First Citizens Investment Services Limited and Its Subsidiaries
(A Subsidiary of First Citizens Bank Limited)
Consolidated Financial Statements
30 September 2022
(Expressed in Trinidad and Tobago Dollars)

First Citizens
Investment Services

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Investment Services Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2022, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

General Manager	Head of Finance
21 November 2022	21 November 2022

Independent auditor's report

To the shareholder of

First Citizens Investment Services Limited

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Citizens Investment Services Limited (the Company) and its subsidiaries (together 'the Group') as at 30 September 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis of Opinion

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

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

Independence

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

Independent auditor's report (continued)

Other Information

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

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

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

When we read the Annual Report and the Prospectus for the offer of the Repurchase Agreements, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
22 November 2022

First Citizens Investment Services Limited and Its Subsidiaries
(A Subsidiary of First Citizens Bank Limited)
Consolidated Financial Statements
30 September 2022
(Expressed in Trinidad and Tobago Dollars)

First Citizens Investment Services

Consolidated Statement of Financial Position

	Notes	As at 30 September 2022 $'000	2021 $'000
Assets			
Cash and due from Banks	5	452,616	265,085
Financial assets			
- Fair value through other comprehensive income	6	2,137,509	2,807,717
- Amortised cost	7	3,734,961	3,939,450
- Fair value through profit or loss	8	636	607
Intangible assets	9	8,085	8,790
Property and equipment	10	43,076	44,983
Right of use assets	10	4,144	1,269
Other assets	12	32,481	41,414
Deferred income tax asset	17	702	998
Tax recoverable		21,185	19,977
Total assets		6,435,395	7,130,290
Liabilities			
Borrowings	13	1,292,720	1,518,109
Funds under management		6,221	6,420
Securities sold under repurchase agreements	14	3,280,111	3,356,300
Creditors and accrued expenses	15	130,113	109,342
Loan from parent company	16	257,107	362,740
Lease liabilities	11	4,287	1,211
Deferred income tax liability	17	10,756	114,225
Tax payable		11,289	23,482
Total liabilities		4,992,604	5,491,829
Shareholders' Equity			
Share capital	18	637,697	637,697
Retained earnings		816,545	775,911
Other reserves	19	(11,451)	224,853
Total shareholders' equity		1,442,791	1,638,461
Total equity and liabilities		6,435,395	7,130,290

The accompanying notes are an integral part of these consolidated financial statements.

On 21 November 2022 the Board of Directors of First Citizens Investment Services Limited authorised these consolidated financial statements for issue.

Director: Anthony Isidore Smart Director:

Consolidated Statement of Income

	Notes	Year ended 30 September 2022 $'000	2021 $'000
Interest income	20	277,330	302,326
Interest expense	21	(122,874)	(138,434)
Net interest income		154,456	163,892
Fees and commissions	22	109,686	107,057
(Loss)/gain realised on financial assets	23	(4,867)	15,815
Foreign exchange loss		(665)	(2,009)
Other income	24	16,884	12,826
Total net revenue		275,494	297,581
Impairment (loss)/gain on financial assets	25	(3,133)	13,151
Impairment loss on non-financial assets	26	(26)	(6,554)
Administrative expenses	27	(41,136)	(39,589)
Other operating expenses	28	(45,364)	(49,698)
Profit before taxation		185,835	214,891
Taxation charge	29	(34,058)	(42,062)
Profit for the year		151,777	172,829

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Year ended 30 September 2022 $'000	2021 $'000
Profit for the year		151,777	172,829
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment	19	--	(403)
Net (losses)/gains on investments in equity instruments designated at FVOCI	19	(5,665)	37,260
		(5,665)	36,857
Items that may be reclassified to profit or loss			
Net (losses)/gains on investments in debt instruments designated at FVOCI	19	(230,639)	9,905
		(230,639)	9,905
Total other comprehensive (loss)/income for the year net of tax		(236,304)	46,762
Total comprehensive (loss)/income for the year		(84,527)	219,591

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
Balance at 1 October 2021	637,697	775,911	224,853	1,638,461
Profit for the year	--	151,777	--	151,777
Other comprehensive loss	--	--	(236,304)	(236,304)
Total comprehensive loss for the year	--	151,777	(236,304)	(84,527)
Transactions with owners				
Dividends paid	--	(111,143)	--	(111,143)
Total transactions with owners	--	(111,143)	--	(111,143)
Balance at 30 September 2022	637,697	816,545	(11,451)	1,442,791
Balance at 1 October 2020	637,697	681,099	178,091	1,496,887
Profit for the year	--	172,829	--	172,829
Other comprehensive loss	--	--	46,762	46,762
Total comprehensive income for the year	--	172,829	46,762	219,591
Transactions with owners				
Dividends paid	--	(78,017)	--	(78,017)
Total transactions with owners	--	(78,017)	--	(78,017)
Balance at 30 September 2021	637,697	775,911	224,853	1,638,461

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 30 September 2022 $'000	2021 $'000
Cash flows from operating activities			
Profit before taxation		185,835	214,891
Adjustments to reconcile profit to net cash from operating activities:			
Impairment loss/(gain) on financial assets		3,156	(13,151)
Impairment loss on non-financial assets		3	6,554
Interest income		(277,330)	(302,325)
Interest expense		122,874	138,434
Interest on right of use assets		371	57
Depreciation		1,863	5,722
Depreciation for right of use assets		1,747	636
Amortisation		1,683	984
Gain on disposal of property and equipment		(96)	(19)
Loss on disposal of right of use assets		11	--
Unrealised foreign exchange loss		719	96
Unrealised loss on financial assets		16	21
Cash flows from operating activities before changes in operating assets and liabilities		40,852	51,900
Net change in fair value through other comprehensive income financial assets		335,106	455,213
Net change in amortised cost financial assets		186,502	146,396
Net change in fair value through profit or loss assets		(45)	(55)
Net change in other assets		9,202	(14,707)
Net change in right of use assets		(922)	--
Net change in securities sold under repurchase agreements		(82,768)	(526,142)
Net change in creditors and accrued expenses		22,268	22,245
Net change in funds under management		(844)	(21,816)
Net change in borrowings		(212,842)	(445,198)
Cash generated from operations		296,509	(332,164)
Interest received		291,309	308,247
Interest paid		(128,343)	(148,926)
Income taxes paid		(51,181)	(44,853)
Net cash flows generated from/(used in) operating activities		408,294	(217,696)
Cash flows from investing activities			
Change in short term investment		(69)	(76)
Proceeds from disposal of right of use assets		145	--
Proceeds from disposal of property and equipment		97	272
Purchase of financial assets		(972)	(5,459)
Purchase of property and equipment		(1,320)	(1,120)
Net cash flows used in investing activities		(2,119)	(6,383)
Cash flows from financing activities			
Repayment of principal of lease liabilities		(2,010)	(751)
(Repayment)/receipt of loan from parent company		(105,506)	94,295
Ordinary dividend paid		(111,143)	(78,017)
Net cash flows used in financing activities		(218,659)	15,527
Net increase/(decrease) in cash and cash equivalents		187,516	(208,552)
Cash and cash equivalents at beginning of year		262,641	471,193
Cash and cash equivalents at end of year	5	450,157	262,641
Represented by:			
Cash and due from Banks		449,422	261,914
Short-term investments – maturity within 3 months		735	727
	5	450,157	262,641

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

First Citizens Investment Services Limited ("the Company") and its subsidiaries (together "the Group") is incorporated in the Republic of Trinidad and Tobago. Effective 1 September 2018, the Group acquired 100% ownership of First Citizens Portfolio Investment and Management Services Limited (FCPIMS). The Group operates in Trinidad and Tobago as well as in St. Lucia, St. Vincent and Barbados through branches. Its principal business includes dealing in securities and such other business as is authorised pursuant to its registration under the Securities Act 2012 of the Republic of Trinidad and Tobago.

Effective 2 February 2009, First Citizens Bank Limited (the Bank) assumed control of the Group. The Bank is a subsidiary of First Citizens Group Financial Holdings Limited (FCGFH), a subsidiary of First Citizens Holdings Limited (Holdings), with a 60.1% controlling interest. Holdings is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the Bank's shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Group's registered office is 17 Wainwright Street, Port of Spain, Trinidad and Tobago.

The Group's subsidiaries, all wholly-owned, are:

- First Citizens Portfolio Investment and Management Services Limited;
- First Citizens Brokerage and Advisory Services Limited;
- First Citizens Investment Services (Barbados) Limited;
- Caribbean Money Market Brokers (Trincity) Limited; and
- FCIS Nominees Limited

2 Summary of significant accounting policies

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

a. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, fair value through other comprehensive income financial assets and financial assets classified at fair value through profit or loss.

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

(i) *Standards, amendments and interpretations which are effective and have been adopted by the Group in the accounting period.*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform-Phase 2 (Effective 1 January 2021). The amendments in *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The Group performed an assessment using Secured Overnight Financing Rate (SOFR)and the impact was immaterial refer to note (3.e.i) for further details
- Amendments to IFRS 16- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Effective 1 April 2021).* The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

  The adoption of these amendments does not give rise to any material impact to the financial statements.

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.*

- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intend use (Effective 1 January 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to IAS 37 – Onerous Contracts-Cost of fulfilling a contract (Effective 1 January 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Amendment to IFRS 3 – Reference to the Conceptual Framework *(Effective 1 January 2022). The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.*
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (Effective 1 January 2024). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- Amendments IAS1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (Effective 1 January 2023). The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
- Amendment to IAS 8 – *Definition of Accounting Estimates (Effective 1 January 2023).* The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Effective 1 January 2023).* The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

  The Group is in the process of assessing the impact of the new and revised standards not yet effective on the financial statements. We do not anticipate any material impact.

b. *Consolidation*

(i) *Principles of consolidation*

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

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

(ii) *Investment in subsidiaries*

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

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

(iii) *Business combinations and goodwill*

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration in relation to financial instruments to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

c. *Foreign currency translation*

(i) *Functional and presentation currency*

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

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

The exchange rate between the TT dollar and the US dollar to 30 September 2022 was TT$6.6926 = US$1.00 (2021: TT$6.6926 = US$1.00), the TT dollar and the XCD dollar was TT$2.5190 = XC$1.00 (2021: TT$2.5190 = XC$1.00), the TT dollar and the Barbados dollar was TT$3.4102 = BB$1.00 (2021: TT$3.4102 = BB$1.00) and the TT dollar and the Jamaican dollar was TT$0.0439 = JM$1.00 (2021: TT$0.0447 = JM$1.00).

(ii) *Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement of income are translated at average cover exchange rates for the financial year, and
(c) all resulting exchange differences are recognised in other comprehensive income.

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

d. *Derivative financial instruments*

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

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The Group classifies its financial assets based on the following business models:
- Hold to collect
- Hold to collect and sell
- Hold for trading

Based on these factors, the Group classifies its financial instruments into one of the following three measurement categories:

- *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at Fair value though profit or loss (FVTPL) are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance recognised and measured as described in note 3.a. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired (see definition on note 3 a vi) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

- *Fair value through other comprehensive income (FVOCI)*

  - Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss, except for foreign exchange on non-monetary assets which are measured in accordance to c.ii. above. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in "Gain on financial assets". The interest income from these financial assets is included in "interest Income' using the effective interest rate method.

- *Fair value through profit or loss (FVTPL)*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is measured at fair value through profit or loss and is not part of a hedging relationship is recognised and presented in the statement of income within "(Loss)/gain from financial assets". All equity gains and losses are recognized in the statement of income except for those designated at initial recognition to FVOCI or for those equities which are held for the strategic business operations.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value and foreign exchange gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(a) *Group's business model*

The business model reflects how the Group manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:
- The stated objective and policies of the portfolio and the operation of those in practice. Specifically, whether the Group's objective is solely to collect the contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Management's identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- Management considers, in classifying its assets, the level of historical sales and forecasted liquidity requirements.

Arising out of the assessment, the portfolios were deemed to have the business models identified as follows:

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

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

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

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

Hold to collect

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether cash flows represent solely payment of principal and interest (SPPI). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Hold to collect and sell

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent; a St. Lucia sovereign bond valued US$1M, which was incorrectly classified as at September 2021, was reclassified from fair value through other comprehensive income to amortised cost as at September 2022. There was no impact on the fair value reserve as the bond price remained unchanged.

Hold for trading

Hold for trading refers to equity instruments whose fair value movements are recognised through the consolidated statement of income

(b) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
- Note 3.a.iii provides more detail of how the expected credit loss allowance is measured.

(c) *Modification of financial assets*

The issuer of financial assets sometimes renegotiates or otherwise modifies the contractual cash flows of an instrument. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the borrower being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(d) *Derecognition other than on a modification*

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

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

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

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

(ii) *Financial liabilities*

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments (see note 3 c ii).

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2 Summary of significant accounting policies (continued)

f. *Impairment of non-financial assets*

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

g. *Offsetting financial instruments*

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

h. *Determination of fair value*

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

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

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

The Group uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value unlisted debt securities and other debt securities for which the market has become or is illiquid. Some of the inputs of this model may not be market observable and are therefore based on assumptions (see note 4.a.).

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

Securities sold under sale and repurchase agreements (repos) are retained on the consolidated statement of financial position as investment securities and the counterparty liability is included in securities sold under repurchase agreement and borrowings.

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

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

j. *Lease transactions*

For all new contracts entered into on or after 1 October 2019, the Group assesses whether a contract is, or contains a lease. A lease is defined as "a contract that conveys the right-of-use of an asset for a period of time in exchange for consideration". To assess whether a contract conveys the right-of-use of an asset, the Group assesses whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all the economic benefits from use of the assets through the period of use
- the Group has the right to direct the use of the asset throughout the period of use. The Group has this right when it has the rights to direct "how and for what purpose" the asset is used.

(i) *The Group as the lessee*

The Group recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

The Group depreciates the right-of-use assets on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The Group also assess the right-of-use asset for impairment when such indicators exists.

The Group measures the lease liability at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate, which is the Repo rate. Lease liabilities include the net present value of the following lease payments:-

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

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

Payments associated with short-term leases and all low-value assets are recognised on a straight-line basis as an expenses in the consolidated statement of income. Short-term leases are leases with a term of twelve (12) months or less. Low-value assets comprise IT equipment and small items of office furniture.

(ii) *The Group as the lessor*

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

k. *Property 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 and equipment are stated at historical cost less depreciation.

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

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

Increases in the carrying amount arising on revaluation of freehold premises are credited to fair value reserves in shareholders' equity. Decreases that affect previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the consolidated statement of income.

Depreciation and amortisation are computed on all assets except land.

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

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

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

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)

l. *Income tax*

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

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

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

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

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

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

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

m. *Employee benefits*

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

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

The Bank's defined benefit plan operates as a plan which shares risks among subsidiaries of the Group which are under common control. The Bank's policy is to recognise the net defined benefit cost of the plan in the separate financial statements of First Citizens Bank Limited, the entity which is legally considered the sponsoring employer of the plan. The Bank recognises a cost equal to its contribution payable for its employees in its separate financial statements.

The liability or asset is recognised in the Bank's statement of financial position. In respect of the defined benefit pension plan, as at September 2022, the defined benefit pension plan asset represented the fair value of the plan's asset less the present value of the obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The Group's contribution to the plan amounted to $3.2M (2021: $2.9M) (Note 27 a). These contributions were recharged by the Bank and settled through the intercompany.

(ii) *Profit sharing and bonus plans*

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

Included in the bonus and profit-sharing is a contribution to the employee share option plan which is administered by the Bank.

Included in the Bank's profit sharing and bonus plan is an employee stock option plan which is settled with the Bank through an intercompany recharge.

n. *Cash and due from Banks*

For purposes of the consolidated statement of cash flows, cash and due from banks are comprised of cash balances on hand, deposits with banks and short-term highly liquid investments with original maturities of three months or less when purchased, that are readily redeemable to known amounts of cash and which are subject to an insignificant risk of changes in value.

o. *Net interest income and expense*

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction cost, premium, discounts and interest paid or received that are integral to the effective interest rate, such as origination fees.

For financial assets that are credit impaired (stage 3), interest income is calculated by applying the effective interest rate to the carrying value net of the expected credit loss provision.

For financial assets classified as Purchased or Originated Credit Impaired (POCI), interest income is calculated by applying a Credit-Adjusted Effective Interest Rate (CAEIR) (based on an initial expectation of further credit losses) to the amortised cost of these POCI assets. The CAEIR is lower than the effective interest rate as the cash flows of the instruments are adjusted downwards for the impact of expected credit losses.

p. *Dividend income*

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

q. *Fee and commission income*

IFRS 15 's core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of the transfer of goods and services to customers. The Group's performance obligations are very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

Fees and commissions are recognised at a point in time when the service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised at a point in time on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis, which is normally on a monthly billing cycle at a point in time.

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

Brokerage & Advisory fees are generally recognized at a point in time upon full completion of the scope of works to the contract; however, for Initial Public Offerings and services of that nature the performance obligation may be specific to the stage of completion of the services performance obligation. In addition, some contracts may require variation to the performance obligation based on the client specifications. These contracts would qualify for revenue recognition over time.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)

r. *Borrowings*

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

s. *Dividend distribution*

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

t. *Provisions*

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

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

u. *Intangible assets*

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

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

Intangible assets with indefinite useful life are tested annually for impairment and 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 Cash Generating Units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

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

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

(iii) *Computer software*

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

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

v. *Fiduciary activities*

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

3 Financial risk management

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

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

Risk management framework

The Board of Directors of First Citizens Bank Limited has overall responsibility for the establishment and oversight of the First Citizens Group risk management framework. To assist the Board of Directors in fulfilling its duties, two Board sub-committees were established to monitor and report to the Board of Directors of the parent on the overall risks within the First Citizens Group - the First Citizens Group Enterprise Risk Management Committee and the Board Credit Committee; and two Senior Management Committees- the Senior Management Enterprise Risk Management Committee and the Asset Liability Committee.

The First Citizens Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer (GCRO), reports to both Sub-Committees of the Board of Directors through the Senior Management Committees. This unit is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the First Citizens Group through the First Citizens Group Operational Risk and Controls Unit, Group Credit Risk Management Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The First Citizens Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Management Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

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

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

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

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

3 Financial risk management (continued)

a. *Credit risk*

Credit risk is a significant risk for the First Citizens Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a First Citizens Group Credit Risk Management Unit which reports regularly to the Group Chief Risk Officer and the Board Credit Committee.

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

(i) *Credit risk management*

In its management of credit risks, the First Citizens Group has established an organisational structure which supports the lending philosophy of the First Citizens Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Group Chief Risk Officer (GCRO), the Credit Risk Management Unit and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the First Citizens Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies and credit requests exceeding the authority of management. The SMERC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of the Credit Risk Management Unit is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the First Citizens Group's written Credit Policy Manual.

(ii) *Credit risk grading*

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

Investment securities

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

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

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

	S&P Rating	Research & Analytics Risk Rating (Investment Securities)	Interpretation
Investment Grade	AAA, AA+	A+	Extremely Low Risk
	AA, AA-	A	
	A+, A	A-	Very Low Risk
	BBB+, BBB, BBB-	B+	Low Risk
Speculative Grade	BB+, BB, BB-	B	Moderate Risk
	B+, B, B-	B-	High Risk
	CCC+, CCC, CCC-, CC+, CC, CC-, C+, C, C-	C	Very High Risk
	D	D	In Default

(iii) *Expected credit loss measurement*

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by The First Citizens Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.a.iv for a description of how The First Citizens Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.a.vi for a description of how The First Citizens Group defines credit-impaired and default.
- For financial instruments in Stage 1, the respective ECL's are measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 respective ECL's are measured based on the expected credit losses on a lifetime basis. Please refer to note 3.a.vii for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 3.a.viii includes an explanation of how The First Citizens Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how The First Citizens Group determines appropriate groupings when ECL is measured on a collective basis (refer to note 3.a.x).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial Recognition) 12 month expected credit losses	**(Significant increase in credit risk)** Lifetime expected credit losses	**(Credit - impaired assets)** Lifetime expected credit losses

(iv) *Significant increase in credit risk (SICR)*

The First Citizens Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD - 15% or higher	PD - 25% or higher
AND	AND	AND
Relative Measure	One notch downgrade (investment securities rating scale)	One notch downgrade (investment securities rating scale)
OR	OR	OR
Special Consideration	Eurobonds with Trigger 3 Breaches	Eurobonds with Trigger 3 Breaches

The First Citizens Group has not used the low credit risk exemption for any financial instruments in the year ended 30 September 2022.

3 Financial risk management (continued)

a. *Credit risk (continued)*

(v) *Significant decrease in credit risk (SDCR)*

The First Citizens Group considers a financial instrument to have experienced a significant decrease in credit risk when one or more of the following criteria have been met:

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD - 12.5% or lower	PD - 25% or lower
AND	AND	AND
Relative Measure	Credit rating reverts to level just prior to the SICR	One notch upgrade (investment securities rating scale)
OR	OR	OR
Special Consideration	No credit stop loss breaches	No credit stop loss breaches

(vi) *Definition of default and credit-impaired assets*

The First Citizens Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure or restructure proceedings or an indication of the intention to restructure is initiated by the borrower.
- The obligation is classified doubtful or worse as per The First Citizens Group's classification process.
- A modification to terms and conditions of the original investment that would not normally be considered is executed and where the change in the present value of the cashflows of the new proposed investment versus the original exceed 10%.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD), throughout the Group expected loss calculations.

An investment instrument is considered to no longer be in default (i.e. to have cured) when it has been restructured. An exception exists for credit impaired facilities at origination.

Purchase Originated Credit-Impaired (POCI)

POCI financial assets are those for which one or more events that have a detrimental impact on the estimated future cash flows have already occurred. Indicators include:

- Borrower or issuer is experiencing significant financial difficulty;
- A breach of contract, such as a default or past due event;
- The granting of an uncustomary concession(s) by the lender(s) as a result of the borrower's financial difficulty;
- A high likelihood of bankruptcy or other financial reorganisation by the borrower;
- The loss of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

- PD represents the likelihood of a borrower defaulting on its financial obligation (as defined in note 3.a.vi), either over the next twelve (12) months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, either over the next twelve (12) months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance of the investment.
- LGD - For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Default and Recovery Rates (1983-2021). Corporate investment securities LGDs are based on the standard terms for North American corporate entities CDS contracts, taken from Moody's Analytics' CDS-implied EDF™ Credit Measures and Fair-value Spreads.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(vii) *Forward-looking information incorporated in the ECL models*

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

Determination of macroeconomic scenarios and probabilities

For each country in which the Group has investment securities, management performs scenario analysis to determine the impact of future economic conditions on the PD in these countries. Two main macro-economic variables (MEVs) are determined, which is statistically linked to the credit risk of that sovereign. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Relevant sovereign credit risk metrics are identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver and ordinary least squares (OLS) regression is conducted. To establish scenarios, the MEVs are 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best and worst. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 September 2022 incorporate the impact of COVID-19 and the Eastern European crisis as well as the increasing probability of a global economic slowdown due to strong inflationary pressures, rising interest rates and withdrawal of fiscal stimulus. As such the forward looking scenarios factor in all of these economic shocks.

The following are the lead sovereign indicators used in the macroeconomic overlay, the lead indicators remained unchanged from the prior year unless indicated:

TRINIDAD AND TOBAGO:
Lead Indicators:
• WTI Oil Price
• T&T FX Reserves

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

BARBADOS
Lead Indicators:
• US 10 Year Yield (2021: WTI Oil Price)
• UK Unemployment Rate (2021: US Dollar Index)

Both indicators are positively related to sovereign risk, such that both the US 10-year Treasury yield and UK Unemployment move in the same direction as Barbados' sovereign risk. This suggests that higher US Treasury yields and an increase in joblessness in the UK may negatively impact upon Barbados' economy and therefore likely to increase ECLs.

ST LUCIA/ ST VINCENT AND THE GRENADINES/ ANTIGUA AND BARBUDA
Lead Indicators:
• US GDP Growth Rate
• US Unemployment Rate

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

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

3 Financial risk management (continued)

a. *Credit risk (continued)*

(vii) *Forward-looking information incorporated in the ECL models (continued)*

Determination of macroeconomic scenarios and probabilities (continued)

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

For example, the following credit ratings were forecasted for the next three years using these macro-economic scenarios for Barbados. The weightings applied to the forecasted ratings were 60% for year 1, 20% each for year 2 and 3. These weightings were determined based on management's judgment and experience.

September-2022											
Current rating (as at September 2022) B-Å	**2023**				**2024**				**2025**		
	Base	**Worst**	**Best**	**Current**	**Base**	**Worst**	**Best**	**Current**	**Base**	**Best**	**Worst**
	B	B	BB	B-	B	BB	CCC+	B-	B-	B+	CCC
Probability of Transition (in %)	33.52%		0.00%	66.48%	44.82%	0.47%	5.24%	49.47%	92.79%	6.42%	0.79%

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Economic Research Unit on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used.

(viii) *Risk limit control and mitigation policies*

The First Citizens Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and by country are approved annually by the Group's Board of Directors. Actual exposures against limits are monitored regularly and reported to the Group's Risk Management Committee and the Board of Directors.

(a) *Single investor or industry exposure limits*

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed by the First Citizens Group for this purpose. The model utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established for the various country exposure categories based on the risk ranking.

(b) *Country exposure limits*

Exposure limits have been established for selected countries which are considered to be within the Group's target market. Three (3) risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(c) *Collateral*

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral to secure investments. Investment securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(d) *Liquidity support agreement*

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

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

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

The Ministry of Finance continues to recognise its commitment under the LSA agreement by way of granting consecutive extensions under the Liquidity Support Agreement for successive periods from 16 May 2015 with the most recent being from 1 March 2023 to 29 February 2024.

Interest continues to accrue at 4% and 5% for the CL Financial USD PNOTE and the CL Financial TTD commercial paper respectively. As at the statement of financial position date, the amount of Promissory Notes due was US$110,030,600 and the amount of the Commercial Paper due TT$269,411,522. The LSA extension was executed on 8 September 2022 confirming the extension to the expiration of the LSA on 29 February 2024. These are classified as amortised cost in the consolidated statement of financial position.

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

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

	Gross maximum exposure Sept 2022 $'000	**Gross maximum exposure Sept 2021 $'000**
Cash and due from banks	452,616	265,085
Financial assets		
- Fair value through other comprehensive income	1,701,712	2,368,082
- Amortised cost	3,772,452	3,969,442
Other assets (note 12)	26,512	31,149
	5,953,292	6,633,758

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

For on-consolidated statement of financial position assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-consolidated statement of financial position items.

As shown above, 8% of the total maximum exposure is derived from cash and due from banks and receivables (2021: 4%); while 92% represents investments in other debt securities (2021: 96%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its cash and due from banks and assets held at amortised cost portfolio and its other debt securities based on the following:

- The Group has maintained a stringent selection process for investing in securities with none of the impaired assets coming from new investments made in the current financial year.
- The collateral package or financial assurances in place in support of receivables minimises the probability of losses on this portfolio.
- For September 2022, more than 48.6% (2021: 50%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor's Ratings.
- As per Note 3.a.x.d 'Risk limit control and mitigation policies- Liquidity Support Agreement', management is confident that given the agreement to transfer the benefits of such assurances by First Citizens Bank Limited to the Group, the Group would realise no losses on these assets. The amount outstanding to the Group stood at TT$276.6M and US$110.5M as at 30 September 2022 (2021: TT$258.5M and US$106.97M) and continues to accrue interest.
- The Group's portfolio carries exposure to the credit risk of the Government of Barbados securities which at the consolidated statement of financial position date accounted for BB$115M, 6.703% of the value of Investment Securities (2021: BB$107M, 5.49%). Included in this portfolio are POCI bonds with a face value of BB$131,997,672 (2021: BB$131,997,672).
- The Group's exposure to the GORTT debt included in financial assets as at 30 September 2022 was TT$1.7B, 28.09% (2021: TT$1.8B, 26.6%).

3 Financial risk management (continued)

a. *Credit risk (continued)*

(x) *Financial assets*

Included in amortised cost past due but not impaired are amounts due from CL Financial and its affiliates of $1B which matured but are indemnified under the Liquidity Support Agreement (LSA) (2021: $974.4M). All principal and interest payments due on these advances are covered under the LSA as detailed in 3.a.x.d.

Further, the material indemnified amount outstanding under the Liquidity Support Agreement represents certain Promissory Note and Commercial Paper obligations which were and are due and owing by CL Financial Limited to CMMB (now First Citizens Investment Services Limited ("FCIS"). The GORTT has since petitioned to the Court to wind up CL Financial on the basis that the CL Financial was unable to pay its debts and or that it was just and equitable that the Company be wound up. On 25th July 2017, the Court of Appeal, ordered the appointment of a joint provisional liquidator over the assets of that company pending the determination of the winding up petition.

It is against this background that management made a formal claim/demand by the submissions of (Claim #14) indicating the Bank's intention to claim the full settlement by 30 September 2021 in accordance with the Bank's right to be indemnified in respect of those obligations under the terms of the LSA.

The GORTT in its letter dated 9 September 2022 stated its execution of an extension of the LSA for the period 1 March 2023 to 29 February 2024.

As at the Statement of Financial Position date, the total outstanding under the LSA was US$110.5M and TT$276.6M.

(xi) *Debt and other investment securities*

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

30 September 2022

	Fair value through other comprehensive income securities $'000	Amortised cost securities $'000	Total $'000
Investment grade	1,333,922	1,324,672	2,658,594
Speculative grade	367,790	2,447,780	2,815,570
Total	1,701,712	3,772,452	5,474,164

30 September 2021

	Fair value through other comprehensive income securities $'000	Amortised cost securities $'000	Total $'000
Investment grade	1,722,681	1,445,627	3,168,308
Speculative grade	645,401	2,523,815	3,169,216
Total	2,368,082	3,969,442	6,337,524

The following table contains an analysis of the credit risk exposure of financial instruments. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Investments 30 September 2022

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Credit rating					
Investment grade	2,658,594	--	--	--	2,658,594
Non-investment grade	2,374,599	58,634	--	382,337	2,815,570
Gross investments	5,033,193	58,634	--	382,337	5,474,164
Loss allowance - ECL	(36,623)	(5,260)	--	--	(41,883)
Carrying balance	4,996,570	53,374	--	382,337	5,432,281

Investments 30 September 2021

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Credit rating					
Investment grade	3,153,288	15,020		--	3,168,308
Non-investment grade	2,642,690	161,600	--	364,926	3,169,216
Gross investments	5,795,978	176,620	--	364,926	6,337,524
Loss allowance - ECL	(27,255)	(11,266)	--	--	(38,521)
Carrying balance	5,768,723	165,354	--	364,926	6,299,003

(xii) *Loss allowance*

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2021	(27,255)	(11,266)	--	(38,521)
Movement with P&L Impact				
Transfer from stage 1 to stage 2	--	--	--	--
Transfer from stage 2 to stage 1	(8)	8	--	--
New financial assets originated	(251)	(575)	--	(826)
Change in PDS/LGDs/EADs	(12,371)	2,461	--	(9,910)
Disposal of Investment	3,246	4,113	--	7,359
Modifications of contractual cash flows	--	--	--	--
Unwind of discounts	--	--	--	--
FX and other movements	(206)	--	--	(206)
Total net P&L charge during the period: (Note 25)	(9,590)	6,007	--	(3,583)
Financial assets derecognised during the period	--	--	--	--
Write-offs	222	(1)	--	221
Loss allowance as at 30 September 2022	(36,623)	(5,260)	--	(41,883)

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

a. *Credit risk (continued)*

(xii) *Loss allowance (continued)*

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2020	(24,899)	(12,499)	(5,964)	(43,362)
Movement with P&L Impact				
Transfer from stage 1 to stage 2	448	(448)	--	--
Transfer from stage 2 to stage 3	--	--	--	--
Transfer from stage 3 to stage 1	(5,964)	--	5,964	--
New financial assets originated	(1,557)	(8)	--	(1,565)
Change in PDS/LGDs/EADs	3,200	(43)	--	3,157
Disposal of Investment	1,444	1,700	--	3,144
Modifications of contractual cash flows	--	--	--	--
Unwind of discounts	--	--	--	--
FX and other movements	(25)	32	--	7
Total net P&L charge during the period: (Note 25)	(2,454)	1,233	5,964	4,743
Financial assets derecognised during the period	--	--	--	--
Write-offs	98	--	--	98
Loss allowance as at 30 September 2021	(27,255)	(11,266)	--	(38,521)

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

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Gross carrying balance as at 1 October 2021	5,795,978	176,620	--	364,926	6,337,524
Transfer from stage 2 to stage 1	2,494	(2,494)	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--	--
New financial assets originated	736,450	43,121	--	--	779,571
Disposal/Maturities of investment	(1,165,798)	(149,704)	--	--	(1,315,502)
Unwind of discounts	(335,931)	(8,909)	--	17,411	(327,429)
FX and other movements	--	--	--	--	--
Change in the carrying value	(762,785)	(117,986)	--	17,411	(863,360)
Financial assets derecognised during the period	--	--	--	--	--
Gross carrying balance as at 30 September 2022	5,033,193	58,634	--	382,337	5,474,164

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	POCI $'000	Total $'000
Gross carrying balance as at 1 October 2020	6,656,419	66,908	12,523	347,181	7,083,031
Transfer from stage 1 to stage 2	(161,325)	161,325	--	--	--
Transfer from stage 2 to stage 3	--	(6,929)	6,929	--	--
Transfer from stage 3 to stage 1	12,523	--	(12,523)	--	--
Transfer from stage 3 to credit impaired	5,328	--	--	(5,328)	--
New financial assets originated	516,266	2,484	--	--	518,750
Disposal/Maturities of investment	(1,228,252)	(42,034)	--	--	(1,270,286)
Unwind of discounts	8,981	(4,541)	--	24,099	28,539
FX and other movements	(13,962)	(593)	--	(1,026)	(15,581)
Change in the carrying value	(860,441)	109,712	(5,594)	17,745	(738,578)
Financial assets derecognised during the period	--	--	(6,929)	--	(6,929)
Gross carrying balance as at 30 September 2021	5,795,978	176,620	--	364,926	6,337,524

(xiii) *Write-off policy*

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2022 was nil (2021: nil). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(xiv) *Concentration of risks of financial assets with credit risk exposure – Geographical sectors*

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. The Group's investment portfolio, comprising cash and cash equivalents, financial assets – receivables, fair value through other comprehensive income, amortised cost, held for trading and repurchase receivables, is diversified across 32 countries. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into five regional sectors and the sector concentrations within the portfolio are as follows:

	Asia $'000	North America $'000	South & Central America $'000	Caribbean $'000	Other countries $'000	Total $'000
Cash and due from Banks	--	7,069	--	445,547	--	452,616
Financial assets:						
- Fair value through other comprehensive income	13,289	301,297	220,730	1,090,706	71,299	1,697,321
- Amortised cost	--	--	--	3,734,961	--	3,734,961
Other assets	--	188	129	26,195	--	26,512
At 30 September 2022	13,289	308,554	220,859	5,297,409	71,299	5,911,410

	Asia $'000	North America $'000	South & Central America $'000	Caribbean $'000	Other countries $'000	Total $'000
Cash and due from Banks	--	5,118	--	259,967	--	265,085
Financial assets:						
- Fair value through other comprehensive income	89,408	564,148	344,541	1,287,108	74,348	2,359,553
- Amortised cost	--	--	--	3,939,450	--	3,939,450
Other assets	--	337	297	30,515	--	31,149
At 30 September 2021	89,408	569,603	344,838	5,517,040	74,348	6,595,237

b. *Market risk*

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

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

Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

b. *Market risk (continued)*

Non-trading portfolios primarily arise from investments held as collateral for repurchase agreements. Non-trading portfolios also entail foreign exchange and equity risks arising from the Group's amortised cost and fair value through other comprehensive income investments.

(i) *Market risk measurement techniques*

As part of the management of market risk, the Group uses duration management and other portfolio strategies to manage market risk. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

The Group applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. VAR measurements capture potential losses arising from changes in interest rates and foreign exchange rates. The Board sets limits on the value of risk that may be accepted for the Group's, trading and non-trading portfolios, which are monitored on a daily basis by First Citizens Group Market Risk Unit.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, at a certain level of confidence (99%) under normal market conditions.

The First Citizens Group Market Risk calculates VAR using a 99% confidence level. The VAR model assumes a certain 'holding period' until positions can be closed (10 days for Eurobonds and 30 days for other securities). For comparability purposes the 1-day VAR for the portfolio segments are disclosed in the following section. A parametric approach is used in calculating VAR which uses the volatility, correlation and relative weights of the securities in the portfolio. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Actual exposure against limits is monitored by Risk Management on a daily basis. There are Board approved limits set on the portfolio VAR. A breach in these limits would trigger actions by the management of the Group to reduce risk on the portfolio. These actions can include hedging of the portfolio or specific positions or sale of securities to bring the portfolio back within limit.

The quality of the VAR model is continuously monitored by back-testing the VAR results. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by risk management include interest rate stress testing, where movements in the yield curve are applied to each investment.

The Group stressed test the portfolio at 30 September 2022 based on a 100 basis point (1%) upward parallel shift in all yield curves which resulted in unrealized mark to market losses of $205.68M (2021: $294.48M).

The results of the stress tests are reviewed by senior management, the Risk Management Committee and by the Board of Directors.

Based on net foreign currency positions at 30 September 2022 and 2021, the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

	USD $'000	EC $'000	JMD $'000	BBD $'000
At 30 September 2022				
Gain/(loss)	14,561	(3,371)	10,996	1,079
At 30 September 2021				
Gain/(loss)	20,575	(3,778)	11,185	921

Group 1-day VAR by portfolio

	30 September 2022			30 September 2021		
	Average $'000	High $'000	Low $'000	Average $'000	High $'000	Low $'000
Trading	13,512	19,635	8,642	10,065	15,331	6,785
Non-trading	21,792	30,080	15,973	28,380	30,314	16,564
Total VAR	35,304	49,715	24,615	38,445	45,645	23,349

(ii) *Foreign exchange risk*

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Group not to engage in speculative foreign exchange activities, The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Group's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Group does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2022. Included in the table are the Group's financial instruments at TTD equivalents, categorised by currency.

	TT $'000	US $'000	EC $'000	JMD $'000	BBD $'000	Other $'000	Total $'000
At 30 September 2022							
Assets							
Cash and due from Banks	158,159	195,096	80,079	109	19,013	160	452,616
Financial assets							
- Fair value through other comprehensive income	4,463	1,698,507	56	430,040	4,443	--	2,137,509
- Amortised cost	1,611,738	884,019	816,683	--	422,521	--	3,734,961
- Fair value through profit or loss	1	162	--	--	473	--	636
Other assets	11,303	1,304	3,689	9,885	331	--	26,512
Total assets	1,785,664	2,779,088	900,507	440,034	446,781	160	6,352,234
Liabilities							
Borrowings	200,741	1,091,979	--	--	--	--	1,292,720
Funds under management	4,766	376	--	--	1,008	71	6,221
Securities sold under repurchase agreements	1,153,108	755,770	973,770	--	397,463	--	3,280,111
Loan from parent company	--	257,107	--	--	--	--	257,107
Creditors and accrued expenses	41,435	18,307	64,958	--	5,413	--	130,113
Total liabilities	1,400,050	2,123,539	1,038,728	--	403,884	71	4,966,272
Net on-consolidated statement of financial position	385,614	655,549	(138,221)	440,034	42,897	89	1,385,962

	TT $'000	US $'000	EC $'000	JMD $'000	BBD $'000	Other $'000	Total $'000
At 30 September 2021							
Assets							
Cash and due from Banks	110,813	83,025	56,653	108	14,321	165	265,085
Financial assets							
- Fair value through other comprehensive income	3,605	2,360,515	174	438,647	4,776	--	2,807,717
- Amortised cost	1,734,030	930,835	874,862	--	399,723	--	3,939,450
- Fair value through profit or loss	--	179	--	--	428	--	607
Other assets	9,233	2,966	3,272	8,850	6,828	--	31,149
Total assets	1,857,681	3,377,520	934,961	447,605	426,076	165	7,044,008

3 Financial risk management (continued)

b. *Market risk (continued)*

(ii) *Foreign exchange risk (continued)*

	TT $'000	US $'000	EC $'000	JMD $'000	BBD $'000	Other $'000	Total $'000
At 30 September 2021							
Liabilities							
Borrowings	200,742	1,317,367	--	--	--	--	1,518,109
Funds under management	4,801	376	13	--	1,145	85	6,420
Securities sold under repurchase agreements	1,161,132	764,796	1,047,165	--	383,207	--	3,356,300
Loan from parent company	--	362,740	--	--	--	--	362,740
Creditors and accrued expenses	43,896	17,472	42,663	--	5,311	--	109,342
Total liabilities	1,410,571	2,462,751	1,089,841	--	389,663	85	5,352,911
Net on-consolidated statement of financial position	447,110	914,769	(154,880)	447,605	36,413	80	1,691,097

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

(iii) *Interest rate risk*

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise. The Group's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The table below summarises the Group's exposure to interest rate risks.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 30 September 2022							
Assets							
Cash and due from Banks	172,630	735	2,458	--	--	276,793	452,616
Financial assets							
- Fair value through other comprehensive income	855	428,003	9,593	517,396	741,474	--	1,697,321
- Amortised cost	16,257	54,534	1,082,348	1,160,545	1,421,277	--	3,734,961
Other assets	--	--	--	--	--	26,512	26,512
Total assets	189,742	483,272	1,094,399	1,677,941	2,162,751	303,305	5,911,410
Liabilities							
Borrowings	6,461	--	201,034	1,085,225	--	--	1,292,720
Funds under management	6,221	--	--	--	--	--	6,221
Securities sold under repurchase agreements	378,612	651,831	1,759,078	490,590	--	--	3,280,111
Loan from parent company	7,645	--	--	249,462	--	--	257,107
Creditors and accrued expenses	--	--	--	--	--	130,113	130,113
Total liabilities	398,939	651,831	1,960,112	1,825,277	--	130,113	4,966,272
Interest sensitivity gap	(209,197)	(168,559)	(865,713)	(147,336)	2,162,751	173,192	945,138

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

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. If interest rates were to move by 1%, the impact on net interest income would be $12.6M (2021: $18.3M).

(iv) *Other price risk*

Other price risk arises due to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as fair value through other comprehensive income securities with fair value movements recognised in shareholders' equity. These investments are held for strategic reasons and risk is managed via exposure limits. As at 30 September 2022, the Group's significant holding is as follows:

	Originating currency JMD '000	Functional currency TTD '000
Equities instruments recognised in OCI		
As at 1 October 2021		
Equity Instruments	9,813,140	438,647
Additions	--	--
Disposals	--	--
FX	--	(7,850)
MTM Movement	(17,251)	(757)
As at 30 September 2022	9,795,889	430,040
Equities instruments recognised in OCI		
As at 1 October 2020		
Equity Instruments	5,203,838	246,142
Additions	3,029,200	137,079
Disposals	--	--
FX	--	(15,204)
MTM Movement	1,580,102	70,630
As at 30 September 2021	9,813,140	438,647

Price sensitivity

These securities are listed in Jamaica; if prices for equity securities listed in Jamaica move by 15% with all other variables including tax being held constant, the effects on the other comprehensive income would have been TT$64.5M in 2022 and TT$65.8M in 2021.

FX sensitivity

If the JMD appreciates by 250 basis points against the USD, the OCI would increase by TT$4.3M (2021: increase by TT$4.3M). The average change for the last three (3) years was 44 basis points (2021: 35 basis points). The change for 2022 was 25 basis points (2021: 51 basis).

3 Financial risk management (continued)

c. *Liquidity risk*

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

Liquidity risk management process

The First Citizens Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset/Liability Committee (ALCO). The First Citizens Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off-statement of financial position liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised. The Group manages liquidity risk using both expected and contractual cash flows through its investment portfolio strategy for its business model. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

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

The table below analyses financial assets and liabilities of the Group by remaining contractual maturities at the consolidated statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2022						
Assets						
Cash and due from Banks	452,633	--	--	--	--	452,633
Financial assets						
- Fair value through other comprehensive income	428,566	6,874	61,473	803,501	1,163,825	2,464,239
- Amortised cost	25,596	107,643	193,748	2,694,332	2,076,122	5,097,441
Other assets	26,512	--	--	--	--	26,512
Total assets	933,307	114,517	255,221	3,497,833	3,239,947	8,040,825
Liabilities						
Borrowings	8,244	--	226,858	1,108,829	--	1,343,931
Funds under management	6,221	--	--	--	--	6,221
Securities sold under repurchase agreements	375,378	653,583	1,782,383	513,275	--	3,324,619
Loan from parent company	7,645	--	2,436	267,174	--	277,255
Lease liabilities	324	286	1,365	3,416	--	5,391
Creditors and accrued expenses	130,113	--	--	--	--	130,113
Total liabilities	527,925	653,869	2,013,042	1,892,694	--	5,087,530
Net liquidity position	405,382	(539,352)	(1,757,821)	1,605,139	3,239,947	2,953,295

	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
At 30 September 2021						
Assets						
Cash and due from Banks	265,100	--	--	--	--	265,100
Financial assets						
- Fair value through other comprehensive income	370,361	57,625	78,714	913,140	1,420,744	2,840,584
- Amortised cost	12,091	99,548	243,683	2,726,420	2,274,755	5,356,497
Other assets	31,149	--	--	--	--	31,149
Total assets	678,701	157,173	322,397	3,639,560	3,695,499	8,493,330

	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
At 30 September 2021						
Liabilities						
Borrowings	5,952	--	744,525	844,776	--	1,595,253
Funds under management	6,420	--	--	--	--	6,420
Securities sold under repurchase agreements	287,712	516,173	2,173,994	421,952	--	3,399,831
Loan from parent company	108,316	--	258,855	--	--	367,171
Lease liabilities	63	125	563	1,028	--	1,779
Creditors and accrued expenses	109,342	--	--	--	--	109,342
Total liabilities	517,805	516,298	3,177,937	1,267,756	--	5,479,796
Net liquidity position	160,896	(359,125)	(2,855,540)	2,371,804	3,695,499	3,013,534

Assets available to meet all of the Group's liabilities include cash and due from banks; receivables and liquid debt securities. In the normal course of business, a proportion of liabilities to customers under securities sold under repurchase agreements repayable within one year will be extended. The Group's business model allows for the management of its liquidity risk using both expected and contractual cash flows. The Group would also be able to meet unexpected net cash outflows by accessing additional funding sources such as the existing facility with its parent company, asset-backed financing from commercial banks and securities brokers.

(i) *Assets held for managing liquidity risk*

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

(a) Cash deposits at Bank
(b) Government bonds
(c) Secondary sources of liquidity in the form of liquid instruments in the Group's investment portfolios.

(ii) *Loan commitments*

As at 30 September 2022 the Group has no financial instruments that commit it to taking up new receivables or other debt securities (2021: nil).

(iii) *Capital commitments*

At 30 September 2022, the Group had capital commitments towards Information Communication Technology (ICT) projects to the value of $3,244,745 (2021: $2,634,833).

d. *Fiduciary activities*

The Group provides custody, mutual funds and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

e. *Fair value of financial assets and liabilities*

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

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

	Carrying value		Fair value	
	Sept 2022 $'000	Sept 2021 $'000	Sept 2022 $'000	Sept 2021 $'000
Financial assets				
Cash and due from Banks	452,616	265,085	452,616	265,085
Financial assets at amortised cost	3,734,961	3,939,450	3,781,411	3,947,178
Other assets	26,512	31,149	26,512	31,149

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

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

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

	Carrying value		Fair value	
	Sept 2022 $'000	Sept 2021 $'000	Sept 2022 $'000	Sept 2021 $'000
Financial liabilities				
Borrowings and bank overdraft	1,292,720	1,518,109	1,489,393	1,772,113
Funds under management	6,221	6,420	6,283	6,420
Securities sold under repurchase agreement	3,280,111	3,356,300	3,515,955	3,423,808
Loan from parent company	257,017	362,740	257,017	362,740
Creditors and accrued expenses	130,113	109,342	130,113	109,342

The fair values of the Group's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS) 9 "Financial instruments: Recognition and Measurement". The fair value of the borrowings and securities sold under repurchase agreements are based on the fair value of the financial assets of the underlying securities less the accrued interest.

Financial instruments where carrying value is equal to fair value

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

Amortised cost investments

Fair value for amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the amortised cost portfolio is computed for disclosure purposes only.

Borrowings, Funds under Management and Securities sold under Repurchase Agreements

The above include maturities ranging from 1 day to 5 years and are subject to interest reset on a regular basis. The fair value of those amounts with maturities of less than one year is approximately equal to their carrying value. For long term fixed rate liabilities, the fair value of these amounts is estimated using fair value of the underlying securities and accrued finance cost to date.

Loan from parent company

The fair value of these facilities is calculated using discounted cash flow analysis of comparable GORTT borrowing rates for the term indicated, plus a spread consistent with the parent company credit rating September 2022 $257M (2021: $362.7M). These facilities accrue interest rates of 3 months LIBOR plus 275 basis point and 4%. If interest was accrued using the SOFR plus 275 basis point interest expense would decrease by $432,128. The fair value of those amounts with maturities of less than one year is approximately equal to their carrying value.

(ii) *Financial instruments measured at fair value using a valuation technique*

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period September 2022: $nil (2021: nil).

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 September 2022				
Fair value securities				
- Investment securities - debt	--	1,701,712	--	1,701,712
- Investment securities - equity	430,676	--	10,148	440,824
Total investments	430,676	1,701,712	10,148	2,142,536
As at 30 September 2021				
Fair value securities				
- Investment securities - debt	--	2,368,082	--	2,368,082
- Investment securities - equity	439,254	--	9,517	448,771
Total investments	439,254	2,368,082	9,517	2,816,853

There were no transfers between Level 1 and Level 2 during the year. Reconciliation of Level 3 items are as follows:-

Reconciliation of Level 3 items

	Equity $	Debt $	Total $
Balance as at 1 October 2021	9,517	--	9,517
Fair value movement	631	--	631
Additions	--	--	--
Exchange differences	--	--	--
Disposals	--	--	--
Accrued interest	--	--	--
Amortisation	--	--	--
Balance as at 30 September 2022	10,148	--	10,148

Reconciliation of Level 3 items

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

f. *Capital management*

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

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Commission), for supervisory purposes. The required information is filed with the Commission on a regular basis as required.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

f. *Capital management (continued)*

The Commission requires each securities company to hold the minimum paid up share capital of Five Million Trinidad and Tobago dollars. In addition to the minimum level of regulatory capital, the Group's management also monitors capital adequacy using relevant national and international benchmarks. Capital adequacy calculations are reported monthly to the Group's Risk and Portfolio Strategy Committee, the Risk Management Committee and the Board of Directors.

The Group complied with all of the externally imposed capital requirements to which it is subject for the periods ended 30 September 2022 and 30 September 2021.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

a. *Financial assets at fair value through other comprehensive income*

For actively traded instruments, the Group uses market prices from approved primary sources, mainly broker prices and Bloomberg. These inputs are then used in conjunction with the discounted cash flow method to determine the fair value of fair value through other comprehensive income financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of fair value through other comprehensive income financial assets would decrease by $71.43M if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2021 - $125.45M).

The Group's credit spread methodology utilises gradient tenors and currency specific spreads. The appropriate credit spread for the agency or corporate fixed income security is determined using a cubic spline interpolation of the appropriate currency and credit rating category in the credit spread matrix based on the remaining tenor of the facility. This singular credit spread is then added to the discount spot rates to value the facility using the discounted cashflow method.

There were no changes to the Credit Spread Methodology this year.

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

The Group recognises equity financial instruments in other comprehensive income to facilitate its business activities and for portfolio diversification. These shares are traded in an active market and are recognised in level 1 (see note 3.e.ii). Equity financial instruments which are quoted was valued $430.5M as at September 2022 (2021: $438.6M). The remainder of equity financial instruments in other comprehensive income are unlisted. As at September 2022, these instruments were valued at $10.1M (2021: $9.5M). The Group's listed equity financial instruments which are recognised in fair value through profit or loss as at September 2022 was $636K (2021: $607K) (see note 8).

b. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of debt instruments defaulting). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.vii. The main sensitivity to the ECL is in the macroeconomic overlay scenarios which are explained in note 3.a.viii.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

c. *Loss given default*

The Loss Given Default rate on corporate senior unsecured bonds is estimated to be 60% based on the International Swaps and Derivatives Association standard Credit Default Swap contract specification for North American corporate issuers. The Loss Given Default rate on sovereign senior unsecured bonds is estimated to be 47% based on the average Loss Given Default rate on Sovereign bonds during the period 1983 to 2019 as reported by Moody's Investors Service.

d. *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 Group determines the amount within a range of reasonable fair value estimates. In making the judgement, the Group considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount.
- The First Citizens Group engages external, independent and qualified valuators to determine the fair value of the Group's land and buildings at least every three years. The last valuations were performed as at September 2021.

5 Cash and due from Banks

	2022 $'000	2021 $'000
Cash and due from Banks	449,422	261,914
Short-term investments	3,194	3,171
	452,616	265,085
Short-term investments:		
- Maturity within 3 months	735	727
- Maturity over 3 months	2,459	2,444
	3,194	3,171

The average effective interest rate on cash and due from bank was 0.59% (2021: 0.22%).

Term deposits are presented as cash equivalent if they have a maturity of three months or less from the date of acquisition and repayable within 24 hours' notice with no loss of interest.

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

	2022	2021
Cash and due from Banks	449,422	261,914
Short-term investments – maturity within 3 months	735	727
	450,157	262,641

6 Financial assets - fair value through other comprehensive income

	2022 $'000	2021 $'000
Debt securities		
Unlisted	1,701,712	2,368,082
	1,701,712	2,368,082
Less provision for impairment	(4,391)	(8,529)
	1,697,321	2,359,553
Equity securities		
Listed	430,040	438,647
Unlisted	10,148	9,517
	440,188	448,164
	2,137,509	2,807,717

Notes to the Consolidated Financial Statements (continued)

6 Financial assets - fair value through other comprehensive income (continued)

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

	2022 $'000	2021 $'000
At start of year	2,807,717	3,219,273
Exchange difference Bonds	--	(8,712)
Exchange difference Equity	(3,169)	(13,531)
Additions Bonds	726,889	66,326
Additions Equity	--	135,405
Disposals	(1,045,738)	(658,230)
Reclassification to Amortised Cost	(6,782)	--
Amortisation of (premiums)/discounts	(13,704)	(13,493)
(Losses)/gains from changes in fair value of Bonds	(326,175)	14,860
Losses from changes in fair value of Equity	(5,667)	69,406
Net movement in provision for impairment	4,138	(3,697)
Cost reallocation	--	110
At end of year	2,137,509	2,807,717

Included in these are financial assets amounting to $1.81B (2021: $2.21B) that have been pledged to third parties under sale and repurchase agreements.

7 Financial assets - amortised cost

	2022 $'000	2021 $'000
Debt securities		
Unlisted	3,772,452	3,969,442
	3,772,452	3,969,442
Less provision for impairment	(37,491)	(29,992)
	3,734,961	3,939,450

Included in the unlisted amortised cost portfolio are Government of Barbados Series D bonds which have been classified as POCI with a face value of BB$131,997,672 (2021: BB$131,997,672).

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

	2022 $'000	2021 $'000
At beginning of year	3,939,450	4,077,186
Exchange differences	--	(6,865)
Additions	52,682	452,425
Redemptions	(269,764)	(612,057)
Movement on GOB POCI bonds	17,411	24,098
Default in Needham's bond	--	(6,929)
Reclassification from POCI	--	(509)
Reclassification from FVOCI	6,782	--
Net amortisation of discounts	(3,515)	4,275
Amortisation of unrealised gains on reclassified assets	(586)	(692)
Movement of provision for impairment	(7,499)	8,518
At end of year	3,734,961	3,939,450

Included in these are financial assets amounting to $2.9B (2021: $2.9B) that have been pledged to third parties under sale and repurchase agreements.

8 Financial assets - fair value through profit or loss

	2022 $'000	2021 $'000
Listed equity	636	607
	636	607

The movement for the year may be summarised as follows:

	2022 $'000	2021 $'000
At start of year	607	502
Gain from changes in fair value	29	107
Exchange differences	--	(2)
	636	607

9 Intangible assets

This comprises an investment in computer software brought into use as at February 2021 as well as software currently in work in progress as at September 2022.

Movements are as follows:	2022 $'000	2021 $'000
At beginning of the year		
Additions: Work-in-Progress	8,790	6,430
Additions: Software	978	3,870
Reclassification to prepayments	--	1,589
Amortisation	--	(2,115)
At end of year	(1,683)	(984)
	8,085	8,790
Cost		
Accumulated amortisation and impairment	10,753	9,774
Net book amount	(2,668)	(984)
	8,085	8,790

10 Property and equipment

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Total $'000
Year ended 30 September 2022						
Opening net book amount	42,341	111	793	1,421	317	44,983
Additions	--	--	1,010	213	97	1,320
Disposals	--	--	(1,012)	(2,973)	(121)	(4,106)
Depreciation charge	(1,283)	(110)	(224)	(78)	(168)	(1,863)
Depreciation charge on disposal	--	--	1,011	1,610	121	2,742
Foreign exchange differences	--	(1)	--	1	--	--
Closing net book amount	41,058	--	1,578	194	246	43,076
At 30 September 2022						
Cost/revaluation	53,226	6,224	13,888	447	2,729	76,514
Accumulated depreciation	(12,168)	(6,224)	(12,310)	(253)	(2,483)	(33,438)
Net book amount	41,058	--	1,578	194	246	43,076

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Total $'000
Year ended 30 September 2021						
Opening net book amount	52,577	861	894	1,608	311	56,251
Additions	--	--	95	710	317	1,122
Disposals	--	(13)	(672)	(638)	(321)	(1,644)
Revaluation	(6,413)	--	--	--	--	(6,413)
Depreciation charge	(3,823)	(748)	(195)	(683)	(273)	(5,722)
Depreciation charge on disposal	--	11	671	424	283	1,389
Closing net book amount	42,341	111	793	1,421	317	44,983
At 30 September 2021						
Cost/revaluation	53,226	6,224	13,890	3,206	2,753	79,299
Accumulated depreciation	(10,885)	(6,113)	(13,097)	(1,785)	(2,436)	(34,316)
Net book amount	42,341	111	793	1,421	317	44,983

Notes to the Consolidated Financial Statements (continued)

10 Property and equipment (continued)

	Land & building $'000	Leasehold improvements $'000	Office equipment & furniture $'000	Motor vehicles $'000	Computer equipment $'000	Total $'000
At 30 September 2020						
Cost/revaluation	59,639	6,237	14,459	3,135	2,764	86,234
Accumulated depreciation	(7,062)	(5,376)	(13,565)	(1,527)	(2,453)	(29,983)
Net book amount	52,577	861	894	1,608	311	56,251

a. *Recognised right of use asset*

	2022 $'000	2021 $'000
Opening net book amount	1,269	1,905
Additions – Building	3,415	--
Transfer in – Motor Vehicle Leases	1,364	--
Disposals	(157)	--
Depreciation	(1,747)	(636)
Closing net book amount	4,144	1,269

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

Interest expenses (included in finance cost)	371	57
Expenses related short term leases (included in rent paid)	--	--
	371	57

b. *Recognised fair value measurements*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements.

Level 3	2022 $'000	2021 $'000
Leasehold land	8,448	8,448
Building on lease land	25,571	25,571
Freehold land and building	19,207	19,207
	53,226	53,226

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.

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

The basis of valuation is the market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

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.

Level 3 fair values of land and retail units have been derived using the sales comparison approach. Commercial rental income of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

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

	2022 $'000	2021 $'000
Cost	44,638	44,638
Accumulated depreciation	(12,168)	(10,885)
Net book amount	32,470	33,753

11 Lease liabilities

	2022 $'000	2021 $'000
Opening lease liability	1,211	1,905
Additions	4,858	--
Disposals	(143)	--
Interest expense	371	57
Repayment of lease principal	(2,010)	(751)
Lease liability	4,287	1,211
Current lease liability	590	729
Non-current lease liability	3,697	482
	4,287	1,211

12 Other assets

	2022 $'000	2021 $'000
Prepayments	5,969	10,265
Fees and coupons receivable	14,411	14,187
Amounts due from brokers	241	1,133
Other receivables	11,860	15,829
	32,481	41,414

Other receivables include dividends receivable TT$9.9M (2021: $6.8M).

13 Borrowings

	2022 $'000	2021 $'000
Medium term borrowings	485,273	275,251
Short term borrowings	807,447	1,242,858
	1,292,720	1,518,109

Medium term borrowings represent unsecured borrowings: US$42.15M, and TT$200M from clients for a period of one to three years (2021: US$11.09M and TT$200M). Interest on these debt instruments accrue at rates of 2.5% and 3.5% on the USD and on the TTD at 3.3% for the year ended September 2022 (2021: 2.9% USD and 3.3% TTD). The average rate as at the end of September 2022 was 3.10% (2021: 2.80%).

Short term borrowings represent two facilities, one of which matured in 2022 Nil (2021: US$65M) and an existing facility of US$120M (2021: US$120M) which is secured by the Group's investment securities. Average interest rate 2.9% (2021: 2.93%). The market value of the investment security held as collateral for these facilities amounted to TT$1,489M at September 2022 (2021: TT$1,772M) (Note 3 e (i)).

14 Securities sold under repurchase agreements

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

	2022 $'000	2021 $'000
Invested principal	3,242,333	3,310,796
Accrued interest	37,778	45,504
	3,280,111	3,356,300
Public institutions	1,152,815	1,112,367
Private institutions	1,125,569	1,179,119
Consumer	1,001,727	1,064,814
	3,280,111	3,356,300
Current portion	2,789,521	2,950,082
Non-current portion	490,590	406,218
	3,280,111	3,356,300

These financial instruments accrue interest at rates between 0.10% and 4% (2021: 0.03% and 4.83%).

Notes to the Consolidated Financial Statements (continued)

15 Creditors and accrued expenses

	2022 $'000	2021 $'000
Accrued expenses	11,734	11,410
Due to brokers	480	3,455
Other liabilities	89,189	67,373
Related parties	28,710	27,104
	130,113	109,342

Balances due to related parties include an amount of $26.6M (2021: $22.8M) owed to the Bank. This relates to an amount owing to GORTT by the Bank in respect of payments made on claims which were subsequently recovered pursuant to the Liquidity Support Agreement discussed in Note 3.a.ix.

Other liabilities balance as at 30 September 2022 includes amounts due for Equity and Bond settlements $66.6M (2021: $22.2M) and an amount of $5.8M relating to discontinued products which were reclassified from funds under management to other liabilities in 2021.

16 Loan from parent company

	2022 $'000	2021 $'000
Loan from parent company	257,107	362,740

This comprises two loan facilities:

1) Unsecured Medium Term US facility approved for US$37.7M, at a rate of 4%. Drawn down balance as at September 2022: US$37.7M (2021: US$38.4M at 4%), repayable March 2025.

2) Line of credit approved for US$25M. Drawn down balance as at September 2022: Nil (2021: US$15M).

17 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using tax rates of 30% for Trinidad and 5.5% for Barbados (2021: 30% and 5.5%).

	2022 $'000	2021 $'000
The movement on the deferred tax account is as follows:		
At beginning of year	113,227	120,387
Statement of income charge (Note 29)	(4,181)	(26,150)
Statement of Other Comprehensive Income - Fair Value Reserves – (Note 19)	(98,992)	18,990
	10,054	113,227

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

	Opening balance Oct 2021 $'000	Statement of Other Comprehensive Income- Fair Value Reserves $'000	(Credit)/Charge to statement of income $'000	Closing balance Sept 2022 $'000
Financial assets at fair value through other comprehensive income	(361)	(274)	--	(635)
Corporate tax losses	(559)	--	559	--
Accelerated tax depreciation	(66)	--	9	(57)
Unrealised exchange losses	(12)	--	2	(10)
Deferred tax asset	(998)	(274)	570	(702)
Financial assets at fair value through other comprehensive income	92,777	(98,374)	--	(5,597)
Amortisation of premiums and discounts on financial assets	1,500	(344)	--	1,156
Unrealised exchange gains	6,426	--	(223)	6,203
Zero coupon instruments	11,590	--	(4,962)	6,628
Accelerated tax depreciation	1,916	--	440	2,356
Financial assets at fair value through profit or loss	16	--	(6)	10
Deferred tax liability	114,225	(98,718)	(4,751)	10,756
Net deferred tax liability	113,227	(98,992)	(4,181)	10,054

	Opening balance Oct 2020 $'000	Statement of Other Comprehensive Income- Fair Value Reserves $'000	(Credit)/Charge to statement of income $'000	Closing balance Sept 2021 $'000
Financial assets at fair value through profit or loss	(231)	--	231	--
Financial assets at fair value through other comprehensive income	--	(173)	(188)	(361)
Corporate tax losses	--	--	(559)	(559)
Accelerated tax depreciation	--	--	(66)	(66)
Unrealised exchange losses	--	--	(12)	(12)
Provisions	(129)	--	129	--
Deferred tax asset	(360)	(173)	(465)	(998)
Financial assets at fair value through other comprehensive income	74,109	19,416	(748)	92,777
Amortisation of premiums and discounts on financial assets	1,359	(253)	394	1,500
Unrealised exchange gains	6,401	--	25	6,426
Zero coupon instruments	35,480	--	(23,890)	11,590
Accelerated tax depreciation	3,398	--	(1,482)	1,916
Financial assets at fair value through profit or loss	--	--	16	16
Deferred tax liability	120,747	19,163	(25,685)	114,225
Net deferred tax liability	120,387	18,990	(26,150)	113,227

Deferred tax assets are expected to be recovered as follows:

	2022 $'000	2021 $'000
Within 12 months	--	--
After 12 months	702	998
	702	998

Deferred tax liabilities are expected to be recovered:

	2022 $'000	2021 $'000
Within 12 months	2,356	1,916
After 12 months	8,400	112,309
At end of year	10,756	114,225

18 Share capital

The total authorised number of shares are issued and fully paid. These shares are not traded in an open market and during the year there were no movements in each type and/or class of share.

	2022 $'000	2021 $'000
Authorised		
An unlimited number of shares at par value		
Issued and fully paid		
637,697,000 ordinary shares of no par value	637,697	637,697

19 Other reserve

i *Fair value reserve – Financial assets*

For debt financial assets, the fair value reserve comprises the cumulative net change in the fair value of the fair value through other comprehensive income financial assets, net of deferred tax, until the assets are derecognised or impaired. For equity financial assets, any movement in fair value is recognised through other comprehensive income and are not recycled to the consolidated statement of income.

iii *Fair value reserve – Land and buildings*

The fair value reserve comprises of the net fair value of the Group's land and building, which are valued by an independent valuator every three years.

Notes to the Consolidated Financial Statements (continued)

19 Other reserve (continued)

	2022 $'000	2021 $'000
Financial assets	(12,039)	224,265
Land and building	588	588
	(11,451)	224,853
Financial assets		
DEBT		
Opening balance	102,574	92,669
Net (losses)/gains from changes in fair value	(327,323)	13,636
Deferred tax credit/(charge)	96,681	(3,692)
Exchange differences	3	(39)
Debt at end of year	(128,065)	102,574
EQUITY		
Opening balance	121,691	84,431
Net (losses)/gains from changes in fair value	(7,977)	52,556
Deferred tax credit/(charge)	2,312	(15,800)
Deferred tax due to change in effective tax rates	--	363
Exchange differences	--	141
Equity at end of year	116,026	121,691
Total financial assets at end of year	(12,039)	224,265
Land and building		
At beginning of year	588	991
Deferred tax on building revaluation (Note 17)	--	173
Net losses from changes in fair value	--	(576)
At end of year	588	588

20 Interest income

	2022 $'000	2021 $'000
Amortised cost	193,415	207,197
Fair value through other comprehensive income	83,448	92,847
Other	467	2,282
	277,330	302,326

21 Interest expense

	2022 $'000	2021 $'000
Securities sold under repurchase agreements	62,224	72,226
Borrowings	49,453	54,375
Loan from parent company	10,487	10,755
Other	710	1,078
	122,874	138,434

22 Fees and commissions

	2022 $'000	2021 $'000
Portfolio management	76,428	72,463
Wealth management	23,282	24,261
Capital markets - placement fees	8,462	6,369
Brokerage & advisory - equity	1,514	3,964
	109,686	107,057

All fees and commissions are recognised over time, except for Capital Markets placement fees which are recognised at a point in time.

23 (Loss)/gain on financial assets

	2022 $'000	2021 $'000
Net realised gains/(losses) on disposal of fair value through profit or loss assets	2,382	(18)
Net realised (losses)/gains on disposal of bonds	(7,249)	15,833
	(4,867)	15,815

24 Other income

	2022 $'000	2021 $'000
Dividend income	12,368	11,836
Other income	4,233	731
Rental income	283	259
	16,884	12,826

Included in other income is APO income of $3.9M (2021: Nil).

25 Impairment (loss)/gain on financial assets

	2022 $'000	2021 $'000
Impairment (charge)/ write back on financial assets	(10,735)	1,592
Net gains on sales/maturities of financial assets	7,152	3,144
Foreign exchange adjustment	--	7
Net Impairment	(3,583)	4,743
Gain on assets purchased credit impaired on origination	450	8,408
Other	450	8,408
	(3,133)	13,151

26 Impairment loss on non-financial assets

	2022 $'000	2021 $'000
Other impairment	(26)	(717)
Impairment due to revaluation on building	--	(5,837)
	(26)	(6,554)

27 Administrative expenses

	2022 $'000	2021 $'000
Staff costs (Note 27.a)	35,843	32,247
Depreciation	3,610	6,358
Amortisation	1,683	984
	41,136	39,589

a. *Staff costs*

	2022 $'000	2021 $'000
Wages and salaries	23,910	22,757
Pension	3,165	2,955
National insurance	1,132	1,061
Other	7,636	5,474
	35,843	32,247

28 Other operating expenses

	2022 $'000	2021 $'000
Information technology expenses	10,193	5,871
Office expenses	6,297	6,108
Consultancy & other professional services	7,353	6,723
Management charges	18,137	22,589
Other expenses	3,384	8,407
	45,364	49,698

Included in other expenses is APO expenses of $1.2M (2021: Nil).

29 Taxation

	2022 $'000	2021 $'000
Corporation tax	41,066	66,531
Prior year (over)/under provision	(2,827)	1,681
Deferred tax (Note 17)	(4,181)	(26,150)
	34,058	42,062

29 Taxation (continued)

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

Profit before tax	185,835	214,891
Tax calculated at tax rates applicable to profits in respective countries	63,553	63,312
Income exempt from tax	(49,516)	(42,810)
Expenses not deductible for tax purposes	24,068	41,297
(Over)/under provision prior year	(2,827)	1,681
Net effect of other charges and allowances	(1,220)	(21,418)
	34,058	42,062

30 Assets under management

Assets under management, which are not beneficially owned by the Group, but which are managed by the Group on behalf of investors are listed below at carrying amount.

	2022 $'000	2021 $'000
Off-consolidated statement of financial position investments	16,896,911	17,409,340

31 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of transactions are entered into with related parties in the normal course of business. These include purchase of investment securities and securities sold under repurchase agreements.

a. *Directors and key management personnel*

	2022 $'000	2021 $'000
Statement of financial position		
Securities sold under repurchase agreements	(8,852)	(6,830)
	(8,852)	(6,830)
Statement of income		
Interest expense	(192)	(15)
Salaries and other short-term employee benefits	(6,528)	(5,859)
	(6,720)	(5,874)

b. Related companies

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2022:

	Parent $'000	Related companies $'000	GORTT $'000
Statement of income			
Interest income	268	4	63,825
Interest expense	(10,488)	(2,489)	--
	(10,220)	(2,485)	63,825
Statement of financial position			
Assets			
Cash and cash equivalents	289,296	19,007	--
Financial assets	194	--	1,477,254
Liabilities			
Securities sold under repurchase agreements	--	(375,377)	--
Creditors and accrued expenses	(27,934)	(836)	--
Leases	(1,011)	--	--
Loan from parent company	(257,107)	--	--
	3,438	(357,206)	1,477,254

The following related party transactions are included in the consolidated statement of financial position and consolidated statement of income for September 2021:

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

32 Contingent liabilities

At the consolidated statement of financial position date, there were no contingent liabilities (2021: nil).

33 Subsequent events

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