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

Consolidated Financial Statements

30 September 2023

(Expressed in Trinidad and Tobago dollars)

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First Citizens Bank Limited And Its Subsidiaries

Statement of Management's Responsibilities

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 2023, 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 the Securities Act 2012.

- 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	Shiva Manraj
Group Chief Executive Officer	Group Chief Financial Officer
27 November 2023	27 November 2023

Independent auditor's report

To the Shareholder of First Citizens Bank Limited

Report on the audit of the consolidated financial statements

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 2023, 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 2023;
- 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.

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.

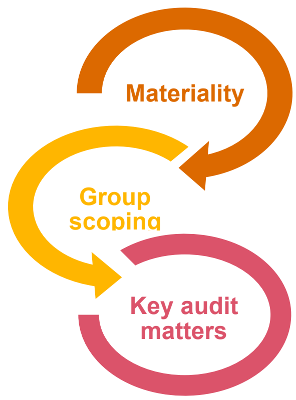
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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



- Overall group materiality: TT$54 million, which represents 5% of profit before taxation.
- The group audit included full scope audits of two significant components domiciled in Trinidad and Tobago and an audit of specific account balances in two other components.

Expected Credit Loss for Stage 3 Loans to Customers.

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 the 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 and its subsidiaries

In addition, a further two components were subject to an audit of specific account balances, one of which was audited by PricewaterhouseCoopers Trinidad and Tobago. For the other component, which is within the scope of the Group audit, we used a PricewaterhouseCoopers network firm auditor.

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 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.

Overall Group materiality	TT$54 million
How we determined it	5% of profit before taxation
Rationale for the materiality benchmark applied	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.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above TT$2.7 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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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
Expected Credit Loss for Stage 3 Loans to Customers Refer to notes 2.e.(i)(c), 3.a.(v) and (xi), and 10 to the consolidated financial statements for disclosures of related accounting policies and balances. As at 30 September 2023, Stage 3 loans to customers totalled TT$1.1 billion. The associated provision for impairment amounted to TT$392 million. On an annual basis, the Group assesses Stage 3 loans to customers for potential impairment. The amount of the expected credit loss is determined by assessing 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 past recovery performance and can vary based on product type or seniority of claim. The recoverable value of collateral is calculated by 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. We focused on this area because of the complex and significant judgements made by management over the assessment of the value and timing of the estimated future cash flows that is relevant to the calculation of the expected credit loss.	Our approach to addressing the matter involved the following procedures, amongst others: ● inspected a sample of customer files and agreed data attributes including loan balance, interest rate, collateral value and collateral date to management's listing of Stage 3 loans; ● assessed the reputation, independence, competence and experience of management's valuators; ● compared recorded collateral values to publicly available market price data; and ● recalculated the discounted projected cash flows using the effective interest rate and expected years to liquidate. The results of our procedures indicated that management's assumptions used in the determination of the expected credit loss for Stage 3 loans to customers were not unreasonable.

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.

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.

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.

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
30 November 2023

First Citizens Bank Limited And Its Subsidiaries

Consolidated Statement of Financial Position
(Expressed in Trinidad and Tobago dollars)

	Notes	As at 30 September 2023 $'000	2022 $'000
Assets			
Cash and due from other banks	6	6,552,782	6,375,452
Statutory deposits with Central Banks	7	3,735,904	5,152,452
Investment securities			
- Fair value through other comprehensive income	8(a)	7,650,130	8,261,168
- Fair value through profit or loss	8(b)	20,298	20,141
- Amortised cost	9	4,629,349	4,921,739
Loans to customers	10	20,089,527	18,886,554
Other assets	11	639,921	410,572
Investments accounted for using equity method	12	253,822	244,114
Tax recoverable		58,073	120,456
Property and equipment	13	819,127	694,494
Intangible assets	14	269,945	261,087
Defined benefit asset	20	78,274	91,814
Total assets		44,797,152	45,440,043
Liabilities			
Customers' deposits	15	28,674,683	28,381,730
Other funding instruments	16	3,856,576	3,936,352
Due to other banks	17	1,334,461	1,304,140
Creditors and accrued expenses	18	657,577	558,203
Lease liabilities	19	270,599	184,457
Taxation payable		40,748	16,505
Bonds payable	21	1,689,456	2,951,169
Deferred income tax liability	22	126,500	159,755
Notes due to related company	23	–	58,000
Total liabilities		36,650,600	37,550,311
Shareholder's equity			
Share capital	24	458,557	458,557
Statutory reserve	25	1,241,412	1,241,412
Retained earnings		5,587,651	5,257,379
Other reserves	26	858,932	932,384
Total shareholder's equity		8,146,552	7,889,732
Total equity and liabilities		44,797,152	45,440,043

The notes on pages 14 to 104 are an integral part of these consolidated financial statements.

On 27 November 2023, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Director

Arthur Isidore Smart Director

First Citizens Bank Limited And Its Subsidiaries

Consolidated Income Statement
(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September 2023 $'000	2022 $'000
Interest income calculated using the effective interest method	27	2,113,003	1,791,785
Interest expense	28	(255,707)	(300,506)
Net interest income		1,857,296	1,491,279
Fees and commissions	29	494,187	461,817
(Losses)/gains from disposal of FVOCI investment securities		(14,410)	43,451
Other income	30	135,383	142,064
Total net revenue		2,472,456	2,138,611
Credit impairment (charge) /write back on loans	10	(56,163)	17,252
Credit impairment write back on investment securities	31	17,735	8,015
Administrative expenses	32	(821,402)	(747,683)
Other operating expenses	33	(563,625)	(517,910)
Operating profit		1,049,001	898,285
Share of profit in joint ventures	12(a)	5,142	3,773
Share of profit in associates	12(b)	19,034	22,947
Profit before taxation		1,073,177	925,005
Taxation	34	(293,102)	(189,212)
Profit after taxation		780,075	735,793

The notes on pages 14 to 104 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 30-September	
	2023 **$'000**	**2022** **$'000**
Profit for the year	780,075	735,793
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement of net defined benefit asset	(16,157)	(41,519)
Net losses on investments in equity instruments designated at fair value through other comprehensive income	(70,853)	(22,507)
Revaluation of property and equipment	--	407
	(87,010)	(63,619)
Items that may be reclassified to profit or loss		
Exchange difference on translation	(2,433)	(5,496)
Net gains/(losses) on debt instruments measured at fair value through other comprehensive income	1,581	(276,016)
Losses/(gains) arising on disposal of debt instruments reclassified to profit or loss	14,410	(43,451)
	13,558	(324,963)
Total other comprehensive loss for the year	(73,452)	(388,582)
Total comprehensive income for the year	706,623	347,211

The notes on pages 14 to 104 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 $'000	Statutory reserve $'000	Other reserves $'000	Retained earnings $'000	Total shareholder's equity $'000
Balance as at 1 October 2022	458,557	1,241,412	932,384	5,257,379	7,889,732
Profit for the year	--	--	--	780,075	780,075
Other comprehensive loss for the year	--	--	(73,452)	--	(73,452)
Total comprehensive income for the year	--	--	(73,452)	780,075	706,623
Transactions with owners					
Dividends	--	--	--	(449,803)	(449,803)
Balance at 30 September 2023	458,557	1,241,412	858,932	5,587,651	8,146,552
Balance as at 1 October 2021	458,557	1,241,412	1,320,966	4,924,472	7,945,407
Profit for the year	--	--	--	735,793	735,793
Other comprehensive income for the year	--	--	(388,582)	--	(388,582)
Total comprehensive income for the year	--	--	(388,582)	735,793	347,211
Transactions with owners					
Dividends	--	--	--	(402,886)	(402,886)
Balance at 30 September 2022	458,557	1,241,412	932,384	5,257,379	7,889,732

The notes on pages 14 to 104 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 30 September 2023 $'000	2022 $'000
Profit before taxation		1,073,177	925,005
Adjustments to reconcile profit to net cash provided by operating activities:			
Share of profit in associates		(19,034)	(22,947)
Share of profit in joint ventures		(5,142)	(3,773)
Depreciation	13	90,614	95,000
Interest income		(2,113,003)	(1,791,785)
Interest expense		255,707	300,506
Gain on disposal of property and equipment		(593)	(159)
(Loss)/gain sale of investment securities		14,410	(43,451)
Amortisation of premium/discounts on investment securities		(16,018)	8,806
Amortisation of bond issue cost		1,399	2,303
Amortisation of intangible asset	14	25,320	23,180
Net movement in impairment allowance on investment securities		(34,031)	3,309
Net pension cost	20	43,163	39,569
Net movement in allowance for loan loss		28,598	(38,620)
Cash outflows from operating activities before changes in operating assets and liabilities		(655,433)	(503,057)
Net change in loans to customers		(1,231,573)	(764,512)
Net change in customers' deposits		303,600	(585,713)
Net change in other funding instruments		(79,776)	(25,515)
Interest paid on lease liabilities		(8,486)	(8,603)
Net change in other assets		(172,188)	47,269
Net change in statutory deposits with Central Bank		1,416,549	(565,313)
Dividends received		536	779
Net change in creditors and accrued expenses		117,119	(67,311)
Pension contributions paid	20	(54,480)	(54,125)
Interest received		2,054,984	1,802,578
Interest paid		(273,665)	(309,295)
Purchase of investment securities			
- Fair value through other comprehensive income	8(a)	(5,570,737)	(7,173,697)
- Amortised cost	9	(241,212)	(332,297)
- Fair value through profit or loss	8(b)	(479,880)	(359)
Proceeds from sale of investment securities			
- Fair value through other comprehensive income	8(a)	6,095,202	9,287,647
- Fair value through profit or loss	8(b)	483,024	3,494
Proceeds from maturity/redemption of amortised cost investment securities	9	579,444	283,475
Tax refund		31,301	--
Taxes paid		(240,298)	(308,099)
Net cash inflows from operating activities		2,074,031	727,346

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

	Notes	Year ended 30 September 2023 $'000	2022 $'000
Cash flows from investing activities			
Repayment on loan notes receivable		--	73,700
Purchase of short-term investments		(804,429)	(445,034)
Proceeds from disposals of short-term investments		445,034	1,010,470
Proceeds from disposal of property and equipment		3,962	1,229
Purchase of intangible assets	14	(34,178)	(57,975)
Purchase of property and equipment	13	(80,544)	(80,643)
Net cash (outflow)/inflow from investing activities		(470,155)	501,747
Cash flows from financing activities			
Issue of bond payable	21	57,189	53,370
Repayment of bond payable	21	(1,318,902)	(74,172)
Repayment of lease liabilities	19	(49,200)	(34,211)
Repayment of loan note payable		(58,000)	--
Ordinary dividend paid		(449,803)	(402,885)
Net cash outflows from financing activities		(1,818,716)	(457,898)
Net (decrease)/increase in cash and cash equivalents		(214,840)	771,195
Cash and cash equivalents at beginning of year		4,626,278	3,864,595
Effect of exchange rate changes		2,453	(9,512)
Cash and cash equivalents at end of year	6	4,413,891	4,626,278

The notes on pages 14 to 104 are an integral part of these consolidated financial statements.

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. First Citizens Bank Limited is licensed under the Financial Institutions Act 2008.

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%

2 Summary of significant accounting policies

These notes provide a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. 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. The financial statements are for the Group consisting of Bank and its Subsidiaries.

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 net 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 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).

- 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.

- 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 amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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*

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

- Amendments to 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.

- Amendments 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.

- 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 to IAS 1 - Non-current liabilities with covenants (Effective 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

- Amendments to IFRS 16 - Leases on sales and Leaseback (Effective 1 January 2024). The amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- IFRS S1 - General requirements for disclosure of sustainability-related financial information (Effective 1 January 2024). This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.

- IFRS S2 - Climate-related disclosures information (Effective 1 January 2024). This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

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.

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.

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 it's carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the consolidated income statement.

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

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 (2022: 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 (2022: 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. Translation differences on non-monetary items such as equities classified as fair value through profit or loss financial assets are recognised in profit or loss.

(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 consolidated financial position;

(b) income and expenses for each income statement and statement of comprehensive income are translated at average cover exchange rates for the financial year, and

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

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

d. *Derivative financial instruments*

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

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

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
- Hold for trading

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. Any gain or loss arising on derecognition is recognized directly in the income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of income.

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.

(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.

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

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

(i) *Financial assets (continued)*

(a) *Debt instruments (continued)*

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 cash 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.

(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 from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

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

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

(i) *Financial assets (continued)*

(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.

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.

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

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

(i) *Financial assets (continued)*

(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.

(ii) *Financial liabilities*

(a) *Classification and subsequent measurement*

- 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).

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

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

(ii) *Financial liabilities (continued)*

(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.

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.

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

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.

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.

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

j. *Lease transactions (continued)*

(i) *The Group as the lessee (continued)*

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.

k. *Property and equipment*

Freehold premises are shown at fair value based on assessments performed by management or by independent valuators every three years, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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.

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

k. *Property and equipment (continued)*

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.

l. *Income tax*

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

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

m. *Employee benefits*

(i) *Pension plans*

The Group operates a defined benefit plan for its employees based in Trinidad and Tobago, 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.

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 FCBB 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 share 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.

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

o. *Interest income and expense*

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

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.

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.

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

p. *Fee and commission income (continued)*

(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) *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.

(iv) *Trustee services*

The Group provides trustee services to Trinidad and Tobago pension plan funds, collective investment schemes and other funds. Trustee fees for funds are either calculated based on a percentage of the fund value or market value of the assets, or a flat fee per annum, based on the terms of the individual customer contract. Trustee fees are billed and payable at least quarterly in arrears. Revenue from trustee services is recognised over time as the services are provided.

(v) *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 Group'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.

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

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.

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.

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

w. *Intangible assets (continued)*

(ii) *Computer software (continued)*

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).

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.

3 **Financial risk management (continued)**

Risk management framework (continued)

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.

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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management*

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Management Committee, the Group Chief Risk Officer (GCRO), 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).

(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).

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Credit risk grading (continued)*

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.

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

<table>
<tr><th></th><th>S&P Rating</th><th>Research & Analytics Risk Rating (Investment Securities)</th><th>FC Borrower Risk Rating (Corporate)</th><th>FC IG Code</th><th>Interpretation</th></tr>
<tr><td rowspan="4">Investment Grade</td><td>AAA, AA+</td><td>A+</td><td rowspan="2">1</td><td rowspan="2">98</td><td rowspan="2">Extremely Low Risk</td></tr>
<tr><td>AA, AA-</td><td>A</td></tr>
<tr><td>A+, A</td><td>A-</td><td>2</td><td>95</td><td>Very Low Risk</td></tr>
<tr><td>BBB+, BBB, BBB-</td><td>B+</td><td>3</td><td>90</td><td>Low Risk</td></tr>
<tr><td rowspan="4">Speculative Grade</td><td>BB+, BB, BB-</td><td>B</td><td>4</td><td>85</td><td>Moderate Risk</td></tr>
<tr><td>B+, B, B-</td><td>B-</td><td>5</td><td rowspan="2">80</td><td>High Risk</td></tr>
<tr><td>CCC+, CCC, CCC-, CC+, CC, CC-, C+, C, C-</td><td>C</td><td>6</td><td>Very High Risk</td></tr>
<tr><td>D</td><td>D</td><td>7</td><td>65</td><td>In Default</td></tr>
</table>

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(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).

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

Change in credit quality since initial recognition

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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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	Deterioration or Downgrade equating to Three notches or more 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	*Hold to Collect/ Hold to collect and Sell Portfolio*	Single "B" or High Yield Portfolio
Absolute Measure	PD - 15% or higher	PD - 25% or higher
AND	AND	AND
Relative Measure	One notch downgrade (Research & Analytics Risk Rating investment securities rating scale)	One notch downgrade (Research & Analytics Risk Rating investment securities rating scale)
OR	OR	OR
Absolute Measure	Eurobonds with Trigger 3 CDS Breach	Eurobonds with Trigger 3 CDS Breach
Special Consideration	Evidence of cash flow strain and implied increased default risk.	Evidence of cash flow strain and implied increased default risk.

The Group has not used the low credit risk exemption for any financial instruments in both the years ended 30 September 2022 and 2023.

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

Loans

Retail Loans (includes Credit Cards)	*Commercial/Corporate Loans*
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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Significant increase in credit risk (SICR) (continued)

Investment securities

Criteria	Hold to Collect/ Hold to collect and Sell Portfolio	Single "B" or High Yield Portfolio
Absolute Measure	PD – below 12.5%	PD below 20%
AND	AND	AND
Relative Measure	One notch upgrade (investment securities rating scale)	One notch upgrade (investment securities rating scale)
OR	OR	OR
Relative Measure	No Trigger 3 CDS breach for at least 10 consecutive trading days	No Trigger 3 CDS breach for at least 10 consecutive trading days
Special Consideration	Issuer has met contractual payments consistently for a period of one-year from initial classification of Stage 2	Issuer has met contractual payments consistently for a period of one-year from initial classification of Stage 2

(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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *Definition of default and credit-impaired assets (continued)*

Qualitative criteria (continued)

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.

(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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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.

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 2023, (2022:7 years) for the Bank and fifteen(15) years for FCBB 2023, (2022:14 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 five (5) years and seven (7) years for personal and staff overdrafts respectively (2022: 5 years and 8 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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.

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 for both 2023 and 2022.:

RETAIL LOAN PORTFOLIO

Trinidad and Tobago	*Barbados*	*Weight*
Unemployment rate	Unemployment rate	0.7
Real GDP Growth	Real GDP Growth	0.1
Inflation	Inflation	0.05
LNG Prices	Tourist Arrivals	0.15
Total		*1*

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

CORPORATE COMMERCIAL LOAN PORTFOLIO

Trinidad and Tobago	*Barbados*	Costa Rica and LATAM	*Weight*
Unemployment rate	Unemployment rate	Unemployment Rate	0.1
Real GDP Growth	Real GDP Growth	Real GDP Growth	0.7
Inflation	Inflation	Inflation	0.05
LNG Prices	*Tourist Arrivals*	*FDI*	0.15
Total			*1*

The weightings assigned to each economic scenario as at September 30 2023 were as follows:-

	Base	**Upside**	**Downside**
Loans	80%	10%	10%

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

	Base	**Upside**	**Downside**
Loans	80%	10%	10%

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 2023 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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

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 2023 are set out below. The scenarios “base”,” best” and “worst” were used for the investment portfolios.

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 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):

	September 2023		**September 2022**	
Unemployment Rates	**PDs**		**PDs**	
	-1%	**1%**	**-1%**	**1%**
	$’000	**$’000**	**$’000**	**$’000**
	(18,484)	33,070	(18,698)	28,403
GDP	**LGDs**		**LGDs**	
	-5%	**5%**	**-5%**	**5%**
	$’000	**$’000**	**$’000**	**$’000**
	(9,339)	10,292	(9,476)	10,230

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.

(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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

(d) *Collateral (continued)*

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.

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 2025. 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 consolidated statement of financial position, the amount of the Promissory Notes due was USD $113.1M (2022: US $110.0M) and the Commercial Paper was TT $275.7M (2022: TT $267.1M).

(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.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

(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*

	Gross maximum exposure 2023 $'000	Gross maximum exposure 2022 $'000
Credit risk exposures relating to financial assets carried on the Group's consolidated statement of financial position are as follows:		
Cash and bank balances	6,552,782	6,375,452
Statutory deposit with Central Bank	3,735,904	5,152,452
Investment securities		
- Fair value through other comprehensive income	7,248,223	7,752,416
- Amortised cost	4,651,301	4,959,757
Loans to customers	20,520,050	19,288,478
Other assets	586,909	358,448
Credit commitments	913,247	635,350
Financial guarantees	160,293	158,631
	44,368,709	44,680,984

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.

(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 30 September 2023			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Installment loans	1,832,928	258,433	142,665	2,234,026
Demand loans	494,488	45,247	77,467	617,202
Overdrafts	88,428	757	7,480	96,665
Credit card	599,543	9,552	49,340	658,435
Mortgages	2,526,479	418,959	263,585	3,209,023
Gross loans	5,541,866	732,948	540,537	6,815,351
Loss allowance	(15,574)	(13,316)	(243,477)	(272,367)
Carrying balance	5,526,292	719,632	297,060	6,542,984

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

	Retail 30 September 2022			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'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 30 September 2023			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Type of facility				
Demand loan	8,825,477	3,854,907	566,816	13,247,200
Overdraft	359,973	58,939	38,587	457,499
Gross loans	9,185,450	3,913,846	605,403	13,704,699
Loss allowance	(5,688)	(3,949)	(148,519)	(158,156)
Carrying balance	9,179,762	3,909,897	456,884	13,546,543

	Commercial & Corporate 30 September 2022			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Type of facility				
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

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

	Investments 30 September 2023				
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased or originated credit impaired $'000	Total $'000
Credit rating					
Investment grade	8,747,952	--	--	--	8,747,952
Standard monitoring	2,395,189	22,371	--	--	2,417,560
Special monitoring	--	--	--	734,048	734,048
Gross loans	11,143,141	22,371	--	734,048	11,899,560
Loss allowance	(23,302)	(555)	--	--	(23,857)
Carrying balance	11,119,839	21,816	--	734,048	11,875,703

	Investments 30 September 2022				
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased or originated credit impaired $'000	Total $'000
Credit rating					
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	--	741,151	12,669,670

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).

3 **Financial risk management (continued)**

a *Credit risk (continued)*

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

	Retail						
	30 September 2023				**30 September 2022**		
IG	**Gross Balance $'000**	**ECL Allowance $'000**	**Carrying Balance $'000**	**IG**	**Gross Balance $'000**	**ECL Allowance $'000**	**Carrying Balance $'000**
65	291,069	(75,553)	215,516	65	314,164	(91,220)	222,944
80	207,307	(12,601)	194,706	80	231,400	(11,131)	220,269
85	2,198,010	(101,404)	2,096,606	85	2,169,889	(120,115)	2,049,774
90	2,677,438	(19,452)	2,657,986	90	2,291,148	(16,869)	2,274,279
795	686,028	(1,661)	684,367	95	629,165	(1,200)	627,965
98	4,631	(12)	4,619	98	2,338	(3)	2,335
Credit cards	658,436	(55,175)	603,261	Credit cards	636,218	(53,820)	582,398
DDA	92,432	(6,509)	85,923	DDA	39,960	(4,032)	35,928
Gross loans	6,815,351	(272,367)	6,542,984	**Gross loans**	6,314,282	(298,390)	6,015,892

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Commercial & Corporate
30 September 2023

BRR	**1 $'000**	**2 $'000**	**3 $'000**	**4 $'000**	**5 $'000**	**6 $'000**	**7 $'000**	**Total $'000**
Gross loans	184	236	3,133,014	3,364,719	3,491,162	2,549,222	395,362	12,933,899
Loss allowance	--	--	(1,225)	(2,624)	(2,799)	(53,809)	(76,723)	(137,180)
Carrying balance	184	236	3,131,789	3,362,095	3,488,363	2,495,413	318,639	12,796,719

IG- ratings	**60 $'000**	**65 $'000**	**80 $'000**	**85 $'000**	**90 $'000**	**95 $'000**	**98 $'000**	**Total $'000**
Gross loans	--	76,794	39,224	293,088	334,347	26,714	633	770,800
Loss allowance	--	(16,716)	(673)	(2,626)	(955)	(6)	--	(20,976)
Carrying balance	--	60,078	38,551	290,462	333,392	26,708	633	749,824

Commercial & Corporate
30 September 2022

BRR	**1 $'000**	**2 $'000**	**3 $'000**	**4 $'000**	**5 $'000**	**6 $'000**	**7 $'000**	**Total $'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)
Carrying balance	286	--	3,486,526	3,090,211	1,587,079	3,548,555	353,065	12,065,722

IG- ratings	**60 $'000**	**65 $'000**	**80 $'000**	**85 $'000**	**90 $'000**	**95 $'000**	**98 $'000**	**Total $'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)
Carrying balance	--	58,101	42,206	340,573	327,834	35,679	547	804,940

IG Ratings: These are small commercial loans that were recorded at the Retail Banking level and assessed using the IG ratings.

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 2023	Gross exposure $'000	Impairment allowance $'000	Carrying amount $'000	Fair value of collateral held $'000
Individual (retail customers)				
Instalment loans	142,665	(117,351)	25,314	57,846
Demand loans	77,467	(21,705)	55,762	84,573
Overdrafts	7,480	(7,349)	131	875
Credit cards	49,340	(49,365)	(25)	--
Mortgages	263,585	(47,707)	215,878	301,071
Sub-total	540,537	(243,477)	297,060	444,365
Corporate & Commercial				
Demand loans	566,816	(144,567)	422,249	1,394,986
Overdrafts	38,587	(3,952)	34,635	614,705
Sub-total	605,403	(148,519)	456.884	2,009,691
Total loans to customers	1,145,940	(391,996)	753,944	2,454,056

30 September 2022	Gross exposure $'000	Impairment allowance $'000	Carrying amount $'000	Fair value of collateral held $'000
Individual (retail customers)				
Instalment loans	154,711	(126,620)	28,091	59,798
Demand loans	78,355	(32,417)	45,938	73,753
Overdrafts	5,056	(4,992)	64	260
Credit cards	47,234	(47,234)	--	--
Mortgages	269,090	(52,602)	216,488	329,062
Sub-total	554,446	(263,865)	290,581	462,873
Corporate & Commercial				
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
Total loans to customers	1,316,683	(353,786)	962,897	2,288,158

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Credit impaired assets (continued)

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 (Gross carrying amount) September 2023 $'000**	**Credit-impaired (Gross carrying amount) September 2022 $'000**
Lower than 50%	19,465	29,324
50 to 60%	6,084	7,340
60 to 70%	16,269	11,090
70 to 80%	13,891	18,019
80 to 90%	17,963	12,827
90 to 100%	19,702	16,576
greater than 100%	170,211	173,917
Total	263,585	269,093

(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 (2022: 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 $15.3M (2022: $24.1M)

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Loss allowance*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period.

Retail	**Stage 1**	**Stage 2**	**Stage 3**	
	12month ECL $'000	**Lifetime ECL $'000**	**Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 October 2022	18,614	15,911	263,865	298,390
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(840)	3,829	--	2,989
Transfer from stage 1 to stage 3	(159)	--	9,972	9,813
Transfer from stage 2 to stage 1	248	(1,837)	--	(1,589)
Transfer from stage 2 to stage 3	--	(2,211)	16,830	14,619
Transfer from stage 3 to stage 1	35	--	(5,869)	(5,834)
Transfer from stage 3 to stage 2	--	140	(2,683)	(2,543)
New financial assets originated	3,663	3,667	10,630	17,960
Change in PDs/LGDs/EADs	(1,768)	(2,590)	(9,120)	(13,478)
Repayments	(4,219)	(3,593)	(3,168)	(10,980)
Unwind of discounts	--	--	--	--
FX and other movements	--	--	--	--
Total net P&L charge during the period	(3,040)	(2,595)	16,592	10,957
Other movement with no P&L impact				
Write-offs	--	--	(36,980)	(36,980)
Loss allowance as at 30 September 2023	15,574	13,316	243,477	272,367

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Loss allowance (continued)*

Commercial & Corporate	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 October 2022	5,346	8,267	89,921	103,534
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(222)	1,390	--	1,168
Transfer from stage 1 to stage 3	(1)	--	384	383
Transfer from stage 2 to stage 1	340	(1,680)	--	(1,340)
Transfer from stage 2 to stage 3	--	(18)	1,817	1,799
Transfer from stage 3 to stage 1	--	--	--	--
Transfer from stage 3 to stage 2	--	--	--	--
New financial assets originated	1,399	1,491	2,345	5,235
Change in PDs/LGDs/EADs	1,631	(307)	56,773	58,097
Repayments	(2,805)	(5,194)	(2,721)	(10,720)
Unwind of discounts	--	--	--	--
FX and other movements	--	--	--	--
Total net P&L charge during the period	342	(4,318)	58,598	54,622
Other movement with no P&L impact				
Write-offs	--	--	--	--
Loss allowance as at 30 September 2023	5,688	3,949	148,519	158,156

Investments	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss Allowances as at 1 October 2022	37,241	5,260	--	42,501
Movement with P&L Impact				
Transfer from stage 2 to stage 1	--	--	--	--
Transfer from stage 3 to stage 1	--	--	--	--
Transfer from stage 3 to stage 2	--	--	--	--
New financial assets originated	253	--	--	253
Change in PDs/LGDs/EADs/Collateral App	(13,312)	(2,489)	--	(15,801)
Repayments	(901)	(2,216)	--	(3,117)
FX and other movements	21	--	--	21
Total net P&L charge during the period	(13,939)	(4,705)		(18.644)
Other movement with no P&L impact				
Financial assets derecognised during the period	--	--	--	--
Write Off	--	--	--	--
Loss allowance as at 30 September 2023	23,302	555	--	23,857

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Loss allowance (continued)*

Retail	**Stage 1** **12month ECL** **$'000**	**Stage 2** **Lifetime ECL** **$'000**	**Stage 3** **Lifetime ECL** **$'000**	**Total** **$'000**
Loss allowance as at 1 October 2021	20,777	22,899	270,468	314,144
Movement with P&L Impact				
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
Total net P&L charge during the period	(2,163)	(6,988)	13,213	4,062
Other movement with no P&L impact				
Write-offs	--	--	(19,816)	(19,816)
Loss allowance as at 30 September 2022	18,614	15,911	263,865	298,390

Commercial & Corporate	**Stage 1** **12-month** **ECL** **$'000**	**Stage 2** **Lifetime** **ECL** **$'000**	**Stage 3** **Lifetime** **ECL** **$'000**	**Total** **$'000**
Loss allowance as at 1 October 2021	6,042	7,643	112,716	126,401
Movement with P&L Impact				
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	--	--	--	--
Total net P&L charge during the period	(696)	624	(22,795)	(22,867)
Other movement with no P&L impact				
Write-offs	--	--	--	--
Loss allowance as at 30 September 2022	5,346	8,267	89,921	103,534

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xii) *Loss allowance (continued)*

Investments	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss Allowances as at 1 October 2021	21,976	11,267	5,954	39,197
Movement with P&L Impact				
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
Total net P&L charge during the period	15,487	(6,007)	(5,954)	3,526
Other movement with no P&L impact				
Financial assets derecognised during the period	--	--	--	--
Write Off	(222)	--	--	(222)
Loss allowance as at 30 September 2022	37,241	5,260	--	42,501

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 7.4%, with a corresponding $1.5M increase in loss allowance measured. In 2022, it resulted in a net increase of the gross carrying amount of the relative books by 9.2%, with a corresponding $8.8 M decrease in loss allowance measured.

- The write-off of loans and investments with a total gross carrying amount of $37.0M resulted in the reduction of the Stage 3 loss allowance by the same amount (2022: $19.8M).

- There was no derecognition of financial assets for 2023, as a result there was no corresponding impact to the Stage 3 allowance.

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 2023			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount as at 1 October 2022	4,895,983	863,853	554,446	6,314,282
Transfers:				
Transfer from stage 1 to stage 2	(176,207)	146,036	--	(30,171)
Transfer from stage 1 to stage 3	(31,944)	--	23,869	(8,075)
Transfer from stage 2 to stage 1	57,464	(71,064)	--	(13,600)
Transfer from stage 2 to stage 3	--	(75,116)	64,418	(10,698)
Transfer from stage 3 to stage 1	10,438	--	(11,598)	(1,160)
Transfer from stage 3 to stage 2	--	18,606	(20,432)	(1,826)
New financial assets originated	1,763,714	66,365	15,464	1,845,543
Repayments	(977,582)	(215,732)	(48,650)	(1,241,964)
Write off	--	--	(36,980)	(36,980)
FX and other movements	--	--	--	--
Gross carrying amount as at 30 September 2023	5,541,866	732,948	540,537	6,815,351

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Gross carrying amount*

Commercial & Corporate

	30 September 2023			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount as at 1 October 2022	8,162,672	4,049,287	762,237	12,974,196
Transfers:				
Transfer from stage 1 to stage 2	(687,668)	643,883	--	(43,785)
Transfer from stage 1 to stage 3	(18,049)	--	17,784	(265)
Transfer from stage 2 to stage 1	954,396	(1,003,755)	--	(49,358)
Transfer from stage 2 to stage 3	--	(29,787)	24,956	(4,831)
Transfer from stage 3 to stage 1	--	--	--	--
Transfer from stage 3 to stage 2	--	122,664	(133,945)	(11,281)
New financial assets originated	3,594,910	1,170,467	5,591	4,770,968
Repayments	(2,820,810)	(1,038,914)	(71,220)	(3,930,944)
Unwind of discounts	--	--	--	--
FX and other movements	--	--	--	--
Gross carrying amount as at 30 September 2023	9,185,451	3,913,845	605,403	13,704,700

Investments	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Purchased or originated credit impaired $'000**	**Total $'000**
Gross carrying Balance as at 1 October 2022	11,912,386	58,634	--	741,151	12,712,171
Transfers:					
Transfer from stage 1 to stage 2	--	--	--	--	--
Transfer from stage 1 to stage 3	--	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--	--
Transfer from stage 3 to stage 1	--	--	--	--	--
Transfer from POCI to stage 1	--	--	--	--	--
New financial assets originated	5,784,824	6,180	--	21,061	5,812,065
Change in PDs/LGDs/EADs				304	304
Repayments	(6,583,871)	(59,135)	--	(46,072)	(6,689,078)
Unwind of discounts	44,017	16,692	--	15,335	76,044
FX and other movements	(14,215)	--	--	2,269	(11,946)
Gross carrying balance as at 30 September 2023	11,143,141	22,371	--	734,048	11,899,560

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Gross carrying amount (continued)*

Retail

	30 September 2022			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount as at 1 October 2021	4,600,092	1,129,641	555,298	6,285,031
Transfers:				
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)
Write off	--	--	(19,816)	(19,816)
FX and other movements	--	--	--	--
Gross carrying amount as at 30 September 2022	4,895,983	863,853	554,446	6,314,282

Commercial & Corporate

	30 September 2022			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount as at 1 October 2021	6,891,172	4,498,857	848,907	12,238,936
Transfers:				
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)
Unwind of discounts	--	--	--	--
FX and other movements	--	--	--	--
Gross carrying amount as at 30 September 2022	8,162,672	4,049,287	762,237	12,974,196

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(xiii) *Gross carrying amount (continued)*

Investments	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Purchased or originated Credit impaired $'000**	**Total $'000**
Gross carrying Balance as at 1 October 2021	14,247,380	208,978	12,477	712,827	15,181,662
Transfers:					
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 POCI 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)
Gross carrying balance as at 30 September 2022	11,912,386	58,634	--	741,151	12,712,171

(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 2023 (2022: NIL). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(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.

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:

	2023 Gross maximum exposure $'000	2022 Gross maximum exposure $'000
Cash and due from other banks	6,552,782	6,375,452
Statutory deposits	3,735,904	5,152,452
Consumer	4,108,794	3,772,228
Agriculture	22,406	35,426
Petroleum	1,118,551	957,922
Manufacturing	603,838	626,560
Construction	1,378,748	1,933,752
Distribution	975,878	952,694
Hotels and guest houses	1,972,158	1,245,074
Transport, storage and communications	1,025,323	1,150,713
Finance, insurance and real estate	5,967,195	5,660,885
Other business services	2,236,245	2,353,986
Personal services	22,333	19,509
Real estate mortgages	3,385,922	3,155,140
Government related	9,603,183	10,136,762
Credit commitments	913,247	635,350
Financial guarantee	160,293	158,631
Other assets	586,909	358,448
Total	44,369,709	44,680,984

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.

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$ $'000	US$ $'000	Other $'000	Total $'000
As at 30 September 2023				
Financial assets				
Cash and due from other banks	409,643	5,056,655	1,086,484	6,552,782
Statutory deposits with central banks	3,589,168	13,914	132,822	3,735,904
Investment securities				
- Fair value through other comprehensive income	5,186,631	2,023,792	439,707	7,650,130
- Amortised cost	1,775,406	1,331,046	1,522,897	4,629,349
- Fair value through profit or loss	19,738	158	402	20,298
Loans to customers	11,982,955	6,396,684	1,709,888	20,089,527
Other assets	281,193	270,090	35,626	586,909
Investments accounted for using equity methods	48,264	205,558	--	253,822
Total financial assets	23,292,998	15,297,897	4,927,826	43,518,721
Financial liabilities				
Customers' deposits	19,858,177	5,858,946	2,957,560	28,674,683
Other funding instruments	1,513,437	1,069,800	1,273,339	3,856,576
Due to other banks	200,634	1,106,850	26,977	1,334,461
Lease liabilities	257,275	--	13,324	270,599
Bonds payable	960,755	618,142	110,559	1,689,456
Creditors and accrued expenses	430,121	70,990	156,466	657,577
Total financial liabilities	23,220,399	8,724,728	4,538,225	36,483,352
Net on balance sheet position	72,599	6,573,169	389,601	7,035,369
Off balance sheet items	133,366	24,901	2,026	160,293
Credit commitments	302,101	297,056	314,090	913,247

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):

As at 30 September 2022	TT$ $'000	US$ $'000	Other $'000	Total $'000
Financial assets				
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				
- Fair value through other comprehensive income	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
Total financial assets	24,555,167	14,773,647	4,891,254	44,220,068
Financial liabilities				
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
Total financial liabilities	24,231,342	8,622,416	4,520,293	37,374,051
Net on balance sheet position	323,825	6,151,231	370,961	6,846,017
Off balance sheet items	158,104	44,869	2,367	205,340
Credit commitments	242,621	119,687	253,494	615,802

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Euros, Barbados dollars, 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 decrease by $17.4M (2022: decrease by $16.3M). The average change for the last three (3) years was nil (2022: nil).

(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.

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.

As at 30 September 2023	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and due from other banks	5,159,778	135,042	203,457	--	--	1,054,505	6,552,782
Statutory deposits with central banks	13,914	--	--	--	--	3,721,990	3,735,904
Investment securities							
- Fair value through other comprehensive income	402,165	207,043	1,145,577	3,097,888	2,393,597	403,860	7,650,130
- Amortised cost	899	29,686	1,203,097	1,826,884	1,572,664	(3,881)	4,629,349
- Fair value through profit or loss	19,738	--	--	--	--	560	20,298
Loan to customers	1,823,383	941,393	3,228,522	8,596,474	5,500,539	(784)	20,089,527
Investments accounted for using equity methods	--	--	--	--	--	253,822	253,822
Other assets	--	--	--	--	--	586,909	586,909
Total financial assets	7,419,877	1,313,164	5,780,653	13,521,246	9,466,800	6,016,981	43,518,721
Financial liabilities							
Customers' deposits	24,963,957	483,969	1,329,342	316,642	153	1,580,620	28,674,683
Other funding instruments	600,058	742,372	1,621,162	892,984	--	--	3,856,576
Due to other banks	204,638	--	902,846	200,000	--	26,977	1,334,461
Bonds payable	--	--	1,014,125	675,331	--	--	1,689,456
Creditors and accrued expenses	--	--	--	--	--	657,577	657,577
Total financial liabilities	25,768,653	1,226,341	4,867,475	2,084,957	153	2,265,174	36,212,753
Interest sensitivity gap	(18,348,776)	86,823	913,178	11,436,289	9,466,647		

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

As at 30 September 2022	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and due from other banks	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							
- Fair value through other comprehensive income	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
Total financial assets	8,615,172	3,405,494	8,396,112	7,210,634	9,262,446	7,330,210	44,220,068
Financial liabilities							
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
Total financial liabilities	25,463,032	1,195,146	3,775,833	4,664,288	22,446	2,068,848	37,189,593
Interest sensitivity gap	(16,847,860)	2,210,348	4,620,279	2,546,346	9,240,000		

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 $42.6M (2022: decrease of $36.2M) and a decrease in reserves of $309.7M (2022: $295.3M).

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 2023, the Group had the following equity positions within the jurisdiction of Jamaica.

Equities instruments recognised in OCI	**Originating currency JMD '000**	**Functional currency TTD '000**
As at September 30 2023		
Equity instruments	9,795,889	430,040
FX	--	(7,837)
MTM Movement	(2,773,792)	(119,550)
	7,022,097	302,653
As at September 30 2022		
Equity instruments	9,813,140	438,647
FX	--	(7,850)
MTM Movement	(17,251)	(757)
	9,795,889	430,040

Price sensitivity

These securities are listed in Jamaica; if prices for equity securities listed in Jamaica move by 15% (2022: 15%) respectively with all other variables including tax being held constant, the effects on the other comprehensive income would have been plus/(minus) TT$45.5M in 2023 (2022: plus/minus TT$64.5M).

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.

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

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.

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 2023	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	26,546,746	492,306	1,342,567	326,485	202	28,708,306
Other funding instruments	806,110	745,013	1,649,831	942,292	--	4,143,246
Bonds payable	3,345	6,584	1,056,720	690,729	--	1,757,378
Due to other Banks	233,399	--	924,063	210,284	--	1,367,746
Lease liabilities	6,452	9,825	44,534	149,308	114,899	325,018
Creditors and accrued expenses	657,577	--	--	---	--	657,577
Total financial liabilities	28,253,629	1,253,728	5,017,715	2,319,098	115,101	36,959,271
Financial assets						
Cash and due from other banks	6,221,026	136,460	201,580	--	--	6,559,066
Statutory deposits with central banks	146,736	--	--	--	3,589,168	3,735,904
Investment securities						
- Fair value through other comprehensive income	576,758	175,904	1,191,282	3,847,620	2,892,077	8,683,641
- Amortised cost	15,854	62,598	366,322	3,509,099	2,199,784	6,153,657
- Fair value through profit and loss	19,704	--	--	--	--	19,704
Loans to customers	1,233,518	1,162,323	4,196,010	11,130,890	6,635,761	24,358,502
Other assets	586,909	--	--	--	--	586,909
Total financial assets	8,800,505	1,537,285	5,955,194	18,487,609	15,316,790	50,097,383
Net liquidity position	(19,453,124)	283,557	937,479	16,168,511	15,201,689	13,138,112

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

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

As at 30 September 2022	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
Customers' deposits	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
Total financial liabilities	27,751,030	1,223,179	3,923,677	4,956,964	48,246	37,903,096
Financial assets						
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 other comprehensive income	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
Total financial assets	10,363,341	3,160,845	7,957,147	10,914,803	15,581,457	47,977,593
Net liquidity position	(17,387,689)	1,937,666	4,033,470	5,957,839	15,533,211	10,074,497

(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.

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

(iii) *Off-Balance sheet items*

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

As at 30 September 2023	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Credit commitments	599,157	--	314,090	--	--	913,247
Acceptances	277	13,202	14,284	--	--	27,763
Guarantees	73,952	1,968	16,550	25,024	1,736	119,230
Letters of credit	--	1,665	11,355	280	-	13,300
Capital commitments	--	--	181,358	--	--	181,358
Total	673,386	16,835	537,637	25,304	1,736	1,254,898

As at 30 September 2022	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
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
Total	427,154	21,624	427,487	36,150	3,831	916,246

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 2023 totalled $34.9B (2022 - $35.0B).

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.

3 **Financial risk management (continued)**

e. *Capital management (continued)*

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.

3 **Financial risk management (continued)**

e. *Capital management (continued)*

	2023 $'000	2022 $'000
Tier 1 Capital		
Share capital	458,557	458,557
Statutory reserve	1,241,412	1,241,412
Capital reserve	187,723	203,880
General reserve	46,438	48,438
Retained earnings	5,587,651	5,257,379
Less: Intangible assets	(269,945)	(261,087)
Total Tier 1	7,251,836	6,948,579
Tier 2 Capital		
Eligible reserve provision	30,953	48,137
Total Tier 2 Capital	30,953	48,137
Total Capital	7,282,789	6,996,716
Ratios		
Risk adjusted assets (credit, operational & market)	36,977,141	37,853,343
Qualifying capital to risk adjusted assets	19.70%	18.48%
Tier 1 capital to risk adjusted assets	19.61%	18.36%

As at 30 September 2023, the Bank and its qualifying subsidiaries were in compliance with these requirements.

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.

	Carrying value		Fair value	
	2023	**2022**	**2023**	**2022**
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**
Cash and due from other banks	6,552,782	6,375,452	6,552,782	6,375,452
Statutory deposits with Central Banks	3,735,904	5,152,452	3,735,904	5,152,452
Financial instruments				
- Loans to customers	20,089,527	18,886,554	21,726,008	18,631,971
- Investment securities - amortised cost	4,629,349	4,921,739	6,002,280	4,985,576
Other assets	586,909	358,447	586,909	358,447
Financial liabilities				
Customers' deposits	28,674,683	28,381,730	28,741,399	28,420,442
Other funding instruments	3,856,576	3,936,352	4,336,640	4,144,504
Bonds payable	1,689,456	2,951,169	2,951,169	2,341,464
Notes due to parent company	--	58,000	--	58,000
Due to other Banks	1,334,461	1,304,140	1,485,203	1,500,814
Creditors and accrued expenses	657,577	558,203	657,577	558,203

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.

Loan notes

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

3 **Financial risk management (continued)**

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

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

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 related 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.

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 2023 **Investment securities**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Fair value through profit or loss				
- Debt securities	--	19,738	--	19,738
- Equity securities	560	--	--	560
	560	19,738	--	20,298
Fair value through other comprehensive income				
- Debt securities	368,693	6,877,661	--	7,246,354
- Equity securities	388,549	2,857	12,370	403,776
	757,242	6,880,518	12,370	7,650,130
Total investment securities	757,802	6,900,256	12,370	7,670,428

As at 30 September 2022 **Investment securities**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'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
Total investment securities	1,200,050	7,067,264	13,995	8,281,309

3 **Financial risk management (continued)**

(ii) *Fair value hierarchy (continued)*

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

	Debt Securities $'000	Equity $'000	Total $'000
September 2023			
Opening balance	--	13,995	13,995
Fair value losses	--	(1,659)	(1,659)
Exchange	--	34	34
Settlement	--	--	--
Closing balance	--	12,370	12,370

	Debt Securities $'000	Equity $'000	Total $'000
September 2022			
Opening balance	408,452	13,429	421,881
Fair value gains	--	631	631
Exchange	--	(65)	(65)
Settlement	(408,452)	--	(408,452)
Closing balance	--	13,995	13,995

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 would decrease by $309.7M if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2022: $295.3M).

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.

4 Critical accounting estimates and judgements (continued)

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).

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).

4 Critical accounting estimates and judgements (continued)

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.

The Group engaged external, independent and qualified valuators 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 2023 were performed by management in September 2023.

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.

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.

5 **Segment analysis (continued)**

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

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

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

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

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

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

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

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

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

5 **Segment analysis (continued)**

a. *Segment results of operations*

The segment information provided to the Executive Management for the reportable segments is as follows:-

Year ended 30 September 2023	Retail banking $'000	Corporate banking $'000	Treasury & investment banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'000
Net interest income	627,003	785,478	438,618	5,502	695	1,857,296
Inter-segment net interest income	87,848	(52,535)	(35,313)	--	--	--
Net fee and commission income	240,444	41,881	124,701	94,848	4,115	505,989
Net Foreign exchange gains	34,766	912	91,556	--	747	127,981
Other income	3,704	745	310,671	1,901	--	317,021
Total net revenue	993,765	776,481	930,233	102,251	5,557	2,808,287
Impairment (charges)/write back	(6,125)	(52,083)	19,756	24	--	(38,428)
Depreciation and amortisation expense	(64,766)	(448)	(9,048)	(6,934)	(35,444)	(116,640)
Administrative expenses	(251,664)	(29,037)	(198,410)	(27,723)	(209,729)	(716,563)
Other operating expenses	(385,717)	(14,946)	(87,567)	(15,172)	(63,340)	(566,742)
Total non-interest expenses	(708,272)	(96,514)	(275,269)	(49,805)	(308,513)	(1,438,373)
Profit/(loss) before taxation	285,493	679,967	654,964	52,446	(302,956)	1,369,914
Income tax expense	(723)	(13)	(275,823)	(16,543)	--	(293,102)
Profit/(loss) for the year	284,770	679,954	379,141	35,903	(302,956)	1,076,812
As at 30 September 2023						
Total assets	11,098,701	12,570,480	22,259,328	462,655	459,444	46,850,608
Total liabilities	22,077,625	3,884,257	11,781,520	117,249	74,029	37,934,680
Property & equipment	428,919	498	219,445	28,073	142,192	819,127
Intangible assets	37,045	--	6,960	649	68,405	113,059

5 Segment analysis (continued)

a. *Segment results of operations (continued)*

Year ended 30 September 2022	Retail banking $'000	Corporate banking $'000	Treasury & investment banking $'000	Trustee & asset management $'000	Group functions $'000	Total $'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
Total net revenue	964,246	611,157	628,343	106,748	5,992	2,316,486
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)
Total non-interest expenses	(654,761)	(30,465)	(220,863)	(50,916)	(296,858)	(1,253,863)
Profit/(loss) before taxation	309,485	580,692	407,479	55,832	(290,865)	1,062,623
Income tax expense	(870)	87	(169,424)	(19,275)	--	(189,482)
Profit/(loss) for the year	308,615	580,779	238,055	36,557	(290,865)	873,141
As at 30 September 2022						
Total assets	10,234,259	11,961,823	23,796,593	632,790	1,094,862	47,720,327
Total liabilities	20,800,443	4,338,942	13,718,062	133,212	60,531	39,051,190
Property & equipment	319,655	543	218,264	32,056	123,976	694,494
Intangible assets	22,417	--	8,085	2,754	227,831	261,087

5 **Segment analysis (continued)**

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

Year ended 30 September 2023	Total management reporting $'000	Adjustments and eliminations $'000	Total consolidated $'000
Net interest income	1,857,296	--	1,857,296
Non-interest income	950,991	(335,831)	615,160
Impairment losses	(38,428)	--	(38,428)
Non-interest expenses	(1,399,945)	14,918	(1,385,027)
Operating profit	1,369,914	(320,913)	1,049,001
Share of profit of associates and joint ventures accounted for by the equity method	--	24,176	24,176
Income tax expense	(293,102)	--	(293,102)
Profit for the year	1,076,812	(296,737)	780,075
As at 30 September 2023			
Total assets	46,850,608	(2,053,456)	44,797,152
Total liabilities	37,934,580	(1,284,080)	36,650,500

Year ended 30 September 2022	Total management reporting $'000	Adjustments and eliminations $'000	Total consolidated $'000
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)
Operating profit	1,062,623	(164,338)	898,285
Share of profit of associates and joint ventures accounted for by the equity method	--	26,720	26,720
Income tax expense	(189,482)	270	(189,212)
Profit for the year	873,141	(137,348)	735,793
As at 30 September 2022			
Total assets	47,720,327	(2,280,284)	45,440,043
Total liabilities	39,051,190	(1,500,881)	37,550,309

6 Cash and due from other banks

	2023 $'000	2022 $'000
Cash and bank balances	3,130,589	3,909,526
Short-term investments	3,422,193	2,465,926
	6,552,782	6,375,452
Short-term investments:		
- 3 months from the date of acquisition	2,617,763	2,020,892
- Maturity over 3 months	804,430	445,034
	3,422,193	2,465,926

The average effective interest rate on short-term bank deposits (maturing 3 months from acquisition) was 1.7% (2022: 1.7%).

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

Cash and bank balances	3,130,589	3,909,526
Short-term investments – maturity within 3 months	2,617,763	2,020,892
Due to other banks	(1,334,461)	(1,304,140)
	4,413,891	4,626,278

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 2023, the current ratio was 14% for First Citizens Bank Limited (2022: 14%) and 9% for First Citizens Depository Services Limited (2022: 9%). Under the provisions of the Act, it can be waived for a specified period 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 2023, 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 (2022: 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 2023 and 30 September 2022, the Bank and its qualifying subsidiaries were in compliance with these requirements.

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

	2023 $'000	2022 $'000
Listed investments	757,242	1,199,414
Unlisted investments	6,895,757	7,067,201
	7,652,999	8,266,615
Provision for impairment	(2,869)	(5,447)
	7,650,130	8,261,168
Debt securities		
Listed	368,693	703,031
Unlisted	6,877,661	7,044,901
	7,246,354	7,747,932
Equity securities		
Listed	388,549	496,382
Unlisted	15,227	16,853
	403,776	513,235
Current portion	1,754,785	2,921,488
Non-current portion	5,895,345	5,339,680
	7,650,130	8,261,168

Unlisted investments include securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago to the amount of $6,136.8M (2022: $5,868.9M).

Investment securities totalling $3,401.7M (2022: $3,481M) are pledged to secure the repurchase agreements (see Note 17).

Balance at beginning of the year	8,261,168	10,828,972
Exchange differences	(7,793)	(3,234)
Additions	5,570,737	7,173,697
Disposals	(6,109,613)	(9,244,197)
Reclassified to amortised cost	--	(6,782)
Net movements in provisions for impairment	2,578	4,138
Net amortisation of discounts/(premiums)	3,217	(13,175)
Fair value losses	(70,164)	(478,251)
Balance at end of year	7,650,130	8,261,168
Fair value losses based on:		
Quoted market prices	(101,655)	(45,743)
Other techniques	31,491	(432,508)
	(70,164)	(478,251)
The movement in the provision for impairment is as follows:		
Allowance at beginning of the year	5,447	9,588
Write back for the year	(2,578)	(4,141)
Allowance at the end of year	2,869	5,447

8 (b) Investment securities at fair value through profit or loss

	2023 $'000	2022 $'000
Bonds	19,738	19,505
Listed – equity securities	560	636
	20,298	20,141

The movement in investment securities may be summarised as follows:

	2023 $'000	2022 $'000
At beginning of year	20,141	23,720
Additions	479,880	359
Disposals	(483,024)	(3,494)
Fair value gains/(losses)	3,301	(444)
At end of year	20,298	20,141

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

	2023 $'000	2022 $'000
Unlisted investments	4,651,301	4,959,757
Provision for impairment	(21,952)	(38,018)
	4,629,349	4,921,739
Current portion	1,233,682	1,497,227
Non-current portion	3,395,667	3,424,512
	4,629,349	4,921,739
Balance at beginning of the year	4,921,739	4,851,796
Exchange differences	(7)	(2)
Additions	241,212	332,297
Disposals	(579,444)	(283,475)
Reclassified from FVOCI	--	6,782
Amortisation of unrealised gains	(621)	(586)
Fair value gains	2,270	592
Net amortisation of discounts	12,801	4,369
Net movement in provision	16,066	(7,445)
ECL gains on POCI	15,333	17,411
Balance at end of year	4,629,349	4,921,739

10 Loans to customers

	2023 $'000	2022 $'000
Stage 1	14,794,241	13,058,655
Stage 2	4,579,869	4,913,141
Stage 3	1,145,940	1,316,682
	20,520,050	19,288,478
Performing loans	19,374,109	17,971,795
Underperforming loans	406,850	606,256
Non-performing loans	739,091	710,427
	20,520,050	19,288,478
Allowance for loan losses	(430,523)	(401,924)
	20,089,527	18,886,554

10 Loans to customers (continued)

Allowance for loan losses	2023 $'000	2022 $'000
Allowance at beginning of the year	401,924	440,545
Charge/(write back) for the year	65,577	(8,777)
Loans written off during the year	(36,978)	(29,844)
Allowance at the end of year	430,523	401,924

Impairment charge/(write back) on loans net of recoveries

Charge/(write back)/charge for the year	65,577	(8,777)
Amounts recovered during the year	(9,414)	(8,475)
	56,163	(17,252)

11 Other assets

Prepayments	53,012	52,124
Accrued receivable	263,603	93,157
Accrued interest	322,452	264,432
Due from parent	854	859
	639,921	410,572

Accrued receivable includes amount due on a matured bond in the sum of $120.0M, which was received in October 2023.

12 Investments accounted for using equity method

	2023 $'000	2022 $'000
Investment in joint venture	48,264	43,122
Investment in associates	205.558	200,992
	253,822	244,114

12 a. Investment in joint venture

Beginning of the year	43,122	39,349
Share of profit after tax	5,142	3,773
At end of year	48,264	43,122

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 2023, as the 30 September 2023 information was not available.

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profits $'000	% Interest held
2023						
ISL	Trinidad & Tobago	199,495	6,438	47,022	20,568	25%
2022						
ISL	Trinidad & Tobago	178,319	5,831	33,463	13,927	25%

12 b. **Investment in associates (continued)**

	2023 $'000	**2022 $'000**
St Lucia Electricity Services Limited	181,190	177,945
Term Finance Holdings Limited	24,368	23,047
Total	205,558	200,992

(i) St Lucia Electricity Services Limited is listed on the Eastern Caribbean Securities Exchange. The investment in associate at 30 September 2023 includes goodwill of $4.6 million (2022: $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 2023 (2022: August 2022), as September 2023 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 2023, includes goodwill of 14.5 million (2022-$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 2023 and September 2022 are reflected below.

	2023 $'000	**2022 $'000**
Beginning of the year	200,992	191,713
Share of profit after tax	19,034	22,947
Dividend received	(14,467)	(13,668)
At end of year	205,559	200,992

Name	**Country of incorporation**	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profits $'000**	**% Interest held**
2023						
St. Lucia Electricity Services Limited	St. Lucia	1,431,782	507,961	986,364	82,704	19.11%
Term Finance Limited	Trinidad and Tobago	196,159	147,769	60,213	16,592	19.99%
2022						
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%

The fair value of the investment in associates at 30 September 2023 is $205.6 million (2022: $201.0 million).

13 **Property and equipment**

	Freehold premises $'000	Leasehold premises $'000	Motor vehicles & equipment $'000	Work in progress $'000	ROU Leased Vehicles $'000	ROU Leased Buildings $'000	ROU Leased Equipment	Total $'000
Year ended 30 September 2023								
Opening net book amount	403,673	19,813	74,084	20,004	10,136	99,941	66,842	694,493
Additions	5,314	1,191	25,631	48,408	5,460	115,439	17,173	218,616
Disposals	--	--	(2,738)	--	(392)	(238)	--	(3,368)
Transfer	34	15,186	8,693	(23,913)	--	--	--	--
Depreciation charge	(6,312)	(5,623)	(32,288)	--	(5,208)	(28,973)	(12,210)	(90,614)
Closing net book amount	402,709	30,567	73,382	44,499	9,996	186,169	71,805	819,127
As at 30 September 2023								
Cost/valuation	433,319	161,981	571,306	44,499	28,755	258,872	86,996	1,585,728
Accumulated depreciation	(30,610)	(131,414)	(497,924)	--	(18,759)	(72,703)	(15,191)	(766,601)
Net book amount	402,709	30,567	73,382	44,499	9,996	186,169	71,805	819,127
Year ended 30 September 2022								
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	403,673	19,813	74,085	20,004	10,136	99,941	66,842	694,494
As at 30 September 2022								
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	403,673	19,813	74,085	20,004	10,136	99,941	66,842	694,494
As at 30 September 2021								
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

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.

13 **Property and equipment (continued)**

a. *Recognised fair value measurements*

(i) *Fair value hierarchy*

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

Level 3	**2023 $'000**	**2022 $'000**
Land and building on freehold land	371,932	372,896
Building on Lease Land	28,400	28,400
Freehold Land	2,377	2,377
	402,709	403,673

The Group's policy is to recognise transfers into and transfers out of fair values hierarchy levels as at the end of the reporting period.

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

As at 30 September 2023, 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, with the last one being done in August 2021.

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 considers information from a variety of sources including:

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

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 (2022: $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:

	2023 $'000	**2022 $'000**
Cost	416,828	412,254
Accumulated depreciation	(173,894)	(170,671)
Net book amount	242,934	241,583

14 Intangible assets

	Goodwill $'000	Software $'000	Other intangible assets $'000	Total $'000
As at 30 September 2023				
Acquisition cost	156,886	419,915	849	577,650
Accumulated amortisation	--	(307,705)	--	(307,705)
- Net book amount	156,886	112,210	849	269,945
Period ended 30 September 2023				
Opening net book amount	156,886	103,352	849	261,087
Additions	--	34,178	--	34,178
Amortisation charge	--	(25,320)	--	(25,320)
Closing net book amount	156,886	112,210	849	269,945
As at 30 September 2022				
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
Period ended 30 September 2022				
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

Impairment test for goodwill

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

	2023 $'000	2022 $'000
First Citizens Investment Services Limited (FCIS)	156,886	156,886
	156,886	156,886

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 2023 for FCIS, revealed that the recoverable amount 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 2023	FCIS 2022
Net interest margin growth	3.54%	0.06%
Profit growth rate	4.22%	1.87%
Discount factors	3.58%	3.84%

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

15 Customers' deposits

Deposits are analysed by sector as follows:	2023 $'000	2022 $'000
Public institutions	10,071,800	10,032,703
Private institutions	8,032,467	7,938,437
Consumers	10,570,416	10,410,590
	28,674,683	28,381,730
Current portion	26,777,267	27,956,835
Non-current portion	1,897,416	424,895
	28,674,683	28,381,730

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $3.4 billion (2022: $3.4 billion) are at fixed rates. All other deposits are at variable rates.

16 Other funding instruments

	2023 $'000	2022 $'000
Repurchase agreements	3,401,735	3,481,385
Funds under management	6,095	6,221
USD fixed rate note	448,746	448,746
	3,856,576	3,936,352
Other funding instruments are analysed by sector as follows:		
Public institutions	701,771	797,526
Private institutions	2,235,168	2,141,068
Consumers	919,637	997,758
	3,856,576	3,936,352
Current portion	2,963,592	2,997,016
Non-current portion	892,984	939,336
	3,856,576	3,936,352

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 2023 (2022: 0.1% to 4.0%).

17 Due to other Banks

Short term	849,223	818,867
Medium term	485,238	485,273
	1,334,461	1,304,140

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

18 Creditors and accrued expenses

	2023 $'000	2022 $'000
Accrued expenses	242,819	196,892
Other liabilities	269,070	209,727
Interest payable	45,961	63,919
Due to GORTT	26,572	26,568
Due to brokers	7,360	480
Funds payable to bondholders	65,795	60,617
	657,577	558,203

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.

19 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:-

	2023 $'000	2022 $'000
Opening balance:	184,457	83,097
Additions	135,523	139,269
Repayments	(49,200)	(34,211)
Disposals	(181)	(3,698)
	270,599	184,457
Maturity analysis		
Less than one year	45,976	39,634
One to five years	132,358	126,063
More than five years	92,265	18,760
	270,599	184,457

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

	2023	2022
Interest expenses (included in finance cost)	8,486	8,603
Expenses related to short term leases (included in rent outstanding)	7,925	7,035

20 Defined benefit asset

a. *Net asset in statement of financial position*

	2023 $'000	2022 $'000
Present value of obligation	(1,697,088)	(1,579,316)
Pension plan assets at fair value	1,775,362	1,671,130
Net defined benefit asset	78,274	91,814

b. *Movement in present value of defined benefits obligation:*

	2023 $'000	2022 $'000
Beginning of year	1,579,316	1,517,062
Current year service cost	47,242	46,649
Interest cost	94,955	91,209
Members' contributions	16,002	15,818
Transfer payment received	726	--
Re-measurements		
- Experience adjustments	16,183	(35,221)
- Actuarial gains from change in financial assumptions	--	--
Benefits paid	(57,336)	(56,201)
Defined benefit obligation at end of year	1,697,088	1,579,316

c. *The defined benefit obligation is allocated among the Plan's members as follows:*

	2023	2022
- Active	61%	63%
- Deferred members	6%	5%
- Pensioners	33%	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.

d. *Movement in fair value of plan assets:*

	2023 $'000	2022 $'000
Beginning of year	1,671,130	1,658,195
Interest income	100,631	99,852
Return of plan assets, excluding interest income	(8,674)	(99,096)
Company's contributions	54,480	54,125
Members contributions	16,002	15,818
Transfer payment received	726	--
Benefits paid	(57,336)	(56,201)
Expense allowance	(1,597)	(1,563)
Fair value of plan assets at end of year	1,775,362	1,671,130
Actual return on plan asset	91,957	756

20 Defined benefit asset (continued)

	2023 $'000	2022 $'000
e. *Asset allocation*		
Local and regional equity securities	443,776	489,167
Overseas equities (outside CARICOM)	344,706	263,671
TT$ denominated bonds	892,350	751,715
US$ denominated bonds	36,781	37,240
Cash and cash equivalents	57,749	129,337
Fair value of plan assets at end of year	1,775,362	1,671,130

All asset values as at 30 September 2023 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.

	2023 $'000	2022 $'000
f. *Expenses recognised in profit or loss*		
Current service costs	47,242	46,649
Net interest on net defined benefit liability/asset	(5,676)	(8,643)
Administrative expenses	1,597	1,563
Net pension cost	43,163	39,569
g. *Re-measurement recognised in other comprehensive income*		
Experience losses	(24,857)	(63,875)
Total amount recognised in other comprehensive income	(24,857)	(63,875)
h. *Reconciliation of opening and closing statement of financial position balances*		
Opening net defined benefit asset	91,814	141,133
Net pension cost	(43,163)	(39,569)
Re-measurements losses recognised in other comprehensive income	(24,857)	(63,875)
Company contribution paid	54,480	54,125
Closing net defined benefit asset	78,274	91,814

20 **Defined benefit asset (continued)**

	2023	2022
i *Summary of principal assumptions as at 30 September*		
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	21.9
- Female	26.2	26.1
Life expectancy at age 60 for current members age 40 in years		
- Male	22.8	22.7
- Female	27.1	27.1

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.

1% pa increase	**2023 $'000**	**2022 $'000**
Discount rate	(250,606)	(231,565)
Future salary increases	133,835	126,399
Future pension increases	186,275	170,654
1% pa decrease		
Discount rate	334,497	314,590
Future salary increases	(113,140)	(106,488)
Future pension increases	(149,385)	(139,510)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2023 by $26.1 million (2022: $25.5 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 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 Group expects to pay $56.8 million to the Pension Plans during 2023/2024.

l. Management of the Plan

The Management Committee of the Pension Plan provides oversight and review of the plan’s investment and funding policies, procedures and guidelines, while the Trustee is responsible for the overall administration of the Plan (under Clause 8(a) of the Trust Deed), including investments decisions. The Management Committee comprised of representatives of management, non-management and the union.

21 Bonds payable

	2023 $'000	2022 $'000
(i) Fixed Rate Bond TTD 100 Million (Series 2)	100,000	100,000
(ii) Fixed Rate Bond TTD 900 Million	--	630,000
(iii) Fixed Rate Bond USD 90.4 Million	--	605,011
(iv) Fixed Rate Bond TTD 860.7 Million	860,755	860,755
(v) Multiple Series BBD Bond	110,559	137,261
(vi) Fixed Rate Bond USD 92.36 Million	618,142	618,142
	1,689,456	2,951,169
Current portion	1,014,125	713,892
Non current portion	675,331	2,237,277
	1,689,456	2,951,169

(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 7th 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. This note was repaid in January 2023

(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 5th 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 exists for each Series of the facility in whole on any interest payment date subject to a notice of 30 days.

- 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. This was repaid in September 2023.
- 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.
- Series 7 Bond – In September 2023, this bond for BBD 16.77 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 2nd anniversary subject to the minimum notice of 60 days.

22 **Deferred income tax liability**

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

	2023 $'000	2022 $'000
The movement on the deferred income tax account is as follows:		
At beginning of year	(159,755)	(359,141)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on the fair value through other comprehensive income Investment securities	22,614	149,927
- Revaluation on property	--	1,120
- Revaluation on amortised cost due to reclassification	493	344
- Remeasurement of defined benefit liability	8,700	22,356
Credit to consolidated statement of income (note 34)	1,448	25,639
At end of year	(126,500)	(159,755)

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

	Balance at 1.10.22 $'000	(Charge)/credit to income statement $'000	(Charge)/credit to other comprehensive income $'000	Balance at 30.09.23 $'000
Deferred income tax assets				
Provisions	45	(44)	--	1
Lease liabilities	56,986	34,623	--	91,609
Accelerated tax depreciation	5,848	5,648	--	11,496
Intangible asset recognised on business combination	1,634	--	--	1,634
Fair value measurement of assets through profit or loss	143	430	--	573
	64,656	40,657	--	105,313
Deferred income tax liabilities				
Retirement benefit asset	(12,856)	(3,961)	--	(16,817)
Re-measurement of defined benefit liability	(109,783)	--	8,700	(101,083)
Fair value measurement of fair value through other comprehensive income	(32,041)	12	22,614	(9,415)
Fair value measurement of amortised cost	(1,473)	--	493	(980)
Zero coupon instruments	(6,627)	(1,303)	--	(7,930)
Right of use assets	(51,566)	(33,803)	--	(85,369)
Unrealised exchange and other gains	(6,023)	(153)	--	(6,176)
Revaluation gain on property and equipment	(771)	(1)	--	(772)
Revaluation of PPE – Associates	(3,271)	--	--	(3,271)
	(224,411)	(39,209)	31,807	(231,813)
Net deferred income tax liability	(159,755)	1,448	31,807	(126,500)

22 Deferred income tax liability (continued)

	Balance at 1.10.21 $'000	(Charge)/credit to income statement $'000	(Charge)/credit to other comprehensive income $'000	Balance at 30.09.22 $'000
Deferred income tax assets				
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
	28,443	30,365	--	58,808
Deferred income tax liabilities				
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)
	(387,584)	(4,726)	173,747	(218,563)
Net deferred income tax liability	(359,141)	25,639	173,747	(159,755)

23 Notes due to parent company

	2023 $'000	2022 $'000
First Citizens Holdings Limited	--	58,000

The amount due to Holdings is a non-interest bearing note with no specified maturity date, issued in part consideration for a note acquired from Holdings. This note was repaid in September 2023.

24 Share capital

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

	2023 $'000	2022 $'000
1 Ordinary share (2022: 1 ordinary share)	458,557	458,557
	458,557	458,557

As a result of the corporate restructure in October 2021, 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.

25 Statutory reserves

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

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

26 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.

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 assets at FVOCI $'000	Re-measurement of defined benefits obligation $'000	Revaluation surplus $'000	Foreign currency translation $'000	Total $'000
Balance as at 1 October 2022	534,786	203,880	135,592	58,126	932,384
Reclassified to income statement	14,410	--	--	--	14,410
Revaluation net of tax	(69,272)	--	--	--	(69,272)
Re-measurement	--	(16,157)	--	--	(16,157)
Currency translations	--	--	--	(2,433)	(2,433)
Balance at 30 September 2023	479,924	187,723	135,592	55,693	858,932
Balance as at 1 October 2021	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)
Balance at 30 September 2022	534,786	203,880	135,592	58,126	932,384

27 Interest income calculated using the effective interest method

	2023 $'000	2022 $'000
Loans to customers	1,411,909	1,145,167
Financial assets:		
- Fair value through other comprehensive income	459,003	412,986
- Amortised cost	241,471	226,817
- Fair value through profit or loss	620	468
Loan notes	--	6,347
	2,113,003	1,791,785

28 Interest expense

Customers' deposits	49,929	45,545
Other funding instruments	101,082	112,399
Notes payable	21,849	15,571
Bonds payable	82,847	126,991
	255,707	300,506

29 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 2023	**Retail banking $'000**	**Corporate banking $'000**	**Treasury & investment banking $'000**	**Trustee & asset management $'000**	**Total $'000**
Account service fees	36,971	853	1,603	--	39,427
Transaction fees	166,288	9,746	10,043	--	186,077
Asset management fees	15,699	842	79,826	50,476	146,843
Trustee services	--	--	--	44,372	44,372
Underwriting & brokerage fee	--	10,228	25,053	--	35,281
Financial guarantees & loan commitments	21,495	20,212	480	--	42,187
Total fees and commission	240,453	41,881	117,005	94,848	494,187
Time of revenue recognition					
At a point in time	166,288	19,974	35,096	--	221,358
Transferred over time	74,165	21,907	81,909	94,848	272,829
	240,453	41,881	117,005	94,848	494,187

29 Fees and commissions (continued)

Disaggregation of fees and commission income (continued)

Year ended 30 September 2022	**Retail banking $'000**	**Corporate banking $'000**	**Treasury & investment banking $'000**	**Trustee & asset management $'000**	**Total $'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	90,845	98,356	202,033
Underwriting & brokerage fee	--	7,136	9,812	--	16,948
Financial guarantees & loan Commitments	19,793	9,370	772	--	29,935
Total fees and commission	223,823	26,972	112,666	98,356	461,817
Time of revenue recognition					
At a point in time	156,328	16,035	19,403	--	191,766
Transferred over time	67,495	10,937	93,263	98,356	270,051
	223,823	26,972	112,666	98,356	461,817

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

30 Other Income

	2023 $'000	**2022 $'000**
Foreign exchange transaction gains less losses	138,456	130,413
Foreign exchange translation gains less losses	(10,476)	(12,270)
Other income	7,403	23,921
	135,383	142,064

31 Credit impairment write back on investments

Write back/(charge) to impairment allowances	14,697	(252)
Net gain on derecognition of financial assets	3,038	7,152
Gain on the recognition POCI	--	1,115
	17,735	8,015

32 Administrative expenses

Staff expenses	611,161	553,875
Pension expenses (note 21.f)	43,163	39,569
Other administrative expenses	50,377	36,033
Depreciation	91,327	95,745
Amortisation charges	25,320	22,435
Impairment loss on non-financial assets (note 14)	54	26
	821,402	747,683

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

	2023		**2022**	
	Employees	**%**	**Employees**	**%**
First Citizens Bank Limited	1511	83	1,504	83
Subsidiaries	313	17	317	17
	1,824	100	1,821	100

33 Other operating expenses

	2023 $'000	2022 $'000
Property expenses	56,699	53,368
Technical and professional	23,028	36,102
Advertising expenses	10,154	6,285
Hardware and software maintenance	85,707	73,229
Deposit insurance (see below)	42,235	43,339
Credit card expenses	145,474	129,505
Equipment rental & maintenance	14,328	17,531
Communication charges	18,892	17,355
Security services	15,560	15,588
Stationery and service-related expenses	15,230	12,743
Tax on assets	10,529	10,110
Operating expenses	125,789	102,755
	563,625	517,910

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.

34 Taxation

	2023 $'000	2022 $'000
Current tax	248,936	236,782
Prior period under/(over) provision	45,156	(21,931)
Deferred tax (Note 23)	(990)	(25,639)
	293,102	189,212

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

	2023 $'000	2022 $'000
Profit before taxation	1,073,177	925,005
Tax calculated at 35% (2022:35%)	375,612	323,753
Income exempt from tax	(174,946)	(160,634)
Expenses not deductible for tax purposes	70,615	65,143
Prior period under /(over) provision	45,156	(21,931)
Effects of different tax rates in other countries and businesses within the group	(23,335)	(17,119)
	293,102	189,212

35 Dividends

	2023 $'000	2022 $'000
Ordinary dividend paid – final for 2022 (2021)	112,700	113,830
Ordinary dividend paid – interim for 2023 (2022)	337,103	289,056
	449,803	402,886

36 Related party transactions and balances

a. *Directors and key management personnel*

	2023 $'000	2022 $'000
Salaries and other short-term employee benefits	61,647	61,678
Loans and receivables	16,842	15,864
Interest income	796	625
Customers' deposits	29,359	29,979
Interest expense	336	292
Other funding instruments	2,352	8,852
Interest expense- other funding instruments	122	192

b. *Transactions with related parties*

Customers' deposits	62,423	3,704
Long term notes (Note 24)	--	58,000
Interest income on loan notes	--	449
Customer deposit with parent (FCGFH)	15,178	10,647
Due from parent	821	859

c. *Pension plan*

Employer's contribution (Note 21.d)	56,783	54,125

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: -

	2023 $'000	2022 $'000
Liabilities		
Due to GORTT (Note 19)	26,572	26,568
Interest Income		
Loan notes with Taurus Services Limited	--	6,351

36 **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:

	2023 $'000	2022 $'000
Loans and receivables	3,349,488	3,535,333
Interest income	234,544	217,355
Customers' deposits	10,038,125	9,945,476
Interest expense	17,325	15,571
Investment securities - FVOCI	6,505,494	6,571,903
Investment securities - Amortised cost	420,275	705,310
Investment income	428,464	348,757

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	61,579	63,756
Interest income	1,884	942

37 **Commitments**

a. *Capital commitments*

Capital expenditure approved by the Directors but not provided for in these accounts	186,348	122,266

b. *Credit commitments*

Commitments for loans approved not yet disbursed	913,247	635,350

38 **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	27,763	28,108
Guarantees	119,230	110,315
Letters of credit	13,300	20,208
	160,293	158,631

39 **Subsequent events**

On 27 November 2023, the Board of Directors declared a final dividend payment of $245 million payable to its shareholder.