

First Citizens Bank Limited and Its Subsidiaries

(A Subsidiary of First Citizens Holdings Limited)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED 30 JUNE 2018

(Expressed in Trinidad and Tobago Dollars)



First Citizens

Chairman's Report

We are pleased to report that the First Citizens Group has concluded another profitable quarter for the period ended 30 June, 2018. Total net income grew 3.7% to \$520.8 million. Operating expenses experienced a 1.8% decline as compared to the corresponding quarter last year. As a result, operating profit increased by \$23.5 million or 9.7% for the period. Our continued effective management of expenses resulted in an improved year-to-date efficiency ratio of 47.8% as compared to 51.2% for the corresponding period last year.

The Group's operating profit increased for the nine months to June 2018 by approximately \$118 million or 15.9% to \$857.3 million, mainly due to the growth of the net interest margin of \$117.6 million or 11.2%. This exceptional performance was adversely impacted by a substantial impairment expense in respect of the Group's Barbados portfolio, following that Government's announcement that they would be unable to service its existing debt.

Profit before Tax remained relatively flat at \$680.3 million in comparison to \$681.4 million for the nine months ended June 2017, after incorporating the above mentioned impairment expense. Year-to-date Profit after Tax, impacted by the increase in the corporation tax rate to 35% for commercial banks, experienced a decline of 5.9% to \$469 million.

Total assets as at June 2018 amounted to \$41.2 billion, an increase of 5.8% when compared to the total assets as at September 2017. This increase was driven by the growth in customer loans and investments of 9.8% and 2.1% respectively. Customer deposits also grew by \$1.2 billion or 4.3% for the period.

In this quarter, the Board also approved the early adoption of IFRS 9. This standard, which replaces IAS 39, changed the requirements for accounting for financial instruments, recognition and measurement, impairment, derecognition and general hedge accounting. Based on the Group's conservative provisioning policy under IAS 39, the impact of this change was not as significant as expected.

Based on this performance and in keeping with our new quarterly dividend policy, the Board has declared a third ordinary interim dividend of \$0.32 per ordinary share which brings the total interim dividend for the nine-month period to \$1.12 per share.

This dividend will be paid on 30 August, 2018 to shareholders on record as at 16 August, 2018.

We continue our focus on prudent risk management policies and the adoption of measures to continue improving our efficiency and diversifying our business lines.

I wish to express my gratitude to our customers, staff, my fellow directors and all other stakeholders for their invaluable contribution to the continuing profitability of the First Citizens Group.

Anthony Isidore Smart

Anthony Isidore Smart
Chairman
31 July 2018

Condensed Consolidated Interim Statement of Financial Position

	Unaudited Jun-18 \$'000	Unaudited Jun-17 \$'000	Audited Sep-17 \$'000
ASSETS			
Cash and Statutory Deposits	7,576,916	6,697,014	7,072,779
Financial Assets			
– Investments	16,017,020	16,070,843	15,689,687
– Loans and receivables less allowance for loan losses:			
Loans to customers	15,856,438	14,099,186	14,434,583
Loans Notes	331,649	405,348	368,498
Other assets	452,308	455,906	410,094
Investment in joint ventures & associates	180,211	174,946	179,761
Property, plant and equipment	581,736	588,294	590,520
Intangible asset	218,676	212,463	212,356
TOTAL ASSETS	41,214,954	38,704,000	38,958,278
LIABILITIES			
Customers' deposits and other funding instruments	29,515,038	28,543,003	28,307,772
Due to other banks	1,558,414	1,349,291	1,504,340
Creditors and accrued expenses	664,821	688,360	867,993
Defined Benefit Liability	88,511	49,570	68,591
Debt securities in issue	2,865,766	1,400,000	1,400,000
Notes due to related companies	58,000	58,000	58,000
TOTAL LIABILITIES	34,750,550	32,088,224	32,206,696
SHAREHOLDERS' EQUITY			
Share capital	458,557	458,557	458,557
Statutory reserve	879,335	877,698	879,335
Fair Value reserve	958,338	1,114,815	1,107,231
Retained earnings	4,168,174	4,164,706	4,306,459
SHAREHOLDERS' EQUITY	6,464,404	6,615,776	6,751,582
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	41,214,954	38,704,000	38,958,278

On 31 July 2018, the Board of Directors of First Citizens Bank Limited authorised these consolidated financial statements for issue.

Director *Anthony Isidore Smart*

Director *[Signature]*

Condensed Consolidated Interim Income Statement

	Unaudited Three months ended		Unaudited Nine months ended		Audited Sep-17
	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000	Sep-17 \$'000
Net interest income	389,776	359,956	1,171,172	1,053,567	1,418,351
Other income	131,007	142,070	472,233	461,656	568,223
Total net income	520,783	502,026	1,643,405	1,515,223	1,986,574
Operating Expenses	(255,424)	(260,122)	(786,138)	(775,746)	(1,056,092)
Operating profit	265,359	241,904	857,267	739,477	930,482
Impairment Expenses net recoveries	(143,100)	(37,735)	(190,174)	(74,621)	(75,697)
	122,259	204,169	667,093	664,856	854,785
Share of profit in associates and joint venture	5,015	4,304	13,194	16,533	21,597
Profit before taxation	127,274	208,473	680,287	681,389	876,382
Taxation	(25,612)	(57,711)	(211,293)	(182,847)	(234,450)
Profit after taxation	101,662	150,762	468,994	498,542	641,932
Earnings Per Share					
Basic			\$1.85	\$1.97	\$2.54
Weighted Average Number of Share					
Basic			251,354	251,354	251,354

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Three months ended		Unaudited Nine months ended		Audited Sep-17
	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000	Sep-17 \$'000
Profit after taxation	101,662	150,762	468,994	498,542	641,932
Other comprehensive income:					
Items that will not be classified to profit or loss					
Remeasurement of Defined Benefit Liability	–	–	(8,014)	(8,624)	(17,154)
			(8,014)	(8,624)	(17,154)
Items may be classified to profit or loss					
Exchange difference on translation	(1,384)	4,122	(2,626)	9,622	667
Transfer of net realised gain to current year income	(6,475)	(11,323)	(55,700)	(25,909)	(19,956)
Change in fair value of held-to-maturity assets	(834)	(874)	(2,604)	(2,603)	(4,841)
Revaluation of available-for-sale assets	(49,743)	24,311	(79,948)	(8,782)	(2,596)
	(58,436)	16,236	(140,878)	(27,672)	(26,726)
Total other comprehensive income	(58,436)	16,236	(148,892)	(36,296)	(43,880)
Total comprehensive income	43,226	166,998	320,102	462,246	598,052

Condensed Consolidated Statement of Changes in Equity

	Note	Share Capital \$'000	Statutory Reserve \$'000	Other Reserves \$'000	Retained Earnings \$'000	Shareholders' Equity \$'000
Balance at 1 October 2017		458,557	879,335	1,107,231	4,306,459	6,751,582
Total Comprehensive income		–	–	(90,457)	367,332	276,875
Dividend		–	–	–	(267,766)	(267,766)
Balance as at 31 March 2018		458,557	879,335	1,016,774	4,406,025	6,760,691
Adjustment due to IFRS 9	3	–	–	–	(228,918)	(228,918)
Revised Balance as at 1 April 2018		458,557	879,335	1,016,774	4,177,107	6,531,773
Total Comprehensive income		–	–	(58,436)	101,662	43,226
Dividends		–	–	–	(110,595)	(110,595)
Balance at 30 June 2018		458,557	879,335	958,338	4,168,174	6,464,404
Balance at 1 October 2016		643,557	677,698	1,151,111	4,206,938	6,679,304
Employee Share Option Plan (185,000)		–	–	–	–	(185,000)
Total Comprehensive income		–	–	(36,296)	498,542	462,246
Dividends		–	–	–	(340,774)	(340,774)
Transfer to statutory reserve		–	200,000	–	(200,000)	–
Balance at 30 June 2017		458,557	877,698	1,114,815	4,164,706	6,615,776
Balance at 1 October 2016		643,557	677,698	1,151,111	4,206,938	6,679,304
Treasury Shares (ESOP) (185,000)		–	–	–	–	(185,000)
Total Comprehensive income		–	–	(43,880)	641,932	598,052
Dividends		–	–	–	(340,774)	(340,774)
Transfer to statutory reserve		–	201,637	–	(201,637)	–
Balance at 30 September 2017		458,557	879,335	1,107,231	4,306,459	6,751,582

First Citizens Bank Limited and Its Subsidiaries

(A Subsidiary of First Citizens Holdings Limited)



First Citizens

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED 30 JUNE 2018 (Expressed in Trinidad and Tobago Dollars)

Condensed Consolidated Statement of Cash Flow

	Unaudited Jun-18 \$'000	Unaudited Jun-17 \$'000	Audited Sep-17 \$'000
Cash Flow From Operating Activities			
Profit before taxation	680,287	681,389	876,382
Adjustments to reconcile profit to net cash provided by operating activities:			
cash provided by operating activities:	(61,536)	89,184	116,004
Cashflows from operating activities before changes in operating assets and liabilities	618,751	770,573	992,386
Changes in operating assets and liabilities:			
Net change in loans to customers	(1,455,137)	(815,287)	(1,067,156)
Net change in customers' deposits and other funding	1,207,266	(969,438)	(1,204,669)
Net change in other assets	48,457	(34,297)	(16,199)
Net change in statutory deposits with Central Bank	(407,363)	467,382	583,764
Net change in creditors and accrued expenses	(145,515)	(87,683)	90,706
Taxes paid	(211,248)	(145,833)	(223,818)
Net cash flow from operating activities	(344,789)	(814,583)	(844,986)
Cash Flows From Investing Activities			
Net change in investments	(691,852)	(1,044,117)	(643,560)
Purchase of treasury shares (ESOP)	–	(185,000)	(185,000)
Net change in loan notes	36,849	38,541	73,700
Net change in short-term investments	(1,248,635)	967,304	867,853
Proceeds from disposal of property, plant and equipment	1,480	1,030	985
Purchase of property, plant and equipment	(50,500)	(87,851)	(116,599)
	(1,952,658)	(310,093)	(2,621)
Cash Flows From Financing Activities			
Net change of debt securities	1,465,766	–	–
Dividend paid	(378,362)	(340,774)	(340,774)
Net cash flow from financing activities	1,087,404	(340,774)	(340,774)
Effect of exchange rate changes	4,107	27,318	(12,103)
Net cash (decrease)/increase in cash and cash equivalents	(1,205,936)	(1,438,132)	(1,200,484)
Cash and cash equivalents at beginning of year	1,693,531	2,894,015	2,894,015
Cash and cash equivalents at end of period	487,595	1,455,883	1,693,531
REPRESENTED BY:-			
Cash and due from banks and Statutory Deposits	7,576,916	6,697,014	7,072,779
Due to other Banks	(1,558,414)	(1,349,291)	(1,504,340)
Less:			
Statutory Deposit	(3,795,066)	(3,504,084)	(3,387,702)
Short-Term Investments (Maturity over 3 months)	(1,735,841)	(387,755)	(487,206)
	487,595	1,455,883	1,693,531

Notes to the Condensed Consolidated Interim 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).

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 Group currently comprises the following entities:

Entity	Nature of operations	Country of incorporation	Ownership interest
First Citizens Asset Management Limited	Securities and depository business	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 Portfolio and Investment Management Services Limited	Investment & asset management services for corporate benefit plans, mutual funds and other parties	Trinidad & Tobago	100%
First Citizens (St. Lucia) Limited	Selected banking and financial service operations	St. Lucia	100%
First Citizens Trustee Services Limited	Provision of trustee, administration and bond paying agency services	Trinidad & Tobago	100%

The Group also has investments in the following entities:

Entity	Nature of operations	Country of incorporation	Ownership interest
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 Basis of preparation

The Interim financial statement for the nine-month period ended 30 June 2018, has been prepared in accordance with IAS 34 "Interim Financial Reporting".

3 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim financial statement are consistent with those followed in the preparation of the annual financial statements for the year ended 30 September 2017, except for the adoption of IFRS 9 – Financial Instruments, which was implemented effective 1 April 2018.

IFRS 9 – Financial Instruments

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Classification and measurement of financial instruments as at 31 March 2018

	IAS 39 carrying amount 31 March 2018 \$'000	Reclassification/ Remeasurements \$'000	IFRS 9 Carrying amount 1 April 2018 \$'000
Investment	15,350,602	(341,568)	15,009,034
Loans and advances to customers	15,799,381	112,650	15,912,031
Retained earnings	4,406,025	(228,918)	4,177,107
Total equity	6,760,691	(228,918)	6,531,773
Impairment Allowance			
Loans and advances to customers	337,781	(112,650)	225,131
Investments	38,289	341,568	379,857
	376,070	228,918	604,988

4 Commitments

	June 2018 \$'000	June 2017 \$'000	September 2017 \$'000
Capital Commitments			
Capital expenditure approved by the Directors but not provided for in these accounts:	10,847	20,848	17,523
Credit Commitments			
Commitments for loans approved not yet disbursed:	393,584	400,388	614,583

5 Related Party Transactions

(a) Directors and key management personnel

	June 2018 \$'000	June 2017 \$'000	Sept 2017 \$'000
Salaries and other short-term employee benefits	39,682	35,248	45,738
Loans and receivables	12,337	22,667	10,103
Interest income	505	1,046	1,262
Customers' Deposits	14,899	11,341	11,032
Interest expense	99	73	99
Other Funding instruments	684	–	–
Interest expense – Other funding	11	–	–

(b) Transactions with Associate

Loans and receivables	–	25,172	25,097
Interest income	945	1,894	2,054

(c) Transactions with Parent

Customers' Deposit	908	588	256
Long-term notes	58,000	58,000	58,000
Loan Note	23,463	28,677	26,070
Interest income on loan notes	2,168	2,616	3,447
Due from parent	102	113	174

(d) Pension Plan

Employer's contribution	24,135	20,673	27,876
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(e) Government of the Republic of Trinidad and Tobago

Assets			
Loan notes	331,649	376,670	342,428
Liabilities			
Due to GORTT	23,752	24,651	25,531
Interest Income			
Loan notes	28,472	34,362	45,281

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

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

Loans to customers	2,981,705	2,728,261	2,889,140
Interest income	156,326	139,533	194,723
Customers' deposits	7,703,119	6,968,125	7,108,490
Interest expense	20,785	17,899	24,140
Investments	8,566,358	10,794,027	8,461,530
Investment income	265,057	321,313	327,486
Other funding instruments	1,099,806	1,022,303	1,018,264
Interest expense	18,089	14,608	20,053

6 Contingent Liabilities

Litigation

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

7 Segment Reporting

The segmental information used by the Executive and Senior Management is as follows:

	Retail & Corporate Banking \$'000	Treasury & Investments Banking \$'000	Trustee & Asset Management \$'000	Group Functions \$'000	Eliminations \$'000	Total \$'000
Period ended 30 June 2018						
Total Net Income	1,117,286	518,392	112,571	4,142	(108,986)	1,643,405
Profit Before Taxation	634,867	194,207	84,794	(146,800)	(86,781)	680,287
Total Assets	20,892,034	21,533,142	544,895	508,823	(2,263,940)	41,214,954

Period ended 30 June 2017

Total Net Income	1,001,184	596,838	131,889	4,039	(218,727)	1,515,223
Profit Before Taxation	549,252	398,878	102,218	(150,290)	(218,669)	681,389
Total Assets	19,108,501	20,600,106	431,929	421,267	(1,857,803)	38,704,000

Year ended 30 September 2017

Total Net Income	1,348,505	681,952	175,544	5,458	(224,885)	1,986,574
Profit Before Taxation	732,903	417,612	137,392	(201,519)	(210,006)	876,382
Total Assets	19,864,093	18,835,278	480,661	1,903,833	(2,125,587)	38,958,278