First Citizens Bank Limited
(A Subsidiary of First Citizens Holdings Limited)

Unconsolidated Financial Statements
(Expressed in Trinidad and Tobago dollars)

30 September 2014

First Citizens Bank Limited

Contents

Statement of Management Responsibility

The Financial Institutions Act, 2008 (The Act), requires that management prepare and acknowledge responsibility for preparation of the financial statements annually, establish and maintain an adequate internal control structure and procedures for financial reporting, safeguarding the assets of the company as well as ensuring compliance with the Act.

It is management's responsibility to apply the appropriate accounting policies and make accounting estimates that are reasonable. Management is responsible for ensuring that the statements presented are a fair and true presentation of the state of affairs of the company which includes ensuring that the information from which the statements are derived are designed and properly monitored in a manner which would allow accurate information to be provided. In addition, management is responsible for ensuring that the information presented is free from material misstatement whether due to fraud or error.

Management accepts responsibility for the annual financial statements as well as the responsibility for the maintenance of the accounting records and internal controls which form the basis of the financial statements. The financial statements of First Citizens Bank Limited are prepared in accordance with International Financial Reporting Standards and the appropriate accounting policies have been established and applied in a manner which gives a true and fair view of the Company's financial affairs and operating results.

In addition, it is noteworthy to mention that nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the date of this statement.

Deputy Chief Executive Officer
5 December 2014

Chief Financial Officer
5 December 2014

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Independent Auditor's Report

To the shareholders of
First Citizens Bank Limited

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of First Citizens Bank Limited, which comprise the statement of financial position as at 30 September 2014 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of First Citizens Bank Limited parent company as of 30 September 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

5 December 2014
Port of Spain
Trinidad, West Indies

CB Wharfe (Senior Partner), L Awai, F Aziz Mohammed, BA Hackett, H Mohammed, NA Panchoo, F Parsotan, SW Ramirez, A West

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First Citizens Bank Limited

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

	Notes	2014 $'000	As at 30 September 2013 $'000 Restated	2012 $'000 Restated
Assets				
Cash and due from other banks	6	2,040,146	1,465,470	1,564,673
Statutory deposits with Central Bank	7	5,317,621	6,656,179	4,373,774
Financial assets				
- Available-for-sale	8	5,433,934	5,376,053	4,855,769
- Loans and receivables less allowances for losses:				
Loans to customers	9	9,715,132	10,274,154	9,079,378
Loan notes	10	2,735,918	3,032,756	3,624,308
Finance leases	11	818	1,547	3,891
Other assets	12	204,255	287,838	499,908
Investment in joint ventures	13	3,475	3,475	3,475
Investment in associate	14	78,654	79,302	79,299
Investment in subsidiaries	15	840,068	839,292	838,643
Due from parent company		2,825	2,349	2,221
Due from subsidiaries		126,503	1,357,507	89,268
Tax recoverable		10,004	19,909	--
Property, plant and equipment	16	364,061	356,018	341,251
Retirement benefit asset	17	74,933	--	--
Total assets		26,948,347	29,751,849	25,355,858
Liabilities				
Customers' deposits	18	19,796,548	21,013,425	17,887,697
Other funding instruments	19	11,889	14,651	17,314
Derivative financial instruments	20	--	158,253	150,673
Due to other banks		7	1,426	6,713
Creditors and accrued expenses	21	287,364	375,782	234,974
Debt securities in issue	22	1,000,000	1,500,000	1,500,000
Due to parent company		--	1,045,693	--
Due to subsidiaries		66,267	32,084	278,327
Defined benefit liability		--	19,762	49,796
Deferred income tax liability	23	244,109	245,295	215,530
Notes due to related companies	24	1,160,255	1,169,355	1,169,303
Tax payable		28,703	--	33,303
Total Liabilities		22,595,142	25,575,726	21,543,630
Capital And Reserves Attributable To The Bank's Equity Holders				
Share capital	25	643,557	643,557	643,557
Statutory reserves		643,557	643,557	643,557
Retained earnings	26	2,487,110	2,331,496	2,095,060
Other reserves		578,981	557,513	430,054
Total Shareholders' Equity		4,353,205	4,176,123	3,812,228
Total Equity And Liabilities		26,948,347	29,751,849	25,355,858

The notes on pages 9 to 68 are an integral part of these unconsolidated financial statements.

On 3 December 2014, the Board of Directors of First Citizens Bank Limited authorised these unconsolidated financial statements for issue.

Anthony Isidore Smart Director

Director

First Citizens Bank Limited

Unconsolidated Income Statement
(Expressed in Trinidad and Tobago dollars)

	Notes	Year Ended 30 September 2014 $'000	2013 $'000 Restated
Interest income	27	1,076,869	1,164,342
Interest expense	28	(251,959)	(346,157)
Net Interest Income		824,910	818,185
Fees and commissions	29	144,800	129,114
Dividend income	30	240,362	149,590
Foreign exchange gain	31	76,102	70,215
Other income	32	75,253	26,051
Total Net Income		1,361,427	1,193,155
Impairment loss on loans, net of recoveries	9	(5,378)	(28,793)
Administrative expenses	33	(408,915)	(424,516)
Other operating expenses	34	(297,412)	(268,347)
Profit Before Taxation		649,722	471,499
Taxation	35	(73,939)	(38,599)
Profit For The Year		575,783	432,900

The notes on pages 9 to 68 are an integral part of these unconsolidated financial statements.

First Citizens Bank Limited

Unconsolidated Statement of Comprehensive Income
(Expressed in Trinidad and Tobago dollars)

	Year Ended 30 September 2014 $'000	2013 $'000 Restated
Profit for the year	575,783	432,900
Other Comprehensive Income		
Items That Will Not Be Reclassified To Profit Or Loss		
Revaluation of property, plant and equipment net of tax	1,773	844
Re-measurement of defined benefit obligation	106,054	57,455
	107,827	58,299
Items That May Be Reclassified To Profit Or Loss		
Exchange difference on translation	(3,804)	(29)
Transfer of net realised gain to current year income	(25,239)	(13,212)
Revaluation of available for sale assets net of tax	(57,316)	82,401
	(86,359)	69,160
Total Other Comprehensive Income For The Year	21,468	127,459
Total Comprehensive Income For The Year	597,251	560,359

The notes on pages 9 to 68 are an integral part of these unconsolidated financial statements.

First Citizens Bank Limited

Unconsolidated Statement of Changes in Equity
(Expressed in Trinidad and Tobago dollars)

	Note	Share Capital $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Re-measurement of Defined Benefit $'000	Revaluation Surplus $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
Balance as restated as at 1 October 2013		643,557	643,557	416,429	57,455	82,374	1,255	2,331,496	4,176,123
Total Comprehensive Income		--	--	(82,555)	106,054	1,773	(3,804)	575,783	597,251
Dividends	35	--	--	--	--	--	--	(420,169)	(420,169)
Balance at 30 September 2014		643,557	643,557	333,874	163,509	84,147	(2,549)	2,487,710	4,353,205
Balance as at 1 October 2012 - as previously reported		643,557	643,557	347,240	--	81,530	1,284	2,373,515	4,090,683
Change in accounting policy		--	--	--	--	--	--	(278,455)	(278,455)
Restated Balance as at 1 October 2012		643,557	643,557	347,240	--	81,530	1,284	2,095,060	3,812,228
Total Comprehensive Income		--	--	69,189	57,455	844	(29)	432,900	560,359
Dividends	35	--	--	--	--	--	--	(196,464)	(196,464)
Balance at 30 September 2013		643,557	643,557	416,429	57,455	82,374	1,255	2,331,496	4,176,123

The notes on pages 9 to 68 are an integral part of these unconsolidated financial statements.

First Citizens Bank Limited

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

	Year Ended 30 September 2014 $'000	2013 $'000 Restated
Profit before taxation	649,722	471,499
Adjustments To Reconcile Profit To Net Cash Provided By Operating Activities:		
Depreciation	43,172	43,059
Interest income	(1,076,869)	(1,164,342)
Interest received	1,126,163	1,127,623
Interest expense	251,959	346,157
Interest paid	(308,533)	(345,569)
Loss on disposal of property, plant and equipment	270	5
Gain on sale of available-for-sale financial assets	(25,239)	(13,212)
Net change in derivative valuation	--	(1,202)
Amortisation of premium on investment securities	(169)	2,276
Amortisation of bond issue cost	779	496
Net pension income	56,587	56,328
Foreign exchange gain on derivative financial instruments	--	(40)
Net change in allowance for loan loss	(17,153)	27,070
Cash Flows From Operating Activities Before Changes In Operating Assets And Liabilities	700,689	550,148
Net change in loans to customers	576,174	(1,221,846)
Net change in finance leases	729	2,344
Net change in customers' deposits	(1,216,877)	3,125,728
Net change in other funding instruments	(2,762)	(2,663)
Net change in other assets	34,290	248,789
Net change in due to/from ultimate parent company	(1,046,169)	1,045,565
Net change in statutory deposits with Central Bank	1,338,558	(2,282,405)
Net change in creditors and accrued expenses	(31,843)	140,221
Pension contributions paid	(9,876)	(9,756)
Taxes paid	(44,942)	(104,542)
Net Cash Flows From Operating Activities	297,971	1,491,583

First Citizens Bank Limited

Unconsolidated Statement of Cash Flow (Continued)
(Expressed in Trinidad and Tobago dollars)

	Notes	Year Ended 30 September 2014 $'000	2013 $'000 Restated
Net Cash Flows From Operating Activities		297,971	1,491,583
Cash Flows From Investing Activities			
Purchase of financial assets		(4,362,669)	(5,505,892)
Proceeds from sale of financial assets		4,210,628	5,086,254
Repayment on loan notes receivable		296,838	591,552
Net change in short-term investments		(457,362)	210,687
Investment in subsidiaries		(756)	(635)
Proceeds from disposal of property, plant and equipment		1,409	525
Purchase of property, plant and equipment	16	(50,531)	(57,231)
Net Cash Flows (Used By)/From Investing Activities		(362,443)	325,260
Cash Flows From Financing Activities			
Net change in advances to subsidiaries		1,231,004	(1,268,239)
Net change in due to subsidiaries		34,183	(246,243)
Net receipt on derivative financial instrument		(158,253)	8,822
Net change in debt securities issue		(500,000)	--
Ordinary dividend paid		(417,247)	(193,542)
Preference dividend paid	35	(2,922)	(2,922)
Net Cash Flows From Financing Activities		186,765	(1,702,124)
Effect of exchange rate changes		(3,558)	2,052
Net Increase In Cash And Cash Equivalents		118,735	116,771
Cash And Cash Equivalents At Beginning Of Period		1,309,340	1,192,570
Cash And Cash Equivalents At End Of Period	6	1,428,075	1,309,341

The notes on pages 9 to 68 are an integral part of these unconsolidated financial statements.

1 General Information

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

The Bank is a subsidiary of First Citizens Holdings Limited (Holdings), a company owned by the Government of the Republic of Trinidad and Tobago (GORTT). In 2013, First Citizens Holdings disposed of 20% of its ordinary share holdings interest, which is trading on the Trinidad and Tobago Stock Exchange. The consolidated financial statements can be obtained from 9 Queen's Park East, Port of Spain, Trinidad. Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 30 September 2014 in order to obtain full information on the financial position, financial performance and changes in financial position of the Group as a whole.

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

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

The Bank currently comprises the following entities:

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

The Bank also has investment in the following entities:

Infolink Services Limited	Provision of automated banking reciprocity services	Trinidad & Tobago	25%
Trinidad and Tobago Interbank Payment System Limited	Automated clearing house	Trinidad & Tobago	14.29%
St. Lucia Electricity Services Limited	Provision of electrical power to consumers	St. Lucia	19%

2 Summary Of Significant Accounting Policies

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

2.1 Basis of preparation

These unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The unconsolidated financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, available-for-sale financial assets, financial assets designated at fair value through profit or loss, financial liabilities at fair value through profit and loss and derivative financial instruments.

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 Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the unconsolidated financial statements are disclosed in Note 4.

(a) *Standards, amendment and interpretations which are effective and have been adopted by the Bank*

- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 (effective for 1 January 2013). These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- IFRS 10 Consolidated Financial Statements – (effective 1 January 2013). The standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidation and Separate Financial Statements and SIC-12 *Consolidation — Special Purpose Entities.*
- IFRS 11 Joint Arrangements – (Effective 1 January 2013). This standard replaces IAS 31 Interest in Joint Ventures. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of interest in Other Entities (effective 1 January 2013). This standard requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 Fair Value Measurement (effective 1 January 2013). IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an "exit price"). "Fair value" as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.
- IFRS 1 Government Loans — Amendments to IFRS 1 (effective -1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This is the same relief as was given to existing preparers of IFRS financial statements.

2 **Summary Of Significant Accounting Policies (Continued)**

2.1 **Basis of preparation (continued)**

(a) *Standards, amendment and interpretations which are effective and have been adopted by the Bank (continued)*

- IAS 27 Separate Financial Statements – Amendments (effective 1 January 2013). This Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

- IAS 28 Investments in Associates and Joint Ventures – Amendments – (effective 1 January 2013). This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

  The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

- IAS 19 Employee Benefits (Revised) – (effective 1 January 2013). The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The changes on the Bank's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ (asset). See note 2.25 for the impact on the financial statements.

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank*

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2014 and have not been early adopted by the Bank:

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

  The Bank is assessing the impact of these standards.

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

2 **Summary Of Significant Accounting Policies (Continued)**

2.1 **Basis of preparation (continued)**

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued):*

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2014 and have not been early adopted by the Bank:

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

  The additional amendments in July 2014 introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project and the Standard

  The Bank is yet to assess IFRS 9's full impact.

  - Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27 effective January 2014). Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:
  - provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement
  - require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries
  - require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

- IAS 36 -Recoverable Amount Disclosures for Non-Financial Assets (Amendments - effective January 1 2014). This amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

2 **Summary Of Significant Accounting Policies (Continued)**

2.1 **Basis of preparation (continued)**

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued):*

- IAS 39 Financial Instruments: Recognition and Measurement - Amendment effective January 1 2014. This amendment is to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

  A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations

- IAS 19 - Defined Benefit Plans: Employee Contributions (Amendment effective January 1 2013). This amendment is to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

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

  - apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
  - disclose the information required by IFRS 3 and other IFRSs for business combinations.

  The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

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

  - clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
  - introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

- IFRIC 21- Levies (effective January 1 2014) This standard provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

  The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

  - The liability is recognised progressively if the obligating event occurs over a period of time
  - If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

2 Summary Of Significant Accounting Policies (Continued)

2.2 Investment in subsidiaries

Subsidiaries are all entities, (including special purpose entities) over which the Bank has the power to govern financial and operating policies generally accompanying a shareholding of more than one half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

2.3 Investment in joint ventures

A joint venture exists where the Bank has a contractual arrangement with one or more parties to undertake activities through entities that are subject to joint control.

Investments in joint ventures are accounted for using the equity method of accounting. These investments are recorded at cost in these unconsolidated financial statements.

2.4 Investment in associate

Associates are all entities over which the Bank has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at cost in these financial statements.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The unconsolidated financial statements are presented in Trinidad and Tobago dollars, which is the Bank's presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$ 6.2986 = US$1.00 (2013 - TT$6.3506 = US$1.00), which represent the Bank's mid-rate.

(b) *Transactions and balances*

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

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

2.6 Derivative financial instruments

Derivative financial instruments including swaps are initially recognised in the statement of financial position at cost (including transaction cost) and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

The carrying values of the interest rate swap, which will vary in response to changes in market conditions, are recorded as assets or liabilities with the corresponding resultant charge or credit in the income statement.

2 Summary Of Significant Accounting Policies (Continued)

2.7 Financial assets and financial liabilities

2.7.1 Financial assets

The Bank classifies its financial assets in the following categories:, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Loans and receivables*

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

i. Those that the Bank intends to sell immediately or in the short term and those that the entity upon initial recognition designates at fair value through profit or loss;
ii. Those that the entity upon initial recognition designates as available-for-sale;

(b) *Available-for-sale financial assets*

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

2.7.2 Recognition and measurement

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

Dividend income from financial assets classified as available for sale is recognised in the income statement as 'Dividend income' when the Bank's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Other Income'.

2.7.3 Financial liabilities

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

2.7.4 Recognition and de-recognition of financial instruments

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

Financial assets are derecognised when the contractual right to receive the cashflows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2 Summary Of Significant Accounting Policies (Continued)

2.7 Impairment of financial assets (continued)

2.7.5 Determination of fair value

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

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

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

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

(a) *Assets carried at amortised cost*

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

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the unconsolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

2 **Summary Of Significant Accounting Policies (Continued)**

2.8 Impairment of financial assets

a) *Assets carried at amortised cost (continued)*

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

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the unconsolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses to the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the amount of the reversal is recognised in the income statement in impairment loss on loans net of recoveries.

2 **Summary Of Significant Accounting Policies (Continued)**

2.8 **Impairment of financial assets (continued)**

(b) *Assets classified as available-for-sale*

The Bank assesses at the year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Debt securities are classified based on the criteria in Note 2.7.1 (b). If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(c) *Renegotiated loans*

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

2.9 **Impairment of non-financial assets**

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

2.10 **Offsetting financial instruments**

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

2.11 **Lease transactions**

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

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

(a) *The Bank as the lessee*

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

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

2 **Summary Of Significant Accounting Policies (Continued)**

2.11 **Lease transactions (continued)**

(a) *The Bank as the lessee (continued)*

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

(b) *The Bank 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.

2.12 **Property, plant and equipment**

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

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

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

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

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

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

Depreciation and amortisation are computed on all assets except land.

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

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

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

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

2 **Summary Of Significant Accounting Policies (Continued)**

2.13 **Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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 company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

2.14 **Employee benefits**

(a) *Pension plans*

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

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows 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.

2 **Summary Of Significant Accounting Policies (Continued)**

2.14 **Employee benefits (continued)**

(b) *Profit sharing and bonus plans*

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

2.15 **Cash and cash equivalents**

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

2.16 **Interest income and expense**

Interest income and interest expense are recognised in the unconsolidated income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments, loans and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts.

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

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

2.17 **Fee and commission income**

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

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

2.18 **Dividend income**

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

2 **Summary Of Significant Accounting Policies (Continued)**

2.19 **Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives but not exceeding a period of three years.

2.20 **Borrowings**

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

2.21 **Acceptances**

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

2.22 **Dividend distribution**

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

2.23 **Preference shares**

The Preference shares are classified as equity, as these shares are non-convertible and non-redeemable. Dividends are declared at the discretion of the directors.

2.24 **Provisions**

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

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

2.25 **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.

2.26 **Change in accounting policy**

In the current year, the Bank has adopted IAS19 – Employee Benefits (Revised) which is mandatory for the 2014 Financial Statements. The revised accounting standard requires changes as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset).

2 **Summary Of Significant Accounting Policies (Continued)**

2.26 Change in accounting policy (continued)

The Bank has made the required adjustments and restated the comparative amounts, the impact on the financial statements are as follows:

	September 2014 $'000	September 2013 $'000
Effect on statement of financial position		
Defined benefit liability		
Defined benefit asset as previously reported	179,493	228,659
Unrecognised loss	(278,455)	(278,455)
Remeasurement of the defined benefit asset for 2013	76,606	--
Decrease in pension cost recognised in 2013	2,594	--
Defined benefit liability as restated	(19,762)	(49,796)
Total assets		
Total assets as previously reported	29,931,342	25,584,517
Net adjustments to defined benefit assets	(179,493)	(228,659)
Total assets as restated	29,751,849	25,355,858
Deferred tax liability		
Deferred tax liability as previously reported	226,144	215,530
Tax relating to the remeasurement of the defined benefit obligation	19,151	--
Deferred tax liability as restated	245,295	215,530
Total liability		
Total assets as previously reported	25,536,813	21,493,834
Net adjustments to defined benefit assets	19,762	49,796
Tax relating to the remeasurement of the defined benefit obligation	19,151	--
Total assets as restated	25,575,726	21,543,630
Total shareholders' equity		
Total shareholders' equity as previously reported	4,394,529	4,090,683
Increase in the remeasurement of the defined benefit obligation	57,455	--
Recognisation of prior periods losses	(278,455)	(278,455)
Decrease in pension cost recognised in 2013	2,594	--
Total shareholders' equity as restated	4,176,123	3,812,228

2 **Summary Of Significant Accounting Policies (Continued)**

2.26 **Change in accounting policy (continued)**

Effect on statement of financial position (continued)	**2014**
Administrative expenses	**$'000**
Total administrative expenses as previously reported	(427,110)
Decrease in pension cost recognised in 2013	2,594
Total administrative expenses as restated	(424,516)
Profit For The Year	
Total profit for 2013 as previously reported	430,306
Decrease in pension cost recognised in 2013	2,594
Total profit for 2013 as restated	432,900

3 **Financial Risk Management**

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

The Bank'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 Bank 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 Bank's risk management framework. To assist the Board of Directors in fulfilling its duties, two Board Sub-Committees were established to monitor and report to the Board of Directors on the overall risks within the Bank - the Board Enterprise Risk Committee and the Board Credit Committee; and two Senior Management Committees – the Senior Manager Risk Committee and the Asset Liability Committee.

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

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

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

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

3 Financial Risk Management

3.1 Credit risk

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

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

3.1.1 Credit risk management

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

3.1.2 Credit risk measurement

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

3 Financial Risk Management (Continued)

3.1 Credit risk (continued)

3.1.3 Credit classification system

(a) *Loans to customers*

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

Criticised Loans

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

(b) *Debt securities and other bills*

The Bank utilises external ratings such as local and international credit rating agencies or their equivalent in managing credit risk exposures for debt securities and other bills.

(c) *Other loans and receivables*

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

Bank's internal ratings scale and mapping of external ratings

Bank's rating	Description of the grade	External rating: Standard & Poor's equivalent
A, B+	Investment grade	AAA, AA, A, BBB
B, C	Speculative grade	BB, B, CCC, C
D	Default	D or SD

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

3.1.4 Risk limit control and mitigation policy

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

3 Financial Risk Management (Continued)

3.1 Credit risk (continued)

3.1.4 Risk limit control and mitigation policy (continued)

(a) *Single borrower and borrower bank exposure limits*

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

(b) *Industry exposure limits*

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

(c) *Country exposure limits*

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

(d) *Collateral*

The principal collateral types for loans and advances are:

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

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

Liquidity support agreement

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

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

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

(d) *Collateral (continued)*

Liquidity support agreement (continued)

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

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

Losses which are covered under the Liquidity Support Agreement include the following:

- Losses in respect of taxes and employee matters, within sixty days after the expiration of the relevant statute of limitation;
- Losses in respect of defect of title to shares, due authorisation of the sale of the shares, enforceability of the share sale agreement, corporate good standing of FCIS and the Bank, compliance with laws, possession of requisite permits and consents, breaches of any of the material provisions of existing contracts between FCIS and the Bank and third parties other than employee contracts and ownership of underlying assets of FCIS and the Bank. The limitation of such claims is 20 years after the date of completion of the share transfer to the Bank;
- Losses in respect of balances due from CL Financial Limited and its affiliates which include capitalised interest accruing from the date the Company 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 to the Bank; and
- Any other losses other than those set out above arising from the purchase of the shares. The limitation of such claims is 2 years after the date of completion of the share transfer to the Bank.

(e) *Credit-related commitments*

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

3.1.5 **Impairment and provisioning policies**

The Bank impairment provision policy is covered in detail in Note 2.7.

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

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

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

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

	Gross Maximum Exposure 2014 $'000	Gross Maximum Exposure 2013 $'000
Cash and bank balances	2,040,146	1,465,470
Statutory deposit with central bank	5,317,621	6,656,179
Financial assets		
Available-for-sale	5,401,959	5,347,775
Loans to customers	9,987,254	10,563,428
Loan notes	2,735,918	3,032,756
Finance leases	818	1,547
Other assets	186,280	272,451
Total credit risk exposure	25,669,996	27,339,606

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

3.1.7 **Loans to customers and other financial assets**

Loans to customers and other financial assets are summarised as follows:

	30 September 2014			
	Loans to customers $'000	Financial assets available for sale $'000	Loan notes $'000	Finance leases $'000
Neither past due nor impaired	7,623,077	5,394,149	2,735,918	973
Past due but not impaired	1,951,936	--	--	--
Individually impaired	412,935	7,810	--	--
Gross	9,987,948	5,401,959	2,735,918	973
Unearned interest	(694)	--	--	(155)
Less: Allowance for impairment	(272,122)	(7,810)	--	--
Net	9,715,132	5,394,149	2,735,918	818

3 Financial Risk Management (Continued)

3.1 Credit risk (continued)

3.1.7 Loans to customers and other financial assets (continued)

	30 September 2013			
	Loans to customers $'000	Financial assets available for sale $'000	Loan notes $'000	Finance leases $'000
Neither past due nor impaired	7,821,907	5,339,900	3,032,756	1,673
Past due but not impaired	2,334,088	--	--	--
Individually impaired	410,382	7875	--	--
Gross	10,566,377	5,347,775	3,032,756	1,673
Unearned interest	(2,949)	--	--	(126)
Less: Allowance for impairment	(289,274)	(7,875)	--	--
Net	10,274,154	5,339,900	3,032,756	1,547

Included in receivable past due but not impaired are loans and receivable due to CL Financial and its affiliates which has not yet been claimed under the LSA. The amount outstanding stood at TTS$198.2 million and USD $96.5 million as at September 30 2014. Interest continues to accrue on these amounts. We continue to negotiate payment of these liabilities with CL Financial Limited. CL Financial Limited has requested an extension to December 30 2014, to propose a repayment plan.

In accordance with clause 5 (iii) of the LSA, the Bank has until May 15 2015 to claim losses for CL Financial Limited and its affiliates. If CL Financial Limited is unable to settle outstanding debt in full by March 2015, the Bank will submit a claim under the LSA for the total amount due at that time.

(a) *Neither past due nor impaired*

The credit quality of the portfolio of loans to customers and other financial assets that were neither past due nor impaired on an individual basis can be assessed by reference to the internal rating system adopted by the Bank.

	30 September 2014		
	Loans to customers		
	Individual $'000	Corporate $'000	Total $'000
Standard	2,185,985	3,997,945	6,183,930
Special mention	104,267	1,334,880	1,439,147
	2,290,252	5,332,825	7,623,077

3 **Financial Risk Management (Continued)**

3.1.1 **Credit risk (continued)**

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

(a) *Neither past due nor impaired (continued)*

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

	30 September 2013		
	Loans to customers		
	Individual $'000	Corporate $'000	Total $'000
Standard	1,993,146	4,365,871	6,359,017
Special mention	89,881	1,373,009	1,462,890
	2,083,027	5,738,880	7,821,907

	30 September 2014		
	Individual (retail customers) $'000	Corporate $'000	Total $'000
Instalment loans	739,041	15,283	754,324
Demand loans	88,562	4,869,371	4,957,933
Overdrafts	4,982	110,014	114,996
Credit cards	285,178	10,383	295,561
Mortgages	1,162,106	338,157	1,500,263
Loans to customers	2,279,869	5,343,208	7,623,077
Impairment allowance	(39,764)	(44,461)	(84,225)
Loans net of impairment	2,240,105	5,298,747	7,538,852

	30 September 2013		
	Individual (retail customers) $'000	Corporate $'000	Total $'000
Instalment loans	673,457	11,801	685,258
Demand loans	104,777	5,284,505	5,389,282
Overdrafts	4,153	47,670	51,823
Credit cards	260,810	8,552	269,362
Mortgages	1,031,278	394,904	1,426,182
Loans to customers	2,074,475	5,747,432	7,821,907
Impairment allowance	(37,269)	(41,414)	(78,683)
Loans net of impairment	2,037,206	5,706,018	7,743,224

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

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

(b) *Past due but not impaired*

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

30 September 2014	Up to 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	> 90 days $'000	Total $'000
Individual (retail customers)					
Instalment loans	178,975	10,382	2,777	--	192,134
Demand loans	35,532	10,911	2,863	--	49,306
Overdrafts	9,023	379	116	--	9,518
Credit cards	--	11,201	2,746	--	13,947
Mortgages	453,014	47,887	12,159	7,017	520,077
Sub-Total	676,544	80,760	20,661	7,017	784,982
Corporate					
Demand loans	504,816	25,106	3,858	--	533,780
Mortgages	573,675	59,499	--	--	633,174
Sub-Total	1,078,491	84,605	3,858	--	1,166,954
Total loans to customers	1,755,035	165,365	24,519	7,017	1,951,936
Fair value of collateral					
Individual (retail customers)	777,241	81,758	15,956	7,502	882,457
Corporate	1,296,558	73,422	7,467	--	1,381,959
Impairment allowance					
Individual (retail customers)	(7,625)	(1,526)	(392)	(20)	(9,563)
Corporate	(4,581)	(258)	(31)	--	(4,870)

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

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

(c) *Past due but not impaired (continued)*

30 September 2013	**Up to 30 days $'000**	**30 to 60 days $'000**	**60 to 90 days $'000**	**> 90 days $'000**	**Total $'000**
Individual (retail customers)					
Instalment loans	171,013	13,564	3,589	--	188,166
Demand loans	41,609	10,199	2,123	--	53,931
Overdrafts	9,340	629	152	--	10,121
Credit cards	16,136	4,621	1,154	--	21,911
Mortgages	481,812	55,292	9,628	4,124	550,856
Sub-total	719,910	84,305	16,646	4,124	824,985
Impairment allowance	(8,518)	(1,196)	(271)	(14)	(9,999)
Corporate					
Demand Loans	834,891	77,207	927	--	913,025
Mortgages	571,963	23,038	1,077	--	596,078
Sub-total	1,406,854	100,245	2,004	--	1,509,103
Impairment allowance	(6,185)	(545)	(7)	--	(6,737)
Loans to customers past due but not impaired	2,112,061	182,809	18,372	4,110	2,317,352
Fair value of collateral					
Individual (retail customers)	843,699	70,728	7,988	3,715	926,130
Corporate	1,511,509	103,235	25,820	--	1,640,564

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

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

(c) *Individually impaired*

	Individual (retail customers)					Corporate		Total
30 September 2014	**Instalment $'000**	**Demand Loans $'000**	**Overdrafts $'000**	**Credit Cards $'000**	**Mortgages $'000**	**Demand Loans $'000**	**Mortgages $'000**	**$'000**
Loans to customers	22,676	30,069	852	18,413	9,099	313,421	18,405	412,935
Fair value of collateral	7,948	66,780	6	--	5,674	512,729	15,495	608,632
Impairment allowance	(20,212)	(2,667)	(598)	(15,109)	(1,411)	(129,767)	(3,700)	(173,464)
30 September 2013								
Loans to customers	27,478	30,568	555	23,905	9,807	287,417	30,652	410,382
Fair value of collateral	9,647	67,320	140	--	5,551	520,468	41,817	644,943
Impairment allowance	(27,347)	(2,539)	(529)	(19,292)	(1,606)	(138,826)	(3,716)	(193,855)

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

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

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

(d) *Loans to customers renegotiated*

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

3.1.8 **Credit quality of available for sale securities**

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

S&P	September 2014 Available for sale securities $'000	2013 Available for sale securities $'000
Investment Grade	5,000,081	5,014,069
Speculative Grade	394,068	252,064
Unrated	--	73,767
	5,394,149	5,339,900

3 **Financial Risk Management (Continued)**

3.1 **Credit risk (continued)**

3.1.9 **Repossessed collateral**

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The Bank does not assume title of these assets, and as a result, they are not included in the unconsolidated statement of financial position.

3.1.10 **Concentration of risks of financial assets with credit risk exposure**

The following table breaks down the Bank's main credit exposure as categorised by industry sectors of counter parties.

	2014 Gross Maximum Exposure $'000	2013 Gross Maximum Exposure $'000
Cash and bank balance	2,040,146	1,465,470
Statutory deposits with central bank	5,317,621	6,656,179
Loans, receivables and available for sale investments:		
Consumer	1,885,204	1,791,772
Agriculture	7,541	10,227
Petroleum	362,155	489,016
Manufacturing	117,712	159,099
Construction	3,743,390	4,530,367
Distribution	253,413	152,182
Hotels and guest houses	571,707	589,947
Transport, storage and communications	702,011	1,088,142
Finance, insurance and real estate	3,752,353	3,303,674
Other business services	863,174	791,927
Personal services	143,386	13,741
Real estate mortgages	1,915,966	1,906,496
Government related	3,807,118	4,116,976
Finance leases	818	1,547
Other assets	186,280	272,451
	25,669,995	27,339,213

3.2 **Market risk**

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

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

Trading portfolios include those portfolios arising from market-making transactions where the Bank 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 Bank's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Bank's financial assets available-for-sale.

3 **Financial Risk Management (Continued)**

3.2 **Market risk (continued)**

3.2.1 **Currency risk**

The Bank 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 Bank not to engage in speculative foreign exchange activities, since its primary focus is to supply foreign currency to customers at a profit with the US$ dominating trading. However, as supply usually lags behind customer demand, the Bank may find itself in an overbought or oversold position.

The Bank'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 Bank does not currently engage in any hedging activities to mitigate currency risk.

Foreign currency exposure for financial assets, financial liabilities and off balance sheet items

As at 30 September 2014	TT$ $'000	US$ $'000	OTHER $'000	TOTAL $'000
Financial Assets				
Cash and due from other banks	374,843	1,371,411	293,892	2,040,146
Statutory deposits with central banks	5,317,621	--	--	5,317,621
Financial assets:				
- Available-for-sale	4,613,603	788,445	31,886	5,433,934
- Loans and receivables less allowances for losses:				
- Loans to customers	7,724,104	1,991,028	--	9,715,132
- Loan notes	1,562,011	1,173,907	--	2,735,918
Other assets	156,428	38,527	9,299	204,254
Total Financial Assets	19,748,610	5,363,318	335,077	25,447,005
Financial Liabilities				
Customers' deposits	16,553,896	2,959,481	283,171	19,796,548
Other funding instruments	--	11,889	--	11,889
Due to other banks	--	--	7	7
Creditors and accrued expenses	255,116	30,781	1,467	287,364
Notes due to related companies	58,000	1,102,255	--	1,160,255
Total Financial Liabilities	16,867,012	4,104,406	284,645	21,256,063
Net on balance sheet position	2,881,598	1,258,912	50,432	4,190,942
Off balance sheet items	197,948	14,684	--	212,632
Credit commitments	171,075	42,516	--	213,591

3 Financial Risk Management (Continued)

3.2 Market risk (continued)

3.2.1 Currency risk (continued)

As at 30 September 2013	TT$ $'000	US$ $'000	OTHER $'000	TOTAL $'000
Financial Assets				
Cash and due from other banks	174,054	974,659	316,757	1,465,470
Statutory deposits with central banks	6,656,179	--	--	6,656,179
Financial assets:				
- Available-for-sale	4,355,101	988,736	32,216	5,376,053
- Loans and receivables less allowances for losses:				
- Loans to customers	8,047,658	2,226,496	--	10,274,154
- Loan notes	1,635,687	1,397,069	--	3,032,756
Other assets	211,006	66,755	10,077	287,838
Total Financial Assets	21,079,685	5,653,715	359,050	27,092,450
Financial Liabilities				
Customers' deposits	17,319,005	3,413,181	281,239	21,013,425
Other funding instruments	--	14,651	--	14,651
Due to other banks	--	1,416	10	1,426
Derivative financial instruments	932,718	(774,465)	--	158,253
Creditors and accrued expenses	349,408	26,388	(14)	375,782
Notes due to related companies	58,000	1,111,355	--	1,169,355
Total Financial Liabilities	18,659,131	3,792,526	281,235	22,732,892
Net on balance sheet position	(2,420,554)	1,861,189	77,815	(4,359.558)
Off balance sheet items	201,489	10,844	524	212,857
Credit commitments	557,390	158,130	--	715,520

Included in the "Other" category are assets and liabilities held in UK pound sterling, Canadian dollars, Euros, Barbados, Eastern Caribbean Dollars and Yen.

If the TT$ appreciates by 1% against the US$, the profit would decrease by $13.1 million (2013: $19.3 million). One percent was considered a reasonable possible shift since the US$ rate has not changed by more than 1% year-on-year over the past 3 years.

3 **Financial Risk Management (Continued)**

3.2 **Market risk (continued)**

3.2.2 **Interest rate risk**

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

The Bank'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 Bank'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 2014	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and due from other banks	1,251,700	62,986	438,285	--	--	287,176	2,040,147
Statutory deposits with central banks	765,327	336,421	564,900	--	--	3,650,973	5,317,621
Financial assets:							
- Available-for-sale	732,817	117,872	1,624,654	531,039	2,385,219	42,333	5,433,934
- Loan to customers and finance leases	1,697,263	1,029,933	1,966,329	3,399,575	1,894,972		9,988,072
- Loan loss provision	--	--	--	--	--	(272,122)	(272,122)
- Loan notes	31,493	1,941,091	143,405	398,830	221,100	--	2,735,919
Other assets	--	--	--	--	--	204,254	204,254
Total Financial Assets	4,478,600	3,488,303	4,737,573	4,329,444	4,501,291	3,912,614	25,447,825
Financial Liabilities							
Due to other banks	--	--	--	--	--	7	7
Customers' deposits	17,714,175	352,046	1,390,110	181,254	679	--	19,796,548
Other funding instruments	--	1,321	1,321	9,247	--	--	11,889
Due to subsidiaries	--	--	--	--	--	66,267	66,267
Debt securities in issue	--	--	--	500,000	500,000	--	1,000,000
Notes due to related companies	--	--	--	1,102,255	--	58,000	1,160,255
Total Financial Liabilities	17,714,175	510,330	1,391,431	1,792,756	500,679	124,247	22,034,966
Interest Sensitivity Gap	(13,235,575)	2,976,652	3,346,142	2,536,688	4,000,612		

3 **Financial Risk Management (Continued)**

3.2 **Market risk (continued)**

3.2.2 **Interest rate risk (continued)**

As at 30 September 2013	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and due from other banks	1,181,131	--	40,950	--	--	243,389	1,465,470
Statutory deposits with central banks	307,887	753,035	521,687	--	--	5,073,570	6,656,179
Financial assets:							
- Available-for-sale	469,821	10,561	1,263,234	331,372	3,257,183	43,882	5,376,053
- Loan to customers and finance leases	1,694,138	1,055,408	2,355,597	3,590,769	1,869,063	--	10,564,975
- Loan loss provision	--	--	--	--	--	(289,274)	(289,274)
- Loan notes	1,924,917	63,506	359,477	390,057	294,799	--	3,032,756
Other assets	--	--	27,331	--	--	260,507	287,838
Total Financial Assets	5,577,894	1,882,510	4,568,276	4,312,198	5,421,045	5,332,074	27,093,997
Financial Liabilities							
Due to other banks	--	--	--	--	--	1,426	1,426
Customers' deposits	18,204,043	641,246	1,898,234	269,235	667	--	21,013,425
Other funding instruments	--	1,332	1,332	10,655	1,332	--	14,651
Derivative financial instruments	(3,579)	--	(2,739)	11,017	120,353	33,201	158,253
Debt securities in issue	--	--	500,000	1,000,000	--	--	1,500,000
Due to subsidiaries	--	--	27,331	--	--	4,753	32,084
Notes due to related companies	--	--	--	1,111,355	--	58,000	1,169,355
Total Financial Liabilities	18,200,464	642,578	2,424,158	2,402,262	122,352	97,380	23,889,194
Interest Sensitivity Gap	(12,622,570)	1,239,932	2,144,118	1,909,936	5,298,693		

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

A 100 basis point increase in interest rates will cause a decrease in profit of $51.4 million (2013 - $46.3 million).

3 **Financial Risk Management (Continued)**

3.2 **Market risk (continued)**

3.2.3 **Other price risk**

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Bank is affected by changing prices of equity instruments mainly classified as available-for-sale securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as available for sale is immaterial at the end of both periods reported.

3.3 **Liquidity risk**

The liquidity risk is the risk that the Bank will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. The Bank 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 Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk management process

The Bank's liquidity management process is carried out by the Treasury and International Trade Department and monitored by the Bank's Asset and Liability Committee (ALCO). The Bank'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 Bank 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 Bank manages liquidity risk using both expected and contractual cash flows, by preserving a large and diversified base of core deposits from retail and commercial customers, by maintaining ongoing access to wholesale funding and by maintaining a liquid pool of marketable securities dedicated to mitigating liquidity risk as a contingency measure. Fallback techniques include access to the local interbank and institutional markets and stand-by lines of credit with external parties and the ability to close out or liquidate market positions.

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

3 **Financial Risk Management (Continued)**

3.3 **Liquidity risk (continued)**

3.3.1 **Financial assets and liabilities**

The table below analyses financial assets and liabilities of the Bank 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 2014	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						
Due to banks	7	--	--	--	--	7
Customers' deposits	17,878,717	354,441	1,400,323	185,873	804	19,820,158
Other funding instruments	--	1,753	1,703	10,590	--	14,046
Derivative financial instrument	--	--	--	--	--	--
Debt securities in issue	20,932	--	36,554	583,575	624,637	1,265,698
Due to subsidiaries	66,267	--	--	--	--	66,267
Notes due to related companies	--	--	58,078	1,131,294	58,000	1,147,372
Total Financial Liabilities	17,965,923	356,194	1,496,658	1,911,332	683,441	22,413,548
Total Financial Assets	4,750,365	3,529,529	5,076,747	5,472,439	9,303,574	28,132,654
Liquidity Gap	(13,215,558)	3,173,335	3,580,089	3,561,107	8,620,133	5,719,107

As at 30 September 2013	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						
Due to banks	1,426	--	--	--	--	1,426
Customers' deposits	18,210,189	645,103	1,917,641	275,015	802	21,048,750
Other funding instruments	--	1,865	1,813	12,781	1,380	17,839
Derivative financial instrument	25,904	--	25,904	207,229	221,834	480,871
Debt securities in issue	21,183	--	568,364	1,142,255	--	1,731,802
Due to subsidiaries	4,753	--	27,331	--	--	32,084
Notes due to related companies	--	--	58,078	1,198,466	58,000	1,314,544
Total Financial Liabilities	18,263,455	646,968	2,599,131	2,835,746	282,016	24,627,316
Total Financial Assets	5,302,296	1,933,874	5,085,160	6,076,398	11,923,006	30,320,734
Liquidity Gap	(12,961,159)	1,286,906	2,486,029	3,240,652	11,640,990	5,693,418

3.3.2 **Assets held for managing liquidity risk**

The Bank 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 Bank'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 Bank's investment portfolios.

3 Financial Risk Management (Continued)

3.3 Liquidity risk (continued)

3.3.3 Off-Balance sheet items

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

As at 30 September 2014	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	213,591	--	--	--	--	213,591
Acceptances	1,782	379	--	--	--	2,161
Guarantees	67,627	7,513	59,624	55,619	21	190,404
Letters of credit	14,685	4,472	913	--	--	20,070
Operating leases	--	--	9,751	36,381	11,450	57,582
Capital commitments	--	--	12,529	--	--	12,529
Total	297,685	12,364	82,817	92,000	11,471	496,337

As at 30 September 2013	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	715,520	--	--	--	--	715,520
Acceptances	1,035	511	--	--	--	1,546
Guarantees	96,311	42,022	20,816	34,832	8	193,989
Letters of credit	6,371	10,951	--	--	--	17,322
Operating leases	--	--	15,000	11,209	11,189	37,398
Capital commitments	--	--	17,955	--	--	17,955
Total	819,237	53,484	53,771	46,041	11,197	983,730

3.4 Operational risk

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. The Bank manages this risk by developing standards and guidelines in the following areas:-

- Appropriate segregation of duties and access
- Reconciling and monitoring of transactions
- Documentation of controls and procedures
- Training and development of staff
- Reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Information security
- Assessments of the processes

3 Financial Risk Management (Continued)

3.5 Capital management

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

- To comply with the capital requirement set by the regulators under the Financial Institutions Act (2008);
- To safeguard the Bank'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 Bank can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Bank is adequately capitalised to cushion depositors and other creditors against losses.

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

The Central Bank of Trinidad & Tobago requires each financial institution to:

- Maintain a ratio of qualifying capital to risk adjusted assets of not less than the minimum standard of 8%.
- Core capital must not be less than fifty percent (50%) of qualifying capital i.e. supplementary capital must not exceed core capital.

The Bank's regulatory capital is comprised of:

- Tier 1 (Core) Capital - share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 (Supplementary) Capital - qualifying subordinated loan capital, impairment allowances and unrealised gains arising on the fair valuation of available-for-sale securities and property, plant and equipment.

Tier 1 (Core) Capital

	2014 $'000	2013 $'000 Restated
Share capital	539,957	539,957
Statutory reserve	643,557	643,557
Retained earnings	2,487,110	2,331,496
Total Tier 1	3,670,624	3,515,010
Tier 2 (Supplementary) Capital		
Preference shares	103,600	103,600
Fair value reserves	578,981	557,513
Eligible reserve provision	108,829	107,759
Total Tier 2 Capital	791,410	768,872
Total Capital	4,462,034	4,283,882
Ratios		
Risk adjusted assets	8,535,236	8,609,305
Qualifying capital to risk adjusted assets	52.28%	49.76%
Core capital to qualifying capital	82.27%	82.06%

3 **Financial Risk Management (Continued)**

3.6 **Fair value of financial assets and liabilities**

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets	$'000	$'000	$'000	$'000
Cash and due from other banks	2,040,146	1,465,470	2,040,146	1,465,470
Statutory Deposits with Central Banks	5,317,621	6,656,179	5,317,621	6,656,179
Financial assets: -				
- Loans to customers	9,715,132	10,274,154	10,297,325	10,763,353
- Loan notes	2,735,918	3,032,756	2,944,159	3,312,153
- Finance leases	818	1,547	1,111	1,768
Financial Liabilities				
Customers' deposits	19,796,548	21,013,425	19,843,708	21,131,548
Other funding instruments	11,889	14,651	13,703	17,136
Bonds payable	1,000,000	1,500,000	1,098,690	1,694,305
Notes due to related companies	1,160,255	1,169,355	1,236,961	1,286,656

The fair values of the Bank's financial instruments are determined in accordance with International Accounting Standard (IAS) 39 "Financial instruments: Recognition and Measurement".

Financial instruments where carrying value is equal to fair value

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

Loans to customers less allowance for loan losses

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

Loan notes

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

Customers' deposits

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

Bonds payable

The fair value of the TT$500 million bonds is calculated using discounted cash flow analysis assuming the 'yield-to-call' method of valuation. These bonds carry fixed interest rates and have been discounted using the prevailing market rate of similar instruments.

Note due to parent company

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

3 **Financial Risk Management (Continued)**

3.6 **Fair value of financial assets and liabilities (continued)**

(b) *Fair value hierarchy*

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

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

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

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

As at 30 September 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets:				
- Investment securities – debt	743,946	4,650,203	--	5,394,149
- Investment securities – equity	37,497	--	2,288	39,785
Total Financial Assets	781,443	4,650,203	2,288	5,433,934

As at 30 September 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets:				
- Investment securities – debt	875,398	4,464,502	--	5,339,900
- Investment securities – equity	33,861	--	2,292	36,153
Total Financial Assets	909,259	4,464,502	2,292	5,376,053

There were no transfer between Level 1 and Level 2 during the year.

Reconciliation of Level 3 items:

	2014	**2013**
	$'000	**$'000**
Opening balance	2,292	2,290
Exchange difference	(4)	2
Closing balance	2,288	2,292

3 **Financial Risk Management (Continued)**

3.7 **Deferred day 1 profit/loss (continued)**

The Bank's policy is not to recognise day 1 gains or losses in the unconsolidated financial statements.

4 **Critical Accounting Estimates And Judgements**

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

a) *Fair value of available for sale financial instruments*

The Bank uses the discounted cash flow method to determine the fair value of available-for-sale financial assets not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable. The carrying amount of available-for-sale financial assets would decrease by $165 million if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2013 - $439.9 million).

b) *Estimation of the impairment loss on the loan portfolio*

The Bank estimates the impairment loss on its loan portfolio by comparing the present value of the future cashflows to the carrying amounts in the unconsolidated financial statements. The Bank makes assumptions about the amount and timing of future cashflows as well as the loss experience of the portfolio. The loss experience considers both the recovery rate on the portfolio as well as the probability of default by the customer. Management considers both the market and economic conditions at the year end and may modify the loss experience on the portfolio if necessary, to reflect current conditions.

Future cashflows for the individually significant loans and loans in arrears are estimated based on credit reviews performed by management and management's estimate of the value of the collateral held.

If the bank 's estimation of the loss experience on the portfolio of loans not considered individually impaired were adjusted by 100 basis points upwards, the impairment provision for loans and receivables would increase by $0.9 million (2013 - $1.6 million), and if the historical period is adjusted from 5 years to 3 years, the provision will increase by $8.6 million (2013 - $14.5 million).

c) *Income taxes*

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

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

d) *Retirement benefits*

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

The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

In determining the salary increases, the Bank considered long-term salary inflation, age, merit and promotion.

4 **Critical Accounting Estimates (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 Bank determines the amount within a range of reasonable fair value estimates. In making the judgement, the Bank considers information from a variety of sources including:

i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The valuations are based on current market conditions and thus may change in the future.

5 **Segment Analysis**

For management purposes, the Bank is organised 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.

- **Bank Function**: Finance, legal, and other centralised functions.

As the Bank's segment operations are all financial with a majority of revenues deriving from interest and the Executive Management relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis. There were no changes in the reportable segments during the year.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Chief Executive Officer is measured in a manner consistent with that in the unconsolidated 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 Bank'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 Bank'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 unconsolidated statement of financial position.

5 **Segment Analysis (Continued)**

5.1 **Segment results of operations**

The segment information provided to the Executive Management for the reportable segments for the year ended 30 September 2014 is as follows:

Year ending 30 September 2014	Retail Banking $'000	Corporate Banking $'000	Treasury & Investments Banking $'000	Group Functions $'000	Total $'000
Net interest income	380,260	360,737	83,171	742	824,910
Inter-segment net interest income	66,999	(28,791)	(38,208)	--	--
Net fee and commission income	114,850	12,362	14,636	2,952	144,800
Foreign exchange gains	33,703	1,278	39,480	1,641	76,102
Other income	9,771	81	305,683	80	315,615
Total Income	605,583	345,667	404,762	5,415	1,361,427
Loan impairment charges	(3,885)	2,755	(4,248)	--	(5,378)
Depreciation	(22,078)	(530)	(1,915)	(18,660)	(43,183)
Administrative expenses	(130,766)	(7,690)	(107,913)	(119,363)	(365,732)
Other operating expenses	(183,982)	(32,797)	(43,137)	(37,496)	(297,412)
Total Non-interest Expenses	(340,711)	(38,262)	(157,213)	(175,519)	(711,705)
Profit Before Taxation	264,872	307,405	247,549	(170,104)	649,722
Total Assets	4,683,368	6,326,951	15,548,141	389,887	26,948,347
Total Liabilities	11,235,108	5,254,413	6,091,298	14,323	22,595,142

5 **Segment Analysis (Continued)**

5.1 **Segment results of operations (continued)**

Restated Year ending 30 September 2013	**Retail Banking $'000**	**Corporate Banking $'000**	**Treasury & Investments Banking $'000**	**Group Functions $'000**	**Total $'000**
Net interest Income	373,817	391,405	52,178	785	818,185
Inter-segment net interest income	68,683	(35,331)	(33,352)	--	--
Net fee and commission income	104,717	14,497	8,735	1,165	129,114
Foreign exchange gains	32,248	(136)	35,301	2,802	70,215
Other income	7,687	8,304	159,524	126	175,641
Total Income	587,152	378,739	222,386	4,878	1,193,155
Loan impairment charges	(10,818)	(32,366)	14,391	--	(28,793)
Depreciation	(250,14)	(690)	(2,388)	(14,967)	(43,059)
Administrative expenses	(126,841)	(8,298)	(129,190)	(117,128)	(424,516)
Other operating expenses	(170,229)	(24,742)	(38,122)	(35,254)	(268,347)
Total Non-interest Expenses	(332,902)	(66,096)	(155,309)	(167,349)	(721,656)
Profit Before Taxation	254,250	312,643	67,077	(162,471)	471,499
Restated As at 30 September 2013					
Total Assets	4,523,087	7,141,129	17,762,430	325,203	29,751,849
Total Liabilities	10,551,177	6,334,371	8,672,109	18,069	25,575,726

6 Cash And Due From Other Banks

	2014 $'000	2013 $'000
Cash and bank balances	1,050,166	770,966
Short-term investments	989,980	694,504
	2,040,146	1,465,470
Short-term investments:		
- Maturity within 3 months	377,916	539,801
- Maturity over 3 months	612,064	154,703
	989,980	694,504

The average effective interest rate on short-term bank deposits was 0.50% (2013 – 0.10%); these deposits have an average maturity of 90 days (2013: 90 days).

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

Cash and bank balances	1,050,166	770,966
Short-term investments – maturity within 3 months	377,916	539,801
Due to other banks	(7)	(1,426)
	1,428,075	1,309,341

7 Statutory Deposits With Central Banks

Under the provisions of Financial Institutions Act 2008 (Trinidad and Tobago), the Bank is required to maintain as a deposit with the Central Bank restricted cash balances. These balances represent a ratio of certain deposit liabilities held in such form and to such extent as the Central Bank may prescribe from time to time. As of 30 September 2014, the current ratio was 17%. Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank. In 2006, the Central Bank introduced another compulsory deposit account, which amounted to $1,666.6 million as at year end (2013: $1,585.6 million) and carries an average interest rate of 0.26% (2013: 0.41%) per annum. Interest is to be paid semi-annually.

8 (a) Available-for-sale Financial Assets

	2014 $'000	2013 $'000
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago		
Listed investments	781,443	909,259
Unlisted investments	4,660,301	4,474,669
	5,441,744	5,383,928
Impairment allowance	(7,810)	(7,875)
	5,433,934	5,376,053
Debt securities		
Listed	743,946	875,398
Unlisted	4,650,203	4,464,502
	5,394,149	5,339,900
Equity securities		
Listed	37,497	33,861
Unlisted	2,288	2,292
	39,785	36,153
Total securities	5,433,934	5,376,053
Current portion	2,475,343	1,743,617
Non current portion	2,958,591	3,632,436
	5,433,934	5,376,053
Balance at beginning of the year	5,376,053	4,855,769
Exchange differences	(9,325)	169
Additions	4,362,669	5,505,892
Disposals	(4,185,389)	(5,078,029)
Net fair value (losses)/ gains	(110,074)	92,252
Balance at end of year	5,433,934	5,376,053
Fair value (losses)/ gains based on:		
Quoted market prices	27,875	10,069
Other techniques	(137,949)	82,183
	(110,074)	92,252
The movement in the impairment allowance is as follows:		
Allowance at start of year	7,875	7,874
Exchange difference	(65)	1
Allowance at the end of year	7,810	7,875

9 Loans To Customers

	2014 $'000	2013 $'000
Performing loans	9,574,319	10,154,860
Non-performing loans	412,935	408,568
	9,987,254	10,563,428
Allowance for loan losses	(272,122)	(289,274)
	9,715,132	10,274,154
Loans analysed by sector		
Consumer	1,885,204	1,791,772
Agriculture	7,541	10,227
Petroleum	6,641	5,865
Manufacturing	115,158	151,200
Construction	2,877,296	3,535,571
Distribution	253,413	152,182
Hotels and guest houses	571,707	589,947
Transport, storage and communications	484,397	846,366
Finance, insurance and real estate	997,418	901,117
Other business services	729,127	658,944
Personal services	143,386	13,741
Real estate mortgage	1,915,966	1,906,496
	9,987,254	10,563,428
Current portion	4,661,351	5,103,919
Non current portion	5,325,903	5,459,509
	9,987,254	10,563,428
Allowance for loan losses		
Allowance at start of year	289,274	262,204
Charge for the year	12,543	34,396
Loans written off during the year	(29,695)	(7,326)
Allowance at the end of year	272,122	289,274
Impairment loss on loans net of recoveries		
Charge for the year	12,543	34,396
Amounts recovered during the year	(7,165)	(5,603)
	5,378	28,793

10 Loan Notes

The loan notes due to the Bank comprise the following:

		2014 $'000	2013 $'000
i)	Taurus Services Limited	547,885	616,370
ii)	First Citizens Holdings Limited (Holdings)	41,713	46,927
iii)	Central Bank of Trinidad and Tobago	1,865,403	1,872,683
iv)	First Citizens Investment services Limited	151,166	476,295
v)	First Citizens Financial Services (St. Lucia) Limited	--	20,481
vi)	First Citizens Financial Services (St. Lucia) Limited	66,765	--
vii)	First Citizens Financial Services (St. Lucia) Limited	62,986	--
		2,735,918	3,032,756

10 **Loan Notes (Continued)**

(i) This represents several interest bearing notes issued by Taurus Services Limited as consideration for assets sold to Taurus Services Limited as part of the restructuring of the three former banks and Government support for the Bank on its formation (See Note 1).

The terms of the original notes, dated 30 September 1994, were as follows:
- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 5 years on principal payments; and
- Government guarantee.

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

The terms of this new agreement are as follows:

- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, these notes have been serviced in accordance with the new agreement. These notes are not transferable. On 8 November 2007, the Bank was informed of the Government's intention to early repay these notes. To date, there have been no further developments.

(ii) This represents the balance on a loan note issued by Holdings as consideration for $40 million redeemable preference shares in the Bank and a non-interest bearing note in the amount of $58 million issued by the Bank.

The original terms of the note were as follows:

- Tenor of 15 years with effect from 30 September 1994;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum; and
- Government guarantee.

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

The terms of this new agreement are as follows:

- Tenor of 22 years with effect from 1 October 2000;
- Interest rate of 4.5% below prime with a floor rate of 11.5% per annum;
- A moratorium of 2 years on both principal and interest;
- Payment of principal and interest in semi-annual intervals thereafter; and
- Government guarantee.

To date, this note has been serviced in accordance with the agreement. This note is not transferable.

(iii) This balance represents four pro-notes due from the Central Bank of Trinidad & Tobago, received as consideration for the Clico Investment Bank (CIB) fixed deposits portfolio transferred to the Bank, as part of the liquidation of that financial institution, as at 1 February 2009. Two notes totalling TT$972.4 million (2013: $972.4 million) earn interest at 1.35% (2013: 1.50%). The other two totalling US$141.8 million (2013: $141.8 million) earn interest at 1.00% (2013: 1.10%). These notes have a tenor of one year (1) with effect from January 2014. Principal and interest are payable on maturity, with an option to roll-over the principal at maturity.

10 Loan Notes (Continued)

(iv) This represents the balance on a loan note in the sum of US$290 million issued to First Citizens Investment Services Limited (formerly CMMB). The terms of the agreement are as follows:

- Tenor of 5 years with effect from 1 July 2010;
- Interest rate of 5%;
- Interest to be paid monthly; and
- Principal repayment – US$5 million monthly.

(v) This represents a loan note issued in the sum of US$17million to First Citizens Financial Services (St. Lucia) Limited by the Bank. This facility was repaid in June 2014

vi) This represents a loan note issued in the sum of US$12 million to First Citizens Financial Services (St. Lucia) Limited by the Bank. The terms of the agreement are as follows:

- Tenor of 3 year with effect from October 2013;
- Interest rate of 1.75%; and

vii) This represents a loan note issued in the sum of US$10 million to First Citizens Financial Services (St. Lucia) Limited by the Bank. The terms of the agreement are as follows:

- Tenor of 3 year with effect from February 2014;
- Interest rate of 1.75%;

11 Finance Leases

	2014 $'000	2013 $'000
Gross lease receivable	973	1,673
Unearned finance charges	(155)	(126)
Net investment in finance leases	818	1,547
The gross investment in finance lease receivable is analysed as follows:		
- Up to one year	315	1,302
- One year to five years	658	371
	973	1,673
The net investment in finance leases may be analysed as follows:		
- Up to one year	269	1,231
- One year to five years	549	316
	818	1,547

12 Other Assets

	2014	2013
Prepayments	17,975	15,387
Accounts receivable	37,707	47,253
Due from GORTT	--	27,331
Accrued interest	148,573	197,867
	204,255	287,838

The receivable from the GORTT represented amounts due relating to claims made pursuant to the Liquidity Support Agreement ("Agreement") amongst the GORTT, the Central Bank of Trinidad and Tobago and First Citizens Bank Limited dated 15 May 2009. See note 3.1.4 (d). As at 30 September 2014, the GORTT has repaid all the claims made to date ($538 million).

13 Investment In Joint Ventures

	2014 $'000	2013 $'000
a) Infolink Services Limited (ISL)	2,554	2,554
b) Trinidad & Tobago Interbank Payment System Limited (TTIPS)	921	921
	3,475	3,475

a) This investment represents 25% of the equity capital of Infolink Services Limited, a company incorporated in Trinidad and Tobago whose principal activity is the provision of electronic banking reciprocity.

b) This investment represents 14.29% in the equity capital of Trinidad & Tobago Inter-bank Payment System Limited whose principal activity is operation of an automatic clearings house.

14 Investment In Associate

	2014 $'000	2013 $'000
Beginning of the year	79,302	79,299
Exchange differences	(648)	3
At end of year	78,654	79,302

The fair value of the investment in associate at 30 September 2014 is $124.7 million (2013: $120 million).

15 Investment In Subsidiaries

Beginning of the year	839,292	838,643
Additions	756	635
Exchange differences	20	14
End of year	840,068	839,292

16 Property, Plant And Equipment

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2014					
Opening net book amount	228,384	29,940	68,763	28,931	356,018
Additions	--	8,634	49,319	(7,422)	50,531
Disposals	--	--	(1,679)	--	(1,679)
Revaluation surplus	2,363	--	--	--	2,363
Depreciation charge	(2,344)	(4,502)	(36,326)	--	(43,172)
Closing net book amount	228,403	34,072	80,077	21,509	364,061
At 30 September 2014					
Cost/valuation	238,896	80,985	471,248	21,509	812,638
Accumulated depreciation	(10,493)	(46,913)	(391,171)	--	(448,577)
Net book amount	228,403	34,072	80,077	21,509	364,061

16 **Property, Plant And Equipment (Continued)**

	Freehold Premises $'000	Leasehold Premises $'000	Motor Vehicles & Equipment $'000	Work in Progress $'000	Total $'000
Year ended 30 September 2013					
Opening net book amount	228,391	33,721	70,992	8,147	341,251
Additions	1,250	2,134	33,063	20,784	57,231
Disposals	--	--	(530)	--	(530)
Revaluation surplus	1,125	--	--	--	1,125
Depreciation charge	(2,382)	(5,915)	(34,762)	--	(43,059)
Closing net book amount	228,384	29,940	68,763	28,931	356,018
At 30 September 2013					
Cost/valuation	236,533	72,351	423,608	28,931	761,423
Accumulated depreciation	(8,149)	(42,411)	(354,845)	--	(405,405)
Net book amount	228,384	29,940	68,763	28,931	356,018
At 30 September 2012					
Cost/valuation	234,158	70,217	391,075	8,147	703,597
Accumulated depreciation	(5,767)	(36,496)	(320,083)	--	(362,346)
Net book amount	228,391	33,721	70,992	8,147	341,251

As at 30 September 2014, the Banks's freehold premises were stated at revalued amounts determined by management. Valuations were made on the basis of open market value. Open market values are determined by considering the current market condition. Changes in fair value are recorded in the statement of comprehensive income.

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

	2014 $'000	2013 $'000
Cost	185,830	185,830
Accumulated depreciation	(65,906)	(63,562)
Net book amount	119,924	122,268

17 Retirement Benefit Asset

		2014 $'000	2013 $'000
17.1	**Net liability in balance sheet**		
	Present value of obligation	(1,134,832)	(1,156,854)
	Pension plan assets at fair value	1,209,765	1,137,092
	Value of surplus/(deficit)	74,933	(19,762)
	Effects of asset ceiling	--	--
	Net defined benefit asset/(liability)	74,933	(19,762)
17.2a	**Movement in present value of defined benefits obligation:**		
	Beginning of year	1,156,854	1,091,777
	Current year service cost	54,969	53,124
	Interest cost	57,310	59,467
	Members contributions	9,887	9,638
	Re-measurements		
	- Experience adjustments	(58,606)	36,316
	- Actuarial gains from change in financial assumptions	(64,003)	(72,050)
	Benefits paid	(21,579)	(21,418)
	Defined benefit obligation at end of year	1,134,832	1,156,854
17.2b	**The defined benefit obligation is allocated between the Plan's members as follows:**		
	- Active	74%	74%
	- Deferred members	6%	6%
	- Pensioners	20%	20%
	The weighted average duration of the defined benefit obligation at year end	19.4 years	
	95% of the benefits for active members are vested		
	35% of the defined benefit obligation for active member is conditional on future salary increases		
17.3a	**Movement in fair value of plan assets:**		
	Beginning of year	1,137,092	1,041,981
	Interest income	56,783	57,228
	Return of plan assets, excluding interest income	18,797	40,872
	Company's contributions	9,876	9,756
	Members contributions	9,887	9,638
	Benefits paid	(21,579)	(21,418)
	Expense allowance	(1,091)	(965)
	Fair value of plan assets at end of year	1,209,765	1,137,092
	Actual return on plan asset	75,580	98,100

17 **Retirement Benefit Asset (Continued)**

	2014 $'000	2013 $'000
17.3b Asset allocation		
Local and regional equity securities	387,429	348,630
Oversea equities (outside CARICOM)	173,257	126,899
TT$ denominated bonds	575,722	579,753
US$ denominated bonds	1,555	1,377
Cash and cash equivalents	71,593	80,225
Other (annuities, mortgages etc.)	209	209
Fair value of plan assets at end of year	1,209,765	1,137,093

All asset values as at 30 September 2014 were based on unaudited accounts provided by First Citizens Trustee Services Limited. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Plan's investment manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested in a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan.

17.4 Expenses recognised in profit or loss		
Current service costs	54,969	53,124
Net interest on net defined benefit (liability)/asset	527	2,239
Administrative expenses	1,091	965
Net pension income	56,587	56,328

17.5 Re-measurements recognised in other comprehensive income		
Experience gain	(141,406)	(76,606)
Effects of asset celling	--	--
Total amount recognised in other comprehensive income	(141,406)	(76,606)

17.6 Reconciliation of opening and closing balance sheet entries		
Defined benefit (liability)/asset at prior year end	(19,762)	228,659
Unrecognised loss charged to retained earnings	--	(278,455)
Opening defined benefit liability	(19,762)	(49,796)
Net pension cost	(56,587)	(56,328)
Re-measurements recognised in other comprehensive income	141,406	76,606
Company contribution paid	9,876	9,756
Closing defined benefit asset/(liability)	74,933	(19,762)

17 **Retirement Benefit Asset (Continued)**

	2014	2013
	$'000	$'000
17.7 Summary of principal assumptions as at 30 September		
Discount rate	5.0%	5.0%
Average individual salary increases	5.5%	5.5%
Future pension increases	1.5%	2.0%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 30 September 2014 are as follows:

	2014	2013
Life expectance at age 60 for current pension in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectance at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

17.8 **Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2014 would have changed as a result of a change in the assumptions used.

	1% pa decrease	1% pa increase
Discount rate	240,859	(180,981)
Future salary increases	(71,219)	83,760
Future Pension Increases	(109,930)	134,818

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2014 by $19,707,000.

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

17.9 **Funding**

The Bank meets the balance of the cost of funding the defined benefit pension plans and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. On the basis that the outstanding salary negotiations are not completed in 2014/15, the Bank expects to pay $20,742,000 to the pension plan during 2014/15.

18 **Customers' Deposits**

Deposits are analysed by sector as follows:	2014 $'000	2013 $'000
Public institutions	8,371,000	9,702,797
Private institutions	5,572,590	6,055,197
Consumers	5,852,958	5,255,431
	19,796,548	21,013,425
Current portion	19,614,615	20,743,524
Non current portion	181,933	269,901
	19,796,548	21,013,425

18 **Customers' Deposits (Continued)**

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Deposits amounting to $2.3 billion (2013: $3.2 billion) are at fixed rates. All other deposits amounting to $17.4 billion (2013: $17.8 billion) are at variable rates.

As at year end, the unprocessed CIB deposit liabilities held was $15.6 million (2013:$22.4 million).

19 **Other Funding Instruments**

	2014 $'000	2013 $'000
Loan participation	11,889	14,651
Other funding instruments are analysed by sector as follows:		
Public institutions	11,889	14,651
Private institutions	--	--
	11,889	14,651
Current portion	2,643	2,664
Non-current portion	9,246	11,987
	11,889	14,651

20 **Derivative Financial Instruments**

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of these. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amount of the financial instrument provides a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instrument and, therefore, do not indicate the Bank's exposure to credit or price risk. The derivative instrument becomes favourable (asset) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

	Contractual/Notional Amount $'000	Fair Value Liability $'000
30 September 2014		
Currency SWAP - Maturity date February 2022	--	--
	--	--
30 September 2013		
Currency SWAP - Maturity date February 2022	807,665	158,253
	807,665	158,253

Both swap transactions were contracted with First Citizens (St Lucia) Limited, a subsidiary company. The call option was exercised and the instrument was liquidated in April 2014.

21 Creditors And Accrued Expenses

	2014 $'000	2013 $'000
Other liabilities	150,476	149,985
Interest payable	44,823	101,397
Due to GORTT	92,065	124,400
	287,364	375,782

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 3.1.4.d.

22 Debt Securities In Issue

	2014	2013
(i) Fixed Rate Bond TTD$500 million	--	500,000
(ii) Fixed Rate Bond TTD$500 million	500,000	500,000
(iii) Fixed Rate Bond TTD$500 million	--	500,000
(iv) Fixed Rate Bond TTD$400 million (Series 1)	400,000	--
(v) Fixed Rate Bond TTD$100 million (Series 2)	100,000	--
	1,000,000	1,500,000
Current portion	--	500,000
Non current portion	1,000,000	1,000,000
	1,000,000	1,500,000

i) TTD Fixed Rate Bond – In August 2008, this bond for $500 million was issued. This bond was unsecured and carried a fixed rate of interest of 8.35% with tenor of five and one half (5 1/2) years. Interest was payable semi-annually in arrears. Principal was repaid at maturity in February 2014.

ii) TTD Fixed Rate Bond – In October 2008, this bond for $500 million was issued, of which a related party purchased $93.45 million. This bond is unsecured and carries a fixed rate of 8.45% with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

iii) TTD Fixed Rate Bond – In August 2010, this bond for $500 million was issued. This bond was unsecured and carried a fixed rate of 5.25 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears and the bond was callable at par plus a 1% prepayment fee. The call option was exercised and the principal was repaid in February 2014 along with the penalty fee of $5.0 million.

iv) TTD Fixed Rate Bond Series 1 – In August 2014, this bond for $400 million was issued. This bond is unsecured and carries a fixed rate of 3.10 % with a tenor of seven (7) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity.

v) TTD Fixed Rate Bond Series 2 – In August 2014, this bond for $100 million was issued. This bond is unsecured and carries a fixed rate of 3.25 % with a tenor of ten (10) years. Interest is payable semi-annually in arrears. Principal will be repaid in a bullet payment at maturity. A onetime call option exists on the 7^{th} anniversary subject to the minimum notice of 90 days.

23 Deferred Income Tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2013 – 25%).

	2014 $'000	2013 $'000 Restated
The movement on the deferred income tax account is as follows:		
At beginning of year	(245,295)	(215,530)
Impact of revaluation adjustments recorded directly to shareholders' equity:		
- Revaluation on available-for-sale financial assets	27,518	(23,062)
- Revaluation on property, plant and equipment	(591)	(281))
- Remeasurement of defined benefit liability	(35,352)	(19,151)
Credit to unconsolidated statement of income (Note 35)	9,611	12,729
At end of year	(244,109)	(245,295)

	Balance at 1-Oct-13 $'000	(Charge)/Credit to Income Statement $'000	(Charge)/Credit to Equity $'000	Balance at 30-Sep-14 $'000
Deferred income tax liabilities				
Retirement benefit asset	(44,871)	11,678	--	(33,193)
Re-measurement of defined benefit liability	(19,151)	--	(35,352)	(54,503)
Fair value measurement of available for sale	(138,532)	--	27,518	(111,014)
Zero coupon instruments	(439)	(1,480)	--	(1,919)
Accelerated tax depreciation	(16,820)	(587)	--	(17,407)
Revaluation gain on property, plant and equipment	(25,482)	--	(591)	(26,073)
Net deferred income tax liability	(245,295)	9,611	(8,425)	(244,109)

	Balance at 1-Oct-12 $'000	(Charge)/Cred it to Income Statement $'000	(Charge)/Credit to Equity $'000	Restated Balance at 30-Sep-13 $'000
Deferred income tax liabilities				
Retirement benefit asset	(57,162)	12,291	--	(44,871)
Re-measurement of defined benefit liability	--	--	(19,151)	(19,151)
Fair value measurement of available for sale	(115,470)	--	(23,062)	(138,532)
Zero coupon instruments	(268)	(171)	--	(439)
Accelerated tax depreciation	(17,429)	609	--	(16,820)
Revaluation gain on property, plant and equipment	(25,201)	--	(281)	(25,482)
Net deferred income tax liability	(215,530)	12,729	(42,494)	(245,295)

24 Notes Due To Related Parties

	2014 $'000	2013 $'000
i) First Citizens (St. Lucia) Limited	1,102,255	1,111,355
ii) First Citizens Holdings Limited	58,000	58,000
	1,160,255	1,169,355
Non current portion	1,160,255	1,169,355

24 Notes Due To Related Parties (Continued)

i) The amount due to First Citizens (St. Lucia) Limited represents a note issued by the Bank to reduce the liquidity mis-match on the US$ balance sheet. Interest is paid semi-annually. This note carries a fixed interest rate of 5.25%. The principal amount is to be paid in a bullet payment at maturity in February 2016.

ii) The amount due to First Citizens Holdings Limited is a non-interest bearing note with no specified maturity date, issued in part consideration for a note acquired from Holdings (see Note 10(ii)).

25 Share Capital

The total authorised number of shares are issued and fully paid. Twenty percent (20%) of these shares are trading on the local stock exchange.

	2014 $'000	2013 $'000
251,353,562 ordinary shares of no par value	539,957	539,957
42,500,000 A preference shares of no par value	42,500	42,500
61,100,000 B preference shares of no par value	61,100	61,100
	643,557	643,557

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

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

26 Statutory Reserve

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.

27 Interest Income

	2014 $'000	2013 $'000 Restated
Loans to customers	711,682	730,883
Financial assets (available for sale)	252,019	286,683
Loan notes	113,168	146,776
	1,076,869	1,164,342

28 Interest Expense

Customers' deposits	46,205	57,434
Other funding instruments & related party balance	69,027	68,643
Bonds payable	136,727	220,080
	251,959	346,157

29 Fees And Commissions

Credit related fees	29,759	31,983
Transaction service fees/commissions	105,376	94,520
Portfolio and other management fees	9,665	2,611
	144,800	129,114

30 Dividend Income

	2014 $'000	2013 $'000 Restated
Dividend Income from subsidiaries	231,777	140,493
Dividend Income- other	8,585	9,097
	240,362	149,590

In 2014 the Bank received extraordinary dividend income of $ 91 million from its subsidiaries.

31 Foreign Exchange Gains

Transaction gains less losses	79,934	67,030
Translation gains less losses	(3,832)	3,185
	76,102	70,215

32 Other Income

Gain on sale of available-for-sale financial assets	25,239	13,212
Other Income	50,014	12,839
	75,253	26,051

33 Administrative Expenses

Wages and salaries	274,467	289,252
Pension expenses (Note 17)	56,587	56,328
Other administrative expenses	34,678	35,877
Depreciation	43,183	43,059
	408,915	424,516

The number of permanently employed staff as at the year-end 2014 was 1,414 (2013 – 1,403).

34 Other Operating Expenses

	2014 $'000	2013 $'000
Property expenses	46,427	45,437
Technical and professional	28,076	17,460
Advertising expenses	14,579	12,717
Hardware and software maintenance	18,147	15,107
Deposit insurance (see below)	30,449	26,881
Operating expenses	159,734	150,745
	297,412	268,347

The Centrál 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.

35 Taxation

	2014 $'000	2013 $'000 Restated
Current tax (including prior year under/over provision)	83,550	51,328
Deferred tax (Note 23)	(9,611)	(12,729)
	73,939	38,599

35 Taxation (Continued)

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

	2014 $'000	2013 $'000 Restated
Profit before taxation	649,722	471,499
Tax calculated at 25%	162,431	117,875
Income exempt from tax	(96,511)	(87,356)
Expenses not deductible for tax purposes	19,673	18,084
Prior year under provision	(11,654)	(10,004)
	73,939	38,599

36 Dividends

	2014	2013
Ordinary dividend paid - 2013/ 2012	273,975	193,542
Ordinary dividend paid - Interim 2014	143,272	--
Preference dividend paid - 2013	2,922	2,922
	420,169	196,464

37 Related Party Transactions

a) Directors and key management personnel

	2014	2013
Salaries and other short-term employee benefits (note 33)	19,995	20,272
Loans and receivables	9,462	6,180
Interest income	166	237
Customers' deposits	6,982	3,816
Interest expense	25	72

b) Transactions with Associate

	2014	2013
Loans and receivables	70,859	87,321
Interest income	5,593	6,781

c) Transactions and balances with subsidiaries

	2014 $'000	2013 $'000
Due from subsidiaries	126,503	1,357,507
Due to subsidiaries	66,267	32,084
Customers' deposits	822,682	1,720,623
Note due to related parties (Note 24)	1,102,255	1,111,355
Note due to related parties - interest expense	68,080	68,643
Loan note receivable (Note 10)	280,917	496,776
Loan note receivable - interest income	13,350	34,493
Derivative financial instruments	26,959	158,253
Derivative interest expense	60,657	109,334
Derivative interest income	26,959	49,705
Other income	5,454	5,914
Other expenses	1,032	1,382

In the due from subsidiaries in 2013, $1.05M represents the net proceeds due from the sale of the shares by parent.

37 **Related Party Transactions (Continued)**

d) **Transactions and balances with Parent Company**

	2014 $'000	2013 $'000
Customers' deposits	2,471	2,079
Loans to customers	2,359	2,349
Long-term notes (Note 25)	58,000	58,000
Loan notes (Note 10)	41,713	46,927
Interest income on loan notes	5,246	5,846
Due to parent company	--	1,045,693

The due to parent in 2013 represented the net proceeds due to Holdings resulting from the disposal of 20% of its ordinary shares.

e) **Government of the Republic Trinidad and Tobago**

As stated in note 1, on the formation of the Bank it was agreed that the assets and liabilities of the predecessor financial institutions would be transferred to the Bank and the non-performing portfolio sold to a liquidating company in consideration for an equivalent amount of Government-guaranteed notes and commercial paper. In addition, the Central Bank agreed to put specific liquidity arrangements in place by way of a long-term loan. The current amount outstanding on these obligations and the related income and expenses are disclosed below:-

	2014	2013
Assets		
Loan notes with Taurus Services Limited (note 10 (i))	547,885	616,370
Loan notes from Central Bank (note 10 (iii))	1,865,403	1,872,683
Due from GORTT (Note 12)	--	27,331
Liabilities		
Due to GORTT (Note 21)	92,065	124,400
Interest expense		
Loan notes with Taurus Services Limited	68,908	76,784
Loan note with the Central Bank	23,005	26,535

f) **Other transactions with the Government of the Republic Trinidad and Tobago**

In addition to the balances in (e) above, the Bank 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 Bank and these related parties are as follows:

	2014 $'000	2013 $'000
Loans and receivables	2,111,816	3,168,788
Interest income	150,654	158,439
Customers' deposits	8,371,000	9,702,797
Interest expense	19,986	26,521
Financial assets available for sale	3,773,651	3,420,559
Income from financial assets available for sale	98,536	182,401

38 Commitments

	2014 $'000	2013 $'000
(i) Capital Commitments		
Capital expenditure approved by the Directors but not provided for in these accounts	12,529	17,955
(ii) Credit Commitments		
Commitments for loans approved not yet disbursed	213,591	715,520

39 Contingent Liabilities

(a) Litigation

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

(b) Customers' liability under acceptances, guarantees and letters of credit

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

Acceptances	2,161	1,546
Guarantees	190,404	193,989
Letters of credit	20,070	17,322
	212,635	212,857

40 Lease Rentals

The Bank leased certain premises under non-cancellable operating leases expiring in various years up to 2026. The leases contain renewal options from five to twenty-five years. Rental expense incurred under lease agreements amount to $22.4 million for the year 2014 (2013 - $22.5 million).

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

	2014 $'000	2013 $'000
- Up to one year	8,838	12,537
- One year to five years	29,911	26,865
- Over five years	16,326	31,142
	55,075	70,544

41 Subsequent Events

On 3 December 2014, the Board of Directors declared a final dividend payment of $0.61 per share payable to shareholders.