

**First Citizens Bank Limited And Its Subsidiaries  
(A Subsidiary of First Citizens Group Financial Holdings Limited)**

Consolidated Financial Statements

30 September 2022

*(Expressed in Trinidad and Tobago dollars)*

# **First Citizens Bank Limited And Its Subsidiaries**

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# First Citizens Bank Limited And Its Subsidiaries

## Statement of Management's Responsibilities

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Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of First Citizens Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2022, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act and the Financial Institution Act (FIA) 2008; and
- Using reasonable and prudent judgement in the determination of estimates.

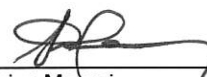
In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting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

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

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



Karen Darbasie  
Group Chief Executive Officer  
13 December 2022



Shiva Manraj  
Group Chief Financial Officer  
13 December 2022



## Independent auditor's report

To the Shareholder of First Citizens Bank Limited

### Report on the audit of the consolidated financial statements

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#### Our opinion

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

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#### Basis for opinion

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


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

#### **Independence**

We are independent of the Group in accordance with the International 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.

## Our audit approach

### Overview

|   |   |
|---|---|
|  | <ul style="list-style-type: none"><li>• Overall group materiality: TT\$46.1 million, which represents 5% of profit before taxation.</li></ul>   |
|   | <ul style="list-style-type: none"><li>• The group audit included full scope audits of two significant components domiciled in Trinidad and Tobago. The group audit also included specified procedures for the Barbadian subsidiary performed by another PwC Network Firm.</li></ul> |
|   | <ul style="list-style-type: none"><li>• The group audit covered 89% of profit before taxation and 91% of total assets.</li></ul>  |
|   | <ul style="list-style-type: none"><li>• IFRS 9 'Financial Instruments' - Incorporation of Forward-Looking Information into the Expected Credit Loss Model for Loans to Customers and Investment Securities.</li></ul>   |

### Audit scope

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

### How we tailored our group audit scope

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

Our assessment of the components of the Group focused primarily on the Group's legal entities. Based on their individual financial significance and our risk assessment, the following components were subject to full scope audits for group audit purposes:

- First Citizens Bank Limited
- First Citizens Investment Services Limited

In addition, we required specified procedures be performed on First Citizens Bank (Barbados) Limited (FCBBL) in relation to the expected credit loss for FCBBL's loan portfolio.

In establishing the overall group audit strategy and plan, we determined the type of work needed to be performed at the components by the Group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement needed by the Group engagement team in the audit work. Our group scoping provided coverage of approximately 89% of profit before taxation and 91% of total assets of the Group. We performed consolidated risk assessment analytical procedures over the remaining components.

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## Our audit approach (continued)

### **Materiality**

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

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

|  |   |
|--|---|
| <b>Overall Group materiality</b>                       | TT\$46.1 million  |
| <b>How we determined it</b>                            | 5% of profit before taxation  |
| <b>Rationale for the materiality benchmark applied</b> | <i>We chose profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds.</i> |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT\$2.3 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Our audit approach (continued)

### Key audit matters

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

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><i>IFRS 9 'Financial Instruments' - Incorporation of Forward-Looking Information into the Expected Credit Loss Model for Loans to Customers and Investment Securities</i></p> <p><i>Refer to notes 3.a.(vi), 8(a), 9 and 10 to the consolidated financial statements for disclosures of related accounting policies and balances.</i></p> <p>In assessing impairment on financial assets, IFRS 9 prescribes a forward-looking expected credit loss (ECL) impairment model which takes into account reasonable and supportable forward-looking information.</p> <p>As at 30 September 2022, the Group's loans to customers totalled TT\$19.3 billion prior to impairment. The Group's investment securities measured at amortised cost and debt securities included in fair value through other comprehensive income (FVOCI) totalled TT\$12.7 billion prior to impairment. In aggregate, the above exposures represent 70% of total assets. The associated provision for impairment, which incorporates forward-looking information calculated under the ECL impairment model, amounted to TT\$402 million for loans to customers and TT\$43 million for investment securities measured at amortised cost and debt securities included in FVOCI.</p> <p>To incorporate forward-looking information into the model, the Group performed historical analyses and identified the key economic variables which impacted credit risk and expected credit losses for each portfolio. These variables are determined differently for loans to customers and investment securities.</p> | <p>Our approach to addressing the matter, with the assistance of our credit modelling experts, involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>- Updated our understanding of management's ECL model, including whether there were any changes to source data and assumptions.</li> <li>- Compared the consistency of the macroeconomic indicators with those used in the comparative period.</li> </ul> <p>For loans to customers, we:</p> <ul style="list-style-type: none"> <li>- Assessed the reasonableness of the Group's methodology for determining economic scenarios and the probability weightings applied.</li> <li>- Evaluated the reasonableness of inputs into the downside scenarios, by agreeing the forward-looking economic information, in particular unemployment rate, real GDP growth, inflation and country specific factors to external sources published or pronounced by reputable third parties.</li> <li>- Recalculated management's ECL based on the scorecard model, including the weighted adjusted factor.</li> <li>- Sensitised the probability weightings used in the ECL calculation.</li> </ul> |

## Our audit approach (continued)

### Key audit matters (continued)

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p data-bbox="277 468 846 590"><i>IFRS 9 'Financial Instruments' - Incorporation of Forward-Looking Information into the Expected Credit Loss Model for Loans to Customers and Investment Securities (continued)</i></p> <p data-bbox="277 642 870 1083">For loans to customers, a scorecard model was developed, using macroeconomic factors and weightings which are based on management's judgement and experience. The main factors were unemployment rate, real GDP growth, inflation and a country specific factor. Management assessed unemployment to have the most significant impact on the retail portfolio, whilst real GDP growth was determined to have the highest impact and weighting on the corporate/commercial loan portfolio. Outlooks were determined for each of these variables to derive a weighted adjustment factor that was applied to the loan portfolios to reflect this forward-looking information.</p> <p data-bbox="277 1136 870 1608">For each country in which the Group has investment securities, management performed a scenario analysis to determine the impact of future economic conditions on the Probability of Default. After testing the multiple economic indicators, a main macroeconomic variable (MEV) was determined, which was statistically linked to the credit risk of that sovereign. To increase the robustness of the model, management adopted a bivariate model to determine two MEVs for key sovereigns. Credit ratings were forecast for the next three years using these macroeconomic scenarios. The weightings applied to the forecasted ratings were 60% for year 1 and 20% each for years 2 and 3.</p> <p data-bbox="277 1661 846 1850">We focused on this area due to the number of significant assumptions made by management regarding possible future economic scenarios, which would impact the determination of the impairment provisions as a whole using the ECL impairment models.</p> | <p data-bbox="902 625 1252 657">For investment securities, we:</p> <ul data-bbox="902 667 1479 1266" style="list-style-type: none"> <li data-bbox="902 667 1479 825">- Obtained a listing of the macroeconomic indicators used to derive the main MEV utilised in management's regression analysis for the four sovereign countries with the most significant ECL on investments: <ul data-bbox="943 835 1471 1266" style="list-style-type: none"> <li data-bbox="943 835 1471 930">• Agreed a sample of historical MEVs used in the scenarios to external source information where available.</li> <li data-bbox="943 940 1471 1035">• Recalculated a correlation coefficient between the historical MEVs and the sovereign credit risk rating.</li> <li data-bbox="943 1045 1471 1161">• Analysed the relationship between the selected MEVs and the rating indicators to select the top indicators for the purpose of building multiple scenarios.</li> <li data-bbox="943 1171 1471 1266">• Sensitised the macroeconomic factors for sovereigns with significant investment concentration.</li> </ul> </li> </ul> <p data-bbox="902 1276 1463 1402">The results of our procedures indicated that the judgement and assumptions used by management in determining forward-looking information were not unreasonable.</p> |



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## Other information

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

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

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

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

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

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

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

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

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## 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 judgement 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.

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

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

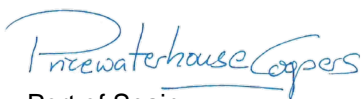
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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The engagement partner on the audit resulting in this independent auditor's report is Sean Ramirez.



Port of Spain  
Trinidad, West Indies  
15 December 2022

# First Citizens Bank Limited And Its Subsidiaries

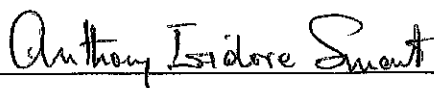
## Consolidated Statement of Financial Position

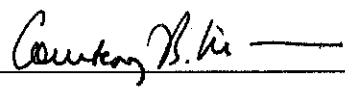
(Expressed in Trinidad and Tobago dollars)

|   | Notes | As at<br>30 September |                   |
|---|-------|-----------------------|-------------------|
|   |       | 2022<br>\$'000        | 2021<br>\$'000    |
| <b>Assets</b>                                     |       |                       |                   |
| Cash and due from other banks                     | 6     | 6,375,452             | 6,439,683         |
| Statutory deposits with Central Banks             | 7     | 5,152,452             | 4,587,140         |
| Investment securities                             |       |                       |                   |
| - Fair value through other comprehensive income   | 8(a)  | 8,261,168             | 10,828,972        |
| - Fair value through profit or loss               | 8(b)  | 20,141                | 23,720            |
| - Amortised cost                                  | 9     | 4,921,739             | 4,851,796         |
| Loans and receivables less allowances for losses: |       |                       |                   |
| - Loans to customers                              | 10    | 18,886,554            | 18,083,422        |
| - Loan notes                                      | 11    | --                    | 73,700            |
| Other assets                                      | 12    | 410,572               | 468,633           |
| Investments accounted for using equity method     | 13    | 244,114               | 231,062           |
| Tax recoverable                                   |       | 120,456               | 79,814            |
| Property and equipment                            | 14    | 694,494               | 570,242           |
| Defined benefit asset                             | 21    | 91,814                | 141,133           |
| Intangible assets                                 | 15    | 261,087               | 226,292           |
| <b>Total assets</b>                               |       | <b>45,440,043</b>     | <b>46,605,609</b> |
| <b>Liabilities</b>                                |       |                       |                   |
| Customers' deposits                               | 16    | 28,381,730            | 28,967,442        |
| Other funding instruments                         | 17    | 3,936,352             | 3,961,867         |
| Due to other banks                                | 18    | 1,304,140             | 1,564,617         |
| Creditors and accrued expenses                    | 19    | 558,203               | 634,304           |
| Lease liabilities                                 | 20    | 184,457               | 83,097            |
| Taxation payable                                  |       | 16,505                | 59,763            |
| Bonds payable                                     | 22    | 2,951,169             | 2,971,971         |
| Deferred income tax liability                     | 23    | 159,755               | 359,141           |
| Notes due to parent company                       | 24    | 58,000                | 58,000            |
| <b>Total liabilities</b>                          |       | <b>37,550,311</b>     | <b>38,660,202</b> |
| <b>Shareholder's equity</b>                       |       |                       |                   |
| Share capital                                     | 25    | 458,557               | 458,557           |
| Statutory reserves                                | 26    | 1,241,412             | 1,241,412         |
| Retained earnings                                 |       | 5,257,379             | 4,924,472         |
| Other reserves                                    | 27    | 932,384               | 1,320,966         |
| <b>Total shareholder's equity</b>                 |       | <b>7,889,732</b>      | <b>7,945,407</b>  |
| <b>Total equity and liabilities</b>               |       | <b>45,440,043</b>     | <b>46,605,609</b> |

The notes on pages 15 to 110 are an integral part of these consolidated financial statements.

On 13 December 2022, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

 Director

 Director

# First Citizens Bank Limited And Its Subsidiaries

## Consolidated Income Statement

(Expressed in Trinidad and Tobago dollars)

|  | Notes | Year ended<br>30 September |                  |
|--|-------|----------------------------|------------------|
|  |       | 2022<br>\$'000             | 2021<br>\$'000   |
| Interest income calculated using the effective interest method | 28    | 1,791,785                  | 1,838,356        |
| Interest expense   | 29    | (300,506)                  | (338,604)        |
| <b>Net interest income</b>                                     |       | <b>1,491,279</b>           | <b>1,499,752</b> |
| Fees and commissions   | 30    | 461,817                    | 431,040          |
| Gains from disposal of FVOCI investment securities             |       | 43,451                     | 86,867           |
| Other income   | 31    | 142,064                    | 123,836          |
| <b>Total net revenue</b>                                       |       | <b>2,138,611</b>           | <b>2,141,495</b> |
| Credit impairment writeback/(losses) on loans                  | 10    | 17,252                     | (408)            |
| Credit impairment writeback on investment securities           | 32    | 8,015                      | 12,962           |
| Administrative expenses  | 33    | (747,683)                  | (778,810)        |
| Other operating expenses                                       | 34    | (517,910)                  | (494,093)        |
| <b>Operating profit</b>  |       | <b>898,285</b>             | <b>881,146</b>   |
| Share of profit in joint ventures                              | 13(a) | 3,773                      | 3,063            |
| Share of profit in associates                                  | 13(b) | 22,947                     | 17,806           |
| <b>Profit before taxation</b>                                  |       | <b>925,005</b>             | <b>902,015</b>   |
| Taxation   | 35    | (189,212)                  | (234,733)        |
| <b>Profit after taxation</b>                                   |       | <b>735,793</b>             | <b>667,282</b>   |

The notes on pages 15 to 110 are an integral part of these consolidated financial statements.

# First Citizens Bank Limited And Its Subsidiaries

## Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

|   | Year ended<br>30-September |                |
|---|----------------------------|----------------|
|   | 2022<br>\$'000             | 2021<br>\$'000 |
| Profit for the year   | 735,793                    | 667,282        |
| <b>Other comprehensive income</b>   |                            |                |
| <b>Items that will not be reclassified to profit or loss</b>  |                            |                |
| Re-measurement of net defined benefit obligation  | (41,519)                   | 172,990        |
| Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income | (22,507)                   | 45,546         |
| Revaluation of property and equipment   | 407                        | (25,927)       |
|   | (63,619)                   | 192,609        |
| <b>Items that may be reclassified to profit or loss</b>   |                            |                |
| Exchange difference on translation  | (5,496)                    | (9,713)        |
| Net (losses)/gains on financial debt instruments measured at fair value through other comprehensive income          | (276,016)                  | 124,295        |
| Gains arising on disposal of debt instruments reclassified to profit or loss  | (43,451)                   | (86,867)       |
|   | (324,963)                  | 27,715         |
| <b>Total other comprehensive (loss)/income for the year</b>   | (388,582)                  | 220,324        |
| <b>Total comprehensive income for the year</b>  | 347,211                    | 887,606        |

The notes on pages 15 to 110 are an integral part of these consolidated financial statements.

# First Citizens Bank Limited And Its Subsidiaries

## Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

|  | Share capital<br>\$'000 | Statutory reserves<br>\$'000 | Other reserves<br>\$'000 | Retained earnings<br>\$'000 | Total shareholder's equity<br>\$'000 |
|--|-------------------------|------------------------------|--------------------------|-----------------------------|--------------------------------------|
| <b>Balance as at 1 October 2021</b>            | 458,557                 | 1,241,412                    | 1,320,966                | 4,924,472                   | 7,945,407                            |
| Profit for the year                            | --                      | --                           | --                       | 735,793                     | 735,793                              |
| Other comprehensive loss for the year          | --                      | --                           | (388,582)                | --                          | (388,582)                            |
| <b>Total comprehensive income for the year</b> | --                      | --                           | (388,582)                | 735,793                     | 347,211                              |
| <b>Transactions with owners</b>                |                         |                              |                          |                             |                                      |
| Dividends                                      | --                      | --                           | --                       | (402,886)                   | (402,886)                            |
| <b>Balance at 30 September 2022</b>            | 458,557                 | 1,241,412                    | 932,384                  | 5,257,379                   | 7,889,732                            |
| <br>   |                         |                              |                          |                             |                                      |
| <b>Balance as at 1 October 2020</b>            | 458,557                 | 1,241,412                    | 1,110,629                | 4,610,815                   | 7,421,413                            |
| Profit for the year                            | --                      | --                           | --                       | 667,282                     | 667,282                              |
| Other comprehensive income for the year        | --                      | --                           | 220,324                  | --                          | 220,324                              |
| <b>Total comprehensive income for the year</b> | --                      | --                           | 220,324                  | 667,282                     | 887,606                              |
| Transfer to retained earnings                  | --                      | --                           | (9,987)                  | 9,987                       | --                                   |
| <b>Transactions with owners</b>                |                         |                              |                          |                             |                                      |
| Dividends                                      | --                      | --                           | --                       | (363,612)                   | (363,612)                            |
| <b>Balance at 30 September 2021</b>            | 458,557                 | 1,241,412                    | 1,320,966                | 4,924,472                   | 7,945,407                            |

The notes on pages 15 to 110 are an integral part of these consolidated financial statements.

# First Citizens Bank Limited And Its Subsidiaries

## Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

|   | Notes | Year ended<br>30 September |                  |
|---|-------|----------------------------|------------------|
|   |       | 2022<br>\$'000             | 2021<br>\$'000   |
| Profit before taxation  |       | 925,005                    | 902,015          |
| <b>Adjustments to reconcile profit to net cash provided by operating activities:</b>              |       |                            |                  |
| Share of profit in associates   |       | (22,947)                   | (17,806)         |
| Share of profit in joint ventures   |       | (3,773)                    | (3,063)          |
| Depreciation  | 14    | 95,000                     | 80,490           |
| Interest income   |       | (1,791,785)                | (1,838,356)      |
| Interest expense  |       | 300,506                    | 338,604          |
| Gain on disposal of property and equipment  |       | (159)                      | (8,816)          |
| Gain on sale of investment securities   |       | (43,451)                   | (86,867)         |
| Amortisation of investment securities   |       | 8,806                      | (20,003)         |
| Amortisation of bond issue cost   |       | 2,303                      | 1,850            |
| Amortisation of intangible asset  | 15    | 23,180                     | 27,277           |
| Net movement in impairment allowance on investment securities                                     |       | 3,309                      | (9,940)          |
| Net pension expense   | 21    | 39,569                     | 61,978           |
| Impairment on property  |       | --                         | 39,019           |
| Net movement in allowance for loan loss   |       | (38,620)                   | (17,287)         |
| <b>Cash outflows from operating activities before changes in operating assets and liabilities</b> |       | (503,057)                  | (550,905)        |
| Net change in loans to customers  |       | (764,512)                  | 974,337          |
| Net change in customers' deposits   |       | (585,713)                  | 50,208           |
| Net change in other funding instruments   |       | (25,515)                   | (263,998)        |
| Interest paid on lease liabilities  |       | (8,603)                    | (6,995)          |
| Net change in other assets  |       | 47,269                     | (56,198)         |
| Net change in statutory deposits with Central Bank  |       | (565,313)                  | 333,289          |
| Dividends received  |       | 779                        | 65               |
| Net change in creditors and accrued expenses  |       | (67,311)                   | (22,060)         |
| Pension contributions paid  | 21    | (54,125)                   | (58,236)         |
| Interest received   |       | 1,802,578                  | 1,900,549        |
| Interest paid   |       | (309,295)                  | (353,005)        |
| Purchase of investment securities   |       |                            |                  |
| - Fair value through other comprehensive income   | 8(a)  | (7,173,697)                | (9,183,363)      |
| - Amortised cost  | 9     | (332,297)                  | (485,113)        |
| - Fair value through profit or loss   | 8(b)  | (359)                      | (400)            |
| Proceeds from sale of investment securities   |       |                            |                  |
| - Fair value through other comprehensive income   | 8(a)  | 9,287,647                  | 9,996,673        |
| - Fair value through profit or loss   | 8(b)  | 3,494                      | --               |
| Proceeds from maturity/redemption of amortised cost investment securities                         | 9     | 283,475                    | 674,351          |
| Taxes paid  |       | (308,099)                  | (205,716)        |
| <b>Net cash inflows from operating activities</b>   |       | <b>727,346</b>             | <b>2,743,483</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Consolidated Statement of Cash Flow (continued)

(Expressed in Trinidad and Tobago dollars)

|   | Notes | Year ended<br>30 September |                    |
|---|-------|----------------------------|--------------------|
|   |       | 2022<br>\$'000             | 2021<br>\$'000     |
| <b>Cash flows from investing activities</b>             |       |                            |                    |
| Repayment on loan notes receivable                      |       | 73,700                     | 73,700             |
| Purchase of short-term investments                      |       | (445,034)                  | (1,040,170)        |
| Proceeds from disposals of short-term investments       |       | 1,010,470                  | 1,237,241          |
| Proceeds from disposal of property and equipment        |       | 1,229                      | 35,405             |
| Purchase of intangible assets                           | 15    | (57,975)                   | (31,825)           |
| Disposal of investment in joint venture                 |       | --                         | 921                |
| Purchase of investment in associate                     |       | --                         | (22,500)           |
| Purchase of property and equipment                      | 14    | (80,643)                   | (50,110)           |
| <b>Net cash inflow from investing activities</b>        |       | <u>501,747</u>             | <u>202,662</u>     |
| <b>Cash flows from financing activities</b>             |       |                            |                    |
| Issue of bond payable                                   | 22    | 53,370                     | 158,063            |
| Repayment of bond payable                               | 22    | (74,172)                   | (811,286)          |
| Repayment of lease liabilities                          | 20    | (34,211)                   | (34,949)           |
| Ordinary dividend paid                                  |       | (399,963)                  | (360,690)          |
| Preference dividend paid                                |       | (2,922)                    | (2,922)            |
| <b>Net cash outflows from financing activities</b>      |       | <u>(457,898)</u>           | <u>(1,051,784)</u> |
| <b>Net increase in cash and cash equivalents</b>        |       | 771,195                    | 1,894,361          |
| <b>Cash and cash equivalents at beginning of period</b> |       | 3,864,595                  | 1,957,698          |
| Effect of exchange rate changes                         |       | (9,512)                    | 12,536             |
| <b>Cash and cash equivalents at end of period</b>       | 6     | <u>4,626,278</u>           | <u>3,864,595</u>   |

The notes on pages 15 to 110 are an integral part of these consolidated financial statements.



# First Citizens Bank Limited and its Subsidiaries

## Notes to the Consolidated Financial Statements

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 1 General information

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

The Bank is a wholly owned subsidiary of First Citizens Group Financial Holdings Limited (FCGFH), which is a subsidiary of First Citizens Holdings Limited (Holdings). Holdings is a company owned by the Government of the Republic of Trinidad and Tobago (GORTT). Holdings is the majority shareholder of FCGFH, with shareholding interest of 60.1%.

The registered office is located at 9 Queen's Park East, Port of Spain.

Based on the corporate restructure in October 2021, the Bank was delisted and FCGFH was listed on the Trinidad and Tobago Stock Exchange.

The Group currently comprises the following entities:

| Entity  | Nature of operations  | Country of incorporation | Ownership interest |
|---|---|--------------------------|--------------------|
| First Citizens Depository Services Limited                      | The Company acts as custodian to third parties and provides paying agent services.      | Trinidad & Tobago        | 100%               |
| First Citizens Bank (Barbados) Limited                          | Banking, including the provision of mortgages for residential and commercial properties | Barbados                 | 100%               |
| First Citizens Costa Rica SA                                    | Service-related transactions  | Costa Rica               | 100%               |
| First Citizens Financial Services (St. Lucia) Limited           | Selected banking and financial service operations                                       | St. Lucia                | 100%               |
| First Citizens Investment Services Limited and its subsidiaries | Investment & asset management services and repo business                                | Trinidad & Tobago        | 100%               |
| First Citizens Trustee Services Limited                         | Provision of trustee, administration and paying agent services                          | Trinidad & Tobago        | 100%               |

The Group also has investments in the following entities:

|  |   |                   |        |
|--|---|-------------------|--------|
| Infolink Services Limited              | Provision of automated banking reciprocity services                           | Trinidad & Tobago | 25%    |
| St. Lucia Electricity Services Limited | Provision of electrical power to consumers                                    | St. Lucia         | 19.11% |
| Term Finance (Holdings) Limited        | Provision of short-term loans to individuals and small-medium size businesses | Trinidad & Tobago | 19.99% |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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

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.

Management assessed the impact of the amendment and has determined that there is no material impact on the Group.

- 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.

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

The following standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by the Group:

- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended 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).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### a. Basis of preparation (continued)

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

- 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.
- Annual improvement to IFRS 9 (effective 1 January 2022)- The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
- Annual improvement to IFRS 16 (effective 1 January 2022)- The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### b. Consolidation

##### (i) Principles of consolidation

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

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

##### (ii) Investment in subsidiaries

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

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

##### (iii) Business combinations and goodwill

Acquisition-related costs are expensed as incurred.

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

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 either profit or loss or other comprehensive income in accordance with IFRS 9 *Financial Instruments*. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### b. Consolidation (continued)

##### (iv) Transactions and non-controlling interests

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

##### (v) Investment in joint ventures

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

##### (vi) Investment in associates

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

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

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

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### c. Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT\$6.6926 = US\$1.00 (2021: TT\$6.6926 = US\$1.00), which represent the Group's mid-rate. The exchange rate between the TT dollar and the Barbados dollar as at the date of these statements was TT\$3.4102 = BB\$1 (2021: TT\$3.4102 = BB\$1.00), which represent the Group's mid-rate.

##### (ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as 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 financial assets are included in other comprehensive income.

##### (iii) Group companies

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

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### 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 or
- Fair value through profit or loss (FVPL)

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

##### *Hold to Collect - 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 FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.a.v. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

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.

Statutory Deposits with Central Banks, Cash and due from other Banks are measured at amortised cost.

##### *Hold to Collect & Sell - 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 FVPL, are measured at fair value through other comprehensive income. 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. 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 "Net Investment Income". The interest income from these financial assets is included in interest income using the effective interest rate method.

##### *Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

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

##### (i) Financial assets (continued)

##### (a) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

##### *Group's business model*

The business model reflects how the Group manages the financial 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. More specifically whether the Group's objective is solely to collect the contractual cash flows from the assets or 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.
- Managements' identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- The level of historical sales and forecasted liquidity requirements.

##### *Solely payments of principal and interest (SPPI)*

Where the business model is to hold assets to collect contractual cash flows or hold to collect contractual cash flows and sell, the Group assesses whether flows represent solely payment of principal and interest (SPPI test). 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. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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, and none occurred during the period.



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

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

##### (i) Financial assets (continued)

##### (b) 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 shareholdings with Visa and Caricris.

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. These financial assets are presented within investment securities held to collect and sell. 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 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.

Gain and losses on equity investments classified as FVPL are included in the consolidated income statement.

##### (c) Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. 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.v provides more detail of how the expected credit loss allowance is measured.

##### (d) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. 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. (note 3.a.iv)
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

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

##### (i) Financial assets (continued)

##### (d) Modification of loans (continued)

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).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3.a.xv.

##### (e) 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. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

##### (f) Write-off

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 repossessed collateral is such that there is no reasonable expectation of recovering in full.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

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

##### (ii) Financial liabilities

##### (a) Classification and subsequent measurement

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 at fair value through profit or loss (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 2.f).

##### (b) 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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### f. *Financial guarantee contracts and loan commitments*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 3.a.iii; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in note 3.a.1.a). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

#### g. *Impairment of non-financial assets*

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

#### h. *Offsetting financial instruments*

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

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

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

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### j. Lease transactions

For all new contracts entered into, the Group assesses whether a contract is, or contains a lease. A lease is defined as “a contract that conveys the right-of-use 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 and equipment. The Group also assess the right-of-use asset for impairment when such indicators exist.

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 expense in the income statement. 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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### k. Property and equipment

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

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 income statement during the financial period in which they are incurred.

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### i. *Income tax*

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax 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 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 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 and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### m. *Employee benefits*

##### (i) *Pension plans*

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### m. *Employee benefits (continued)*

##### (i) *Pension plans (continued)*

The First Citizens Bank (Barbados) Limited (FCBB) operates a defined contribution plan. A defined contribution plan is a pension plan under which FCBB pays fixed contributions into a separate entity. FCBB has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank pays contributions to a privately administered pension plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee expense when they are due.

##### (ii) *Profit sharing and bonus plans*

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

##### (iii) *Employee share ownership plan*

The Group established a cash-settled shared based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the consolidated income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

#### n. *Cash and cash equivalents*

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

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Equity investments are normally excluded, unless they are in substance a cash equivalent (e.g. preferred shares acquired within three months of their specified redemption date). Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

#### o. *Interest income and expense*

Interest income and interest expense are recognised in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments, loans and accrued discount and premium on treasury bills and other discounted instruments.

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 include transaction costs, premium, discounts and all fees 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 (EIR) to the carrying value net of the expected credit loss provision. For financial assets classified as Purchased or Originated Credit Impaired (POCI), the Group calculates credit-adjusted effective interest rate, which is calculated based on the amortised cost of these financial assets instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### p. *Fee and commission income*

Fee and commission income is recognised on a single principle based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The information about the nature, the type of services and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies is as follows:-

#### (i) *Retail and corporate banking services*

The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and maintenance fees.

Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction.

Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. However, the bonus (loyalty) points attached to the credit card transactions are issued quarterly to cardholders.

Servicing fees are charged on a monthly basis and are based on fixed rates, as per the Group's "Rates and Charges".

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

#### (ii) *Treasury and investment banking*

The Group's investment banking segment provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting.

Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before the expiration date, then on termination it is charged the fee for the services performed to date.

Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.

Revenue from administrative agency services is recognised over time as the services are provided. The amounts are collected upfront and is recognised as deferred income.

#### (iii) *Trustee and asset management*

The Group provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis. In addition, the Group charges a non-refundable up-front fee when opening an account.

Revenue from asset management services is recognised over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognised as revenue over the period for which a customer is expected to continue receiving asset management services.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

p. *Fee and commission income (continued)*

(iv) *Brokerage & advisory services*

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.

q. *Dividend income*

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

r. *Borrowings*

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

s. *Acceptances*

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

t. *Dividend distribution*

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

u. *Preference shares*

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

v. *Provisions*

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

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(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### w. Intangible assets

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years.

##### (i) Goodwill

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

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

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

##### (ii) 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
- Availability of 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.

##### (iii) Other intangible assets

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

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

#### x. Fiduciary activities

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 2 Summary of significant accounting policies (continued)

#### y. Segment reporting

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

### 3 Financial risk management

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

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

#### *Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its mandate, the Board establishes written principles for overall risk management, as well as ensuring that policies are in place covering specific areas of risk. The most significant types of risk are credit risk, liquidity risk, market risk and non-financial risks. Market risk includes currency risk, interest rate risk and other price risks including commodity and equity risk.

The Group utilises the three lines of defense concept to manage risk. The first line encompasses the units which design and implement controls to mitigate the risks which they face, the second line are control functions such as risk management and finance who monitor the first line against these standards/controls. The third line is the Group's internal audit function which provides additional assurance and independent review or risk management and the control environment.

To assist the Board of Directors in fulfilling its duties, two Board Sub-Committees are in place to monitor and report to the Board of Directors on the overall risks within the Group - the Board Enterprise Risk Management (BERM) Committee and the Board Credit Committee (BCC); and two Senior Management Committees – the Senior Management Enterprise Risk Management Committee (SMERMC) and the Asset Liability Committee (ALCO).

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

*(Expressed in Trinidad and Tobago dollars)*

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### 3 Financial risk management (continued)

The Group Internal Audit department is responsible for the independent review of risk management and the control environment and reports its findings and recommendations to the Board's Audit Committee.

#### a. Credit risk

Credit risk is the risk of incurring a financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancements provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising 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.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

#### (i) Credit risk management

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee, Senior Management Enterprise Risk Management Committee, the Group Chief Risk Officer, the Group 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 Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management. The SMERMC together with the 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 GCRM is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's documented Credit Policy manuals. These documents set out in detail the policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function.

#### *Loans and advances (including loan commitments and guarantees)*

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 (note 3.a.v).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (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 two (2) rating models for loans and one (1) for investment securities. Retail borrowers are assessed using the Internal Grading (IG) Code model while Corporate and Commercial borrowers are assessed using the Borrower Risk Rating (BRR) model.

##### *Retail/consumer loans*

The IG code model is a qualitative assessment of key borrower information collected at the time of application such as debt servicing ability, credit history and quality of collateral. External data such as credit bureau scoring information is also used where available. Finally, expert judgement may also be applied where there are other relevant factors which may not be captured as part of the pre-defined data inputs into the model. Once the analysis is completed, the borrower is assigned an IG Code which would equate to an assessment of the PD ranging from extremely low risk (IG 98) to Very High Risk (IG 65).

##### *Corporate/commercial loans*

The BRR model is a quantitative assessment of the business risk profile and financial risk profile of the borrower. There are two subcategories of the BRR model: one which is used to assess Financial Institutions and another which is used for all other types of Corporate/Commercial Borrowers.

The business risk profile involves an assessment of the country risk, industry stage, competitive position and management expertise of the borrower. The financial risk profile involves calculating key financial ratios over the past three years and assigning risk scores based on the financial strength or weakness which the ratios represent. The model allows for discretionary adjustments to be made to the baseline rating using expert judgement by the business unit and GCRM. Once the analysis is completed, the borrower is assigned a credit rating which would equate to an assessment of the PD ranging from extremely low risk (BRR 1) to Very High Risk (BRR 6).

##### *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 Group'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 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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (ii) Credit risk grading (continued)

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

|                   | S&P Rating                               | Research & Analytics Risk Rating (Investment Securities) | FC Borrower Risk Rating (Corporate) | FC IG Code | Interpretation     |
|-------------------|--|--|-------------------------------------|------------|--------------------|
| Investment Grade  | AAA, AA+                                 | A+   | 1                                   | 98         | Extremely Low Risk |
|                   | AA, AA-                                  | A  |                                     |            |                    |
|                   | A+, A                                    | A-   | 2                                   | 95         | Very Low Risk      |
|                   | BBB+, BBB, BBB-                          | B+   | 3                                   | 90         | Low Risk           |
| Speculative Grade | BB+, BB, BB-                             | B  | 4                                   | 85         | Moderate Risk      |
|                   | B+, B, B-                                | B-   | 5                                   | 80         | High Risk          |
|                   | CCC+, CCC, CCC-, CC+, CC, CC-, C+, C, C- | C  | 6                                   |            | Very High Risk     |
|                   | D  | D  | 7                                   |            | 65                 |

##### (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 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.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Please refer to note 3.a.iv for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next twelve (12) months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.a.v 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. (vi) details how the Group has incorporated this in its ECL model.
- Purchased or originated credit-impaired (POCI) financial assets are those assets that are credit-impaired on initial recognition. The ECL is always measured on a lifetime basis and is deemed "built-in" to the fair value on origination. A credit impaired effective interest rate is used to amortize these instruments to their maturity. Changes to the life-time expected credit losses are adjusted in the amortised prices.

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

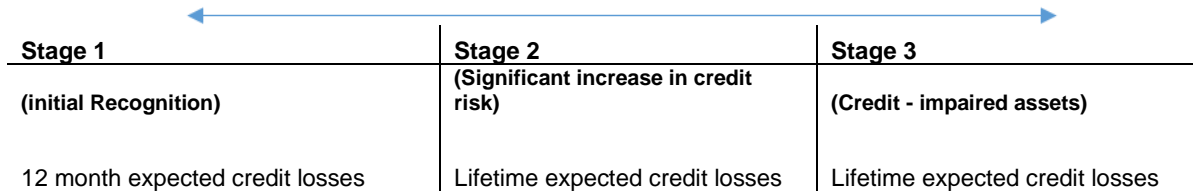
### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (iii) Expected credit loss measurement (continued)

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



#### Significant increase in credit risk (SICR)

The 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:

#### Loans – First Citizens Bank Trinidad and Tobago

| Criteria         | Retail Loans (includes Credit Cards)        | Commercial/Corporate Loans   |
|------------------|---|--|
| Relative Measure | n/a   | Initial BRR of 3 or higher - Downgraded such that the BRR is 4 or lower<br><br>Initial BRR of 4 or lower- Three notches downgrade of the BRR |
| Absolute Measure | 31 days past due/Classified Special Mention | 31 days past due/Classified Special Mention  |

#### Loans – First Citizens Bank Barbados

| Criteria         | Retail (includes Credit Cards)              | Commercial/Corporate Loans                  |
|------------------|---|---|
| Absolute Measure | 31 days past due/Classified Special Mention | 31 days past due/Classified Special Mention |

#### Investment securities

| 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                        |



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

#### (iii) Expected credit loss measurement (continued)

##### Significant increase in credit risk (SICR) (continued)

In addition to the above, due to the unprecedented economic impact of COVID 19 lockdown measures, the SICR criteria have been temporarily expanded to include a borrower level assessment based on the following:

- a) Where the borrower is assessed as being directly linked or indirectly linked to the travel industry.
- b) Where the borrower is assessed as providing a discretionary product or service, the purchase of which can be deferred or cancelled.
- c) Where the borrower is assessed as having a business which is very people intensive and therefore risks associated with a pandemic are amplified.
- d) Where the borrower is assessed as having more than 50% of its operating costs classed as fixed and therefore scaling capacity up or down in response to changes in demand is difficult.
- e) Where the borrower is assessed to be under severe liquidity strain with little or no access to alternative sources of liquidity.
- f) Where a facility is restructured for purposes other than retention of the account (due to competitiveness of the market) and there is one or a combination of a non-market driven reduction in interest rate, deferral of payments, an extension of the existing term by more than 12 months and a moratorium on payments/capitalisation of interest in excess of 12 months (note 3.a.iv)

The Group has not used the low credit risk exemption for any financial instruments in both the years ended 30 September 2021 and 2022.

With respect to the cure for SICR, the Group considers a significant decrease in credit risk has occurred when the following happens:

#### Loans

| <i>Retail Loans (includes Credit Cards)</i>    | <i>Commercial/Corporate Loans</i>                |
|--|--|
| Payments received for six months consecutively | Payments received for six periods consecutively  |
| Loan classification upgrade to Pass            | Loan classification upgrade to Pass              |
|  | BRR reverts to the rating just prior to the SICR |

#### Investment securities

| 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                           |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (iv) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default or credit impaired when it meets one or more of the following criteria:

##### *Quantitative criteria*

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

The Group executes a modification to terms and conditions of the original loan agreement that they would not normally consider and where the change in the present value of the cash flows of the new proposed loan facility versus the original loan facility exceeds 10%.

##### *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 proceedings.
- The obligation is classified Doubtful or worse as per the Group's classification process.
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).

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's expected loss calculations.

A loan instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a period of six consecutive payments.

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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (v) 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.iv), 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, 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 loan.
- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan. It is made up of two main elements; the recoverable value of the collateral (where available) and management's expectation of the extent of loss on a defaulted exposure based on the Group's own past recovery performance and can vary based on product type or seniority of claim. The recoverable value of collateral is calculated by first adjusting for the cost of disposal of the collateral and the expected time to sell the collateral, and then discounting by the effective interest rate of the facility to get the present value.

#### *PDs*

The lifetime and twelve (12) month PDs are determined differently for loans and investment securities. Loans' PDs are derived from the historical experience of the Group, calculated using a vintage analysis methodology. The investment securities' PDs for sovereign and corporate instruments are taken from the Standard & Poors' (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.

#### *EAD*

For amortising products and bullet repayment loans, EAD is based on the contractual repayments owed by the borrower over the remaining life of the loan. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.

For revolving products, the EAD is calculated by taking the current drawn balance and adding a credit conversion factor (CCF) which adjusts for the expected drawdown of the remaining unutilised limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over the prior two (2) year period. (Note 3.a.vi)

#### *LGD*

LGDs for loans are determined based on historical recovery rates, the recoverable value of collateral and vary by product type and are influenced by the collection strategies of the specialist units managing the process (Note 3.a.vi). For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2019). 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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (v) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

###### LGD (continued)

Management also made the following key assumptions in its assessment:-

###### Credit cards

The average lifetime of credit card facilities was calculated as seven (7) years for 2022, (2021:7 years) for the Bank and thirteen (13) years for FCBB 2022, (2021:13 years). In determining the tenor of these facilities, an average of the accounts in existence at the reporting date, together with the accounts closed over the last ten years was used to calculate the average life.

###### Overdrafts

In order to determine the lifetime of the consumer overdraft facilities, an average of the effective life of a consumer overdraft facility i.e. the time between an overdraft being opened and then closed was calculated for a historical period of eight (8) years. This calculation resulted in the identification of six (6) years & seven (7) years for personal and staff overdrafts respectively (2021: 6 years & 7 years) . For commercial and corporate overdraft facilities, the lifetime is taken as one (1) year, as they undergo a robust annual review process

###### Recovery rates

Recovery rates used on loans represents the Group's actual historical experience since inception of recovery on charged-off accounts by product type. These accounts have no attached collateral, however a robust system is in place for tracking collections on these loans. In the instance of loans that are booked in jurisdictions outside of Trinidad & Tobago and Barbados, sufficient recovery information was not available, due to a lack of defaulted loans, therefore recovery rates based on Trinidad and Tobago data was applied.

###### Credit conversion factors (CCF)

Credit conversion factors were calculated in order to project what portion of the undrawn element of revolving facilities (Credits Cards and Overdrafts), could reasonably expect to be drawn. The credit conversion factors were calculated using the quarterly exposure for overdrafts and monthly exposure for credit cards over a two (2) year period. An average of the difference between the current balance and the starting balance as a percentage of the total approved credit limit, was calculated and used as a proxy to project the portion of the undrawn balance that would be drawn, for both loans and credit cards for the various quarters and months respectively. The highest calculated average was used as the CCF.

##### (vi) 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.

###### Loan portfolio

For this portfolio, a scorecard model was developed, with the macro-economic factors and the weights attached to them, being chosen based on management's judgment and experience. Weights were assigned to distinguish those factors which would have a higher impact when compared to others. Management notes that different weightings were applied to the retail loan portfolio and the corporate/commercial loan portfolio, since in its view, the impact of the chosen macro-economic factors differs significantly for these two portfolios.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (vi) Forward-looking information incorporated in the ECL models (continued)

For each jurisdiction, four macro-economic factors were used. Unemployment rate, real GDP growth and inflation were used in all jurisdictions, with the remaining factor being country specific. LNG Prices, Tourist Arrivals and FDI were used as the country specific indicator for Trinidad & Tobago, Barbados, and Costa Rica and Latin America (LATAM) respectively. In management's assessment of the retail loan portfolio, unemployment was adjudged to have a direct impact on recoverability and was assigned the highest weighting. Similarly, for the corporate/commercial loan portfolio real GDP growth was adjudged to have the highest impact and weighting. In management's view, inflation would also have an impact on loan defaults and while not as significant as some of the other factors, it was also included in the assessment.

Outlooks were provided for each of these variables to derive a weighted adjustment factor that was then applied to the loan portfolios to reflect this forward-looking information.

The tables below show the macroeconomic factors selected and attendant weights:

#### RETAIL LOAN PORTFOLIO

| <i>Trinidad and Tobago</i> | <i>Barbados</i>         | <i>Weight</i> |
|----------------------------|-------------------------|---------------|
| Unemployment rate          | Unemployment rate       | 0.7           |
| Real GDP Growth            | Real GDP Growth         | 0.1           |
| Inflation                  | Inflation               | 0.05          |
| <i>LNG Prices</i>          | <i>Tourist Arrivals</i> | 0.15          |
| <i>Total</i>               |                         | <i>1</i>      |

#### CORPORATE COMMERCIAL LOAN PORTFOLIO

| <i>Trinidad and Tobago</i> | <i>Barbados</i>         | <i>Costa Rica and LATAM</i> | <i>Weight</i> |
|----------------------------|-------------------------|-----------------------------|---------------|
| Unemployment rate          | Unemployment rate       | Unemployment Rate           | 0.1           |
| Real GDP Growth            | Real GDP Growth         | Real GDP Growth             | 0.7           |
| Inflation                  | Inflation               | Inflation                   | 0.05          |
| <i>LNG Prices</i>          | <i>Tourist Arrivals</i> | <i>FDI</i>                  | 0.15          |
| <i>Total</i>               |                         |                             | <i>1</i>      |

The weightings assigned to each economic scenario as at September 30 2022 were as follows:-

|       | <b>Base</b> | <b>Upside</b> | <b>Downside</b> |
|-------|-------------|---------------|-----------------|
| Loans | 80%         | 10%           | 10%             |

The weightings assigned to each economic scenario as at 30 September 2021 were as follows:-

|       | <b>Base</b> | <b>Upside</b> | <b>Downside</b> |
|-------|-------------|---------------|-----------------|
| Loans | 80%         | 10%           | 10%             |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (vi) Forward-looking information incorporated in the ECL models (continued)

The Group also made the following key assumptions in its assessment:-

##### *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. After testing multiple economic indicators, a main macro-economic variable (MEV) is determined, which is statistically linked to the credit risk of that sovereign. To increase the robustness of the model, management adopted a bivariate model to determine two MEVs for key sovereigns. The statistical relationship is determined through regression analysis and an analysis of various measures of significance. The sign of the coefficients is also an important factor in determining the use of the two MEVs. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Three selected sovereign credit risk metrics were identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver. 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 worse-case. 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 incorporated the current global economic conditions, as such the forward-looking scenarios factored in the economic shock following the pandemic.

Credit ratings were forecasted for the next three years using these macro-economic scenarios. 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.

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 Economics 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. The impact of these economic variables on the PD, EAD and LGD has been determined by performing regression analysis to understand the impact changes in these variables have had historically on default rates and LGD.

##### *Economic assumptions*

The most significant period-end assumptions used for the ECL estimate as at 30 September 2022 are set out below. The scenarios "base", "best" and "worst" were used for the investment portfolios.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (vi) Forward-looking information incorporated in the ECL models (continued)

The most significant assumptions affecting the ECL allowance are as follows:

##### Retail portfolios

- (i) Unemployment rate, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments.

##### Corporate/Commercial portfolios

- (i) GDP, given the significant impact on company financial performance and collateral valuations;

##### Sensitivity analysis

Set out below are the changes to the loans ECL as at 30 September 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used by management (for example, the impact on ECL of increasing the estimated unemployment rate by 1% in each of the base, best and worst case scenarios):

| Unemployment Rates | Sep-22   |        | Sep-21   |        |
|--------------------|----------|--------|----------|--------|
|                    | PDs      |        | PDs      |        |
|                    | -1%      | 1%     | -1%      | 1%     |
|                    | "000     | "000   | "000     | "000   |
|                    | (18,698) | 28,403 | (20,039) | 20,039 |
| <hr/>              |          |        |          |        |
| GDP                | LGDs     |        | LGDs     |        |
|                    | -5%      | 5%     | -5%      | 5%     |
|                    | "000     | "000   | "000     | "000   |
|                    | (9,476)  | 10,230 | (3,432)  | 3,432  |
| <hr/>              |          |        |          |        |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (vii) Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, the characteristic of the risk profile was taken into consideration. The grouping was done only for the credit card portfolio. The appropriateness of grouping of instruments is monitored and reviewed on a periodic basis by the Group Credit Risk Management unit.

##### (viii) Risk limit control and mitigation policy

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

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

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

##### (b) Industry exposure limits

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed by the 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 to the various industry exposure categories based on the risk ranking.

##### (c) 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 credit rating agencies or the Group's own internal assessment of the strategic direction of the Group. 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.



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (viii) Risk limit control and mitigation policy (continued)

##### (d) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral for credit risk mitigation.

The Group requires a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over cash and cash convertible instruments.
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term lending to corporate/commercial entities is generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. 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.

The Group's policies regarding obtaining collateral have not changed significantly during the period. The impact of Covid-19 on property collateral was deemed as short term. However, a discount of 20% was applied to collateral values dated prior to 2020 in order to estimate the impact on recoverability due to Covid-19.

##### (e) Liquidity support agreement

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

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

Losses which are covered under the LSA include losses in respect of balances due from CL Financial and its affiliates accruing from the date that FCIS (formerly 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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (viii) Risk limit control and mitigation policy (continued)

##### (e) Liquidity support agreement (continued)

The Ministry of Finance continues to recognise its commitment under the LSA by way of granting consecutive extensions since 2015, with the latest being an extension to 28 February 2023. Additionally, the Ministry of Finance has made good and settled in full subsequent claims made for losses and expenses incurred resulting from obligations commensurate with the LSA.

As at the date of this statement of financial position, the amount of the Promissory Notes due was USD \$110.0M (2021: US \$106.97M) and the Commercial Paper was TT \$267.1M (2021: TT \$258.5M).

##### (f) Credit-related commitments

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

##### (g) Impairment and provisioning policies

The Group's impairment provision policy is covered in detail in Note 2 e.i.c.

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

|  | <b>Gross<br/>maximum<br/>exposure<br/>2022<br/>\$'000</b> | <b>Gross<br/>maximum<br/>exposure<br/>2021<br/>\$'000</b> |
|--|---|---|
| Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows: |   |   |
| Cash and bank balances   | 6,375,452   | 6,439,683   |
| Statutory deposit with Central Bank  | 5,152,452   | 4,587,140   |
| Investment instruments   |   |   |
| - Fair value through other comprehensive income  | 7,752,416   | 10,299,204  |
| - Amortised cost   | 4,959,757   | 4,882,363   |
| Loans to customers   | 19,288,478  | 18,523,967  |
| Loan notes   | --  | 73,700  |
| Other assets   | 358,448   | 413,820   |
| Credit commitments   | 635,350   | 561,569   |
| Financial guarantees   | 158,631   | 205,340   |
|  | <u>44,680,984</u>   | <u>45,986,786</u>   |

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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (x) Loans to customers and other financial assets

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

|                   | Retail            |              |              | Total     |
|-------------------|-------------------|--------------|--------------|-----------|
|                   | 30 September 2022 |              |              |           |
|                   | Stage 1           | Stage 2      | Stage 3      |           |
|                   | 12-month ECL      | Lifetime ECL | Lifetime ECL |           |
|                   | \$'000            | \$'000       | \$'000       | \$'000    |
| Installment loans | 1,540,279         | 335,690      | 154,711      | 2,030,680 |
| Demand loans      | 387,603           | 49,925       | 78,355       | 515,883   |
| Overdrafts        | 38,393            | 442          | 5,056        | 43,891    |
| Credit card       | 578,720           | 10,264       | 47,234       | 636,218   |
| Mortgages         | 2,350,988         | 467,532      | 269,090      | 3,087,610 |
| Gross loans       | 4,895,983         | 863,853      | 554,446      | 6,314,282 |
| Loss allowance    | (18,614)          | (15,911)     | (263,865)    | (298,390) |
| Carrying balance  | 4,877,369         | 847,942      | 290,581      | 6,015,892 |

|                  | Commercial & Corporate |              |              | Total      |
|------------------|------------------------|--------------|--------------|------------|
|                  | 2022                   |              |              |            |
|                  | Stage 1                | Stage 2      | Stage 3      |            |
|                  | 12-month ECL           | Lifetime ECL | Lifetime ECL |            |
| Type of facility | \$'000                 | \$'000       | \$'000       | \$'000     |
| Demand loan      | 7,886,607              | 3,973,255    | 716,314      | 12,576,176 |
| Overdraft        | 276,065                | 76,032       | 45,923       | 398,020    |
| Gross loans      | 8,162,672              | 4,049,287    | 762,237      | 12,974,196 |
| Loss allowance   | (5,346)                | (8,267)      | (89,921)     | (103,534)  |
| Carrying balance | 8,157,326              | 4,041,020    | 672,316      | 12,870,662 |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (x) Loans to customers and other financial assets (continued)

|                      | Investments       |              |                 |              | Total      |
|----------------------|-------------------|--------------|-----------------|--------------|------------|
|                      | 30 September 2022 |              |                 |              |            |
|                      | Stage 1           | Stage 2      | Stage 3         | Purchased or |            |
|                      | 12-month ECL      | Lifetime ECL | Lifetime ECL    | originated   |            |
|                      |                   |              | credit impaired |              |            |
|                      | \$'000            | \$'000       | \$'000          | \$'000       | \$'000     |
| <b>Credit rating</b> |                   |              |                 |              |            |
| Investment grade     | 9,437,084         | --           | --              | --           | 9,437,084  |
| Standard monitoring  | 2,475,302         | 58,634       | --              | --           | 2,533,936  |
| Special monitoring   | --                | --           | --              | 741,151      | 741,151    |
| Gross loans          | 11,912,386        | 58,634       | --              | 741,151      | 12,712,171 |
| Loss allowance       | (37,241)          | (5,260)      | --              | --           | (42,501)   |
| Carrying balance     | 11,875,145        | 53,374       | --              | --           | 12,669,670 |

|                   | Retail            |              |              | Total     |
|-------------------|-------------------|--------------|--------------|-----------|
|                   | 30 September 2021 |              |              |           |
|                   | Stage 1           | Stage 2      | Stage 3      |           |
|                   | 12-month ECL      | Lifetime ECL | Lifetime ECL |           |
|                   | \$'000            | \$'000       | \$'000       | \$'000    |
| Installment loans | 1,529,768         | 496,549      | 147,249      | 2,173,566 |
| Demand loans      | 317,195           | 52,032       | 84,750       | 453,977   |
| Overdrafts        | 21,714            | 998          | 9,203        | 31,915    |
| Credit card       | 539,625           | 12,768       | 44,708       | 597,101   |
| Mortgages         | 2,191,790         | 567,294      | 269,388      | 3,028,472 |
| Gross loans       | 4,600,092         | 1,129,641    | 555,298      | 6,285,031 |
| Loss allowance    | (20,777)          | (22,899)     | (270,468)    | (314,144) |
| Carrying balance  | 4,579,315         | 1,106,742    | 284,830      | 5,970,887 |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (x) Loans to customers and other financial assets (continued)

| Type of facility | Commercial & Corporate<br>30 September 2021 |                        |                        | Total<br>\$'000 |
|------------------|---|------------------------|------------------------|-----------------|
|                  | Stage 1                                     | Stage 2                | Stage 3                |                 |
|                  | 12-month ECL<br>\$'000                      | Lifetime ECL<br>\$'000 | Lifetime ECL<br>\$'000 |                 |
| Demand loan      | 6,644,522                                   | 4,277,316              | 834,625                | 11,756,463      |
| Overdraft        | 246,650                                     | 221,541                | 14,282                 | 482,473         |
| Gross loans      | 6,891,172                                   | 4,498,857              | 848,907                | 12,238,936      |
| Loss allowance   | (6,042)                                     | (7,643)                | (112,716)              | (126,401)       |
| Carrying balance | 6,885,130                                   | 4,491,214              | 736,191                | 12,112,535      |

| Credit rating       | Investments<br>30 September 2021 |                        |                        |                            | Total<br>\$'000 |
|---------------------|----------------------------------|------------------------|------------------------|----------------------------|-----------------|
|                     | Stage 1                          | Stage 2                | Stage 3                | Purchased or<br>originated |                 |
|                     | 12-month ECL<br>\$'000           | Lifetime ECL<br>\$'000 | Lifetime ECL<br>\$'000 | credit impaired<br>\$'000  |                 |
| Investment grade    | 11,546,171                       | 15,020                 | --                     | --                         | 11,561,191      |
| Standard monitoring | 2,701,209                        | 193,958                | --                     | --                         | 2,895,167       |
| Special monitoring  | --                               | --                     | 12,477                 | 712,827                    | 725,304         |
| Default             | --                               | --                     | --                     | --                         | --              |
| Gross loans         | 14,247,380                       | 208,978                | 12,477                 | 712,827                    | 15,181,662      |
| Loss allowance      | (21,970)                         | (11,267)               | (5,954)                | --                         | (39,191)        |
| Carrying balance    | 14,225,410                       | 197,711                | 6,523                  | 712,827                    | 15,142,471      |

The ECL on the financial guarantees are nil, as all guarantees executed are secured by cash. The newly committed assets assessments are based on the clients' risk profile, PDs, LGD and collateral position. There was no exposure, as a result they were classified under stage 1 with no ECL (Note 3.c.iii).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a Credit risk (continued)

##### (x) Loans to customers and other financial assets (continued)

|                    | 30 September 2022 |                  |                  | Retail             |                  |                  |                  |
|--------------------|-------------------|------------------|------------------|--------------------|------------------|------------------|------------------|
|                    | Gross Balance     | ECL Allowance    | Carrying Balance |                    | Gross Balance    | ECL Allowance    | Carrying Balance |
| IG                 | \$'000            | \$'000           | \$'000           | IG                 | \$'000           | \$'000           | \$'000           |
| 65                 | 314,164           | (91,220)         | 222,944          | 65                 | 330,171          | (100,652)        | 229,519          |
| 80                 | 231,400           | (11,131)         | 220,269          | 80                 | 169,730          | (8719)           | 161,011          |
| 85                 | 2,169,889         | (120,115)        | 2,049,774        | 85                 | 2,485,027        | (128,434)        | 2,356,593        |
| 90                 | 2,291,148         | (16,869)         | 2,274,279        | 90                 | 2,051,199        | (16,667)         | 2,034,532        |
| 95                 | 629,165           | (1,200)          | 627,965          | 95                 | 619,761          | (1,278)          | 618,483          |
| 98                 | 2,338             | (3)              | 2,335            | 98                 | 459              | --               | 459              |
| Credit cards       | 636,218           | (53,820)         | 582,398          | Credit cards       | 601,066          | (50,402)         | 550,664          |
| DDA                | 39,960            | (4,032)          | 35,928           | DDA                | 27,618           | (7,992)          | 19,626           |
| <b>Gross loans</b> | <b>6,314,282</b>  | <b>(298,390)</b> | <b>6,015,892</b> | <b>Gross loans</b> | <b>6,285,031</b> | <b>(314,144)</b> | <b>5,970,887</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

(x) Loans to customers and other financial assets (continued)

| BRR                     | Commercial & Corporate<br>30 September 2022 |               |                  |                  |                  |                  |                 | Total<br>\$'000   |
|-------------------------|---|---------------|------------------|------------------|------------------|------------------|-----------------|-------------------|
|                         | 1<br>\$'000                                 | 2<br>\$'000   | 3<br>\$'000      | 4<br>\$'000      | 5<br>\$'000      | 6<br>\$'000      | 7<br>\$'000     |                   |
| Gross loans             | 286   | --            | 3,487,499        | 3,092,869        | 1,592,348        | 3,556,363        | 410,209         | 12,139,574        |
| Loss allowance          | --  | --            | (973)            | (2,658)          | (5,269)          | (7,808)          | (57,144)        | (73,852)          |
| <b>Carrying balance</b> | <b>286</b>                                  | <b>--</b>     | <b>3,486,526</b> | <b>3,090,211</b> | <b>1,587,079</b> | <b>3,548,555</b> | <b>353,065</b>  | <b>12,065,722</b> |
| IG- ratings             | 65<br>\$'000                                | 80<br>\$'000  | 85<br>\$'000     | 90<br>\$'000     | 95<br>\$'000     | 98<br>\$'000     | Total<br>\$'000 |                   |
|                         |   |               |                  |                  |                  |                  |                 |                   |
| Gross loans             | 83,339                                      | 43,494        | 342,822          | 328,739          | 35,681           | 547              |                 | 834,622           |
| Loss allowance          | (25,238)                                    | (1,288)       | (2,249)          | (905)            | (2)              | --               |                 | (29,682)          |
| <b>Carrying balance</b> | <b>58,101</b>                               | <b>42,206</b> | <b>340,573</b>   | <b>327,834</b>   | <b>35,679</b>    | <b>547</b>       |                 | <b>804,940</b>    |
| BRR                     | Commercial & Corporate<br>30 September 2021 |               |                  |                  |                  |                  |                 | Total<br>\$'000   |
|                         | 1<br>\$'000                                 | 2<br>\$'000   | 3<br>\$'000      | 4<br>\$'000      | 5<br>\$'000      | 6<br>\$'000      | 7<br>\$'000     |                   |
| Gross loans             | 380   | 37,184        | 3,434,948        | 2,323,049        | 1,566,472        | 3,865,472        | 136,298         | 11,363,803        |
| Loss allowance          | --  | --            | (2,233)          | (3,182)          | (2,967)          | (8,992)          | (68,907)        | (86,281)          |
| <b>Carrying balance</b> | <b>380</b>                                  | <b>37,184</b> | <b>3,432,715</b> | <b>2,319,867</b> | <b>1,563,505</b> | <b>3,856,480</b> | <b>67,391</b>   | <b>11,277,522</b> |
| IG- ratings             | 65<br>\$'000                                | 80<br>\$'000  | 85<br>\$'000     | 90<br>\$'000     | 95<br>\$'000     | 98<br>\$'000     | Total<br>\$'000 |                   |
|                         |   |               |                  |                  |                  |                  |                 |                   |
| Gross loans             | 88,948                                      | 63,653        | 389,343          | 292,252          | 40,482           | 455              |                 | 875,133           |
| Loss allowance          | (29,443)                                    | (2,436)       | (4,307)          | (3,932)          | (2)              | --               |                 | (40,120)          |
| <b>Carrying balance</b> | <b>59,505</b>                               | <b>61,217</b> | <b>385,036</b>   | <b>288,320</b>   | <b>40,480</b>    | <b>455</b>       |                 | <b>835,013</b>    |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xi) Credit-impaired assets collateral held

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

#### Credit impaired assets

| 30 September 2022                    | Gross exposure<br>\$'000 | Impairment allowance<br>\$'000 | Carrying amount<br>\$'000 | Fair value of collateral held<br>\$'000 |
|--------------------------------------|--------------------------|--------------------------------|---------------------------|---|
| <b>Individual (retail customers)</b> |                          |                                |                           |   |
| Instalment loans                     | 154,711                  | (126,620)                      | 28,091                    | 59,798                                  |
| Demand loans                         | 78,355                   | (32,417)                       | 45,938                    | 73,753                                  |
| Overdrafts                           | 113,620                  | (15,455)                       | 98,165                    | 164,588                                 |
| Credit cards                         | 3,378                    | (3,348)                        | 30                        | 117                                     |
| Mortgages                            | 204,382                  | (86,025)                       | 118,357                   | 164,617                                 |
| Sub-total                            | 554,446                  | (263,865)                      | 290,581                   | 462,873                                 |
| <b>Corporate &amp; Commercial</b>    |                          |                                |                           |   |
| Demand loans                         | 716,314                  | (86,790)                       | 629,524                   | 1,716,540                               |
| Overdrafts                           | 45,923                   | (3,131)                        | 42,792                    | 108,745                                 |
| Sub-total                            | 762,237                  | (89,921)                       | 672,316                   | 1,825,285                               |
| <b>Total loans to customers</b>      | <b>1,316,683</b>         | <b>(353,786)</b>               | <b>962,897</b>            | <b>2,288,159</b>                        |



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xi) Credit-impaired assets collateral held (continued)

#### Credit impaired assets

| 30 September 2021                    | Gross exposure<br>\$'000 | Impairment allowance<br>\$'000 | Carrying amount<br>\$'000 | Fair value of collateral held<br>\$'000 |
|--------------------------------------|--------------------------|--------------------------------|---------------------------|---|
| <b>Individual (retail customers)</b> |                          |                                |                           |   |
| Instalment loans                     | 147,249                  | (118,740)                      | 28,509                    | 52,304                                  |
| Demand loans                         | 84,750                   | (30,935)                       | 53,815                    | 80,142                                  |
| Overdrafts                           | 9,203                    | (9,132)                        | 71                        | 285                                     |
| Credit cards                         | 44,708                   | (44,660)                       | 48                        | --                                      |
| Mortgages                            | 269,388                  | (67,001)                       | 202,387                   | 288,535                                 |
| Sub-total                            | 555,298                  | (270,468)                      | 284,830                   | 421,266                                 |
| <b>Corporate &amp; Commercial</b>    |                          |                                |                           |   |
| Other loans                          | 834,625                  | (111,384)                      | 723,241                   | 1,672,146                               |
| Mortgages                            | 14,282                   | (1,332)                        | 12,950                    | 45,515                                  |
| Sub-total                            | 848,907                  | (112,716)                      | 736,191                   | 1,717,661                               |
| <b>Total loans to customers</b>      | <b>1,404,205</b>         | <b>(383,184)</b>               | <b>1,021,021</b>          | <b>2,138,927</b>                        |

The following table shows the distribution of Loan to Value ratios (LTV) for the Group's Retail mortgage credit-impaired portfolio:-

| Mortgage Portfolio -LTV distribution | Credit-impaired<br>(Gross carrying amount)<br>September 2022<br>\$'000 | Credit-impaired<br>(Gross carrying amount)<br>September 2021<br>\$'000 |
|--------------------------------------|--|--|
| Lower than 50%                       | 29,324   | 20,253   |
| 50 to 60%                            | 7,340  | 7,944  |
| 60 to 70%                            | 11,090   | 6,287  |
| 70 to 80%                            | 18,019   | 12,895   |
| 80 to 90%                            | 12,827   | 14,517   |
| 90 to 100%                           | 16,576   | 20,634   |
| greater than 100%                    | 173,917  | 186,858  |
| <b>Total</b>                         | <b>269,093</b>   | <b>269,388</b>   |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (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 periodic refreshing of inputs to models; currently ten years of data for PDs are being used (2020: ten years were used), and management's intention is to maintain this ten year rolling average for the PDs.
- 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 that were written off during the period (3.a.xiii).

The Government of Barbados bonds were recognised as at 1 October 2018 as Purchased or Originated Credit Impaired (POCI). These bonds originated at a deep discount that reflects incurred credit losses. An effective interest rate based in the expected cash flows net of expected credit losses is used. This is known as at Credit Adjusted Effective Interest Rate (CAEIR).

- The total amount of undiscounted expected credit losses at initial recognition for Originated credit-impaired financial assets recognised during the period was \$24.1M (2021: \$27.7M)

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xii) Loss allowance (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

| <b>Retail</b>                                     | <b>Stage 1</b>     | <b>Stage 2</b>      | <b>Stage 3</b>      | <b>Total</b>   |
|---|--------------------|---------------------|---------------------|----------------|
|   | <b>12month ECL</b> | <b>Lifetime ECL</b> | <b>Lifetime ECL</b> | <b>Total</b>   |
|   | <b>\$'000</b>      | <b>\$'000</b>       | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Loss allowance as at 1 October 2021</b>        | 20,777             | 22,899              | 270,468             | 314,144        |
| <b>Movement with P&amp;L Impact</b>               |                    |                     |                     |                |
| Transfer from stage 1 to stage 2                  | (980)              | 3,175               | --                  | 2,195          |
| Transfer from stage 1 to stage 3                  | (220)              | --                  | 9,181               | 8,961          |
| Transfer from stage 2 to stage 1                  | 382                | (2,168)             | --                  | (1,786)        |
| Transfer from stage 2 to stage 3                  | --                 | (1,783)             | 23,176              | 21,393         |
| Transfer from stage 3 to stage 1                  | 4                  | --                  | (299)               | (295)          |
| Transfer from stage 3 to stage 2                  | --                 | 13                  | (329)               | (316)          |
| New financial assets originated                   | 4,138              | 2,644               | 7,606               | 14,388         |
| Change in PDs/LGDs/EADs                           | (419)              | (570)               | (6,684)             | (7,673)        |
| Repayments  | (3,125)            | (4,679)             | (9,439)             | (17,243)       |
| Unwind of discounts                               | (1,943)            | (3,621)             | (9,999)             | (15,563)       |
| FX and other movements                            | --                 | 1                   | --                  | 1              |
| <b>Total net P&amp;L charge during the period</b> | <b>(2,163)</b>     | <b>(6,988)</b>      | <b>13,213</b>       | <b>4,062</b>   |
| <b>Other movement with no P&amp;L impact</b>      |                    |                     |                     |                |
| Write-offs  | --                 | --                  | (19,816)            | (19,816)       |
| <b>Loss allowance as at 30 September 2022</b>     | <b>18,614</b>      | <b>15,911</b>       | <b>263,865</b>      | <b>298,390</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xii) Loss allowance (continued)

| Commercial & Corporate                            | Stage 1      | Stage 2      | Stage 3      | Total    |
|---|--------------|--------------|--------------|----------|
|   | 12-month ECL | Lifetime ECL | Lifetime ECL |          |
|   | \$'000       | \$'000       | \$'000       | \$'000   |
| <b>Loss allowance as at 1 October 2021</b>        | 6,042        | 7,643        | 112,716      | 126,401  |
| <b>Movement with P&amp;L Impact</b>               |              |              |              |          |
| Transfer from stage 1 to stage 2                  | (809)        | 4,432        | --           | 3,623    |
| Transfer from stage 1 to stage 3                  | 123          | (629)        | 39,151       | 38,645   |
| Transfer from stage 2 to stage 1                  | 181          | (1,788)      | --           | (1,607)  |
| Transfer from stage 2 to stage 3                  | --           | --           | 18,426       | 18,426   |
| Transfer from stage 3 to stage 1                  | 215          | --           | (67,644)     | (67,429) |
| Transfer from stage 3 to stage 2                  | --           | 7            | (10)         | (3)      |
| New financial assets originated                   | 1,778        | 2,481        | 221          | 4,480    |
| Change in PDs/LGDs/EADs                           |              |              |              |          |
| Repayments  | (954)        | (3,877)      | (5,657)      | (10,488) |
| Unwind of discounts                               | (1,230)      | (2)          | (7,282)      | (8,514)  |
| FX and other movements                            | --           | --           | --           | --       |
| <b>Total net P&amp;L charge during the period</b> | (696)        | 624          | (22,795)     | (22,867) |
| <b>Other movement with no P&amp;L impact</b>      |              |              |              |          |
| Write-offs  | --           | --           | --           | --       |
| <b>Loss allowance as at 30 September 2022</b>     | 5,346        | 8,267        | 89,921       | 103,534  |
| <b>Investments</b>                                |              |              |              |          |
|   | Stage 1      | Stage 2      | Stage 3      | Total    |
|   | 12-month ECL | Lifetime ECL | Lifetime ECL |          |
|   | \$'000       | \$'000       | \$'000       | \$'000   |
| <b>Loss Allowances as at 1 October 2021</b>       | 21,976       | 11,267       | 5,954        | 39,197   |
| <b>Movement with P&amp;L Impact</b>               |              |              |              |          |
| Transfer from stage 2 to stage 1                  | 8            | (8)          | --           | --       |
| Transfer from stage 3 to stage 1                  | 5,954        | --           | (5,954)      | --       |
| Transfer from stage 3 to stage 2                  |              |              |              |          |
| New financial assets originated                   | 483          | 575          | --           | 1,058    |
| Change in PDs/LGDs/EADs/Collateral App            | 12,085       | (2,461)      | --           | 9,624    |
| Repayments  | (3,249)      | (4,113)      | --           | (7,362)  |
| FX and other movements                            | 206          | --           | --           | 206      |
| <b>Total net P&amp;L charge during the period</b> | 15,487       | (6,007)      | (5,954)      | 3,526    |
| <b>Other movement with no P&amp;L impact</b>      |              |              |              |          |
| Financial assets derecognised during the period   | --           | --           | --           | --       |
| Write Off   | (222)        | --           | --           | (222)    |
| <b>Loss allowance as at 30 September 2022</b>     | 37,241       | 5,260        | --           | 42,501   |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xii) Loss allowance (continued)

| Retail  | Stage 1<br>12-month ECL<br>\$'000 | Stage 2<br>Lifetime ECL<br>\$'000 | Stage 3<br>Lifetime ECL<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------|
| <b>Loss allowance as at 1 October 2020</b>        | 24,816                            | 18,893                            | 225,708                           | 269,417         |
| <b>Movement with P&amp;L Impact</b>               |                                   |                                   |                                   |                 |
| Transfer from stage 1 to stage 2                  | (2,947)                           | 10,171                            | --                                | 7,224           |
| Transfer from stage 1 to stage 3                  | (355)                             | --                                | 20,625                            | 20,270          |
| Transfer from stage 2 to stage 1                  | 984                               | (5,601)                           | --                                | (4,617)         |
| Transfer from stage 2 to stage 3                  | --                                | (3,121)                           | 41,722                            | 38,601          |
| Transfer from stage 3 to stage 1                  | 58                                | --                                | (4,957)                           | (4,899)         |
| Transfer from stage 3 to stage 2                  | --                                | 541                               | (6,877)                           | (6,336)         |
| New financial assets originated                   | 6,130                             | 6,585                             | 14,967                            | 27,682          |
| Change in PDs/LGDs/EADs                           | (1,460)                           | (1,214)                           | 457                               | (2,217)         |
| Repayments  | (5,490)                           | (2,062)                           | (20,020)                          | (27,572)        |
| Unwind of discounts                               | (944)                             | (1,379)                           | (978)                             | (3,301)         |
| FX and other movements                            | (15)                              | 86                                | (179)                             | (108)           |
| <b>Total net P&amp;L charge during the period</b> | (4,039)                           | 4006                              | 44,760                            | 44,727          |
| <b>Other movement with no P&amp;L impact</b>      |                                   |                                   |                                   |                 |
| Write-offs  | --                                | --                                | --                                | --              |
| <b>Loss allowance as at 30 September 2021</b>     | 20,777                            | 22,899                            | 270,468                           | 314,144         |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xii) Loss allowance (continued)

|   | Stage 1<br>12-month<br>ECL<br>\$'000 | Stage 2<br>Lifetime<br>ECL<br>\$'000 | Stage 3<br>Lifetime<br>ECL<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| <b>Commercial &amp; Corporate</b>                 |                                      |                                      |                                      |                 |
| <b>Loss allowance as at 1 October 2020</b>        | 6,165                                | 35,656                               | 146,594                              | 188,415         |
| <b>Movement with P&amp;L Impact</b>               |                                      |                                      |                                      |                 |
| Transfer from stage 1 to stage 2                  | (217)                                | 1,751                                | --                                   | 1,534           |
| Transfer from stage 1 to stage 3                  | (3)                                  | --                                   | 589                                  | 586             |
| Transfer from stage 2 to stage 1                  | 302                                  | (606)                                | --                                   | (304)           |
| Transfer from stage 2 to stage 3                  | --                                   | (96)                                 | 7,613                                | 7,517           |
| Transfer from stage 3 to stage 1                  | --                                   | --                                   | --                                   | --              |
| Transfer from stage 3 to stage 2                  | --                                   | --                                   | (853)                                | (853)           |
| New financial assets originated                   | 1,090                                | 369                                  | 65,757                               | 67,216          |
| Change in PDs/LGDs/EADs                           | 81                                   | (3,600)                              | --                                   | (3,519)         |
| Repayments  | (1,063)                              | (27,028)                             | (110,360)                            | (138,451)       |
| Unwind of discounts                               | (311)                                | 1,213                                | 3,435                                | 4,337           |
| FX and other movements                            | (2)                                  | (16)                                 | (59)                                 | (77)            |
| <b>Total net P&amp;L charge during the period</b> | (123)                                | (28,013)                             | (33,878)                             | (62,014)        |
| <b>Other movement with no P&amp;L impact</b>      |                                      |                                      |                                      |                 |
| Write-offs  | --                                   | --                                   | --                                   | --              |
| <b>Loss allowance as at 30 September 2021</b>     | 6,042                                | 7,643                                | 112,716                              | 126,401         |
| <b>Investments</b>                                |                                      |                                      |                                      |                 |
|   | Stage 1<br>12-month ECL<br>\$'000    | Stage 2<br>Lifetime ECL<br>\$'000    | Stage 3<br>Lifetime ECL<br>\$'000    | Total<br>\$'000 |
| <b>Loss Allowances as at 1 October 2020</b>       | 27,002                               | 16,166                               | 5,964                                | 49,132          |
| <b>Movement with P&amp;L Impact</b>               |                                      |                                      |                                      |                 |
| Transfer from stage 1 to stage 2                  | (448)                                | 448                                  | --                                   | --              |
| Transfer from stage 1 to stage 3                  | --                                   | (1,699)                              | 1,699                                | --              |
| Transfer from stage 2 to stage 1                  | --                                   | --                                   | --                                   | --              |
| Transfer from stage 2 to stage 3                  | --                                   | --                                   | --                                   | --              |
| Transfer from stage 3 to stage 1                  | --                                   | --                                   | --                                   | --              |
| Transfer from stage 3 to stage 2                  | --                                   | --                                   | --                                   | --              |
| New financial assets originated                   | 1,557                                | 8                                    | --                                   | 1,565           |
| Change in PDs/LGDs/EADs/Collateral App            | (2,638)                              | 43                                   | --                                   | (2,595)         |
| Repayments  | (1,444)                              | --                                   | --                                   | (1,444)         |
| FX and other movements                            | (64)                                 | (32)                                 | (10)                                 | (106)           |
| <b>Total net P&amp;L charge during the period</b> | (3,037)                              | (1,232)                              | 1,689                                | (2,580)         |
| <b>Other movement with no P&amp;L impact</b>      |                                      |                                      |                                      |                 |
| Financial assets derecognised during the period   | --                                   | --                                   | (1,699)                              | (1,699)         |
| Transfer to OCI                                   | (1,989)                              | (3,667)                              | --                                   | (5,656)         |
| <b>Loss allowance as at 30 September 2021</b>     | 21,976                               | 11,267                               | 5,954                                | 39,197          |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xii) Loss allowance (continued)

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- Repayments offset by new loans facilities originated during the period resulted in a net increase of the gross carrying amount of the relative books by 9.2%, with a corresponding \$8.8M decrease in loss allowance measured. In 2021, it resulted in a net increase of the gross carrying amount of the relative books by 9.2%, with a corresponding \$0.1 M increase in loss allowance measured.
- The write-off of loans and investments with a total gross carrying amount of \$19.8M resulted in the reduction of the Stage 3 loss allowance by the same amount.2021: \$24.5M).
- There were no derecognition of financial assets for 2022, as a result there were no corresponding impact to the Stage 3 allowance. In 2021, the derecognition was \$6.9M, with a corresponding Stage 3 allowance of \$1.7 M.

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

#### Retail

|  | 30 September 2022                 |                                   |                                   | Total<br>\$'000  |
|--|-----------------------------------|-----------------------------------|-----------------------------------|------------------|
|  | Stage 1<br>12-month ECL<br>\$'000 | Stage 2<br>Lifetime ECL<br>\$'000 | Stage 3<br>Lifetime ECL<br>\$'000 |                  |
| <b>Gross carrying amount as at<br/>1 October 2021</b>    | 4,600,092                         | 1,129,641                         | 555,298                           | 6,285,031        |
| <b>Transfers:</b>  |                                   |                                   |                                   |                  |
| Transfer from stage 1 to stage 2                         | (150,807)                         | 128,033                           | --                                | (22,774)         |
| Transfer from stage 1 to stage 3                         | (26,932)                          | --                                | 20,219                            | (6,713)          |
| Transfer from stage 2 to stage 1                         | 102,334                           | (119,568)                         | --                                | (17,234)         |
| Transfer from stage 2 to stage 3                         | --                                | (64,897)                          | 53,397                            | (11,500)         |
| Transfer from stage 3 to stage 1                         | 1,518                             | --                                | (1,764)                           | (246)            |
| Transfer from stage 3 to stage 2                         | --                                | 3,124                             | (3,413)                           | (289)            |
| New financial assets originated                          | 1,282,041                         | 45,793                            | 10,973                            | 1,338,807        |
| Repayments   | (912,263)                         | (258,273)                         | (60,448)                          | (1,230,984)      |
| Change in PDs/LGDs/EADs                                  | --                                | --                                | --                                | --               |
| Write off  | --                                | --                                | (19,816)                          | (19,816)         |
| FX and other movements                                   | --                                | --                                | --                                | --               |
| <b>Gross carrying amount as at<br/>30 September 2022</b> | <b>4,895,983</b>                  | <b>863,853</b>                    | <b>554,446</b>                    | <b>6,314,282</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xiii) Gross carrying amount

#### Commercial & Corporate

|  | 30 September 2022                 |                                   |                                   | Total<br>\$'000   |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
|  | Stage 1<br>12-month ECL<br>\$'000 | Stage 2<br>Lifetime ECL<br>\$'000 | Stage 3<br>Lifetime ECL<br>\$'000 |                   |
| <b>Gross carrying amount as at<br/>1 October 2021</b>    | 6,891,172                         | 4,498,857                         | 848,907                           | 12,238,936        |
| <b>Transfers:</b>  |                                   |                                   |                                   |                   |
| Transfer from stage 1 to stage 2                         | (804,772)                         | 628,768                           | --                                | (176,004)         |
| Transfer from stage 1 to stage 3                         | (118,165)                         | --                                | 43,708                            | (74,457)          |
| Transfer from stage 2 to stage 1                         | 695,658                           | (701,500)                         | --                                | (5,842)           |
| Transfer from stage 2 to stage 3                         | --                                | (79,965)                          | 87,485                            | 7,520             |
| Transfer from stage 3 to stage 1                         | 63,800                            | --                                | (69,917)                          | (6,117)           |
| Transfer from stage 3 to stage 2                         | --                                | 1,526                             | (2,153)                           | (627)             |
| New financial assets originated                          | 3,914,742                         | 850,836                           | 77,209                            | 4,842,787         |
| Repayments   | (2,479,763)                       | (1,149,235)                       | (223,002)                         | (3,852,000)       |
| Change in PDs/LGDs/EADs                                  | --                                | --                                | --                                | --                |
| Unwind of discounts                                      | --                                | --                                | --                                | --                |
| FX and other movements                                   | --                                | --                                | --                                | --                |
| <b>Gross carrying amount as at<br/>30 September 2022</b> | <b>8,162,672</b>                  | <b>4,049,287</b>                  | <b>762,237</b>                    | <b>12,974,196</b> |

| Investments   | Stage 1                | Stage 2                   | Stage 3                   | Purchased or                            | Total             |
|---|------------------------|---------------------------|---------------------------|---|-------------------|
|   | 12-month ECL<br>\$'000 | Lifetime<br>ECL<br>\$'000 | Lifetime<br>ECL<br>\$'000 | originated<br>credit impaired<br>\$'000 |                   |
| <b>Gross carrying Balance as at 1<br/>October 2021</b>    | 14,247,380             | 208,978                   | 12,477                    | 712,827                                 | 15,181,662        |
| <b>Transfers:</b>   |                        |                           |                           |   |                   |
| Transfer from stage 1 to stage 2                          | --                     | --                        | --                        | --                                      | --                |
| Transfer from stage 1 to stage 3                          | --                     | --                        | --                        | --                                      | --                |
| Transfer from stage 2 to stage 1                          | 2,494                  | (2,494)                   | --                        | --                                      | --                |
| Transfer from stage 3 to stage 1                          | 12,477                 | --                        | (12,477)                  | --                                      | --                |
| Transfer from POCL to stage 1                             | --                     | --                        | --                        | --                                      | --                |
| New financial assets originated                           | 7,450,852              | 43,121                    | --                        | 22,957                                  | 7,516,930         |
| Change in PDs/LGDs/EADs                                   | --                     | --                        | --                        | 592                                     | 592               |
| Repayments  | (9,334,732)            | (182,062)                 | --                        | (12,637)                                | (9,529,431)       |
| Unwind of discounts                                       | (336,692)              | (8,909)                   | --                        | 17,412                                  | (328,189)         |
| FX and other movements                                    | (129,393)              | --                        | --                        | --                                      | (129,393)         |
| <b>Gross carrying balance as at<br/>30 September 2022</b> | <b>11,912,386</b>      | <b>58,634</b>             | <b>--</b>                 | <b>741,151</b>                          | <b>12,712,171</b> |



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xiii) Gross carrying amount (continued)

#### Retail

|  | 30 September 2021                 |                                   |                                   | Total<br>\$'000  |
|--|-----------------------------------|-----------------------------------|-----------------------------------|------------------|
|  | Stage 1<br>12-month ECL<br>\$'000 | Stage 2<br>Lifetime ECL<br>\$'000 | Stage 3<br>Lifetime ECL<br>\$'000 |                  |
| <b>Gross carrying amount as at<br/>1 October 2020</b>    | 5,112,981                         | 778,634                           | 468,250                           | 6,359,865        |
| <b>Transfers:</b>  |                                   |                                   |                                   |                  |
| Transfer from stage 1 to stage 2                         | (779,475)                         | 702,472                           | --                                | (77,003)         |
| Transfer from stage 1 to stage 3                         | (63,549)                          | --                                | 53,689                            | (9,860)          |
| Transfer from stage 2 to stage 1                         | 190,531                           | (230,556)                         | --                                | (40,025)         |
| Transfer from stage 2 to stage 3                         | --                                | (147,742)                         | 129,934                           | (17,808)         |
| Transfer from stage 3 to stage 1                         | 16,647                            | --                                | (20,070)                          | (3,423)          |
| Transfer from stage 3 to stage 2                         | --                                | 16,535                            | (18,677)                          | (2,142)          |
| New financial assets originated                          | 999,402                           | 147,314                           | 11,279                            | 1,157,995        |
| Repayments   | (438,188)                         | (98,337)                          | (43,822)                          | (580,347)        |
| Change in PDs/LGDs/EADs                                  | --                                | --                                | --                                | --               |
| Unwind of discounts                                      | (435,478)                         | (38,332)                          | (24,750)                          | (498,560)        |
| FX and other movements                                   | (2,779)                           | (347)                             | (535)                             | (3,661)          |
| <b>Gross carrying amount as at<br/>30 September 2021</b> | <b>4,600,092</b>                  | <b>1,129,641</b>                  | <b>555,298</b>                    | <b>6,285,031</b> |

#### Commercial & Corporate

|  | 30 September 2021                 |                                   |                                   | Total<br>\$'000   |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
|  | Stage 1<br>12-month ECL<br>\$'000 | Stage 2<br>Lifetime ECL<br>\$'000 | Stage 3<br>Lifetime ECL<br>\$'000 |                   |
| <b>Gross carrying amount as at<br/>1 October 2020</b>    | 8,319,031                         | 4,186,539                         | 632,869                           | 13,138,439        |
| <b>Transfers:</b>  |                                   |                                   |                                   |                   |
| Transfer from stage 1 to stage 2                         | (2,085,794)                       | 1,989,128                         | --                                | (96,666)          |
| Transfer from stage 1 to stage 3                         | (11,857)                          | --                                | 11,092                            | (765)             |
| Transfer from stage 2 to stage 1                         | 637,736                           | (705,325)                         | --                                | (67,589)          |
| Transfer from stage 2 to stage 3                         | --                                | (272,625)                         | 271,099                           | (1,526)           |
| Transfer from stage 3 to stage 1                         | 34,887                            | --                                | (36,829)                          | (1,942)           |
| Transfer from stage 3 to stage 2                         | --                                | 8,565                             | (8,529)                           | 36                |
| New financial assets originated                          | 2,589,635                         | 494,886                           | 299,440                           | 3,383,961         |
| Repayments   | (2,200,161)                       | (1,063,747)                       | (281,491)                         | (3,545,399)       |
| Change in PDs/LGDs/EADs                                  | --                                | --                                | --                                | --                |
| Unwind of discounts                                      | (391,176)                         | (136,556)                         | (38,548)                          | (566,280)         |
| FX and other movements                                   | (1,129)                           | (2,008)                           | (196)                             | (3,333)           |
| <b>Gross carrying amount as at<br/>30 September 2021</b> | <b>6,891,172</b>                  | <b>4,498,857</b>                  | <b>848,907</b>                    | <b>12,238,936</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xiii) Gross carrying amount (continued)

| Investments   | Stage 1<br>12-month<br>ECL<br>\$'000 | Stage 2<br>Lifetime<br>ECL<br>\$'000 | Stage 3<br>Lifetime<br>ECL<br>\$'000 | Purchased or<br>originated<br>credit<br>impaired<br>\$'000 | Total<br>\$'000   |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--|-------------------|
| <b>Gross carrying Balance as at 1 October 2020</b>    | 15,367,685                           | 99,276                               | 12,523                               | 672,962  | 16,152,446        |
| <b>Transfers:</b>                                     |                                      |                                      |                                      |  |                   |
| Transfer from stage 1 to stage 2                      | (160,824)                            | 160,824                              | --                                   | --   | --                |
| Transfer from stage 1 to stage 3                      | --                                   | --                                   | --                                   | --   | --                |
| Transfer from stage 2 to stage 1                      | --                                   | --                                   | --                                   | --   | --                |
| Transfer from stage 2 to stage 3                      | --                                   | (6,929)                              | 6,929                                | --   | --                |
| Transfer from POCI to stage 1                         | 5,328                                | --                                   | --                                   | (5,328)  | --                |
| New financial assets originated                       | 9,532,276                            | 2,484                                | --                                   | --   | 9,534,760         |
| Change in PDs/LGDs/EADs                               | (395)                                | --                                   | --                                   | 21,668   | 21,273            |
| Repayments  | (10,535,472)                         | (43,297)                             | (38)                                 | (911)  | (10,579,718)      |
| Unwind of discounts                                   | 25,014                               | (4,541)                              | --                                   | 24,099   | 44,572            |
| FX and other movements                                | 13,768                               | 1,161                                | (8)                                  | 337  | 15,258            |
| Financial assets derecognised                         | --                                   | --                                   | (6,929)                              | --   | (6,929)           |
| <b>Gross carrying balance as at 30 September 2021</b> | <b>14,247,380</b>                    | <b>208,978</b>                       | <b>12,477</b>                        | <b>712,827</b>   | <b>15,181,662</b> |

##### (xiv) 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 repossessed 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. There were no such assets written off during the year ended 30 September 2022 (2021: \$247.5M) 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.

##### (xv) Modification & replacements of financial assets

The Group sometimes modifies the contractual terms and conditions of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery (note 2.e.c.i) (note 3.a.iv).

The Group assesses if there is a subsequent significant increase in credit risk in relation to such assets through the Classified Credit Management Review process.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### a. Credit risk (continued)

##### (xvi) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Group's main credit exposure as categorised by counterparty industry sectors:

|                                       | <b>2022</b><br><b>Gross</b><br><b>maximum</b><br><b>exposure</b><br><b>\$'000</b> | <b>2021</b><br><b>Gross</b><br><b>maximum</b><br><b>exposure</b><br><b>\$'000</b> |
|---------------------------------------|---|---|
| Cash and due from other banks         | 6,375,452   | 6,439,683   |
| Statutory deposits                    | 5,152,452   | 4,587,140   |
| Consumer                              | 3,772,228   | 3,855,691   |
| Agriculture                           | 35,426  | 50,194  |
| Petroleum                             | 957,922   | 1,149,857   |
| Manufacturing                         | 626,560   | 589,969   |
| Construction                          | 1,933,752   | 1,321,005   |
| Distribution                          | 952,694   | 829,572   |
| Hotels and guest houses               | 1,245,074   | 1,305,690   |
| Transport, storage and communications | 1,150,713   | 749,305   |
| Finance, insurance and real estate    | 5,660,885   | 4,887,844   |
| Other business services               | 2,353,986   | 2,902,963   |
| Personal services                     | 19,509  | 21,140  |
| Real estate mortgages                 | 3,155,140   | 3,319,034   |
| Government related                    | 10,136,762  | 12,796,970  |
| Credit commitments                    | 635,350   | 561,569   |
| Financial guarantee                   | 158,631   | 205,340   |
| Other assets                          | 358,448   | 413,820   |
| <b>Total</b>                          | <b>44,680,984</b>   | <b>45,986,786</b>   |

#### 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 factors. Market risks arise from open positions in interest rate, currency, commodity and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodity prices and equity prices. The Group separates exposure to market risk into either trading or non-trading portfolios.

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

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

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios consist of interest rate, foreign exchange and equity risks arising from the Group's fair value through other comprehensive income portfolio of financial assets.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (i) Currency risk

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

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

Foreign currency exposure for financial assets, financial liabilities and off-balance sheet items expressed in TT\$.

|  | TT\$<br>\$'000    | US\$<br>\$'000    | Other<br>\$'000  | Total<br>\$'000   |
|--|-------------------|-------------------|------------------|-------------------|
| <b>As at 30 September 2022</b>                 |                   |                   |                  |                   |
| <b>Financial assets</b>                        |                   |                   |                  |                   |
| Cash and due from other banks                  | 574,209           | 4,796,914         | 1,004,329        | 6,375,452         |
| Statutory deposits with central banks          | 5,021,213         | 4,779             | 126,460          | 5,152,452         |
| Investment securities                          |                   |                   |                  |                   |
| - FVOCI  | 5,202,133         | 2,491,130         | 567,905          | 8,261,168         |
| - Amortised cost                               | 2,232,051         | 1,091,408         | 1,598,280        | 4,921,739         |
| - Fair value through profit or loss            | 19,506            | 162               | 473              | 20,141            |
| Loans to customers                             | 11,237,820        | 6,094,616         | 1,554,118        | 18,886,554        |
| Other assets                                   | 225,112           | 93,647            | 39,689           | 358,448           |
| Investments accounted for using equity methods | 43,123            | 200,991           | --               | 244,114           |
| <b>Total financial assets</b>                  | <b>24,555,167</b> | <b>14,773,647</b> | <b>4,891,254</b> | <b>44,220,068</b> |
| <b>Financial liabilities</b>                   |                   |                   |                  |                   |
| Customers' deposits                            | 20,467,259        | 5,044,437         | 2,870,034        | 28,381,730        |
| Other funding instruments                      | 1,359,147         | 1,204,892         | 1,372,313        | 3,936,352         |
| Due to other banks                             | 200,741           | 1,091,979         | 11,420           | 1,304,140         |
| Lease liabilities                              | 168,265           | --                | 16,192           | 184,457           |
| Bonds payable                                  | 1,590,755         | 1,223,153         | 137,261          | 2,951,169         |
| Note due to parent company                     | 58,000            | --                | --               | 58,000            |
| Creditors and accrued expenses                 | 387,175           | 57,955            | 113,073          | 558,203           |
| <b>Total financial liabilities</b>             | <b>24,231,342</b> | <b>8,622,416</b>  | <b>4,520,293</b> | <b>37,374,051</b> |
| <b>Net on balance sheet position</b>           | <b>323,825</b>    | <b>6,151,231</b>  | <b>370,961</b>   | <b>6,846,017</b>  |
| Off balance sheet items                        | 158,104           | 44,869            | 2,367            | 205,340           |
| Credit commitments                             | 242,621           | 119,687           | 253,494          | 615,802           |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (i) Currency risk (continued)

Foreign currency exposure for financial assets, financial liabilities and off balance sheet items (continued):

|  | TT\$<br>\$'000    | US\$<br>\$'000    | Other<br>\$'000  | Total<br>\$'000   |
|--|-------------------|-------------------|------------------|-------------------|
| <b>As at 30 September 2021</b>                 |                   |                   |                  |                   |
| <b>Financial assets</b>                        |                   |                   |                  |                   |
| Cash and due from other banks                  | 1,017,522         | 4,339,853         | 1,082,308        | 6,439,683         |
| Statutory deposits with central banks          | 4,459,873         | 5,488             | 121,779          | 4,587,140         |
| Investment securities                          |                   |                   |                  |                   |
| - FVOCI  | 6,952,117         | 3,365,154         | 511,701          | 10,828,972        |
| - Amortised cost                               | 2,298,475         | 966,304           | 1,587,017        | 4,851,796         |
| - Fair value through profit or loss            | 23,082            | 210               | 428              | 23,720            |
| Loans to customers                             | 10,924,532        | 5,649,828         | 1,509,062        | 18,083,422        |
| Loan notes                                     | 73,700            | --                | --               | 73,700            |
| Other assets                                   | 277,664           | 104,035           | 32,122           | 413,821           |
| Investments accounted for using equity methods | 39,349            | 191,713           | --               | 231,062           |
| <b>Total financial assets</b>                  | <b>26,066,314</b> | <b>14,622,585</b> | <b>4,844,417</b> | <b>45,533,316</b> |
| <b>Financial liabilities</b>                   |                   |                   |                  |                   |
| Customers' deposits                            | 20,601,616        | 5,571,858         | 2,793,968        | 28,967,442        |
| Other funding instruments                      | 1,316,334         | 1,213,918         | 1,431,615        | 3,961,867         |
| Due to other banks                             | 200,742           | 1,327,404         | 36,471           | 1,564,617         |
| Lease liabilities                              | 62,984            | --                | 20,113           | 83,097            |
| Bonds payable                                  | 1,590,755         | 1,223,153         | 158,063          | 2,971,971         |
| Note due to parent company                     | 58,000            | --                | --               | 58,000            |
| Creditors and accrued expenses                 | 496,761           | 47,939            | 89,604           | 634,304           |
| <b>Total financial liabilities</b>             | <b>24,327,192</b> | <b>9,384,272</b>  | <b>4,529,834</b> | <b>38,241,298</b> |
| <b>Net on balance sheet position</b>           | <b>1,739,122</b>  | <b>5,238,313</b>  | <b>314,583</b>   | <b>7,292,018</b>  |
| Off balance sheet items                        | 175,440           | 72,381            | 2,452            | 250,274           |
| Credit commitments                             | 105,801           | 143,233           | 207,180          | 456,214           |

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

If the TT\$ appreciates by 25 basis points against the US\$, the profit would increase by \$16.3M (2021: increase by \$13.9M). The average change for the last three (3) years was nil (2021: 1 basis point).

##### (ii) Interest rate risk

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued) 30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (ii) Interest rate risk (continued)

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

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

| <b>As at 30 September 2022</b>                 | <b>Up to 1<br/>month<br/>\$'000</b> | <b>1 to 3<br/>months<br/>\$'000</b> | <b>3 to 12<br/>months<br/>\$'000</b> | <b>1 to 5<br/>years<br/>\$'000</b> | <b>Over 5<br/>years<br/>\$'000</b> | <b>Non-interest<br/>bearing<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|-------------------------------------|-------------------------------------|--------------------------------------|------------------------------------|------------------------------------|--|-------------------------|
| <b>Financial assets</b>                        |                                     |                                     |                                      |                                    |                                    |  |                         |
| Cash and due from other banks                  | 4,527,716                           | 309,997                             | 465,111                              | --                                 | --                                 | 1,072,628                                  | 6,375,452               |
| Statutory deposits with central banks          | 4,779                               | --                                  | --                                   | --                                 | --                                 | 5,147,673                                  | 5,152,452               |
| Investment securities                          |                                     |                                     |                                      |                                    |                                    |  |                         |
| - FVOCI  | 855                                 | 494,512                             | 2,426,121                            | 1,917,403                          | 2,908,956                          | 513,321                                    | 8,261,168               |
| - Amortised cost                               | 66,452                              | 140,011                             | 1,290,764                            | 1,430,594                          | 1,993,918                          | --   | 4,921,739               |
| - Fair value through profit or loss            | 19,505                              | --                                  | --                                   | --                                 | --                                 | 636  | 20,141                  |
| Loan to customers                              | 3,995,865                           | 2,460,974                           | 4,214,116                            | 3,862,637                          | 4,359,572                          | (6,610)                                    | 18,886,554              |
| Investments accounted for using equity methods | --                                  | --                                  | --                                   | --                                 | --                                 | 244,114                                    | 244,114                 |
| Other assets                                   | --                                  | --                                  | --                                   | --                                 | --                                 | 358,448                                    | 358,448                 |
| <b>Total financial assets</b>                  | <b>8,615,172</b>                    | <b>3,405,494</b>                    | <b>8,396,112</b>                     | <b>7,210,634</b>                   | <b>9,262,446</b>                   | <b>7,330,210</b>                           | <b>44,220,068</b>       |
| <b>Financial liabilities</b>                   |                                     |                                     |                                      |                                    |                                    |  |                         |
| Customers' deposits                            | 24,240,464                          | 543,315                             | 1,731,830                            | 402,449                            | 22,446                             | 1,441,226                                  | 28,381,730              |
| Other funding instruments                      | 586,107                             | 651,831                             | 1,759,078                            | 939,336                            | --                                 | --   | 3,936,352               |
| Due to other banks                             | 6,461                               | --                                  | 201,034                              | 1,085,225                          | --                                 | 11,420                                     | 1,304,140               |
| Bonds payable                                  | 630,000                             | --                                  | 83,891                               | 2,237,278                          | --                                 | --   | 2,951,169               |
| Note due to parent company                     | --                                  | --                                  | --                                   | --                                 | --                                 | 58,000                                     | 58,000                  |
| Creditors and accrued expenses                 | --                                  | --                                  | --                                   | --                                 | --                                 | 558,202                                    | 558,202                 |
| <b>Total financial liabilities</b>             | <b>25,463,032</b>                   | <b>1,195,146</b>                    | <b>3,775,833</b>                     | <b>4,664,288</b>                   | <b>22,446</b>                      | <b>2,068,848</b>                           | <b>37,189,593</b>       |
| <b>Interest sensitivity gap</b>                | <b>(16,847,860)</b>                 | <b>2,210,348</b>                    | <b>4,620,279</b>                     | <b>2,546,346</b>                   | <b>9,240,000</b>                   |  |                         |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (ii) Interest rate risk (continued)

| As at 30 September 2021                        | Up to 1 month<br>\$'000 | 1 to 3 months<br>\$'000 | 3 to 12 months<br>\$'000 | 1 to 5 years<br>\$'000 | Over 5 years<br>\$'000 | Non-interest bearing<br>\$'000 | Total<br>\$'000   |
|--|-------------------------|-------------------------|--------------------------|------------------------|------------------------|--------------------------------|-------------------|
| <b>Financial assets</b>                        |                         |                         |                          |                        |                        |                                |                   |
| Cash and due from other banks                  | 5,283,693               | 134,579                 | 9,411                    | --                     | --                     | 1,012,000                      | 6,439,683         |
| Statutory deposits with central banks          | 5,488                   | --                      | --                       | --                     | --                     | 4,581,652                      | 4,587,140         |
| Investment securities                          |                         |                         |                          |                        |                        |                                |                   |
| - FVOCI  | 374,448                 | 124,815                 | 2,867,583                | 3,537,035              | 3,834,873              | 90,218                         | 10,828,972        |
| - Amortised cost                               | 8,343                   | 71,699                  | 1,056,857                | 1,447,608              | 2,267,289              | --                             | 4,851,796         |
| - Fair value through profit or loss            | 23,113                  | --                      | --                       | --                     | --                     | 607                            | 23,720            |
| Loan to customers                              | 2,465,319               | 915,123                 | 3,096,212                | 7,392,791              | 4,213,977              | --                             | 18,083,422        |
| Loan notes                                     | --                      | --                      | 73,700                   | --                     | --                     | --                             | 73,700            |
| Investments accounted for using equity methods | --                      | --                      | --                       | --                     | --                     | 231,062                        | 231,062           |
| Other assets                                   | 1,153                   | --                      | --                       | --                     | --                     | 412,668                        | 413,821           |
| <b>Total financial assets</b>                  | <b>8,161,557</b>        | <b>1,246,216</b>        | <b>7,103,763</b>         | <b>12,377,434</b>      | <b>10,316,139</b>      | <b>6,328,207</b>               | <b>45,533,316</b> |
| <b>Financial liabilities</b>                   |                         |                         |                          |                        |                        |                                |                   |
| Customers' deposits                            | 24,367,344              | 798,785                 | 1,965,253                | 410,839                | 153                    | 1,425,068                      | 28,967,442        |
| Other funding instruments                      | 447,508                 | 514,383                 | 2,145,013                | 854,963                | --                     | --                             | 3,961,867         |
| Due to other banks                             | 15,241                  | --                      | 710,662                  | 803,112                | --                     | 35,602                         | 1,564,617         |
| Bonds payable                                  | --                      | --                      | 74,172                   | 2,897,799              | --                     | --                             | 2,971,971         |
| Note due to parent company                     | --                      | --                      | --                       | --                     | --                     | 58,000                         | 58,000            |
| Creditors and accrued expenses                 | 4,226                   | --                      | --                       | --                     | --                     | 630,078                        | 634,304           |
| <b>Total financial liabilities</b>             | <b>24,834,319</b>       | <b>1,313,168</b>        | <b>4,895,100</b>         | <b>4,966,713</b>       | <b>153</b>             | <b>2,148,748</b>               | <b>38,158,201</b> |
| <b>Interest sensitivity gap</b>                | <b>(16,672,762)</b>     | <b>(66,952)</b>         | <b>2,208,663</b>         | <b>7,410,721</b>       | <b>10,315,986</b>      |                                |                   |

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

A 100 basis point increase in interest rates will cause a decrease in profit of \$36.2M (2021: decrease of \$11.3M) and a decrease in reserves of \$295.3M (2021: \$494.9M).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### b. Market risk (continued)

##### (iii) Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as 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 had the following equity positions within the jurisdiction of Jamaica.

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

##### Price sensitivity

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



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### c. *Liquidity risk*

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

#### *Liquidity risk management process*

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### c. Liquidity risk (continued)

##### (i) Financial assets and liabilities

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

| As at 30 September 2022               | Up to 1<br>month<br>\$'000 | 1 to 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000   |
|---------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|
| <b>Financial liabilities</b>          |                            |                            |                             |                           |                           |                   |
| Customers' deposits                   | 25,671,114                 | 551,685                    | 1,745,292                   | 410,843                   | 26,274                    | 28,405,208        |
| Other funding instruments             | 791,438                    | 653,583                    | 1,789,675                   | 1,005,773                 | --                        | 4,240,469         |
| Bonds payable                         | 649,118                    | 11,206                     | 132,530                     | 2,305,866                 | --                        | 3,098,720         |
| Due to other Banks                    | 19,665                     | --                         | 226,858                     | 1,108,829                 | --                        | 1,355,352         |
| Lease liabilities                     | 3,491                      | 6,705                      | 29,322                      | 125,653                   | 21,972                    | 187,143           |
| Creditors and accrued expenses        | 558,204                    | --                         | --                          | --                        | --                        | 558,204           |
| Notes due to parent company           | 58,000                     | --                         | --                          | --                        | --                        | 58,000            |
| <b>Total financial liabilities</b>    | <b>27,751,030</b>          | <b>1,223,179</b>           | <b>3,923,677</b>            | <b>4,956,964</b>          | <b>48,246</b>             | <b>37,903,096</b> |
| <b>Financial assets</b>               |                            |                            |                             |                           |                           |                   |
| Cash and due from other banks         | 5,574,928                  | 312,758                    | 463,790                     | --                        | --                        | 6,351,476         |
| Statutory deposits with central banks | 131,240                    | --                         | --                          | --                        | 5,021,213                 | 5,152,453         |
| Investment securities                 |                            |                            |                             |                           |                           |                   |
| - Fair value through OCI              | 443,413                    | 36,091                     | 2,340,138                   | 2,233,652                 | 3,696,817                 | 8,750,111         |
| - Amortised cost                      | 89,359                     | 201,671                    | 431,149                     | 3,117,867                 | 2,740,463                 | 6,580,509         |
| - Fair value through profit and loss  | 19,505                     | --                         | --                          | --                        | --                        | 19,505            |
| Loans to customers                    | 3,746,448                  | 2,610,325                  | 4,722,070                   | 5,563,284                 | 4,122,964                 | 20,765,091        |
| Other assets                          | 358,448                    | --                         | --                          | --                        | --                        | 358,448           |
| <b>Total financial assets</b>         | <b>10,363,341</b>          | <b>3,160,845</b>           | <b>7,957,147</b>            | <b>10,914,803</b>         | <b>15,581,457</b>         | <b>47,977,593</b> |
| <b>Net liquidity position</b>         | <b>(17,387,689)</b>        | <b>1,937,666</b>           | <b>4,033,470</b>            | <b>5,957,839</b>          | <b>15,533,211</b>         | <b>10,074,497</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### c. Liquidity risk (continued)

##### (i) Financial assets and liabilities (continued)

| As at 30 September 2021               | Up to 1<br>month<br>\$'000 | 1 to 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000   |
|---------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|
| <b>Financial liabilities</b>          |                            |                            |                             |                           |                           |                   |
| Customers' deposits                   | 25,817,449                 | 811,202                    | 1,978,273                   | 421,993                   | 153                       | 29,029,070        |
| Other funding instruments             | 602,227                    | 516,173                    | 2,181,286                   | 929,034                   | --                        | 4,228,720         |
| Bonds payable                         | 19,114                     | 70,365                     | 153,454                     | 3,041,306                 | --                        | 3,284,239         |
| Due to other Banks                    | 52,461                     | --                         | 744,525                     | 844,776                   | --                        | 1,641,762         |
| Lease liabilities                     | 2,210                      | 4,400                      | 19,229                      | 51,802                    | 14,236                    | 91,877            |
| Creditors and accrued expenses        | 462,261                    | --                         | --                          | --                        | --                        | 462,261           |
| Notes due to parent company           | 58,000                     | --                         | --                          | --                        | --                        | 58,000            |
| <b>Total financial liabilities</b>    | <b>27,013,722</b>          | <b>1,402,140</b>           | <b>5,076,767</b>            | <b>5,288,911</b>          | <b>14,389</b>             | <b>38,795,929</b> |
| <b>Financial assets</b>               |                            |                            |                             |                           |                           |                   |
| Cash and due from other banks         | 6,292,560                  | 133,920                    | 13,399                      | --                        | --                        | 6,439,879         |
| Statutory deposits with central banks | 127,267                    | --                         | --                          | --                        | 4,459,873                 | 4,587,140         |
| Investment securities                 |                            |                            |                             |                           |                           |                   |
| - FVOCI                               | 398,437                    | 114,094                    | 3,142,466                   | 3,989,033                 | 4,458,483                 | 12,102,513        |
| - Amortised cost                      | 19,596                     | 103,552                    | 259,817                     | 3,211,859                 | 2,948,317                 | 6,543,141         |
| - Fair value through profit and loss  | 23,113                     | --                         | --                          | --                        | --                        | 23,113            |
| Loans to customers                    | 2,190,130                  | 1,064,110                  | 3,735,109                   | 10,126,955                | 4,544,959                 | 21,661,263        |
| Loan notes                            | --                         | --                         | 80,050                      | --                        | --                        | 80,050            |
| Other assets                          | 413,821                    | --                         | --                          | --                        | --                        | 413,821           |
| <b>Total financial assets</b>         | <b>9,464,924</b>           | <b>1,415,676</b>           | <b>7,230,841</b>            | <b>17,327,847</b>         | <b>16,411,632</b>         | <b>51,850,920</b> |
| <b>Net liquidity position</b>         | <b>(17,548,798)</b>        | <b>13,536</b>              | <b>2,154,074</b>            | <b>12,038,936</b>         | <b>16,397,243</b>         | <b>13,054,991</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### c. Liquidity risk (continued)

##### (ii) Assets held for managing liquidity risk

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

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

##### (iii) Off-Balance sheet items

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

|                                | Up to 1<br>month<br>\$'000 | 1 to 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000 |
|--------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------|
| <b>As at 30 September 2022</b> |                            |                            |                             |                           |                           |                 |
| Credit commitments             | 381,856                    | --                         | 253,494                     | --                        | --                        | 635,350         |
| Acceptances                    | --                         | 13,514                     | 14,593                      | --                        | --                        | 28,107          |
| Guarantees                     | 45,298                     | 3,483                      | 22,679                      | 35,024                    | 3,831                     | 110,315         |
| Letters of credit              | --                         | 4,627                      | 14,455                      | 1,126                     | --                        | 20,208          |
| Capital commitments            | --                         | --                         | 122,266                     | --                        | --                        | 122,266         |
| <b>Total</b>                   | <b>427,154</b>             | <b>21,624</b>              | <b>427,487</b>              | <b>36,150</b>             | <b>3,831</b>              | <b>916,246</b>  |

|                                | Up to 1<br>month<br>\$'000 | 1 to 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000 |
|--------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------|
| <b>As at 30 September 2021</b> |                            |                            |                             |                           |                           |                 |
| Credit commitments             | 362,308                    | --                         | 199,261                     | --                        | --                        | 561,569         |
| Acceptances                    | 5,501                      | 25,317                     | 2,367                       | --                        | --                        | 33,185          |
| Guarantees                     | 131,250                    | 875                        | 11,899                      | 2,372                     | --                        | 146,396         |
| Letters of credit              | 473                        | 3,125                      | 20,532                      | 1,628                     | --                        | 25,758          |
| Capital commitments            | --                         | --                         | 149,924                     | --                        | --                        | 149,924         |
| <b>Total</b>                   | <b>499,532</b>             | <b>29,317</b>              | <b>383,983</b>              | <b>4,000</b>              | <b>--</b>                 | <b>916,832</b>  |

#### d. Fiduciary activities

The Group provides custody, trustee and investment management services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. The assets under administration at 30 September 2022 totalled \$35.0B (2021 - \$35.7B).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### e. Capital management

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

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

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

The Financial Institution (Capital Adequacy) Regulations 2020 was promulgated effective 14 May 2020, being the Basel II/III framework. These Regulations require each financial institution to:-

- Maintain a ratio of regulatory capital to risk adjusted assets (Credit, Operational and Market) of not less than the minimum standard of 10%.
- Maintain a ratio of Tier 1 capital to risk adjusted assets (Credit, Operational and Market) of not less than the minimum standard of 6%.
- Maintain a ratio of common equity Tier 1 capital to risk adjusted assets (Credit, Operational and Market) of not less than the minimum standard of 4.5%.

The Central Bank of Barbados requires each financial institution to:-

- Maintain a ratio of qualifying capital to risk-weighted assets of not less than the minimum standard of 8%, of which the core capital shall be at least 4%.

The FIA 2008 Section 60.1 also indicated that no licensee shall incur, deposit liabilities of an amount exceeding twenty (20) times the sum of its stated capital or assigned capital and Statutory Reserve Fund.

The Group's regulatory capital is comprised of:-

- Tier 1 Capital:- ordinary share capital, statutory reserve fund, capital reserve, general reserve and retained earnings.
- Tier 2 Capital – preference shares, qualifying subordinated loan capital and impairment allowances.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### e. Capital management (continued)

|   | 2022<br>\$'000    | 2021<br>\$'000    |
|---|-------------------|-------------------|
| <b>Tier 1 Capital</b>                               |                   |                   |
| Share capital                                       | 458,557           | 354,957           |
| Statutory reserve                                   | 1,241,412         | 1,241,412         |
| Capital reserve                                     | 203,880           | 245,399           |
| General reserve                                     | 48,438            | 63,622            |
| Retained earnings                                   | 5,257,379         | 4,924,472         |
| Less: Intangible assets                             | (261,087)         | (226,292)         |
| <b>Total Tier 1</b>                                 | <u>6,948,579</u>  | <u>6,603,570</u>  |
| <b>Tier 2 Capital</b>                               |                   |                   |
| Preference shares                                   | --                | 103,600           |
| Eligible reserve provision                          | 48,137            | 57,362            |
| <b>Total Tier 2 Capital</b>                         | <u>48,137</u>     | <u>160,962</u>    |
| <b>Total Capital</b>                                | <u>6,996,716</u>  | <u>6,764,532</u>  |
| <b>Ratios</b>                                       |                   |                   |
| Risk adjusted assets (credit, operational & market) | <u>37,853,343</u> | <u>37,547,416</u> |
| Qualifying capital to risk adjusted assets          | <u>18.48%</u>     | <u>18.02%</u>     |
| Tier 1 capital to risk adjusted assets              | <u>18.36%</u>     | <u>17.59%</u>     |

As at 30 September 2022, the Bank and its qualifying subsidiaries were in compliance with these requirements.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### f. Fair value of financial assets and liabilities

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

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

| Financial assets                         | Carrying value |                | Fair value     |                |
|--|----------------|----------------|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 | 2022<br>\$'000 | 2021<br>\$'000 |
| Cash and due from other banks            | 6,375,452      | 6,439,683      | 6,375,452      | 6,439,683      |
| Statutory deposits with Central Banks    | 5,152,452      | 4,587,140      | 5,152,452      | 4,587,140      |
| Financial instruments                    |                |                |                |                |
| - Loans to customers                     | 18,886,554     | 18,083,422     | 18,631,971     | 18,875,757     |
| - Investment securities - amortised cost | 4,921,739      | 4,851,796      | 4,985,576      | 4,942,117      |
| - Loan notes                             | --             | 73,700         | --             | 79,843         |
| Other assets                             | 358,447        | 413,821        | 358,447        | 413,821        |
| <b>Financial liabilities</b>             |                |                |                |                |
| Customers' deposits                      | 28,381,730     | 28,967,442     | 28,420,442     | 29,046,824     |
| Other funding instruments                | 3,936,352      | 3,961,867      | 4,144,504      | 4,041,941      |
| Bonds payable                            | 2,951,169      | 2,971,971      | 2,341,464      | 2,423,380      |
| Notes due to parent company              | 58,000         | 58,000         | 58,000         | 58,000         |
| Due to other Banks                       | 1,304,140      | 1,564,617      | 1,500,814      | 1,818,622      |
| Creditors and accrued expenses           | 558,203        | 634,304        | 558,203        | 634,304        |

The fair values of the Group's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS 9). See Note 3 and 4 for further details of the fair value measurements (note 3.g).

#### *Financial instruments where carrying value is equal to fair value*

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

#### *Loans to customers less allowance for loan losses*

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

#### *Investment securities – amortised cost*

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. See note 3.g.ii for Fair Value Hierarchy.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 3 Financial risk management (continued)

#### f. Fair value of financial assets and liabilities (continued)

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

###### *Loan notes*

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

###### *Customer deposits*

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

###### *Bonds payable*

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

###### *Note due to parent company*

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

##### (ii) Fair value hierarchy

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

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

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



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

#### f. Fair value of financial assets and liabilities (continued)

##### (ii) Fair value hierarchy (continued)

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

| As at 30 September 2022                       | Level 1          | Level 2          | Level 3       | Total            |
|---|------------------|------------------|---------------|------------------|
| Financial assets                              | \$'000           | \$'000           | \$'000        | \$'000           |
| Fair value through profit or loss             |                  |                  |               |                  |
| - Debt securities                             | --               | 16,495           | --            | 16,495           |
| - Equity securities                           | 636              | 3,010            | --            | 3,646            |
|   | 636              | 19,505           | --            | 20,141           |
| Fair value through other comprehensive income |                  |                  |               |                  |
| - Debt securities                             | 703,031          | 7,044,901        | --            | 7,747,932        |
| - Equity securities                           | 496,383          | 2,858            | 13,995        | 513,236          |
|   | 1,199,414        | 7,047,759        | 13,995        | 8,261,168        |
| <b>Total financial assets</b>                 | <b>1,200,050</b> | <b>7,067,264</b> | <b>13,995</b> | <b>8,281,309</b> |

| As at 30 September 2021                       | Level 1        | Level 2          | Level 3        | Total             |
|---|----------------|------------------|----------------|-------------------|
| Financial assets                              | \$'000         | \$'000           | \$'000         | \$'000            |
| Fair value through profit or loss             |                |                  |                |                   |
| - Debt securities                             | --             | 16,607           | --             | 16,607            |
| - Equity securities                           | 607            | 6,506            | --             | 7,113             |
|   | 607            | 23,113           | --             | 23,720            |
| Fair value through other comprehensive income |                |                  |                |                   |
| - Debt securities                             | 429,789        | 9,452,433        | 408,452        | 10,290,674        |
| - Equity securities                           | 521,832        | 3,037            | 13,429         | 538,298           |
|   | 951,621        | 9,455,470        | 421,881        | 10,828,972        |
| <b>Total financial assets</b>                 | <b>952,228</b> | <b>9,478,583</b> | <b>421,881</b> | <b>10,852,692</b> |

Transfer of debt securities to level 3 were due to observable inputs being less readily available.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 3 Financial risk management (continued)

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

|                        | <b>Debt<br/>Securities<br/>\$'000</b> | <b>Equity<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|------------------------|---------------------------------------|--------------------------|-------------------------|
| <b>September 2022</b>  |                                       |                          |                         |
| Opening balance        | 408,452                               | 13,429                   | 421,881                 |
| Fair value through OCI | --                                    | 631                      | 631                     |
| Exchange               | --                                    | (65)                     | (65)                    |
| Settlement             | (408,452)                             | --                       | (408,452)               |
| Closing balance        | --                                    | 13,995                   | 13,995                  |

|                        | <b>Debt<br/>Securities<br/>\$'000</b> | <b>Equity<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|------------------------|---------------------------------------|--------------------------|-------------------------|
| <b>September 2021</b>  |                                       |                          |                         |
| Opening balance        | 104,342                               | 14,284                   | 118,626                 |
| Fair value through OCI | (1,475)                               | (1,225)                  | (2700)                  |
| Exchange               | --                                    | (21)                     | (21)                    |
| Purchased              | 384,830                               | 391                      | 385,221                 |
| Settlement             | (82,608)                              | --                       | (82,608)                |
| Expected credit losses | 3,712                                 | --                       | 3,712                   |
| Accrued interest       | (266)                                 | --                       | (266)                   |
| Amortisation           | (83)                                  | --                       | (83)                    |
| Closing balance        | 408,452                               | 13,429                   | 421,881                 |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 4 Critical accounting estimates and judgements

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

#### a. Fair value of financial assets – fair value through other comprehensive income

The Group uses the discounted cash flow method to determine the fair value of the 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 value of financial assets measured at fair value through other comprehensive income financial assets would decrease by \$295.3M if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2021: \$449.9M).

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.

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

#### b. Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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 customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements. In the current Covid19 environment, additional factors were taken into consideration (note 3.a.iii, 3.a.iv, 3.a.vi).

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;
- Determination of macroeconomics drivers and forecasting macroeconomic scenarios;
- Recovery rates on unsecured exposures
- Drawdown of approved facilities

#### 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 46% based on the average Loss Given Default rate on Sovereign bonds during the period 1983 to 2019 as reported by Moody's Investors Service (note 3.a.vi).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 4 Critical accounting estimates and judgements (continued)

#### c. *Income taxes*

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

The Group is subject to income tax in various jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change.

#### d. *Retirement benefits*

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

The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds, and where no deep corporate market exists, the Government bonds are used, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. In determining the salary increases, the Group considered long-term salary inflation, age, merit and promotion (note 21.j for sensitivity).

#### e. *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:

- (i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- (iv) The Group engaged external, independent and qualified valuers to determine the fair value of the Group's land and buildings, at least every three years (note 14 (a) 11). The last independent valuations was done in August 2021. The valuations for 2022 was performed by management in September 2022. were performed in September 2022.

The valuations are based on current market conditions and thus may change in the future (note 14 (a) ii). The impact of Covid 19 on the Group's properties is being treated as a short-term event, which is not measurable at this point in time due to the high level of uncertainty in the real estate market. However, in accordance with the Group's policy, an external valuation was performed in August 2021 and would be indicative of the market's outlook.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 4 Critical accounting estimates and judgements (continued)

#### f. *Estimated impairment of goodwill*

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

### 5 Segment analysis

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

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

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

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

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

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

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

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

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

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

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

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 5 Segment analysis (continued)

#### a. Segment results of operations

The segment information provided to the Executive Management for the reportable segments for the year ended 30 September 2022 is as follows:-

| Year ended 30 September 2022          | Retail banking<br>\$'000 | Corporate banking<br>\$'000 | Treasury & investment banking<br>\$'000 | Trustee & asset management<br>\$'000 | Group functions<br>\$'000 | Total<br>\$'000    |
|---------------------------------------|--------------------------|-----------------------------|---|--------------------------------------|---------------------------|--------------------|
| Net interest income                   | 606,962                  | 617,970                     | 260,656                                 | 5,719                                | 747                       | 1,492,054          |
| Inter-segment net interest income     | 101,592                  | (72,775)                    | (28,817)                                | --                                   | --                        | --                 |
| Net fee and commission income         | 223,820                  | 26,979                      | 118,985                                 | 98,357                               | 4,382                     | 472,523            |
| Net Foreign exchange gains            | 30,362                   | 998                         | 85,939                                  | (1)                                  | 846                       | 118,144            |
| Other income                          | 1,510                    | 37,985                      | 191,580                                 | 2,673                                | 17                        | 233,765            |
| <b>Total net revenue</b>              | <b>964,246</b>           | <b>611,157</b>              | <b>628,343</b>                          | <b>106,748</b>                       | <b>5,992</b>              | <b>2,316,486</b>   |
| Impairment (charges)/write back       | 4,039                    | 10,561                      | 10,690                                  | (24)                                 | --                        | 25,266             |
| Depreciation and amortisation expense | (69,939)                 | (498)                       | (8,548)                                 | (6,020)                              | (33,174)                  | (118,179)          |
| Administrative expenses               | (244,672)                | (24,670)                    | (136,140)                               | (29,526)                             | (205,198)                 | (640,206)          |
| Other operating expenses              | (344,189)                | (15,858)                    | (86,865)                                | (15,346)                             | (58,486)                  | (520,744)          |
| <b>Total non-interest expenses</b>    | <b>(654,761)</b>         | <b>(30,465)</b>             | <b>(220,863)</b>                        | <b>(50,916)</b>                      | <b>(296,858)</b>          | <b>(1,253,863)</b> |
| <b>Profit/(loss) before taxation</b>  | <b>309,485</b>           | <b>580,692</b>              | <b>407,479</b>                          | <b>55,832</b>                        | <b>(290,865)</b>          | <b>1,062,623</b>   |
| Income tax expense                    | (870)                    | 87                          | (169,424)                               | (19,275)                             | --                        | (189,482)          |
| <b>Profit/(loss) for the year</b>     | <b>308,615</b>           | <b>580,779</b>              | <b>238,055</b>                          | <b>36,557</b>                        | <b>(290,865)</b>          | <b>873,141</b>     |
| <b>As at 30 September 2022</b>        |                          |                             |   |                                      |                           |                    |
| <b>Total assets</b>                   | <b>10,234,259</b>        | <b>11,961,823</b>           | <b>23,796,593</b>                       | <b>632,790</b>                       | <b>1,094,862</b>          | <b>47,720,327</b>  |
| <b>Total liabilities</b>              | <b>20,800,443</b>        | <b>4,338,942</b>            | <b>13,718,062</b>                       | <b>133,212</b>                       | <b>60,531</b>             | <b>39,051,190</b>  |
| <b>Property &amp; equipment</b>       | <b>319,655</b>           | <b>543</b>                  | <b>218,264</b>                          | <b>32,056</b>                        | <b>123,976</b>            | <b>694,494</b>     |
| <b>Intangibles</b>                    | <b>22,417</b>            | <b>--</b>                   | <b>8,085</b>                            | <b>2,754</b>                         | <b>227,831</b>            | <b>261,087</b>     |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 5 Segment analysis (continued)

#### a. Segment results of operations (continued)

| Year ended 30 September 2021          | Retail banking<br>\$'000 | Corporate banking<br>\$'000 | Treasury & investment banking<br>\$'000 | Trustee & asset management<br>\$'000 | Group functions<br>\$'000 | Total<br>\$'000    |
|---------------------------------------|--------------------------|-----------------------------|---|--------------------------------------|---------------------------|--------------------|
| Net interest income                   | 602,895                  | 646,388                     | 245,387                                 | 5,837                                | 795                       | 1,501,302          |
| Inter-segment net interest income     | 100,174                  | (89,092)                    | (11,082)                                | --                                   | --                        | --                 |
| Net fee and commission income         | 185,959                  | 36,523                      | 117,658                                 | 96,701                               | 5,251                     | 442,092            |
| Net Foreign exchange gains            | 34,364                   | 1,070                       | 69,160                                  | (320)                                | 726                       | 105,000            |
| Other income                          | 562                      | 51,030                      | 182,155                                 | 2,182                                | 16                        | 235,945            |
| <b>Total net revenue</b>              | <b>923,954</b>           | <b>645,919</b>              | <b>603,278</b>                          | <b>104,400</b>                       | <b>6,788</b>              | <b>2,284,339</b>   |
| Impairment charges                    | (53,960)                 | 35,828                      | 30,729                                  | (49)                                 | --                        | 12,548             |
| Depreciation and amortisation expense | (76,220)                 | (634)                       | (23,631)                                | (3,283)                              | (32,440)                  | (136,208)          |
| Administrative expenses               | (251,485)                | (23,906)                    | (157,804)                               | (26,961)                             | (189,558)                 | (649,714)          |
| Other operating expenses              | (307,568)                | (19,861)                    | (113,305)                               | (14,319)                             | (42,066)                  | (497,119)          |
| <b>Total non-interest expenses</b>    | <b>(689,233)</b>         | <b>(8,573)</b>              | <b>(264,011)</b>                        | <b>(44,612)</b>                      | <b>(264,064)</b>          | <b>(1,270,493)</b> |
| <b>Profit/(loss) before taxation</b>  | <b>234,721</b>           | <b>637,346</b>              | <b>339,267</b>                          | <b>59,788</b>                        | <b>(257,276)</b>          | <b>1,013,846</b>   |
| Income tax expense                    | (246)                    | (373)                       | (216,706)                               | (19,330)                             | --                        | (236,655)          |
| <b>Profit/(loss) for the year</b>     | <b>234,475</b>           | <b>636,973</b>              | <b>122,561</b>                          | <b>40,458</b>                        | <b>(257,276)</b>          | <b>777,191</b>     |
| <b>As at 30 September 2021</b>        |                          |                             |   |                                      |                           |                    |
| <b>Total assets</b>                   | <b>10,059,472</b>        | <b>12,962,991</b>           | <b>24,516,932</b>                       | <b>734,074</b>                       | <b>734,596</b>            | <b>49,008,065</b>  |
| <b>Total liabilities</b>              | <b>20,395,491</b>        | <b>4,800,365</b>            | <b>14,783,901</b>                       | <b>230,222</b>                       | <b>54,701</b>             | <b>40,264,680</b>  |
| <b>Property &amp; equipment</b>       | <b>219,445</b>           | <b>1,135</b>                | <b>219,337</b>                          | <b>24,266</b>                        | <b>106,059</b>            | <b>570,242</b>     |
| <b>Intangibles</b>                    | <b>26,780</b>            | <b>--</b>                   | <b>8,790</b>                            | <b>4,901</b>                         | <b>185,821</b>            | <b>226,292</b>     |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 5 Segment analysis (continued)

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

|  | Total<br>management<br>reporting<br>\$'000 | Adjustments<br>and<br>eliminations<br>\$'000 | Total<br>consolidated<br>\$'000 |
|--|--|--|---------------------------------|
| <b>Year ended 30 September 2022</b>  |  |  |                                 |
| Net interest income  | 1,492,054                                  | (775)  | 1,491,279                       |
| Non-interest income  | 824,432                                    | (177,100)                                    | 647,332                         |
| Impairment losses  | 25,266                                     | 1  | 25,267                          |
| Non-interest expenses  | (1,279,129)                                | 13,536                                       | (1,265,593)                     |
| <b>Operating profit</b>  | <b>1,062,623</b>                           | <b>(164,338)</b>                             | <b>898,285</b>                  |
| Share of profit of associates and joint ventures<br>accounted for by the equity method | --   | 26,720                                       | 26,720                          |
| Income tax expense   | (189,482)                                  | 270  | (189,212)                       |
| <b>Profit for the year</b>   | <b>873,141</b>                             | <b>(137,348)</b>                             | <b>735,793</b>                  |
| <b>As at 30 September 2022</b>   |  |  |                                 |
| <b>Total assets</b>  | <b>47,720,327</b>                          | <b>(2,280,284)</b>                           | <b>45,440,043</b>               |
| <b>Total liabilities</b>   | <b>39,051,190</b>                          | <b>(1,500,881)</b>                           | <b>37,550,311</b>               |
| <br>   |  |  |                                 |
|  | Total<br>management<br>reporting<br>\$'000 | Adjustments<br>and<br>eliminations<br>\$'000 | Total<br>consolidated<br>\$'000 |
| <b>Year ended 30 September 2021</b>  |  |  |                                 |
| Net interest income  | 1,501,302                                  | (1,550)                                      | 1,499,752                       |
| Non-interest income  | 783,037                                    | (141,295)                                    | 641,742                         |
| Impairment losses  | 12,548                                     | 6  | 12,554                          |
| Non-interest expenses  | (1,283,041)                                | 10,139                                       | (1,272,902)                     |
| <b>Operating profit</b>  | <b>1,013,846</b>                           | <b>(132,700)</b>                             | <b>881,146</b>                  |
| Share of profit of associates and joint ventures<br>accounted for by the equity method | --   | 20,869                                       | 20,869                          |
| Income tax expense   | (236,655)                                  | 1,922  | (234,733)                       |
| <b>Profit for the year</b>   | <b>777,191</b>                             | <b>(109,909)</b>                             | <b>667,282</b>                  |
| <b>As at 30 September 2021</b>   |  |  |                                 |
| <b>Total assets</b>  | <b>49,008,065</b>                          | <b>(2,402,456)</b>                           | <b>46,605,609</b>               |
| <b>Total liabilities</b>   | <b>40,264,680</b>                          | <b>(1,604,478)</b>                           | <b>36,660,202</b>               |



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 6 Cash and due from other banks

|   | 2022<br>\$'000   | 2021<br>\$'000   |
|---|------------------|------------------|
| Cash and bank balances                  | 3,909,526        | 4,391,042        |
| Short-term investments                  | 2,465,926        | 2,048,641        |
|   | <u>6,375,452</u> | <u>6,439,683</u> |
| Short-term investments:                 |                  |                  |
| - 3 months from the date of acquisition | 2,020,892        | 1,038,170        |
| - Maturity over 3 months                | 445,034          | 1,010,471        |
|   | <u>2,465,926</u> | <u>2,048,641</u> |

The average effective interest rate on short-term bank deposits (maturing 3 months from acquisition) was 1.7% (2021: 1.7%).

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

|   |                  |                  |
|---|------------------|------------------|
| Cash and bank balances                            | 3,909,526        | 4,391,042        |
| Short-term investments – maturity within 3 months | 2,020,892        | 1,038,170        |
| Due to other banks                                | (1,304,140)      | (1,564,617)      |
|   | <u>4,626,278</u> | <u>3,864,595</u> |

### 7 Statutory deposits with Central Bank

Under the provisions of Financial Institutions Act 2008 (Trinidad and Tobago), the Bank and its subsidiary (First Citizens Depository Services Limited) are required to maintain as a deposit with the Central Bank of Trinidad and Tobago restricted cash balances. These balances represent a ratio of certain deposit liabilities held in such form and to such extent as the Central Bank may prescribe from time to time. As of 30 September 2022, the current ratio was 14% for First Citizens Bank Limited (2021 14%) and 9% for First Citizens Depository Services Limited (2021: 9%). Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank.

In Barbados, under the provisions of the Financial Institution Act, 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to maintain as a deposit with the Central Bank of Barbados restricted cash balances. This balance represents a ratio of customers deposit balances (both domestic and foreign currency) held in such form and to such extent as the Minister, on advice of the Central Bank may prescribe from time to time. As at 30 September 2022, the ratio was 15% of total domestic customer deposit balances (comprising 10% government securities and 5% cash) plus 2% of total foreign customer deposit balances.

As at 30 September 2022 and 30 September 2021, the Bank and its qualifying subsidiaries were in compliance with these requirements.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 8 (a) Investment securities –Fair value through other comprehensive income

|                          | 2022<br>\$'000   | 2021<br>\$'000    |
|--------------------------|------------------|-------------------|
| Listed investments       | 1,199,414        | 951,621           |
| Unlisted investments     | 7,067,201        | 9,886,939         |
|                          | <u>8,266,615</u> | <u>10,838,560</u> |
| Provision for impairment | (5,447)          | (9,588)           |
|                          | <u>8,261,168</u> | <u>10,828,972</u> |
| Debt securities          |                  |                   |
| Listed                   | 703,031          | 429,789           |
| Unlisted                 | 7,044,901        | 9,860,886         |
|                          | <u>7,747,932</u> | <u>10,290,675</u> |
| Equity securities        |                  |                   |
| Listed                   | 496,382          | 521,832           |
| Unlisted                 | 16,853           | 16,465            |
|                          | <u>513,235</u>   | <u>538,297</u>    |
| Current portion          | 2,921,488        | 3,366,845         |
| Non-current portion      | 5,339,680        | 7,462,127         |
|                          | <u>8,261,168</u> | <u>10,828,972</u> |

Unlisted investments include securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago to the amount of \$5,868.9M (2021: \$7,067.3M).

Investment securities totalling \$3,481M (2021: \$3,825M) are pledged to secure the repurchase agreements (see Note 17).

|  |                  |                   |
|--|------------------|-------------------|
| Balance at beginning of the year           | 10,828,972       | 11,439,974        |
| Exchange differences                       | (3,234)          | (7,066)           |
| Additions                                  | 7,173,697        | 9,183,363         |
| Disposals                                  | (9,244,197)      | (9,909,806)       |
| Reclassified to amortised cost             | (6,782)          | --                |
| Net movements in provisions for impairment | 4,138            | 1,934             |
| Net amortisation of discounts/(premiums)   | (13,175)         | 11,654            |
| Fair value (losses)/gains                  | (478,251)        | 108,919           |
| Balance at end of year                     | <u>8,261,168</u> | <u>10,828,972</u> |

#### Fair value (losses)/gains based on:

|                      |                  |                |
|----------------------|------------------|----------------|
| Quoted market prices | (45,743)         | 19,942         |
| Other techniques     | (432,508)        | 88,977         |
|                      | <u>(478,251)</u> | <u>108,919</u> |

#### The movement in the provision for impairment is as follows:

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Allowance at beginning of the year | 9,588        | 11,522       |
| (Write back)/charge for the year   | (4,141)      | 3,791        |
| Write off                          | --           | (5,725)      |
| Allowance at the end of year       | <u>5,447</u> | <u>9,588</u> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

| 8 (b) Investment securities at fair value through profit or loss | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| Bonds  | 19,505         | 23,113         |
| Listed – equity securities                                       | 636            | 607            |
|  | <u>20,141</u>  | <u>23,720</u>  |

The movement in investment securities may be summarised as follows:

|                         |               |               |
|-------------------------|---------------|---------------|
| At beginning of year    | 23,720        | 22,853        |
| Exchange differences    | --            | (2)           |
| Additions               | 359           | 400           |
| Disposals               | (3,494)       | --            |
| Fair value (loss)/gains | (444)         | 469           |
| At end of year          | <u>20,141</u> | <u>23,720</u> |

The above securities are managed, and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the groups of financial instruments is reported to management on that basis.

### 9 Investment securities- amortised cost

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Unlisted investments     | 4,959,757        | 4,882,363        |
| Provision for impairment | (38,018)         | (30,567)         |
|                          | <u>4,921,739</u> | <u>4,851,796</u> |

|                     |                  |                  |
|---------------------|------------------|------------------|
| Current portion     | 1,497,227        | 1,136,899        |
| Non-current portion | 3,424,512        | 3,714,897        |
|                     | <u>4,921,739</u> | <u>4,851,796</u> |

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Balance at beginning of the year | 4,851,796        | 5,001,413        |
| Exchange differences             | (2)              | (6,976)          |
| Additions                        | 332,297          | 485,113          |
| Disposals                        | (283,475)        | (674,984)        |
| Reclassified from FVOCI          | 6,782            | --               |
| Amortisation of unrealised gains | (586)            | (844)            |
| Fair value gains                 | 592              | 5,296            |
| Net amortisation of discounts    | 4,369            | 8,349            |
| Net movement in provision        | (7,445)          | 8,007            |
| ECL gains on POCI                | 17,411           | 26,422           |
| Balance at end of year           | <u>4,921,739</u> | <u>4,851,796</u> |

### 10 Loans to customers

|         |                   |                   |
|---------|-------------------|-------------------|
| Stage 1 | 13,058,655        | 11,491,263        |
| Stage 2 | 4,913,141         | 5,628,499         |
| Stage 3 | 1,316,682         | 1,404,205         |
|         | <u>19,288,478</u> | <u>18,523,967</u> |

|                       |            |            |
|-----------------------|------------|------------|
| Performing loans      | 17,971,795 | 17,459,295 |
| Underperforming loans | 606,256    | 330,037    |
| Non-performing loans  | 710,427    | 734,635    |

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| Allowance for loan losses | 19,288,478        | 18,523,967        |
|                           | (401,924)         | (440,545)         |
|                           | <u>18,886,554</u> | <u>18,083,422</u> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 10 Loans to customers (continued)

| <i>Allowance for loan losses</i>                             | <b>2022</b><br><b>\$'000</b> | <b>2021</b><br><b>\$'000</b> |
|--|------------------------------|------------------------------|
| Allowance at beginning of the year                           | 440,545                      | 457,832                      |
| Exchange differences   | --                           | (291)                        |
| (Write back)/charge for the year                             | (8,777)                      | 7,550                        |
| Loans written off during the year                            | <u>(29,844)</u>              | <u>(24,546)</u>              |
| Allowance at the end of year                                 | <u>401,924</u>               | <u>440,545</u>               |
| <br><i>Impairment (gain)/loss on loans net of recoveries</i> |                              |                              |
| (Write back)/charge for the year                             | (8,777)                      | 7,550                        |
| Amounts recovered during the year                            | <u>(8,475)</u>               | <u>(7,142)</u>               |
|  | <u>(17,252)</u>              | <u>408</u>                   |

### 11 Loan notes

|   | <b>2022</b><br><b>\$'000</b> | <b>2021</b><br><b>\$'000</b> |
|---|------------------------------|------------------------------|
| The loan notes due to the Group comprise the following: |                              |                              |
| (i) Taurus Services Limited                             | --                           | 68,486                       |
| (ii) First Citizens Holdings Limited (Holdings)         | <u>--</u>                    | <u>5,214</u>                 |
|   | <u>--</u>                    | <u>73,700</u>                |

(i) On 1 October 2000, a new agreement was entered into whereby the GORTT made a bullet payment to reduce part of the interest accrued. The unpaid portion of the interest up to that date of \$150 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled \$198.4 million. The new principal balance outstanding on the restructured loan notes as at 30 September 2004 which includes all capitalised interest to date amounted to \$1,267 million. This note was repaid in September 2022.

(ii) On 1 October 2000, a new agreement was entered into whereby unpaid interest up to that date of \$11.2 million was capitalised. Thereafter, accrued interest was capitalised semi-annually until 30 September 2002 (the end of the moratorium) and this totalled \$17.9 million. The new principal balance outstanding on the restructured loan note as at 30 September 2004 which includes all capitalised interest to date amounted to \$96.5 million. This note was repaid in September 2022.

### 12 Other assets

|                    | <b>2022</b><br><b>\$'000</b> | <b>2021</b><br><b>\$'000</b> |
|--------------------|------------------------------|------------------------------|
| Prepayments        | 52,124                       | 54,812                       |
| Accrued receivable | 93,157                       | 138,483                      |
| Accrued interest   | 264,432                      | 275,224                      |
| Due from parent    | <u>859</u>                   | <u>114</u>                   |
|                    | <u>410,572</u>               | <u>468,633</u>               |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

| 13 Investments accounted for using equity method | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| Investment in joint venture                      | 43,122         | 39,349         |
| Investment in associates                         | 200,992        | 191,713        |
|  | <u>244,114</u> | <u>231,062</u> |
| <b>13 a. Investment in joint ventures</b>        |                |                |
| Beginning of the year                            | 39,349         | 38,114         |
| Disposal of investment in TTIPS                  | --             | (1,709)        |
| Share of profit after tax                        | 3,773          | 2,944          |
| At end of year                                   | <u>43,122</u>  | <u>39,349</u>  |

This investment represents 25% of the equity capital of Infolink Services Limited, a company incorporated in Trinidad and Tobago whose principal activity is the provision of electronic banking reciprocity. Infolink's reporting period is December. The financial information below reflects the results as at August 2022, as the 30 September 2022 information was not available.

| Name        | Country of incorporation | Assets<br>\$'000 | Liabilities<br>\$'000 | Revenues<br>\$'000 | Profits<br>\$'000 | %<br>Interest held |
|-------------|--------------------------|------------------|-----------------------|--------------------|-------------------|--------------------|
| <b>2022</b> |                          |                  |                       |                    |                   |                    |
| ISL         | Trinidad & Tobago        | 178,319          | 5,831                 | 9,330              | 3,045             | 25%                |
| <b>2021</b> |                          |                  |                       |                    |                   |                    |
| ISL         | Trinidad & Tobago        | 165,227          | 7,830                 | 30,364             | 11,780            | 25%                |

### 13 b. Investment in associates

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| St Lucia Electricity Services Limited | 177,945        | 169,080        |
| Term Finance Holdings Limited         | 23,047         | 22,633         |
| Total                                 | <u>200,992</u> | <u>191,713</u> |

- (i) St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange. The investment in associate at 30 September 2022 includes goodwill of \$4.6 million (2021: \$4.6 million). The reporting period for St Lucia Electricity Services Limited is December. The information below reflects the Group's share of the results of associate and its share of the assets (including goodwill and liabilities) as at August 2022 (2021: August 2021), as September 2022 was not available.
- (ii) Term Finance Holdings Limited, whose principal activity is providing short term loans to individuals and small-medium sizes business. The investment in this company as at 30 September 2022, includes goodwill of 14.5 million (2021-\$14.5 million). The information below reflects The Group's share of the results of associate and its share of the assets (including goodwill and liabilities) as at September 2022 and September 2021 are reflected below.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 13 b. Investment in associates (continued)

|                                  | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------|----------------|----------------|
| Beginning of the year            | 191,713        | 168,350        |
| Additions                        | --             | 22,500         |
| Share of profit after tax        | 22,947         | 17,806         |
| Exchange differences             | --             | (248)          |
| Dividend received from associate | (13,668)       | (16,695)       |
| At end of year                   | <u>200,992</u> | <u>191,713</u> |

| Name                                   | Country of incorporation | Assets<br>\$'000 | Liabilities<br>\$'000 | Revenues<br>\$'000 | Profits<br>\$'000 | %<br>Interest held |
|--|--------------------------|------------------|-----------------------|--------------------|-------------------|--------------------|
| <b>2022</b>                            |                          |                  |                       |                    |                   |                    |
| St. Lucia Electricity Services Limited | St. Lucia                | 1,395,234        | 510,518               | 932,746            | 112,089           | 19.11%             |
| Term Finance Limited                   | Trinidad and Tobago      | 94,569           | 50,172                | 19,201             | 6,998             | 19.99%             |
| <b>2021</b>                            |                          |                  |                       |                    |                   |                    |
| St. Lucia Electricity Services Limited | St. Lucia                | 1,325,203        | 464,761               | 692,844            | 90,678            | 19.11%             |
| Term Finance Limited                   | Trinidad and Tobago      | 67,325           | 26,655                | 9,336              | 2,376             | 19.99%             |

The fair value of the investment in associates at 30 September 2022 is \$201.0 million (2021: \$191.7 million).

### 14 Property and equipment

|                                     | Freehold premises<br>\$'000 | Leasehold premises<br>\$'000 | Motor vehicles & equipment<br>\$'000 | Work in progress<br>\$'000 | ROU Leased Vehicles<br>\$'000 | ROU Leased Buildings<br>\$'000 | ROU Leased Equipment | Total<br>\$'000 |
|-------------------------------------|-----------------------------|------------------------------|--------------------------------------|----------------------------|-------------------------------|--------------------------------|----------------------|-----------------|
| <b>Year ended 30 September 2022</b> |                             |                              |                                      |                            |                               |                                |                      |                 |
| Opening net book amount             | 379,440                     | 26,120                       | 61,199                               | 15,850                     | 13,156                        | 74,477                         | --                   | 570,242         |
| Additions                           | 119                         | 1,798                        | 26,324                               | 52,402                     | 3,282                         | 59,095                         | 84,558               | 227,578         |
| Disposals                           | --                          | (1)                          | (414)                                | --                         | (880)                         | (6,318)                        | --                   | (7,613)         |
| Transfer                            | 30,545                      | --                           | 16,339                               | (48,248)                   | --                            | 1,364                          | --                   | --              |
| Revaluation surplus/(loss)          | (713)                       | --                           | --                                   | --                         | --                            | --                             | --                   | (713)           |
| Depreciation charge                 | (5,718)                     | (8,104)                      | (29,363)                             | --                         | (5,422)                       | (28,677)                       | (17,716)             | (95,000)        |
| Closing net book amount             | <u>403,673</u>              | <u>19,813</u>                | <u>74,085</u>                        | <u>20,004</u>              | <u>10,136</u>                 | <u>99,941</u>                  | <u>66,842</u>        | <u>694,494</u>  |
| <b>As at 30 September 2022</b>      |                             |                              |                                      |                            |                               |                                |                      |                 |
| Cost/valuation                      | 428,021                     | 145,606                      | 542,672                              | 20,004                     | 24,702                        | 147,343                        | 84,558               | 1,392,906       |
| Accumulated depreciation            | (24,348)                    | (125,793)                    | (468,587)                            | --                         | (14,566)                      | (47,402)                       | (17,716)             | (698,412)       |
| Net book amount                     | <u>403,673</u>              | <u>19,813</u>                | <u>74,085</u>                        | <u>20,004</u>              | <u>10,136</u>                 | <u>99,941</u>                  | <u>66,842</u>        | <u>694,494</u>  |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 14 Property and equipment (continued)

|                            | Freehold premises<br>\$'000 | Leasehold premises<br>\$'000 | Motor vehicles & equipment<br>\$'000 | Work in progress<br>\$'000 | ROU Vehicles<br>\$'000 | ROU Buildings<br>\$'000 | Total<br>\$'000 |
|----------------------------|-----------------------------|------------------------------|--------------------------------------|----------------------------|------------------------|-------------------------|-----------------|
| <b>Year ended</b>          |                             |                              |                                      |                            |                        |                         |                 |
| <b>30 September 2021</b>   |                             |                              |                                      |                            |                        |                         |                 |
| Opening net book amount    | 468,343                     | 34,582                       | 65,392                               | 11,389                     | 13,577                 | 102,878                 | 696,161         |
| Additions                  | 10                          | 281                          | 27,392                               | 9,343                      | 6,752                  | 6,332                   | 50,110          |
| Disposals                  | (8,644)                     | --                           | (1,140)                              | (3,338)                    | (684)                  | (10,668)                | (24,474)        |
| Transfer                   | --                          | --                           | 1,544                                | (1,544)                    | --                     | --                      | --              |
| Revaluation surplus/(loss) | (32,046)                    | --                           | --                                   | --                         | --                     | --                      | (32,046)        |
| Impairment losses          | (39,019)                    | --                           | --                                   | --                         | --                     | --                      | (39,019)        |
| Depreciation charge        | (9,204)                     | (8,743)                      | (31,989)                             | --                         | (6,489)                | (24,065)                | (80,490)        |
| Closing net book amount    | 379,440                     | 26,120                       | 61,199                               | 15,850                     | 13,156                 | 74,477                  | 570,242         |
| <b>As at</b>               |                             |                              |                                      |                            |                        |                         |                 |
| <b>30 September 2021</b>   |                             |                              |                                      |                            |                        |                         |                 |
| Cost/valuation             | 400,853                     | 142,569                      | 506,627                              | 15,850                     | 24,915                 | 102,800                 | 1,193,614       |
| Accumulated depreciation   | (21,413)                    | (116,449)                    | (445,428)                            | --                         | (11,759)               | (28,323)                | (623,372)       |
| Net book amount            | 379,440                     | 26,120                       | 61,199                               | 15,850                     | 13,156                 | 74,477                  | 570,242         |
| <b>As at</b>               |                             |                              |                                      |                            |                        |                         |                 |
| <b>30 September 2020</b>   |                             |                              |                                      |                            |                        |                         |                 |
| Cost/valuation             | 486,188                     | 142,396                      | 479,856                              | 11,389                     | 18,754                 | 124,032                 | 1,262,615       |
| Accumulated depreciation   | (17,845)                    | (107,814)                    | (414,464)                            | --                         | (5,177)                | (21,154)                | (566,454)       |
| Net book amount            | 468,343                     | 34,582                       | 65,392                               | 11,389                     | 13,577                 | 102,878                 | 696,161         |

The impairment loss relates to a decrease in the fair value of the Group's freehold properties. This amount is recognised in administrative expenses, as the impairment losses exceeds the revaluation surplus.

#### a. Recognised fair value measurements

##### (i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets carried at fair value into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.g.ii.

| Level 3                            | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------|----------------|----------------|
| Land and building on freehold land | 372,896        | 348,663        |
| Building on Lease Land             | 28,400         | 28,400         |
| Freehold Land                      | 2,377          | 2,377          |
|                                    | <u>403,673</u> | <u>379,440</u> |

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.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 14 Property and equipment (continued)

#### a. Recognised fair value measurements (continued)

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

As at 30 September 2022, the Group's freehold premises were stated at revalued amounts as determined by management. Management indicated that valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income. The Group's policy is to obtain independent valuations for its freehold land and buildings at least every three years.

At the end of each reporting period, management update their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available Management consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

The most significant input into this valuation approach is price per square foot. If the price per square foot increase by 100 basis points, the fair value will increase by \$13.0M (2021: \$13.0M) with a corresponding entry in the reserve in shareholders' equity.

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

|                          | <b>2022</b>    | <b>2021</b>    |
|--------------------------|----------------|----------------|
|                          | <b>\$'000</b>  | <b>\$'000</b>  |
| Cost                     | 412,254        | 381,590        |
| Accumulated depreciation | (170,671)      | (164,952)      |
| Impairment loss          | --             | (39,019)       |
| Net book amount          | <u>241,583</u> | <u>177,619</u> |



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 15 Intangible assets

|                                       | Goodwill<br>\$'000 | Software<br>\$'000 | Other<br>intangible<br>assets<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|--------------------|--------------------|---|-----------------|
| <b>As at 30 September 2022</b>        |                    |                    |   |                 |
| Acquisition cost                      | 156,886            | 385,737            | 36,284                                  | 578,907         |
| Accumulated amortisation              | --                 | (282,385)          | (35,435)                                | (317,820)       |
| - Net book amount                     | 156,886            | 103,352            | 849                                     | 261,087         |
| <b>Period ended 30 September 2022</b> |                    |                    |   |                 |
| Opening net book amount               | 156,886            | 68,557             | 849                                     | 226,292         |
| Additions                             | --                 | 57,975             | --                                      | 57,975          |
| Amortisation charge                   | --                 | (23,180)           | --                                      | (23,180)        |
| Closing net book amount               | 156,886            | 103,352            | 849                                     | 261,087         |
| <b>As at 30 September 2021</b>        |                    |                    |   |                 |
| Acquisition cost                      | 156,886            | 328,312            | 36,284                                  | 521,482         |
| Accumulated amortisation              | --                 | (259,755)          | (35,435)                                | (295,190)       |
| Net book amount                       | 156,886            | 68,557             | 849                                     | 226,292         |
| <b>Period ended 30 September 2021</b> |                    |                    |   |                 |
| Opening net book amount               | 156,886            | 62,186             | 4,787                                   | 223,859         |
| Additions                             | --                 | 31,825             | --                                      | 31,825          |
| Disposal                              | --                 | (2,115)            | --                                      | (2,115)         |
| Amortisation charge                   | --                 | (23,339)           | (3,938)                                 | (27,277)        |
| Closing net book amount               | 156,886            | 68,557             | 849                                     | 226,292         |

#### Impairment test for goodwill

Goodwill is allocated for impairment testing purposes for the following cash generating units as follows:-

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| First Citizens Investment Services Limited (FCIS) | 156,886        | 156,886        |
|   | <u>156,886</u> | <u>156,886</u> |

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The impairment test carried out as at 30 September 2022 for FCIS, revealed that the value in use is in excess of the carrying amount. The recoverable amounts of the cash generating units were determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial projections by management covering a five (5) year period and a discount rate. Cash flow beyond that five-year period have been extrapolated using the growth rate for the respective units.

The key estimates used in the value-in-use calculations are as follows:-

|                            | FCIS  |       |
|----------------------------|-------|-------|
|                            | 2022  | 2021  |
| Net interest margin growth | 0.06% | 6.12% |
| Growth rate                | 1.87% | 3.99% |
| Discount factors           | 3.84% | 4.92% |

Management determined the net interest margin and growth rate based on past performance and its expectations of the market developments.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 16 Customers' deposits

|   | 2022<br>\$'000    | 2021<br>\$'000    |
|---|-------------------|-------------------|
| Deposits are analysed by sector as follows: |                   |                   |
| Public institutions                         | 10,032,703        | 10,415,824        |
| Private institutions                        | 7,938,437         | 8,116,422         |
| Consumers                                   | <u>10,410,590</u> | <u>10,435,196</u> |
|   | <u>28,381,730</u> | <u>28,967,442</u> |
| Current portion                             | 27,956,835        | 28,556,451        |
| Non-current portion                         | <u>424,895</u>    | <u>410,991</u>    |
|   | <u>28,381,730</u> | <u>28,967,442</u> |

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to \$3.4 billion (2021: \$3.4 billion) are at fixed rates. All other deposits are at variable rates.

### 17 Other funding instruments

|   | 2022<br>\$'000   | 2021<br>\$'000   |
|---|------------------|------------------|
| Repurchase agreements   | 3,481,385        | 3,506,701        |
| Funds under management  | 6,221            | 6,420            |
| USD fixed rate note   | <u>448,746</u>   | <u>448,746</u>   |
|   | <u>3,936,352</u> | <u>3,961,867</u> |
| <i>Other funding instruments are analysed by sector as follows:</i> |                  |                  |
| Public institutions   | 1,354,089        | 1,573,532        |
| Private institutions  | 1,580,536        | 1,323,537        |
| Consumers   | <u>1,001,727</u> | <u>1,064,798</u> |
|   | <u>3,936,352</u> | <u>3,961,867</u> |
| Current portion   | 2,997,016        | 2,956,502        |
| Non-current portion   | <u>939,336</u>   | <u>1,005,365</u> |
|   | <u>3,936,352</u> | <u>3,961,867</u> |

The securities sold under the repurchase agreements only include financial instruments classified at amortised cost (see Note 8a). Interest rates on these repos range from 0.1% to 4.0% in 2022 (2021: 0.1% to 4.0%).

### 18 Due to other Banks

|             |                  |                  |
|-------------|------------------|------------------|
| Short term  | 818,867          | 1,289,366        |
| Medium term | <u>485,273</u>   | <u>275,251</u>   |
|             | <u>1,304,140</u> | <u>1,564,617</u> |

Short-term borrowings represented demand facilities via a number of financial institutions.

Medium term borrowings represent unsecured borrowings of US\$11.09 million, and TT\$200 million from clients for a period of one to three years (2020: US\$36.09 million and TT\$200.0million). The average interest rate for 2021 was 3.20% (2020: 2.80%).

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

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### 19 Creditors and accrued expenses

|                              | <b>2022</b>    | <b>2021</b>    |
|------------------------------|----------------|----------------|
|                              | <b>\$'000</b>  | <b>\$'000</b>  |
| Accrued expenses             | 209,727        | 174,850        |
| Other liabilities            | 196,892        | 193,304        |
| Interest payable             | 63,919         | 72,709         |
| Due to GORTT                 | 26,568         | 23,823         |
| Due to brokers               | 480            | 3,455          |
| Funds payable to bondholders | 60,617         | 166,163        |
|                              | <u>558,203</u> | <u>634,304</u> |

The amount due to GORTT relates to what is owed by the Bank with respect to payments made on claims which were subsequently recovered pursuant to Liquidity Support Agreement outlined in note 3 a.(viii) (e).

The Group in its capacity as bond paying agent receives payments from bond issuers on a periodic basis for payment to bond holders. Also, from time to time, the Group holds funds to remit to third parties for placement of investments on behalf of plans under management.

### 20 Lease liabilities

The Group leases many assets including buildings and vehicles. Information about the leases for which the Group is a lessee is presented as follows:-

|                      | <b>2022</b>    | <b>2021</b>   |
|----------------------|----------------|---------------|
|                      | <b>\$'000</b>  | <b>\$'000</b> |
| Opening balance:     | 83,097         | 110,576       |
| Exchange differences | --             | (92)          |
| Additions            | 139,269        | 7,562         |
| Repayments           | (34,211)       | (34,949)      |
| Disposals            | (3,698)        | --            |
|                      | <u>184,457</u> | <u>83,097</u> |

#### Maturity analysis

|                      |                |               |
|----------------------|----------------|---------------|
| Less than one year   | 39,634         | 23,386        |
| One to five years    | 126,063        | 55,143        |
| More than five years | 18,760         | 4,568         |
|                      | <u>184,457</u> | <u>83,097</u> |

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

|   |              |              |
|---|--------------|--------------|
| Interest expenses (included in finance cost)                  | <u>8,603</u> | <u>6,995</u> |
| Expenses related to short term leases (included in rent paid) | <u>7,035</u> | <u>6,670</u> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 21 Defined benefit asset

|  | 2022<br>\$'000   | 2021<br>\$'000   |
|--|------------------|------------------|
| <i>a. Net asset in statement of financial position</i>   |                  |                  |
| Present value of obligation  | (1,579,316)      | (1,517,062)      |
| Pension plan assets at fair value  | <u>1,671,130</u> | <u>1,658,195</u> |
| Net defined benefit asset  | <u>91,814</u>    | <u>141,133</u>   |
| <i>b. Movement in present value of defined benefits obligation:</i>  |                  |                  |
| Beginning of year  | 1,517,062        | 1,590,857        |
| Current year service cost  | 46,649           | 53,821           |
| Interest cost  | 91,209           | 88,079           |
| Members' contributions   | 15,818           | 17,301           |
| Re-measurements  |                  |                  |
| - Experience adjustments   | (35,221)         | (43,220)         |
| - Actuarial gains from change in financial assumptions   | --               | (140,102)        |
| Benefits paid  | <u>(56,201)</u>  | <u>(49,674)</u>  |
| Defined benefit obligation at end of year  | <u>1,579,316</u> | <u>1,517,062</u> |
| <i>c. The defined benefit obligation is allocated among the Plan's members as follows:</i>                               |                  |                  |
| - Active   | 63%              | 63%              |
| - Deferred members   | 5%               | 5%               |
| - Pensioners   | 32%              | 32%              |
| The weighted average duration of the defined benefit obligation at year end 18.3 years (2021 19.3 years)                 |                  |                  |
| Ninety-six percent (96%) of the benefits for active members are vested.  |                  |                  |
| Forty-four percent (44%) of the defined benefit obligation for active members is conditional on future salary increases. |                  |                  |
| <i>d. Movement in fair value of plan assets:</i>   |                  |                  |
| Beginning of year  | 1,658,195        | 1,469,594        |
| Interest income  | 99,852           | 81,487           |
| Return of plan assets, excluding interest income   | (99,096)         | 82,816           |
| Company's contributions  | 54,125           | 58,236           |
| Members contributions  | 15,818           | 17,301           |
| Benefits paid  | (56,201)         | (49,674)         |
| Expense allowance  | <u>(1,563)</u>   | <u>(1,565)</u>   |
| Fair value of plan assets at end of year   | <u>1,671,130</u> | <u>1,658,195</u> |
| Actual return on plan asset  | 756              | 164,303          |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 21 Defined benefit asset (continued)

|  | 2022<br>\$'000   | 2021<br>\$'000   |
|--|------------------|------------------|
| <i>e. Asset allocation</i>               |                  |                  |
| Local and regional equity securities     | 489,167          | 461,549          |
| Overseas equities (outside CARICOM)      | 263,671          | 321,842          |
| TT\$ denominated bonds                   | 751,715          | 769,430          |
| US\$ denominated bonds                   | 37,240           | 40,004           |
| Cash and cash equivalents                | <u>129,337</u>   | <u>65,370</u>    |
| Fair value of plan assets at end of year | <u>1,671,130</u> | <u>1,658,195</u> |

All asset values as at 30 September 2022 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local and regional equities also have quoted prices, but the market is relatively illiquid. The Plan's investment manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan. The Plan's assets are invested using a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 70% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments.

There are asset-liability matching strategies used by the Plan.

|  | 2022<br>\$'000  | 2021<br>\$'000 |
|--|-----------------|----------------|
| <i>f. Expenses recognised in profit or loss</i>  |                 |                |
| Current service costs  | 46,649          | 53,821         |
| Net interest on net defined benefit liability/asset                                      | (8,643)         | 6,592          |
| Administrative expenses  | <u>1,563</u>    | <u>1,565</u>   |
| Net pension cost   | <u>39,569</u>   | <u>61,978</u>  |
| <i>g. Re-measurement recognised in other comprehensive income</i>                        |                 |                |
| Experience (losses)/gains  | <u>(63,875)</u> | <u>266,138</u> |
| Total amount recognised in other comprehensive income                                    | <u>(63,875)</u> | <u>266,138</u> |
| <i>h. Reconciliation of opening and closing statement of financial position balances</i> |                 |                |
| Opening defined benefit liability  | 141,133         | (121,263)      |
| Net pension cost   | (39,569)        | (61,978)       |
| Re-measurements (losses)/gains recognised in other comprehensive income                  | (63,875)        | 266,138        |
| Company contribution paid  | <u>54,125</u>   | <u>58,236</u>  |
| Closing defined benefit asset  | <u>91,814</u>   | <u>141,133</u> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 21 Defined benefit asset (continued)

|   | 2022  | 2021  |
|---|-------|-------|
| i. <i>Summary of principal assumptions as at 30 September</i> |       |       |
| Discount rate   | 6.00% | 6.0%  |
| Average individual salary increases                           | 5.50% | 5.5%  |
| Future pension increases                                      | 1.25% | 1.25% |

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation are as follows:

|   |      |      |
|---|------|------|
| Life expectancy at age 60 for current pensioners in years     |      |      |
| - Male  | 21.9 | 21.8 |
| - Female  | 26.1 | 26.1 |
| Life expectancy at age 60 for current members age 40 in years |      |      |
| - Male  | 22.7 | 22.7 |
| - Female  | 27.1 | 27.0 |

### j. *Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation would have changed as a result of a change in the assumptions used.

|                          | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------|----------------|----------------|
| <b>1% pa increase</b>    |                |                |
| Discount rate            | (231,565)      | (223,800)      |
| Future salary increases  | 126,399        | 123,299        |
| Future pension increases | 170,654        | 163,122        |
| <b>1% pa decrease</b>    |                |                |
| Discount rate            | 314,590        | 303,212        |
| Future salary increases  | (106,488)      | (103,912)      |
| Future pension increases | (139,510)      | (134,341)      |

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2022 by \$25.5 million (2021: \$23.9 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

### k. *Funding*

The Group meets the balance of the cost of funding the defined benefit Pension Plan and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay \$56.8 million to the Pension Plans during 2022/2023.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 22 Bonds payable

|  | 2022<br>\$'000   | 2021<br>\$'000   |
|--|------------------|------------------|
| (i) Fixed Rate Bond TTD 100 Million (Series 2) | 100,000          | 100,000          |
| (ii) Fixed Rate Bond TTD 900 Million           | 630,000          | 630,000          |
| (iii) Fixed Rate Bond USD 90.4 Million         | 605,011          | 605,011          |
| (iv) Fixed Rate Bond TTD 860.7 Million         | 860,755          | 860,755          |
| (v) Multiple Series BBD Bond                   | 137,261          | 158,063          |
| (vi) Fixed Rate Bond USD 92.36 Million         | <u>618,142</u>   | <u>618,142</u>   |
|  | <u>2,951,169</u> | <u>2,971,971</u> |
| Current portion                                | 713,892          | 74,171           |
| Non current portion                            | <u>2,237,277</u> | <u>2,897,800</u> |
|  | <u>2,951,169</u> | <u>2,971,971</u> |

- (i) TTD Fixed Rate Bond Series 2 – In August 2014, this bond for \$100 million was issued. This bond is unsecured and carries a fixed rate of 3.25 % with a tenor of ten (10) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 7<sup>th</sup> anniversary subject to the minimum notice of 90 days, which was not exercised.
- (ii) TTD Fixed Rate Bond – In October 2015, this bond for \$900 million was issued. This bond is unsecured and carries a fixed rate of 4.25 % with a tenor of seven (7) years. On 24 October 2022, this Bond was repaid.
- (iii) USD Fixed Rate Bond – In January 2018, this bond for \$90.4 million was issued. This bond is unsecured and carries a fixed rate of 4.25 % with a tenor of five (5) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 2<sup>nd</sup> anniversary subject to the minimum notice of 60 days, which was not exercised.
- (iv) TTD Fixed Rate Bond – In April 2018, this bond for \$860.7 million was issued. This bond is unsecured and carries a fixed rate of 4.50 % with a tenor of six (6) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 5<sup>th</sup> anniversary subject to the minimum notice of 60 days.
- (v) Multiple Series BBD 100M, with tenors of one (1) year. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exist for each Series of the facility in whole on any interest payment date subject to a notice of 30 days.
- Series 4 Bond – In February 2021, this bond for BBD 21.75 million was issued. This bond is unsecured and carries a fixed rate of 2.00%, with a tenor of one (1) year. This Bond was repaid in February 2022.
  - Series 5 Bond – In September 2021, this bond for BBD 24.6 million was issued. This bond is unsecured and carries a fixed rate of 2.25%, with a tenor of two (2) years.
  - Series 6 Bond – In March 2022, this bond for BBD 15.65 million was issued. This bond is unsecured and carries a fixed rate of 2.25%, with a tenor of two (2) years.
- (vi) USD Fixed Rate Bond – In March 2020, this bond for \$92.362 million was issued. This bond is unsecured and carries a fixed rate of 4.25%, with a tenor of five (5) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A prepayment option exists after the 2<sup>nd</sup> anniversary subject to the minimum notice of 60 days.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 23 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate for each subsidiary

|  | 2022<br>\$'000   | 2021<br>\$'000   |
|--|------------------|------------------|
| The movement on the deferred income tax account is as follows:               |                  |                  |
| At beginning of year   | (359,141)        | (271,178)        |
| Impact of revaluation adjustments recorded directly to shareholders' equity: |                  |                  |
| - Revaluation on the fair value through other comprehensive income           |                  |                  |
| Investment securities  | 149,927          | (32,035)         |
| - Revaluation on property  | 1,120            | 2,283            |
| - Revaluation on amortised cost due to reclassification                      | 344              | 253              |
| - Remeasurement of defined benefit liability                                 | 22,356           | (93,148)         |
| Credit to consolidated statement of income (note 34)                         | 25,639           | 34,684           |
| At end of year   | <u>(159,755)</u> | <u>(359,141)</u> |

Deferred income tax assets and liabilities are attributable to the following items:

|   | Balance at<br>1.10.21<br>\$'000 | (Charge)/credit<br>to income<br>statement<br>\$'000 | (Charge)/credit<br>to other<br>comprehensive<br>income<br>\$'000 | Balance at<br>30.09.22<br>\$'000 |
|---|---------------------------------|---|--|----------------------------------|
| <b>Deferred income tax assets</b>                                       |                                 |   |  |                                  |
| Provisions  | 45                              | --  | --   | 45                               |
| Tax losses  | 559                             | (559)   | --   | --                               |
| Lease liabilities   | 26,069                          | 30,917  | --   | 56,986                           |
| Intangible asset recognised on business combination                     | 1,634                           | --  | --   | 1,634                            |
| Fair value measurement of assets through profit or loss                 | 136                             | 7   | --   | 143                              |
|   | <u>28,443</u>                   | <u>30,365</u>                                       | <u>--</u>  | <u>58,808</u>                    |
| <b>Deferred income tax liabilities</b>                                  |                                 |   |  |                                  |
| Retirement benefit asset  | (7,761)                         | (5,095)   | --   | (12,856)                         |
| Re-measurement of defined benefit liability                             | (132,139)                       | --  | 22,356   | (109,783)                        |
| Fair value measurement of fair value through other comprehensive income | (182,372)                       | 404   | 149,927  | (32,041)                         |
| Fair value measurement of amortised cost                                | (1,817)                         | --  | 344  | (1,473)                          |
| Zero coupon instruments   | (12,818)                        | 6,191   | --   | (6,627)                          |
| Right of use assets   | (23,418)                        | (28,148)  | --   | (51,566)                         |
| Accelerated tax depreciation  | (15,853)                        | 21,701  | --   | 5,848                            |
| Unrealised exchange and other gains                                     | (6,244)                         | 221   | --   | (6,023)                          |
| Revaluation gain on property and equipment                              | (1,891)                         | --  | 1,120  | (771)                            |
| Revaluation of PPE – Associates   | (3,271)                         | --  | --   | (3,271)                          |
|   | <u>(387,584)</u>                | <u>(4,726)</u>                                      | <u>173,747</u>   | <u>(218,563)</u>                 |
| <b>Net deferred income tax liability</b>                                | <u>(359,141)</u>                | <u>25,639</u>                                       | <u>173,747</u>   | <u>(159,755)</u>                 |



# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 23 Deferred income tax (continued)

|   | Balance at<br>1.10.20<br>\$'000 | (Charge)/credit<br>to income<br>statement<br>\$'000 | (Charge)/credit<br>to other<br>comprehensive<br>income<br>\$'000 | Balance at<br>30.09.21<br>\$'000 |
|---|---------------------------------|---|--|----------------------------------|
| <b>Deferred income tax assets</b>                                       |                                 |   |  |                                  |
| Provisions  | 174                             | (129)   | --   | 45                               |
| Tax losses  | --                              | 559   | --   | 559                              |
| Lease liabilities   | --                              | 26,069  | --   | 26,069                           |
| Fair value measurement of assets through profit or loss                 | 383                             | (247)   | --   | 136                              |
|   | <u>557</u>                      | <u>26,252</u>                                       | <u>--</u>  | <u>26,809</u>                    |
| <b>Deferred income tax liabilities</b>                                  |                                 |   |  |                                  |
| Retirement benefit asset  | (9,071)                         | 1,310   | --   | (7,761)                          |
| Re-measurement of defined benefit liability                             | (38,991)                        | --  | (93,148)   | (132,139)                        |
| Fair value measurement of fair value through other comprehensive income | (151,273)                       | 936   | (32,035)   | (182,372)                        |
| Fair value measurement of amortised cost                                | (1,676)                         | (394)   | 253  | (1,817)                          |
| Intangible asset recognised on business combination                     | (287)                           | 1,921   | --   | 1,634                            |
| Zero coupon instruments   | (38,226)                        | 25,408  | --   | (12,818)                         |
| Right of use assets   | --                              | (23,418)  | --   | (23,418)                         |
| Accelerated tax depreciation  | (18,535)                        | 2,682   | --   | (15,853)                         |
| Unrealised exchange and other gains                                     | (6,231)                         | (13)  | --   | (6,244)                          |
| Revaluation gain on property and equipment                              | (4,174)                         | --  | 2,283  | (1,891)                          |
| Revaluation of PPE – Associates   | (3,271)                         | --  | --   | (3,271)                          |
|   | <u>(271,735)</u>                | <u>8,432</u>  | <u>(122,647)</u>   | <u>(385,950)</u>                 |
| <b>Net deferred income tax liability</b>                                | <u>(271,178)</u>                | <u>34,684</u>                                       | <u>(122,647)</u>   | <u>(359,141)</u>                 |

### 24 Notes due to parent company

|                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------|----------------|----------------|
| First Citizens Holdings Limited | <u>58,000</u>  | <u>58,000</u>  |

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

### 25 Share capital

The total authorised number of shares are issued and fully paid.

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| 1 Ordinary share (2021: 251,353,562 ordinary shares) | 458,557        | 539,957        |
| Treasury shares/stock                                | --             | (185,000)      |
| 42,500,000 A preference shares of no par value       | --             | 42,500         |
| 61,100,000 B preference shares of no par value       | --             | 61,100         |
|  | <u>458,557</u> | <u>458,557</u> |

As a result of the corporate restructure the Bank became a 100% subsidiary of FCGFH, and the shares of each Bank Shareholder were cancelled and re-issued with shares in FCGFH in the same amount, same class, and proportion. Additionally, one share was issued to FCGFH.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

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### 25 Share capital (continued)

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

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

The Class A and B preferences shares were cancelled by the Bank and re-issued to the shareholders by FCGFH.

#### *Employee share ownership plan*

In April 2017, the shareholders approved the establishment of an employee share ownership plan for the Group's staff. This ESOP was subsequently approved by the Board of Inland Revenue in December 2018. The first distribution was made in January 2019 based on the profit of the Group for the financial period ending 30 September 2018.

The plan is designed to provide long-term incentives to the employees. The object of the plan is to permit and facilitate the transfer of the annual bonus distribution if any, of the Group's employees who are participants in the ESOP to the Trustee to be applied towards the purchase of shares in the Bank to be held by the Trustee for the use and benefit of participants and otherwise dealt with in accordance with the provisions of section 35 of the income tax act (Clause 3 – Trust Deed).

Each participant shall be required to contribute to the plan not less than 25% of the award allocated to him (if any) but may contribute up to 50% of the award, for the trustee to purchase shares, which shares shall be held in trust for the participants.

Effective 18 October 2021, with the corporate restructure, the plan was transferred to First Citizens Group Financial Holdings Limited.

### 26 Statutory reserves

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

In accordance with the Financial Institutions Act 1996-16, the Bank's subsidiary, First Citizens Bank (Barbados) Limited, is required to transfer to a reserve fund a minimum of 25% of the net income for the year, wherever the amount of the reserve fund is less than the stated capital.

### 27 Other reserves

#### i *Fair value reserve*

For debt instruments, the fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI, less ECL allowances recognised in profit or loss, net of deferred tax, until the assets are derecognised or impaired.

For equity financial assets which are measured at FVOCI, fair value gains and losses are not recycled to the statement of income.

#### ii *Revaluation reserve*

The revaluation reserve relates to the revaluation of the freehold property.

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 27 Other reserve (continued)

#### iii. Re-measurement of defined benefit obligation

The re-measurements of the defined benefit obligation represent actuarial gains and losses, returns on plan assets (outside of any changes recorded as net interest) and any changes in the asset ceiling (outside of any changes recorded as net interest).

#### iv. Translation reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations.

The following table shows a breakdown of the balance sheet line item "other reserves" and the movement in these reserves during the period:

|                                     | Financial<br>assets at<br>FVOCI<br>\$'000 | Re-measurement<br>of defined<br>benefits<br>obligation<br>\$'000 | Revaluation<br>surplus<br>\$'000 | Foreign<br>Currency<br>translation<br>\$'000 | Total<br>\$'000  |
|-------------------------------------|---|--|----------------------------------|--|------------------|
| <b>Balance as at 1 October 2021</b> | 876,760                                   | 245,399  | 135,185                          | 63,622                                       | 1,320,966        |
| Reclassified to income statement    | (53,493)                                  | --   | --                               | --   | (53,493)         |
| Revaluation net of tax              | (288,481)                                 | --   | 407                              | --   | (288,074)        |
| Re-measurement                      | --  | (41,519)   | --                               | --   | (41,519)         |
| Currency translations               | --  | --   | --                               | (5,496)                                      | (5,496)          |
| <b>Balance at 30 September 2022</b> | <b>534,786</b>                            | <b>203,880</b>   | <b>135,592</b>                   | <b>58,126</b>                                | <b>932,384</b>   |
| <b>Balance as at 1 October 2020</b> | 793,786                                   | 72,409   | 171,099                          | 73,335                                       | 1,110,629        |
| Reclassified to income statement    | (86,861)                                  | --   | --                               | --   | (86,861)         |
| Revaluation net of tax              | 169,835                                   | --   | (25,927)                         | --   | 143,908          |
| Re-measurement                      | --  | 172,990  | --                               | --   | 172,990          |
| Transfer to retained earnings       | --  | --   | (9,987)                          | --   | (9,987)          |
| Currency translations               | --  | --   | --                               | (9,713)                                      | (9,713)          |
| <b>Balance at 30 September 2021</b> | <b>876,760</b>                            | <b>245,399</b>   | <b>135,185</b>                   | <b>63,622</b>                                | <b>1,320,966</b> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

|   | 2022<br>\$'000   | 2021<br>\$'000   |
|---|------------------|------------------|
| <b>28 Interest income</b>                       |                  |                  |
| Loans to customers                              | 1,145,167        | 1,139,422        |
| Financial assets:                               |                  |                  |
| - Fair value through other comprehensive income | 412,986          | 421,179          |
| - Amortised cost                                | 226,817          | 260,591          |
| - Fair value through profit or loss             | 468              | 2,393            |
| Loan notes                                      | 6,347            | 14,771           |
|   | <u>1,791,785</u> | <u>1,838,356</u> |
| <b>29 Interest expense</b>                      |                  |                  |
| Customers' deposits                             | 45,545           | 62,146           |
| Other funding instruments                       | 112,399          | 127,679          |
| Notes payable                                   | 15,571           | 10,278           |
| Bonds payable                                   | 126,991          | 138,501          |
|   | <u>300,506</u>   | <u>338,604</u>   |

### 30 Fees and commissions

#### *Disaggregation of fees and commission income*

The following table of fees and commissions from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fees and commission income with the Group's operating reporting segments (Note 5).

| Year ended 30 September 2022            | Retail<br>banking<br>\$'000 | Corporate<br>banking<br>\$'000 | Treasury &<br>investment<br>banking<br>\$'000 | Trustee &<br>asset<br>management<br>\$'000 | Group<br>Functions<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------|--------------------------------|---|--|------------------------------|-----------------|
| Account service fees                    | 35,669                      | 768                            | 1,646   | --   | --                           | 38,083          |
| Transaction fees                        | 156,328                     | 8,899                          | 9,591   | --   | --                           | 174,818         |
| Asset management fees                   | 12,033                      | 799                            | 101,546                                       | 98,356                                     | (10,701)                     | 202,033         |
| Underwriting & brokerage fee            | --                          | 7,136                          | 9,812   | --   | --                           | 16,948          |
| Financial guarantees & loan commitments | 19,793                      | 9,370                          | 772   | --   | --                           | 29,935          |
| <b>Total fees and commission</b>        | <u>223,823</u>              | <u>26,972</u>                  | <u>123,367</u>                                | <u>98,356</u>                              | <u>(10,701)</u>              | <u>461,817</u>  |
| <b>Time of revenue recognition</b>      |                             |                                |   |  |                              |                 |
| At a point in time                      | 156,328                     | 16,035                         | 19,403  | --   | --                           | 191,766         |
| Transferred over time                   | 67,495                      | 10,937                         | 103,964                                       | 98,356                                     | (10,701)                     | 270,051         |
|   | <u>223,823</u>              | <u>26,972</u>                  | <u>123,367</u>                                | <u>98,356</u>                              | <u>(10,701)</u>              | <u>461,817</u>  |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 30 Fees and commissions (continued)

Disaggregation of fees and commission income (continued)

| Year ended 30 September 2021            | Retail banking<br>\$'000 | Corporate banking<br>\$'000 | Treasury & investment banking<br>\$'000 | Trustee & asset management<br>\$'000 | Group Functions<br>\$'000 | Total<br>\$'000 |
|---|--------------------------|-----------------------------|---|--------------------------------------|---------------------------|-----------------|
| Account service fees                    | 34,548                   | 644                         | 1,598                                   | --                                   | --                        | 36,790          |
| Transaction fees                        | 123,091                  | 9,256                       | 11,669                                  | --                                   | --                        | 144,016         |
| Asset management fees                   | 8,850                    | 637                         | 98,559                                  | 96,701                               | (11,052)                  | 193,695         |
| Underwriting & brokerage fee            | --                       | 15,120                      | 10,333                                  | --                                   | --                        | 25,453          |
| Financial guarantees & loan commitments | 19,470                   | 10,866                      | 750                                     | --                                   | --                        | 31,086          |
| <b>Total fees and commission</b>        | <b>185,959</b>           | <b>36,523</b>               | <b>122,909</b>                          | <b>96,701</b>                        | <b>(11,052)</b>           | <b>431,040</b>  |
| <b>Time of revenue recognition</b>      |                          |                             |   |                                      |                           |                 |
| At a point in time                      | 123,091                  | 24,376                      | 22,002                                  | --                                   | --                        | 169,469         |
| Transferred over time                   | 62,868                   | 12,147                      | 100,907                                 | 96,701                               | (11,052)                  | 261,571         |
|   | <b>185,959</b>           | <b>36,523</b>               | <b>122,909</b>                          | <b>96,701</b>                        | <b>(11,052)</b>           | <b>431,040</b>  |

All fees and commissions are specific to the service contract and are recognised as stated in note 2.p.

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| <b>31 Other Income</b>                                |                |                |
| Foreign exchange transaction gains less losses        | 130,413        | 117,581        |
| Foreign exchange translation gains less losses        | (12,270)       | (12,581)       |
| Other income  | 23,921         | 18,836         |
|   | <u>142,064</u> | <u>123,836</u> |
| <b>32 Credit impairment write back on investments</b> |                |                |
| Writeback/(charge) to impairment allowances           | (252)          | 1,440          |
| Net (loss)/gain on derecognition of financial assets  | 7,152          | (1,699)        |
| Gain/(loss) on the recognition POCI                   | 1,115          | 13,214         |
| Exchange difference                                   | --             | 7              |
|   | <u>8,015</u>   | <u>12,962</u>  |
| <b>33 Administrative expenses</b>                     |                |                |
| Staff expenses  | 553,875        | 533,741        |
| Pension expenses (note 21.f)                          | 39,569         | 61,978         |
| Other administrative expenses                         | 36,033         | 40,322         |
| Depreciation  | 95,745         | 80,270         |
| Amortisation charges                                  | 22,435         | 23,339         |
| Impairment loss on non-financial assets (note 14)     | 26             | 39,160         |
|   | <u>747,683</u> | <u>778,810</u> |

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

|                             | 2022         |            | 2021         |            |
|-----------------------------|--------------|------------|--------------|------------|
|                             | Employees    | %          | Employees    | %          |
| First Citizens Bank Limited | 1,504        | 83         | 1,550        | 83         |
| Subsidiaries                | 317          | 17         | 318          | 17         |
|                             | <u>1,821</u> | <u>100</u> | <u>1,868</u> | <u>100</u> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

| 34 Other operating expenses             | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| Property expenses                       | 53,368         | 53,844         |
| Technical and professional              | 36,102         | 51,203         |
| Advertising expenses                    | 6,285          | 8,392          |
| Hardware and software maintenance       | 73,229         | 53,681         |
| Deposit insurance (see below)           | 43,339         | 42,543         |
| Credit card expenses                    | 129,505        | 99,450         |
| Equipment rental & maintenance          | 17,531         | 19,931         |
| Communication charges                   | 17,355         | 15,951         |
| Security services                       | 15,588         | 14,278         |
| Stationery and service related expenses | 12,743         | 13,027         |
| Tax on assets                           | 10,110         | 9,040          |
| Operating expenses                      | <u>102,755</u> | <u>112,753</u> |
|   | <u>517,910</u> | <u>494,093</u> |

The Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 of Trinidad & Tobago established a Deposit Insurance Fund for the protection of depositors. By the Central Bank (Deposit Insurance) Order 1986, dated 17 September 1986, an annual premium of 0.2% of the average deposit liabilities outstanding as at the end of each quarter of the preceding year is levied.

The Barbados Deposit Insurance Corporation (BDIC), established under the Deposit Insurance Act-29 of 2006, came into operation on 8 June 2007. The deposit insurance initial contribution and premium was set at 0.05% of the insurable deposits held by the member during the calendar year preceding the calendar year for which the premium is payable.

| 35 Taxation                         | 2022<br>\$'000  | 2021<br>\$'000  |
|-------------------------------------|-----------------|-----------------|
| Current tax                         | 236,782         | 267,987         |
| Prior period (over)/under provision | (21,931)        | 1,430           |
| Deferred tax (Note 23)              | <u>(25,639)</u> | <u>(34,684)</u> |
|                                     | <u>189,212</u>  | <u>234,733</u>  |

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

|   |                 |                 |
|---|-----------------|-----------------|
| Profit before taxation  | <u>925,005</u>  | <u>902,015</u>  |
| Tax calculated at 35% (2021 35%)  | 323,753         | 315,706         |
| Income exempt from tax  | (160,634)       | (167,534)       |
| Expenses not deductible for tax purposes  | 65,143          | 106,980         |
| Prior period (over)/under provision   | (21,931)        | 1,430           |
| Effects of different tax rates in other countries and businesses within the group | <u>(17,119)</u> | <u>(21,849)</u> |
|   | <u>189,212</u>  | <u>234,733</u>  |

| 36 Dividends   |                |                |
|--|----------------|----------------|
| Ordinary dividend paid – final for 2021: \$0.46 (2020: \$0.45)   | 110,908        | 110,508        |
| Ordinary dividend paid – interim for 2022: \$1.14 (2021: \$1.01) | 289,056        | 250,182        |
| Preference dividend paid   | <u>2,922</u>   | <u>2,922</u>   |
|  | <u>402,886</u> | <u>363,612</u> |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 37 Related party transactions and balances

#### a. Directors and key management personnel

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| Salaries and other short-term employee benefits | 61,678         | 56,102         |
| Loans and receivables                           | 15,864         | 11,254         |
| Interest income                                 | 625            | 488            |
| Customers' deposits                             | 29,979         | 21,515         |
| Interest expense                                | 292            | 259            |
| Other funding instruments                       | 8,852          | 6,830          |
| Interest expense- other funding instruments     | 192            | 15             |

#### b. Transactions with related parties

|                                      |        |        |
|--------------------------------------|--------|--------|
| Customers' deposits                  | 3,704  | 2,768  |
| Long term notes (Note 24)            | 58,000 | 58,000 |
| Loan note (Note 11 (ii))             | --     | 5,214  |
| Interest income on loan notes        | 449    | 1,049  |
| Customer deposit with parent (FCGFH) | 10,647 | --     |
| Due from parent                      | 859    | 114    |

#### c. Pension plan

|                                     |        |        |
|-------------------------------------|--------|--------|
| Employer's contribution (Note 21.d) | 54,125 | 58,236 |
|-------------------------------------|--------|--------|

#### d. Government of the Republic of Trinidad and Tobago

On the formation of the Bank, it was agreed that the assets and liabilities of the predecessor financial institutions would be transferred to the Bank and the non-performing portfolio sold to a liquidating company in consideration for an equivalent amount of Government-guaranteed notes and commercial paper.

In 2009, the Bank entered into a Liquidity Support Agreement with GORTT and the Central Bank in relation to the acquisition of the shares of Caribbean Money Market Brokers Limited, now First Citizens Investment Services Limited which provided indemnification of the Bank against certain losses (Note 3.a.vii).

The current amount outstanding on these arrangements and obligations and the related income and expenses are disclosed below: -

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| <b>Assets</b>   |                |                |
| Loan notes with Taurus Services Limited (Note 11 (i)) | --             | 68,486         |
| <b>Liabilities</b>                                    |                |                |
| Due to GORTT (Note 19)                                | 26,568         | 22,753         |
| <b>Interest income</b>                                |                |                |
| Loan notes with Taurus Services Limited               | 6,351          | 13,777         |

# First Citizens Bank Limited And Its Subsidiaries

## Notes to the Consolidated Financial Statements (continued)

30 September 2022

(Expressed in Trinidad and Tobago dollars)

### 37 Related party transactions and balances (continued)

#### e. Other transactions with the Government of the Republic of Trinidad and Tobago

In addition to the balances in (d) above, the Group in its ordinary course of business enters into lending, deposit and investment transactions with the GORTT, other state-owned institutions, state agencies and local government bodies. Transactions and balances between the Group and these related parties are as follows:

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| Loans and receivables                  | 3,535,333      | 3,805,081      |
| Interest income                        | 217,355        | 241,610        |
| Customers' deposits                    | 9,945,476      | 10,312,881     |
| Interest expense                       | 15,571         | 22,012         |
| Investment securities - FVOCI          | 6,571,903      | 8,639,501      |
| Investment securities - Amortised cost | 705,310        | 541,434        |
| Investment income                      | 348,757        | 416,916        |

#### f. The (COVID – 19) Small & Medium Enterprises (SME) Stimulus Loan is an initiative the GORTT embarked upon, geared specifically towards bringing relief to the Small and Medium Enterprises businesses that were negatively affected as a result of the crisis caused by the COVID-19 pandemic. The GORTT provided a guarantee for 75% or 100% of the loan value. The interest on these loans will be paid by the GORTT for the duration of the loan.

|                 |        |        |
|-----------------|--------|--------|
| SME loans       | 63,756 | 14,125 |
| Interest income | 942    | 405    |

### 38 Commitments

#### a. Capital commitments

Capital expenditure approved by the Directors but not provided for in these accounts

|                |                |
|----------------|----------------|
| <u>122,266</u> | <u>149,924</u> |
|----------------|----------------|

#### b. Credit commitments

Commitments for loans approved not yet disbursed

|                |                |
|----------------|----------------|
| <u>635,350</u> | <u>561,569</u> |
|----------------|----------------|

### 39 Contingent liabilities

#### a. Litigation

The Group is involved in claims and counterclaims arising from the conduct of its business. Based on the facts now known to the Group, the Directors believe that the outcome of these matters would not have a material adverse effect on the position of the Group.

#### b. Customers' liability under acceptances, guarantees and letters of credit

These represent the Group's potential liability, for which there are claims against its customer in the event of a call on these commitments.

|                   |                |                |
|-------------------|----------------|----------------|
| Acceptances       | 28,108         | 33,185         |
| Guarantees        | 110,315        | 146,397        |
| Letters of credit | <u>20,208</u>  | <u>25,758</u>  |
|                   | <u>158,631</u> | <u>205,340</u> |

### 40 Subsequent events

On 28 November 2022, the Board of Directors declared a final dividend payment of \$0.46 per share payable to shareholders.