In October 2015, this bond for $900 million was issued. This bond is unsecured and carries a fixed rate of 4.25% with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 5th anniversary subject to the minimum notice of 60 days.

22 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 12.5%, 25% and 32% (2015 – 12.5%, 25% and 30%).

	2016 $'000	2015 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(268,682)	(349,456)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on available-for-sale financial assets	12,664	70,687
- Revaluation on held to maturity	1,244	1,055
- Revaluation on property, plant and equipment	32,954	(8,402)
- Revaluation of property, plant and equipment - Associates	—	(563)
- Remeasurement of defined benefit liability	(5,720)	17,102
Credit to consolidated statement of income (note 35)	(802)	895
At end of year	(228,342)	(268,682)

Deferred income tax assets and liabilities are attributable to the following items:

	Balance at 1.10.15 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Other Comprehensive Income $'000	Balance at 30.09.16 $'000
Deferred income tax assets				
Tax losses carried forward	252	(252)	—	—
Provisions	(97)	1,082	—	985
Fair value measurement of asset through profit or loss	85	258	—	343
	240	1,088	—	1,328
Deferred income tax liabilities				
Retirement benefit asset	(26,520)	8,044	—	(18,476)
Remeasurement of defined benefit liability	(37,401)	—	(5,720)	(43,121)
Fair value measurement of available-for-sale	(110,948)	—	12,664	(98,284)
Fair value measurement of held to maturity	(6,230)	—	1,244	(4,986)
Intangible asset recognised on business combination	(9,154)	1,480	—	(7,674)
Zero coupon instruments	(21,478)	(3,106)	—	(24,584)
Accelerated tax depreciation	(17,447)	(3,439)	—	(20,886)
Unrealised exchange and other gains	193	(4,869)	—	(4,676)
Revaluation gain on property, plant and equipment	(36,666)	—	32,954	(3,712)
Revaluation of PPE – Associates	(3,271)	—	—	(3,271)
	(268,922)	(1,890)	41,142	229,670
Net deferred income tax liability	(268,682)	(802)	41,142	228,342

22 Deferred income tax (continued)

	Balance at 1.10.14 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Other Comprehensive Income $'000	Balance at 30.09.15 $'000
Deferred income tax assets				
Tax losses carried forward	252	—	—	252
Provisions	252	(349)	—	(97)
Unrealised exchange and other gains	472	(279)	—	193
Fair value measurement of assets through profit or loss	398	(313)	—	85
	1,374	(941)	—	433
Deferred income tax liabilities				
Retirement benefit asset	(33,192)	6,672	—	(26,520)
Remeasurement of defined benefit liability	(54,503)	—	17,102	(37,401)
Fair value measurement of available-for-sale	(181,635)	—	70,687	(110,948)
Fair value measurement of held to maturity	(7,285)	—	1,055	(6,230)
Intangible asset recognised on business combination	(10,634)	1,480	—	(9,154)
Zero coupon instruments	(18,159)	(3,319)	—	(21,478)
Accelerated tax depreciation	(14,450)	(2,997)	—	(17,447)
Revaluation gain on property, plant and equipment	(28,264)	—	(8,402)	(36,666)
Revaluation of PPE – Associates	(2,708)	—	(563)	(3,271)
	(350,830)	1,836	79,879	(269,115)
Net deferred income tax liability	(349,456)	895	79,879	(268,682)

23 Notes due to parent company

	2016 $'000	2015 $'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)).

24 Share capital

The total authorised number of shares are issued and fully paid. Twenty percent (20%) of these shares are trading on the local stock exchange.

	2016 $'000	2015 $'000
251,353,562 ordinary shares of no par value	539,957	539,957
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	643,557

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

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

25 Statutory reserves

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

In accordance with the Financial Institutions Act 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to transfer to a reserve fund a minimum of 25% of the net income for the year, wherever the amount of the reserve fund is less than the stated capital.

26 Retained Earnings

The retained earnings is the accumulated net income that is retained by the group at a particular point of time, such as at the end of the reporting period. At the end of that period, the net income (or net loss) at that point is transferred from the Profit and Loss Account to the retained earnings account.

27 Other reserves

(i) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of the available-for-sale financial assets, net deferred tax, until the assets are derecognised or impaired.

(ii) Revaluation reserve

The revaluation reserve relates to the revaluation of the freehold property.

(iii) Re-measurement of defined benefit reserve

The remeasurements of the defined benefit represents actuarial gains and losses, returns on plan assets (outside of any changes recorded as net interest) and any changes in the asset ceiling (outside of any changes recorded as net interest).

(iv) Translation reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations, as well as in a separate component in equity in the consolidated financial statements.

28 Interest income

	2016 $'000	2015 $'000
Loans to customers	881,929	838,153
Financial assets (available-for-sale, held to maturity and FVTPL)	609,544	524,555
Loan notes	60,066	87,779
	1,551,539	1,450,487

29 Interest expense

Customers' deposits	79,197	71,132
Other funding instruments	108,727	104,732
Loan note payable	4,610	—
Bonds payable	75,243	105,691
	267,777	281,555

30 Fees and commissions

Credit related fees	45,328	29,610
Transaction service fees/commissions	162,712	158,472
Portfolio and other management fees	222,676	226,686
	430,716	414,768

31 Other Income

Foreign Exchange Transaction gains less losses	141,170	133,253
Foreign Exchange Translation gains less losses	85,080	(12,741)
Other Income	17,870	31,673
	244,120	152,185

32 Impairment loss on other financial assets

	2016 $'000	2015 $'000
Directly written off/(write back) to income	(754)	(1,360)
	(754)	(1,360)

33 Administrative expenses

	2016 $'000	2015 $'000
Wages and salaries	513,947	425,069
Pension expenses (note 20 f.)	59,828	50,044
Other administrative expenses	53,688	53,047
Depreciation	72,987	66,206
	700,450	594,366

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

	2016		2015	
	Employees	%	Employees	%
First Citizens Bank Limited	1,443	82	1,418	83
Subsidiaries	314	18	298	17
	1,757	100	1,716	100

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

34 Other operating expenses

	2016 $'000	2015 $'000
Property expenses	79,299	72,698
Technical and professional	19,739	20,555
Advertising expenses	19,924	22,936
Hardware and software maintenance	32,848	27,627
Deposit insurance (see below)	33,331	34,138
Other operating expenses	221,769	211,693
	406,910	389,647

The Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 of Trinidad & Tobago established a Deposit Insurance Fund for the protection of depositors. By the Central Bank (Deposit Insurance) Order 1986, dated 17 September 1986, an annual premium of 0.2% of the average deposit liabilities outstanding as at the end of each quarter of the preceding year is levied.

The Barbados Deposit Insurance Corporation (BDIC), established under the Deposit Insurance Act-29 of 2006, came into operation on 8 June 2007. The deposit insurance initial contribution and premium was set at 0.05% of the insurable deposits held by the member during the calendar year preceding the calendar year for which the premium is payable.

35 Taxation

	2016 $'000	2015 $'000
Current tax	175,735	170,073
Prior period (over)/under provision	5,220	(8,835)
Deferred tax (Note 22)	(802)	(895)
	180,153	160,343

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

	2016 $'000	2015 $'000
Profit before taxation	817,375	790,781
Tax calculated at 25%	204,344	197,695
Income exempt from tax	(65,457)	(73,187)
Expenses not deductible for tax purposes	33,323	48,788
Prior year under provision	5,220	(8,835)
Effects of different tax rates in other countries (i)	2,723	(4,118)
	180,153	160,343

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

36 Dividends

	2016 $'000	2015 $'000
Ordinary dividend paid - final (prior period)	186,002	153,326
Ordinary dividend paid - interim	165,893	145,785
Preference dividend paid	2,922	2,922
	354,817	302,033

37 Related party transactions and balances

	2016 $'000	2015 $'000
a. Directors and key management personnel		
Salaries and other short-term employee benefits	45,673	28,610
Loans and receivables	22,427	18,778
Interest income	1,396	1,019
Customers' deposit	9,988	10,355
Interest expense	139	168
Other funding instruments	503	1,383
Interest expense	17	31
b. Transactions with associate		
Loans and receivables	41,596	55,113
Interest income	3,474	4,496
c. Transactions with parent		
Customers' deposit	4,239	2,408
Long term notes (Note 23)	58,000	58,000
Loan note (Note 11)	31,284	36,499
Interest income on loan notes	4,059	4,647
Due from parent	3,580	2,935
d. Pension Plan		
Employer's contribution (Note 20.d)	27,654	23,329

e. Government of the Republic of Trinidad and Tobago

As stated in note 1, on the formation of the Bank it was agreed that the assets and liabilities of the predecessor financial institutions would be transferred to the Bank and the non-performing portfolio sold to a liquidating company in consideration for an equivalent amount of Government-guaranteed notes and commercial paper. In 2009, the Bank entered into a Liquidity Support Agreement with GORTT and the Central Bank in relation to the acquisition of the shares of Caribbean Money Market Brokers Limited, now First Citizens Investment Services Limited which provided indemnification of the Bank against certain losses. In addition, the Central Bank agreed to put specific liquidity arrangements in place by way of pro notes to facilitate CIB fixed deposits transferred to the Bank in 2009.

37 Related party transactions and balances (continued)

e. Government of the Republic of Trinidad and Tobago (continued)

The current amount outstanding on these arrangements and obligations and the related income and expenses are disclosed below:-

	2016 $'000	2015 $'000
Assets		
Loan notes with Taurus Services Limited (Note 11 (i))	410,914	479,399
Loan note from Central Bank (Note 11 (iii))	—	1,642,156
Liabilities		
Due to GORTT (Note 19)	22,889	18,141
Interest income		
Loan notes with Taurus Services Limited	53,308	61,033
Loan note with the Central Bank	2,747	22,103

f. Other transactions with the Government of the Republic of Trinidad and Tobago

In addition to the balances in (d) above, the Group in its ordinary course of business enters into lending, deposit and investment transactions with the GORTT, other state owned institutions, state agencies and local government bodies. Transactions and balances between the Group and these related parties are as follows:

	2016 $'000	2015 $'000
Loans and receivables	2,955,349	2,775,833
Interest income	198,842	181,186
Customers' deposits	8,035,861	5,985,807
Interest expense	21,805	16,315
Financial assets- available-for-sale	8,118,103	6,739,260
Financial assets - held to maturity	487,853	508,545
Financial assets – Other Loans and Receivable	517,514	—
Investment income	274,759	233,079
Other funding instruments	—	885,084
Interest expense	—	3,650

38 Commitments

a. Capital commitments

	2016 $'000	2015 $'000
Capital expenditure approved by the Directors but not provided for in these accounts	19,477	15,390

b. Credit commitments

	2016 $'000	2015 $'000
Commitments for loans approved not yet disbursed	568,223	507,033

39 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.

	2016 $'000	2015 $'000
Acceptances	33,155	23,009
Guarantees	180,295	121,078
Letters of credit	18,054	14,027
	231,504	158,114

40 Lease rentals

The Group leased certain premises under non-cancellable operating leases expiring in various years up to 2026. The leases contain renewal options from five to twenty-five years. Rental expense incurred under lease agreements amount to $39.9 million for the year 2016 (2015: $37.4 million).

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

	2016 $'000	2015 $'000
- Up to one year	28,679	31,031
- One year to five years	59,413	75,215
- Over five years	31,099	61,662
	119,191	167,908

41 Restatement of 2015 consolidated financial statements

At the balance sheet date September 30, 2015 the Company's aggregate investment in Credit Linked Notes (CLNs) was valued at TTD 227 million; these CLNs were issued by three (3) international brokers. A CLN is a security with an embedded Credit Default Swap (CDS) which allows the issuer of the CLN to transfer the credit risk of a specified reference entity to the investor. In exchange, fixed or floating coupons are paid to the investor over the life of the CLN. At maturity, the investor receives the par value of the investment if no credit event has occurred. Given the occurrence of a credit event, the investor would receive the recovery value of the reference obligation as determined by the (International Swaps and Derivatives Association) ISDA physical settlement matrix.

An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. IAS 39 Financial Instruments: Recognition & Measurement requires an embedded derivative, unless specified conditions are met, to be separated from its host contract and accounted for as a separate derivative. In the event the embedded derivative cannot be separated then the entire contract should be accounted for as a derivative with fair value gains or losses through the profit and loss. At the Balance sheet date September 30 2016 management was unable to secure the independent Brokers prices to value the embedded derivatives separately for the entire portfolio of CLN's.

Consequently in accordance with the International Financial Accounting Standards (IFRS) the company has reclassified the Credit link notes from available-for-sale to financial assets at fair value through profit and loss. In accordance IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the reclassification meets the definition of a prior year error which triggers the restatement of the comparative figures within the prior period. At the Balance sheet date the value of the securities were $239 million (2015: $227 million). The fair value recognised in the profit and loss was $1.1 million (2015: nil).

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

The restatement did not have a material impact on the consolidated statement of comprehensive income or the earliest prior period presented since the instruments were purchased during the year ended 30 September 2015.

Effect on statement of financial position	**September 2015 $'000**
Available-for-Sale	
Available-for-sale as previously reported (note 8 a)	10,687,665
Reclass to fair value through profit and loss	(227,875)
Available-for-sale restated	10,459,790
Fair value through profit and loss	
Fair value through profit and loss as previously stated (note 8 c)	82
Reclass from available-for-sale	227,875
Fair value through profit and loss restated	227,957

42 Subsequent events

On 12 December 2016, the Board of Directors declared a final dividend payment of $ 0.67 per share payable to shareholders.

Subsequent to the balance sheet date, the GORTT and CBTT signed the supplemental agreement to the LSA formalising a further12 month extension with effect from 15 November 2016 (Note 3.a.iv.e).

In October 2016, the Board of First Citizens St Lucia Limited, approved the winding up of the business operations effective 31 December 2016.

First Citizens