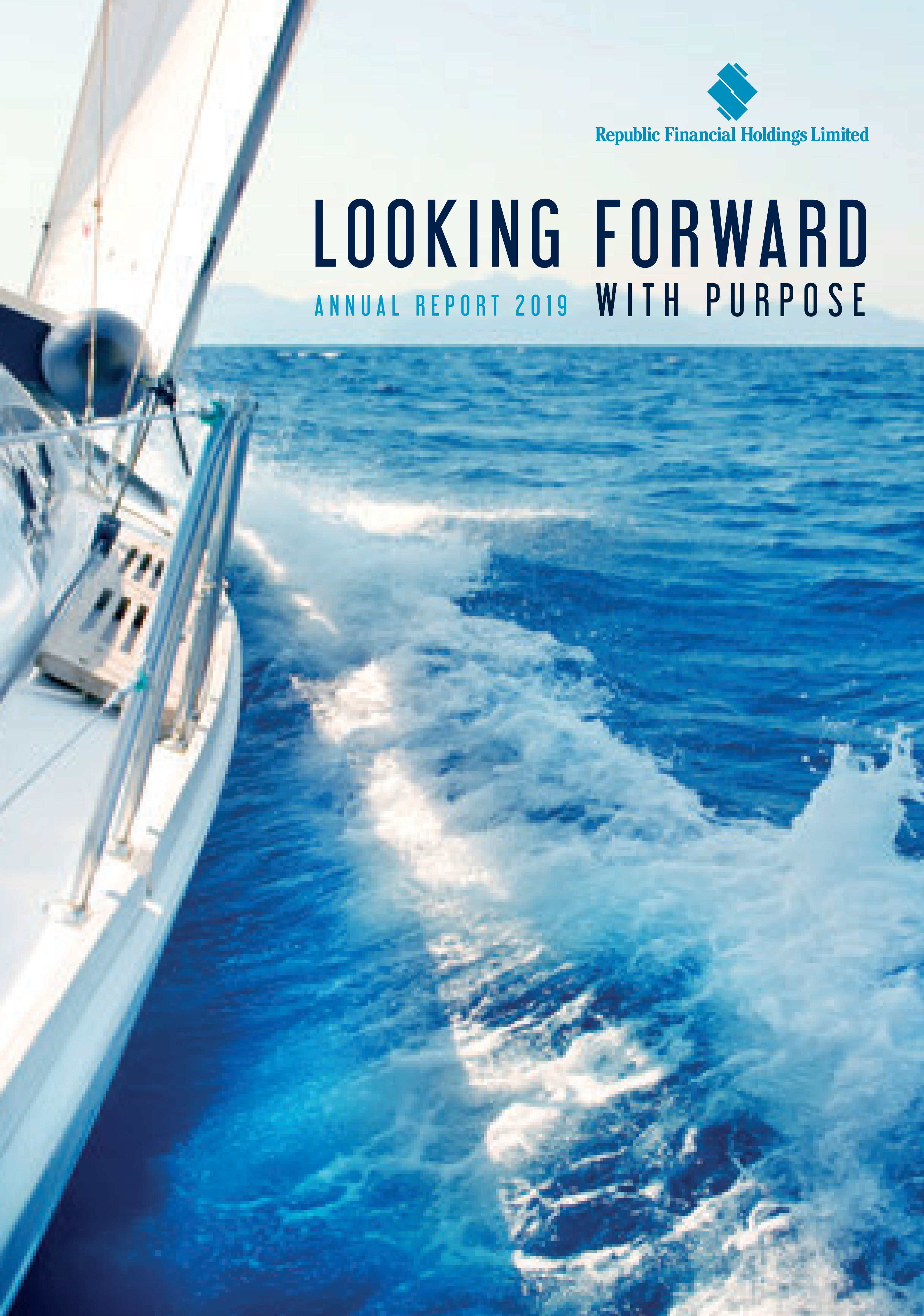
Republic Financial Holdings Limited

LOOKING FORWARD WITH PURPOSE

ANNUAL REPORT 2019



LOOKING FORWARD
WITH PURPOSE

In our two centuries of operation, we have always stayed the course. Our true north is delivering value to all our customers and communities while maintaining a profitable outlook.

It has taken strategy to navigate the current financial times. Every member of our team is on board to unite our experience and insight to achieve our goals. With all hands on deck, we are working to provide better and better customer experiences facilitated by innovation and technology.

As we expand throughout the region, we bring the Republic Bank brand to new horizons in service to wider communities. And our vision is achieved. Our purpose is fulfilled.

We are contributing to better livelihoods, better lifestyles and an outcome that profits us all. We are on the leading edge of driving business and giving our shareholders more, taking pride in playing our part in transforming lives for the better.

OUR VISION

Republic Bank,
the Caribbean Financial
Institution of Choice
for our Staff, Customers
and Shareholders.
We set the Standard of Excellence
in Customer Satisfaction,
Employee Engagement,
Social Responsibility
and Shareholder Value,
while building successful societies.

OUR MISSION

Our mission is to provide Personalised,
Efficient and Competitively-priced
Financial Services
and to implement Sound Policies
which will redound to the benefit
of our Customers, Staff, Shareholders
and the Communities we serve.

OUR CORE VALUES

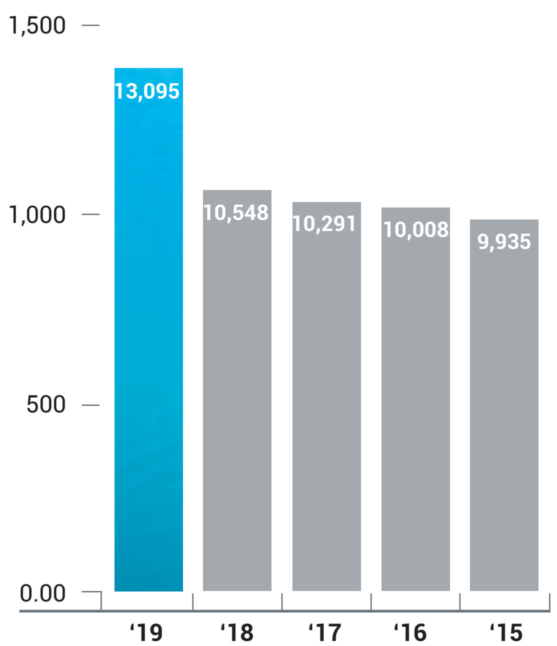
Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

THE GROUP AT A GLANCE

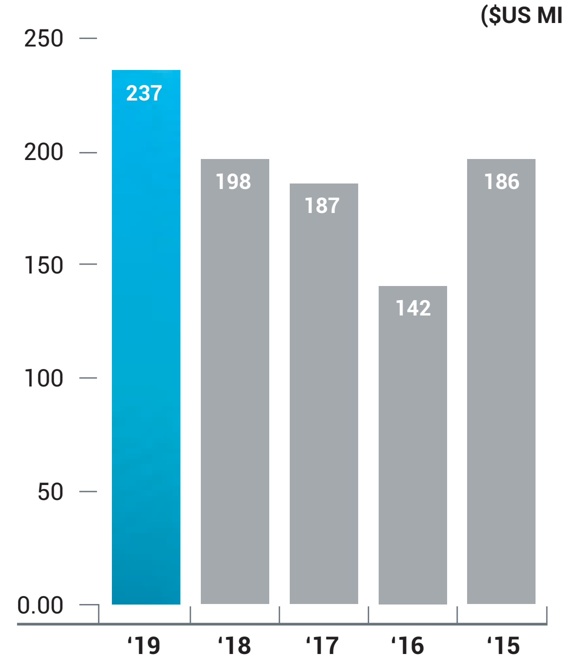
ABOUT US

Republic Financial Holdings Limited (RFHL) is the registered owner of all of the banks in the Republic Group – Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Suriname) N.V., Republic Bank (Ghana) Limited, Republic Bank (Cayman) Limited, Republic Securities Limited, Cayman National Corporation, and other subsidiaries. In keeping with international best practice, this holding company was formed with the aim of offering increased operational efficiencies and optimum management of the Group; ultimately leading to greater value for our shareholders and clients while enabling greater strategic focus and diversification.

TOTAL ASSETS ($US MILLION)



PROFIT AFTER TAX AND NCI ($US MILLION)



NETWORK

116 branches

298 ATMs

5,816 employees

+48 financial products & services

SHARE PRICE ($US)

2019 **$18.23**

2018 **$15.52**

DIVIDEND YIELD

2019 **3.69%**

2018 **4.24%**

EPS ($US)

2019 **$1.46**

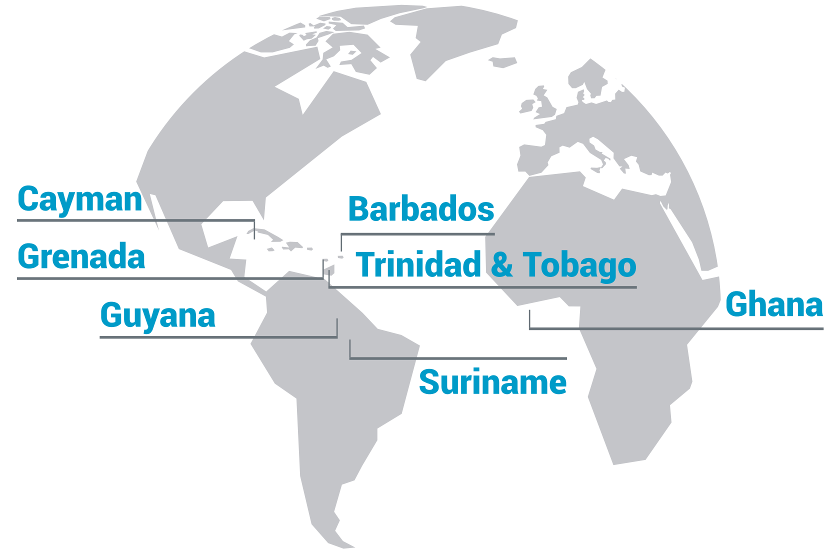
2018 **$1.22**

PE RATIO

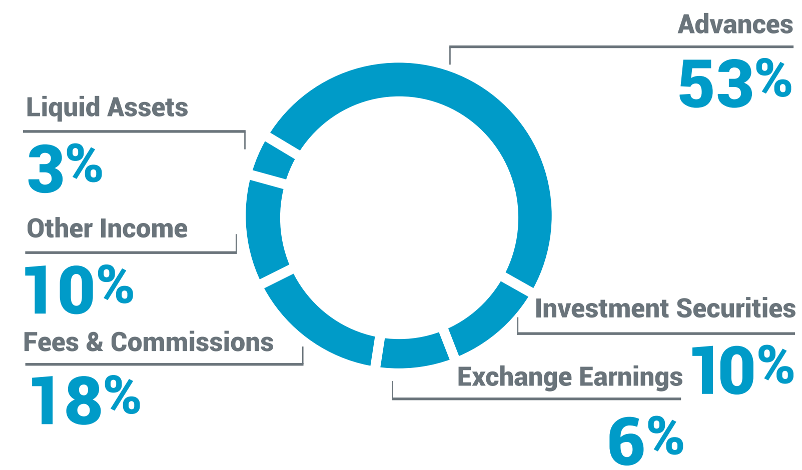
2019 **12.5**

2018 **12.7**

OPERATING COUNTRIES



SOURCES OF REVENUE



Republic Bank
THE POWER TO MAKE A DIFFERENCE

CORPORATE SOCIAL RESPONSIBILITY

Through our social investment initiative, the Power to Make a Difference, we have formed powerful connections within the national communities of our territories with the aim of safeguarding the welfare and ensuring the sustainable success of these beautiful nations.

For the past 16 years, through relationships with Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs), we have worked together to help enhance the quality of life of people with disabilities; support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education, culture and the arts; and raise the bar for community investment through a wide-reaching, comprehensive staff volunteerism programme.

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CORPORATE INFORMATION

Our team is fully on board with charting a course for delivering value to stakeholders across the region. We are poised to push ahead in changing financial times.

NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the Fourth Annual Meeting of Republic Financial Holdings Limited will be held at the Ballroom of the Hilton Trinidad and Conference Centre, Lady Young Road, Port of Spain on Monday December 16, 2019 at 9:30 a.m. for the following purposes:-

1 To receive the Audited Financial Statements of Republic Financial Holdings Limited for the year ended September 30, 2019 and the Reports of the Directors and Auditors thereon.
2 To take note of the Dividends paid for the twelve-month period ended September 30, 2019.
3 To elect Directors.
4 To re-appoint the Auditors, Ernst & Young and to authorise the Directors to fix their remuneration.
5 Any other business.

By order of the Board

KIMBERLY ERRIAH-ALI
Corporate Secretary

November 6, 2019

NOTES

Persons Entitled to Notice

In accordance with Section 110(2) of the Companies Act Chap. 81:01, the Directors of the Company have fixed November 18, 2019 as the Record Date for the determination of shareholders who are entitled to receive notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Office of the Registrar during usual business hours.

Proxies

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, and in a poll, vote instead of them. A proxy need not be a shareholder. Any instrument appointing a proxy must be received at the Registrar's Office not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes lodged with the Registrar, will be excluded.

Dividend

A final dividend of $3.25 declared for the financial year ended September 30, 2019 will be payable on December 2, 2019 to shareholders at the close of business on November 18, 2019.

Republic Financial Holdings Limited

This is the Fourth Annual Meeting of Republic Financial Holdings Limited since the Republic Bank Limited Vesting Order (Legal Notice #215 of 2015) and the change of name from Republic Bank Limited to Republic Financial Holdings Limited.

Documents Available for Inspection

No service contracts were granted by the Company or Subsidiary Companies, to any Director or Proposed Director of the Company.

CORPORATE INFORMATION

DIRECTORS

Chairman
Ronald F. deC. Harford, *CMT, FCIB, FIBAF, FCABFI, LLD*

President and Chief Executive Officer
Nigel M. Baptiste, *BSc (Hons.) (Econ.), MSc (Econ.), ACIB*

Directors
Shazan Ali, *BSc (Hons.) (Mechanical Eng.)*
Michal Andrews, *BSc (Hons.) (Acct.), ITP, FCCA, Acc. Dir.*
Ian Benjamin, *MA, LLM (Cantab.), LLM (Syd.)*
Dawn Callender, *FCCA, MBA*
Terrence W. Farrell, *PhD, LLB, LEC*
Alison Lewis, *MOM, BA (Econ. and Mgmt.)*
William P. Lucie-Smith, *MA (Oxon), FCA*
Robert Riley, *CMT, BSc (Agri. Sc.), LLB (Hons.), LEC, EMBA*
Waltnel Sosa, *MBA, BA (Math. and Comp. Sc.)*
Kristine Thompson, *B.Comm., MBA*
Gregory I. Thomson, *BSc (Math. and Physics), MBA*

EXECUTIVE MANAGEMENT

Chief Financial Officer
Parasram Salickram, *FCCA, ACMA, CGMA, CA, CFA, FRM*

Chief Risk Officer
Marsha Mc Leod-Marshall, *FCCA, MSc (Int'l Fin.)*

Chief Internal Auditor
Riah Dass-Mungal, *BSc (Acct.), FCCA*

Group General Counsel/Corporate Secretary
Kimberly Erriah-Ali, *LLB (Hons.), LEC, MBA, ACAMS*

REGISTERED OFFICE
Republic House, 4th Floor
9-17 Park Street
Port of Spain
Trinidad and Tobago, West Indies

GROUP HEAD OFFICE
Republic House, 4th Floor
9-17 Park Street
Port of Spain
Trinidad and Tobago, West Indies
Tel: (868) 625-4411, 623-1056
Fax: (868) 624-1323
Swift: RBNKTTPX
Email: email@rfhl.com
Website: www.rfhl.com

REGISTRAR
Trinidad and Tobago Central Depository Limited
10th Floor, Nicholas Tower
63-65 Independence Square
Port of Spain
Trinidad and Tobago, West Indies

ATTORNEYS-AT-LAW
Pollonais, Blanc, de la Bastide & Jacelon
Pembroke Court
17-19 Pembroke Street
Port of Spain
Trinidad and Tobago, West Indies

J.D. Sellier & Company
129-131 Abercromby Street
Port of Spain
Trinidad and Tobago, West Indies

Hobsons Attorneys-at-Law
Sagicor Centre
21-25 Independence Avenue
San Fernando
Trinidad and Tobago, West Indies

AUDITORS
Ernst & Young Trinidad and Tobago
5-7 Sweet Briar Road
St. Clair
Port of Spain
Trinidad and Tobago, West Indies

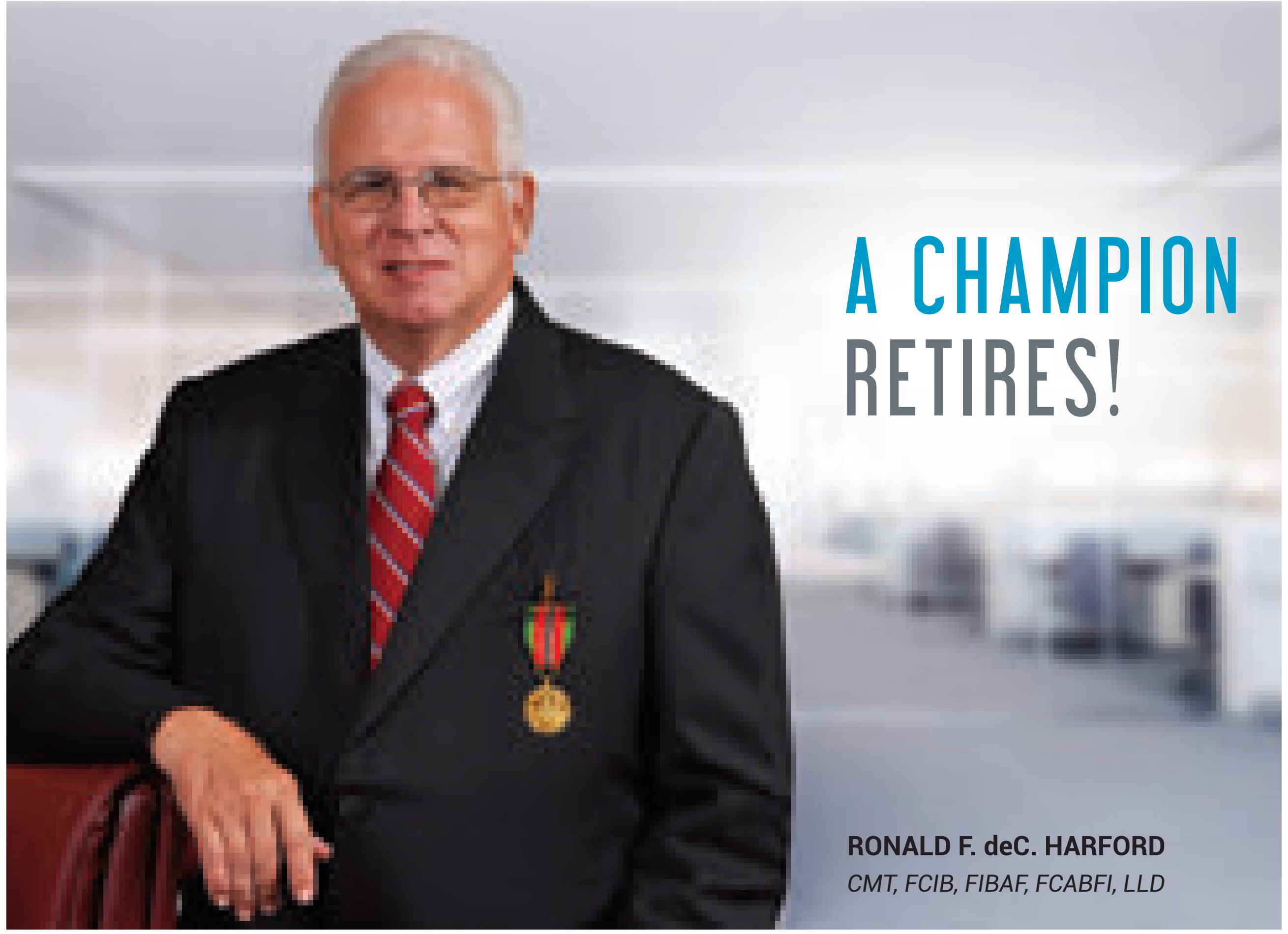
CONSOLIDATED FINANCIAL SUMMARY

All figures in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated.

	2019	2018	2017	2016	2015
Total assets	**87,483,888**	70,465,620	68,751,070	66,859,543	66,001,576
Advances	**44,630,109**	36,558,137	35,322,639	34,292,693	33,007,998
Customers' deposits	**65,023,102**	52,656,548	50,402,800	49,631,274	49,711,582
Stated capital	**803,064**	790,102	780,950	765,950	739,125
Equity	**11,231,760**	10,097,782	10,146,005	9,542,695	9,410,609
Actual number of shares in issue ('000)	**162,648**	162,537	162,445	162,274	161,999
Weighted average number of shares – diluted ('000)	**162,430**	162,076	161,679	161,592	161,662
Profit after taxation and non-controlling interest	**1,581,124**	1,322,850	1,252,128	946,307	1,223,648
Dividends based on the results of the financial year	**731,879**	715,148	714,637	705,820	704,665
Dividends paid during the year	**715,264**	714,861	705,985	704,967	687,597
Dividend per share based on the results of the financial year	**$4.50**	$4.40	$4.40	$4.35	$4.35
Dividend per share paid during the year	**$4.50**	$4.40	$4.35	$4.35	$4.25
Earnings per share (basic)	**$9.75**	$8.17	$7.75	$5.87	$7.59
Return on average assets	**2.17%**	2.00%	1.94%	1.42%	1.97%
Return on average equity	**16.01%**	13.80%	13.31%	10.49%	14.09%

GROUP FINANCIAL CALENDAR

DIVIDEND PAYMENTS	
Final dividend for year ended September 30, 2019	December 2019
Dividend for half year ending March 31, 2020	May 2020
RESULTS	
Publication of results for first quarter to December 31, 2019	February 2020
Publication of results for half year to March 31, 2020	May 2020
Publication of results for third quarter to June 30, 2020	August 2020
Publication of results for year ending September 30, 2020	November 2020
Report and Accounts mailing	November 2020
Annual Meeting	December 2020



A CHAMPION RETIRES!

RONALD F. deC. HARFORD
CMT, FCIB, FIBAF, FCABFI, LLD

After 57 years of service, the last 23 of which have been at the helm of the organisation, Ronald Frederick deCreeft Harford will retire from the Board of Directors of Republic Bank Limited and Republic Financial Holdings Limited on December 31, 2019.

Ron, as he is most affectionately known, joined the then Barclays Bank Dominion Colonial and Overseas in 1963, on the post desk at Independence Square. A truly Caribbean professional, Ron would be assigned, at various points in his career, to several Caribbean countries in which Barclays Bank had a presence. In Trinidad and Tobago, Ron's career would see him assume overall responsibility for the Information Technology, Human Resources and Foreign Exchange Operations units, as well as the Branch Network and numerous other senior level positions. In 1997, Ron was appointed Managing Director of Republic Bank Limited and led the transformation of the Bank from a primarily domestic institution to a truly global financial institution. In 2003, following the retirement of the Chairman, Frank Barsotti, Ron was appointed Chairman and so held the dual roles of Chairman and Managing Director. In 2005, he retired from his role of Managing Director and remained Chairman of the Group.

Ron Harford's contribution to the development of the Republic Group and the financial system in Trinidad and Tobago is immeasurable. Ron successfully led the merger of Bank of Commerce Trinidad and Tobago Limited with Republic Bank Limited in 1997 and the acquisitions of the Group's operations in Grenada, Guyana, Barbados, Suriname, Ghana, and the Cayman Islands, as well as the intended purchase of the nine territories from Scotiabank. While one measure of his success at the organisation is the value created for all stakeholders, as evident in the increase in the share price of the Group from $29 in 1997 to $120 in 2019, Ron's greatest legacy will be found in the many generations of stellar bankers whose careers he mentored.

Milestone accomplishments for the financial system in Trinidad and Tobago were the establishment of Info-Link Services Limited (now commonly known as the Linx system which facilitates the domestic payments system), the Credit Bureau, the Caribbean Information and Credit Rating Services Limited (CariCRIS), and the Bankers Association of Trinidad and Tobago. On August 31, 2010 he was awarded the Chaconia Medal of Gold for his meritorious contribution to banking and the business community. He was conferred an Honorary LLD by the University of the West Indies and inducted into the Trinidad and Tobago Chamber of Industry and Commerce's Business Hall of Fame, both in 2012. He is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago, and the Caribbean Association of Banking and Finance.

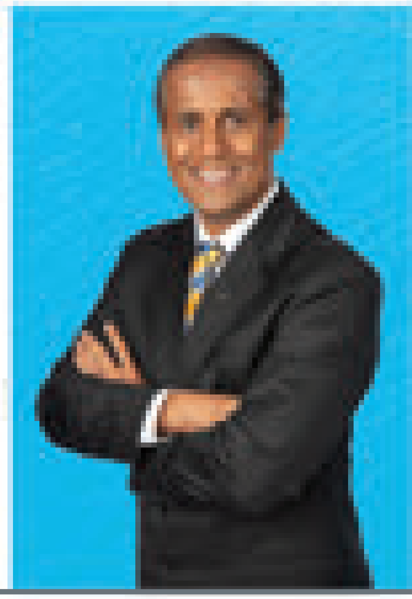
BOARD OF DIRECTORS & EXECUTIVES

We are strategically navigating the current economic climate. Facing all challenges our combined knowledge, experience and insight take us further than the rest.

BOARD OF DIRECTORS

RONALD F. deC. HARFORD
CMT, FCIB, FIBAF, FCABFI, LLD

Chairman,
Republic Financial Holdings Limited
Chairman, Republic Bank Limited



NIGEL M. BAPTISTE
BSc (Hons.) (Econ.), MSc (Econ.), ACIB

President and Chief Executive Officer,
Republic Financial Holdings Limited
Managing Director, Republic Bank Limited

SHAZAN ALI
BSc (Hons.) (Mechanical Eng.)

Chairman and Chief Executive Officer,
TOSL Engineering Limited

MICHAL ANDREWS
BSc (Hons.) (Acct.), ITP, FCCA, Acc. Dir.

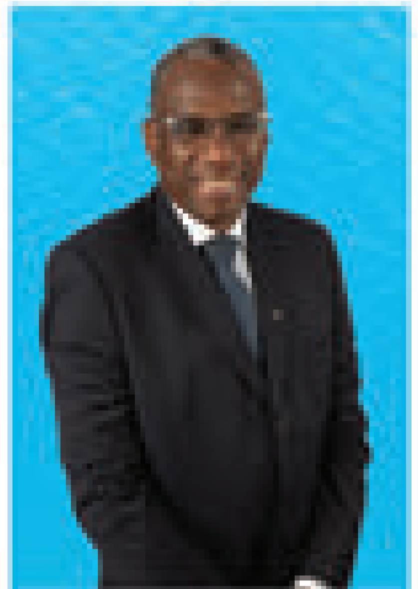
Consultant

IAN BENJAMIN
MA, LLM (Cantab.), LLM (Syd.)

Senior Counsel and Head,
Bethany Chambers

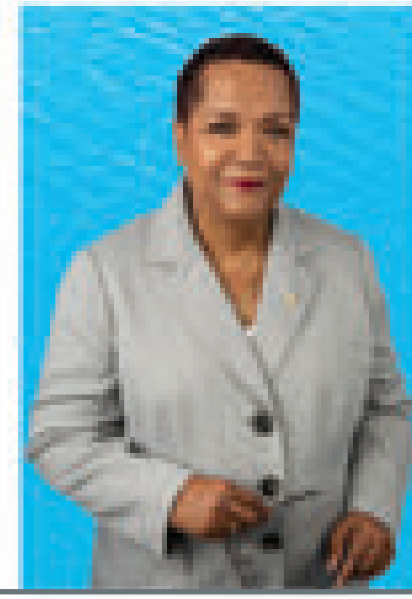
DAWN CALLENDER
FCCA, MBA

Consultant



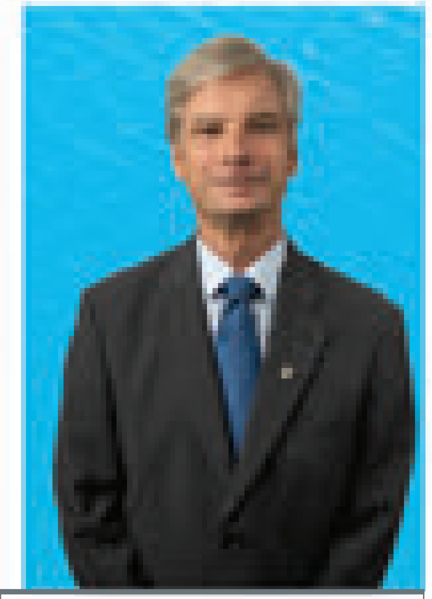
TERRENCE W. FARRELL
PhD, LLB, LEC

Consultant



ALISON LEWIS
MOM, BA (Econ. and Mgmt.)

Consultant



WILLIAM P. LUCIE-SMITH
MA (Oxon), FCA

Retired Chartered Accountant

ROBERT RILEY
CMT, BSc (Agri. Sc.), LLB (Hons.), LEC, EMBA

Executive Director,
Robert Riley Leadership and Energy Consulting

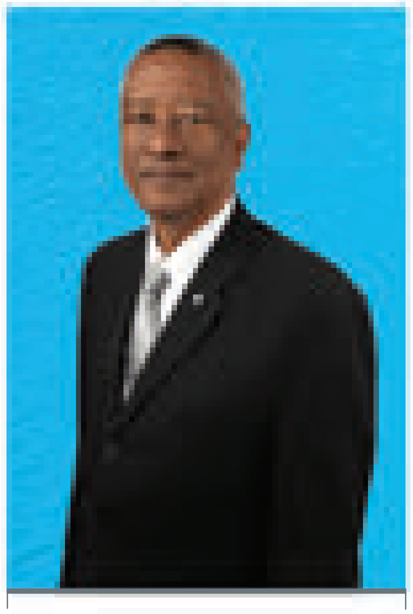
WALTNEL SOSA
MBA, BA (Math. and Comp. Sc.)

Director

KRISTINE THOMPSON
B.Comm, MBA

Director, Yay! Entertainment Limited
Chief Executive Officer,
Sunshine Snacks Limited

BOARD OF DIRECTORS



GREGORY I. THOMSON
BSc (Math. and Physics), MBA

Retired Banker

RONALD F. deC. HARFORD Age 74
CMT, FCIB, FIBAF, FCABFI, LLD
Chairman, Republic Financial Holdings Limited
Chairman, Republic Bank Limited

Ronald F. deC. Harford, Chairman of Republic Financial Holdings Limited and Republic Bank Limited, is a career banker with more than 56 years of service to the Bank. A past President of the Bankers' Association of Trinidad and Tobago, the Trinidad and Tobago Red Cross Society, and a former Chairman of the University of the West Indies (UWI) Development and Endowment Fund, having served on the Board for more than two decades, Mr. Harford is also a former founding Director of the Trinidad and Tobago Debates Commission and a former Director of the Grenada Industrial Corporation. In 2010, Mr. Harford was awarded the Chaconia Medal (Gold) by the Government of the Republic of Trinidad and Tobago for his meritorious contribution to banking and the business community. He was conferred an Honorary Doctor of Laws by the University of the West Indies and inducted to the Trinidad and Tobago Chamber of Industry and Commerce Business Hall of Fame, both in 2012. He is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking and Finance of Trinidad and Tobago, and the Caribbean Association of Banking and Finance.

External Appointments
Mr. Harford is the Chairman of Caribbean Information and Credit Rating Services Limited and Chairman of the Campaign Cabinet for Habitat for Humanity Trinidad and Tobago. He is also the Deputy Chairman of the Arthur Lok Jack Global School of Business – UWI.

NIGEL M. BAPTISTE Age 53
BSc (Hons.) (Econ.), MSc (Econ.), ACIB
President and Chief Executive Officer,
Republic Financial Holdings Limited
Managing Director, Republic Bank Limited

Nigel M. Baptiste, Managing Director, Republic Bank Limited and President and Chief Executive Officer, Republic Financial Holdings Limited since 2016, is a career banker with more than two decades of experience. Prior to his current position, he has served as Deputy Managing Director and Executive Director of Republic Bank Limited, General Manager Human Resources as well as Managing Director of the Group's subsidiary in Guyana. Mr. Baptiste currently serves on the Boards of Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Ghana) Limited, Cayman National Corporation and other subsidiaries within the Republic Group. He holds a Bachelor of Science with Honours and a Master of Science in Economics from the University of the West Indies, is a graduate of the Harvard Business School Advanced Management Programme, holds a Diploma with distinction from the ABA Stonier Graduate School of Banking (USA), and is a member of the Chartered Institute of Bankers (England).

SHAZAN ALI Age 72
BSc (Hons.) (Mechanical Eng.)
Chairman and Chief Executive Officer, TOSL Engineering Limited

Shazan Ali was appointed to the Board of Directors of the Republic Group in 2010. He is the Chief Executive Officer of TOSL Engineering Limited and has a wealth of experience in the energy industry, having spent more than three decades developing TOSL Engineering into a world-class operation with interests in the wider Caribbean, the Guianas and Sub-Saharan Africa.

External Appointments
Mr. Ali is a Council Member of the Energy Chamber of Trinidad and Tobago (ECTT). In this role, he aims to fashion a more proactive energy services sector that will redound more financial benefits to Trinidad and Tobago's economy. He is also a Director of Republic Bank Limited and Republic Bank (Suriname) N.V.

MICHAL ANDREWS Age 71
BSc (Hons.) (Acct.), ITP, FCCA, Acc. Dir.
Consultant

Michal Andrews was appointed to the Republic Group Board of Directors in 2018. As a Certified Accountant with expertise in Taxation Law and policy and a specialist in Value Added Tax (VAT) Implementation, Mrs. Andrews was appointed the first Commissioner of the Board of Inland Revenue for the Administration of the VAT Regime in Trinidad and Tobago and following her retirement from the Board of Inland Revenue after 18 years she joined Ernst & Young as its Tax Partner.

She is currently an independent consultant and has assisted the Governments of Barbados, Belize, St. Vincent, Zimbabwe, Puerto Rico and Guyana. She has also conducted studies for the Caribbean Development Bank in several Caribbean countries.

Mrs. Andrews holds a Bachelor of Science with Honours in Accounting from the University of the West Indies (UWI), is a Fellow of the Association of Chartered Certified Accountants (FCCA) UK, has a Diploma in International Taxation (ITP) from the Harvard Law School and is an Accredited Director of the Institute of Chartered Secretaries of Canada.

External Appointments
Mrs. Andrews is the Managing Director and joint shareholder of M & J Services Limited which built and operates STOR-IT, the first self-storage facility in Trinidad and Tobago. She is currently a Director on the Boards of Trinidad and Tobago Insurance Limited (TATIL), TATIL Life Assurance Ltd., L.J. Williams Limited, Angostura Holdings Limited, Trinidad Distillers Limited and Angostura Limited. She is also the Treasurer of the charitable organisation, Women in Action for the Needy and Destitute (WAND).

IAN BENJAMIN Age 56
MA, LLM (Cantab.), LLM (Syd.)
Senior Counsel, Head of Bethany Chambers

Ian Benjamin was appointed to the Board of Directors of the Republic Group in 2016. He is a career advocate attorney with more than 30 years' experience in practicing and teaching law in Trinidad and Tobago, the United Kingdom, and Australia and is the current Head of Bethany Chambers, Port of Spain, Trinidad. A well-regarded practitioner in banking, financial regulation, company, insolvency, insurance, pension, and tax litigation, construction disputes, professional negligence, and constitutional motions, Mr. Benjamin served in the Office of the Attorney General of Trinidad and Tobago and has held several teaching posts at the University of the West Indies (UWI), Trinidad and Tobago, the University of Sydney, Australia, and Kingston Polytechnic, England. A Certified Mediator and a member of the Chartered Institute of Arbitrators, Mr. Benjamin holds a Master of Law (First Class Honours) from the University of Sydney, Australia; a Master of Law (Upper Second Class Honours), and a Bachelor of Arts (First Class Honours in Law, Upper Second Class Honours in Land Economy) from Girton College, University of Cambridge, England. He was admitted to the Bar of England and Wales (1988), Trinidad and Tobago (1989), Dominica (2008), Grenada (2013) and Anguilla (2016). He was appointed Senior Counsel in June 2018. Mr. Benjamin has served as a frequent case note contributor to The Lawyer, and has published papers on Professional Negligence (1994); Consumer Protection (1995); Managing the Risk of Fraud: What Now for Caribbean Insurers (2007); and Adverse Possession (2010).

External Appointments
Mr. Benjamin currently serves on the Boards of Amitaf Investments Limited and Dobs Limited. He is the Volunteer Chairman of United Way Trinidad & Tobago and Volunteer Director of the Foundation for Human Development.

BOARD OF DIRECTORS

DAWN CALLENDER Age 62

FCCA, MBA

Consultant

Dawn Callender was appointed to the Board of Directors of the Republic Group in 2011 and currently works as an independent consultant, providing financial and risk management services in the energy sector. She has worked in the UK, USA, and Zimbabwe in the fields of business management, strategic financial management, and implementation of business systems. With two decades of experience at the executive level, Ms. Callender is also a Fellow of the Association of Chartered Certified Accountants (UK) and holds a Master in Business Administration from Henley Management College (UK) and has research interest in the fields of strategy and leadership.

External Appointments

Ms. Callender serves on the Boards of the Airport Authority of Trinidad and Tobago and The Lydian Singers

TERRENCE W. FARRELL Age 66

PhD, LLB, LEC

Consultant

Terrence W. Farrell was appointed to the Board of Directors of the Republic Group in 2008 and is a business development and strategy consultant and an Attorney-at-Law. Dr. Farrell is a former Deputy Governor of the Central Bank of Trinidad and Tobago and has held senior executive positions at Guardian Holdings Limited and One Caribbean Media Limited. He studied Economics at the University of the West Indies and the University of Toronto, where he later obtained his Doctor of Philosophy in 1979. He holds a Bachelor of Law (London), as well as a Legal Education Certificate from the Hugh Wooding Law School. Dr. Farrell is a Certified Mediator and a Fellow of the Institute of Banking and Finance of Trinidad and Tobago.

External Appointments

Dr. Farrell is a Director of TATIL (Trinidad And Tobago Insurance Limited) and TATIL Life Assurance Limited.

ALISON LEWIS Age 65

MOM, BA (Econ. and Mgmt.)

Consultant

Alison Lewis was appointed to the Board of Directors of the Republic Group in 2014. A former Governor of the Heritage and Stabilisation Fund, Ms. Lewis has served as an Advisor in the office of Executive Director, World Bank, as Permanent Secretary of the Ministry of Finance, and as a former Commissioner on the Securities and Exchange Commission. In August 2015, Ms. Lewis was awarded the Public Service Medal of Merit (Gold) by the Government of the Republic of Trinidad and Tobago for meritorious and outstanding service. Over the last two decades, Ms. Lewis has served on several Boards, including the Central Bank of Trinidad and Tobago, Trinidad Cement Limited, the Sovereign Wealth Funds Group, the Economic Development Advisory Board and she is the former Chairman of the Port Authority of Trinidad and Tobago.

External Appointments

Ms. Lewis is a Director at NiQuan Energy Trinidad Limited and NiQuan Energy LLC.

WILLIAM P. LUCIE-SMITH Age 68

MA (Oxon), FCA

Retired Chartered Accountant

William P. Lucie-Smith was appointed to the Board of Directors of the Republic Group in 2005. He is a retired Senior Partner of PricewaterhouseCoopers Trinidad where he headed its Corporate Finance and Recoveries practice. A Chartered Accountant by profession, Mr. Lucie-Smith holds a Master of Arts in Philosophy, Politics and Economics from Oxford University and has extensive experience in mergers and acquisitions, valuation, and taxation.

External Appointments

Mr. Lucie-Smith currently serves as a Non-Executive Director on a number of Boards, including Massy Holdings Ltd. and Sagicor Financial Corporation.

ROBERT RILEY Age 62

CMT, BSc (Agri. Sc.), LLB (Hons), LEC, EMBA

Executive Director, Robert Riley Leadership and Energy Consulting

Robert Riley was appointed to the Board of Directors of the Republic Group in 2016. Over a professional career that spans more than three decades, Mr. Riley has served in a variety of executive management and senior legal positions, including Head of Safety and Operations Risk, Safety Risk Leadership and Culture, BP PLC, London, Chairman and Chief Executive Officer, BP Trinidad and Tobago; Vice President, Legal and Government Affairs, Amoco and BP/Amoco; and General Counsel and Corporate Secretary, BWIA. He has also served on the Boards of Amoco Trinidad and Tobago LLC and other Amoco entities, Titan Methanol; BP Trinidad and Tobago, Atlantic LNG, The Bank of Nova Scotia, Trinidad and Tobago Limited, the University of Trinidad and Tobago (UTT), Caribbean Airlines Limited, and Sequis LLC (Internet Software Company).

An Attorney-at-Law, admitted to the Supreme Court in 1987, Mr. Riley holds a Consortium Executive Master of Business Administration from the Thunderbird American Graduate School of International Management; a Bachelor of Laws with Honours from the University of the West Indies (UWI), Cavehill campus, Barbados; and a Bachelor of Science with Honours in Agricultural Science from UWI, St. Augustine campus, Trinidad. In 2003, he was awarded a Chaconia Medal (Gold) by the Government of the Republic of Trinidad and Tobago for his contribution to National Development. In 2009, he was awarded a Doctor of Laws Honoris Causa by UWI, St. Augustine campus, Trinidad.

WALTNEL SOSA Age 42

MBA, BA (Math. and Comp. Sc.)

Director

Waltnel Sosa was appointed to the Board of Directors of the Republic Group in 2018. An Independent Advisor with close to two decades of experience at the senior level in financial analysis, strategic and corporate planning, business development and investment banking. Mr. Sosa has served in several positions with financial institutions based in Trinidad and Tobago and the US.

During the course of his career, Mr. Sosa has worked with various regional business development teams, advisory bodies, and public and private sector entities on a number of successful implementation, acquisition, and privatisation projects.

Currently, as an independent advisor, he provides financial guidance on a wide range of topics, including structuring and capital sourcing, real estate development, and the advancement of Caribbean-based energy initiatives.

Mr. Sosa holds a Master in Business Administration from the Harvard Business School and a Bachelor of Science in Math and Computer Science from Hamilton College.

KRISTINE THOMPSON Age 48

B. Comm., MBA

Chief Executive Officer, Sunshine Snacks Limited
Director, Yay! Entertainment Limited

Kristine Thompson was appointed to the Board of Directors of the Republic Group in 2011. She is the Chief Executive Officer of Sunshine Snacks Limited, a member of the Associated Brands Industries Limited (ABIL) Group. She is also a founder of the Chuck E. Cheese's family entertainment restaurant franchise in Trinidad. Prior to this, she was involved in project development, particularly in the energy sector, and has extensive experience in the fields of strategy, finance, private equity, mergers and acquisitions, and general management. The early years of her career were spent in management consulting with the Boston Consulting Group (BCG) where she advised Fortune 500 companies with stints at BCG's Toronto, New York, Buenos Aires, and Melbourne offices. She later headed the Business Development function at Guardian Holdings Limited for many years. Mrs. Thompson holds a Bachelor of Commerce degree from Queen's University in Canada and a Master of Business Administration from the Harvard Business School.

External Appointments

Mrs. Thompson currently serves as the Non-Executive Director on the Boards of Maple Leaf International School, Industrial Rubber Products (IRP) Ltd., and the Arthur Lok Jack Global School of Business – UWI.

GREGORY I. THOMSON Age 67

BSc (Math. and Physics), MBA

Retired Banker

Gregory I. Thomson was appointed to the Board of Directors of the Republic Group in 2014. He served as the Deputy Managing Director of Republic Bank Limited for seven years before retiring from this position in 2012. He is currently the Chairman of the Board of Republic Bank (Grenada) Limited. Mr. Thomson has more than 35 years of experience in banking and finance and holds a Bachelor of Science in Mathematics and Physics from the University of the West Indies, St. Augustine campus and a Master in Business Administration from the University of Western Ontario, Canada.

External Appointments

Mr. Thomson is currently on the Board of Directors of One Caribbean Media Limited.

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the year ended September 30, 2019.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Group's profit after taxation and non-controlling interest for the year ended September 30, 2019 amounted to $1.58 billion.

The Directors have declared a dividend of $3.25 per share for the year ended September 30, 2019. A half-year dividend of $1.25 per share was paid on June 1, 2019 making a total dividend on each share of $4.50 (2018: $4.40).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2019 together with their connected parties and our 10 largest shareholders.

DIRECTORS AND SENIOR OFFICERS

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	11,212	–
Nigel M. Baptiste	21,462	–
Ian Benjamin	–	8,159
Dawn Callender	1,000	–
Terrence W. Farrell	–	–
Ronald F. deC. Harford	4,574	100
Alison Lewis	–	–
William P. Lucie-Smith	–	–
Robert Riley	–	–
Kristine Thompson	–	–
Gregory I. Thomson	15,917	–
Michal Andrews	2,617	–
Waltnel Sosa	–	–
Marsha Mc Leod-Marshall	3,268	–
Riah Dass-Mungal	8,112	–
Kimberly Erriah-Ali	9,110	–
Parasram Salickram	13,916	–

There has been no change in these interests occurring between the end of the Company's year and one month prior to the date convening the Annual Meeting.

10 LARGEST SHAREHOLDERS

Shareholder	Ordinary Shares	%
National Investment Fund Holding Company Limited	42,475,362	26.12
CLICO Trust Corporation Limited	40,072,299	24.65
National Insurance Board of Trinidad and Tobago	29,944,942	18.42
Trintrust Limited	14,625,093	9.00
RBC Trust (Trinidad & Tobago) Limited	5,662,093	3.49
First Citizens Asset Management	3,643,362	2.23
Guardian Life of the Caribbean Limited	2,625,568	1.61
Trinidad & Tobago Unit Trust Corporation	2,967,711	1.82
Central Bank of Trinidad and Tobago – Pension Scheme	782,039	0.48
T. Geddes Grant Limited – Pension Fund Plan	517,135	0.32

DIRECTORS

In accordance with By-law No. 1, Paragraph 4.4, Messrs. William Lucie-Smith, Shazan Ali, Kristine Thompson and Waltnel Sosa, retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the first, second and third annual meetings respectively following this appointment. Mrs. Michal Andrews retires from the Board.

COMMUNITY INVOLVEMENT

The Power to Make A Difference

With the new phase of the Power to Make A Difference programme underway and the beginning of another chapter united as Republic Financial Holdings Limited, our commitment to help build and protect communities continues to grow stronger; emboldened and inspired by the countless acts of generosity, compassion, and faith we see in our allies at every step of the way.

From groundbreaking programmes that advocate poverty alleviation, youth development through literacy, education, sport, culture and the arts, and healthcare for the sick and elderly, to initiatives designed to empower the socially marginalised and promote and generate business development, environmental protection and staff volunteerism, the path ahead remains defined by strong relationships based on a mutual understanding of what needs to be done most.

During the past financial year, 2018/2019, guided by the Power to Help, the Power to Care, the Power to Learn, and the Power to Succeed, we have deepened long-lasting bonds with stalwarts in leading the charge for sustainable development across the many communities that Republic Bank proudly calls home.

Some of these projects during this period have included sponsorship of the Republic Bank Junior Parade of the Bands and the Trinidad and Tobago Cancer Society's Edufest and Bubbles for Life (Trinidad and Tobago); partnerships with Women Across Differences and the Step by Step School for Autistic Children (Guyana); the Sickkids Foundation and Jabez House (Barbados); the Berase Community Project and the National Partnership for Children's Trust (Ghana); the Republic Bank RightStart Cup Youth Football Tournament and sponsorship of the National Learn to Swim Week (Grenada); and support of Foundation Unu Pikin (Our Children) and 's Lands Hospital (Suriname).

Stride for stride, with every project the Group invested in, our staff volunteers continue to step up in championing the cause as proponents of what we strive for as a multinational, socially responsible organisation; repeatedly answering calls to help, selflessly investing time and energy into various social programmes, and helping to raise the standard of living for many in need.

As a new era beckons, the Power to Make A Difference continues to stand apart, not just as our journey to prove what the power of many can do, but as the standard to which each and every one of us must hold ourselves accountable in the pursuit of a better, more sustainable and inclusive tomorrow.

AUDITORS

The retiring Auditors, Ernst & Young have expressed their willingness to be re-appointed and a resolution to that effect will be proposed at the Annual Meeting.

By order of the Board

KIMBERLY ERRIAH-ALI
Corporate Secretary

CHAIRMAN'S REVIEW

RONALD F. DEC. HARFORD

"The outlook for the economies in which we operate is generally positive and we expect continued growth in our subsidiaries in those territories. This combined with our recent acquisition of CNC, the completion of the acquisition of Scotiabank's operations in the Eastern Caribbean and St. Maarten, and the implementation of a number of efficiency initiatives, will boost profitability over the coming years"

RESULTS

Republic Financial Holdings Limited (RFHL) and its subsidiaries recorded profit attributable to equity holders of the Parent of $1.58 billion for the year ended September 30, 2019, an increase of $258.3 million or 19.5% over the profit of $1.32 billion reported in the previous financial year. These results include two significant one-off items, the net impact of which increased profits by $83.5 million. The first item was in Trinidad and Tobago where the bank amended the terms of its post-retirement medical benefits plan in line with market, resulting in a write-back to net profits after tax of $275.3 million. Secondly, Barbados reduced its corporation tax rate from 30% to a range between 1% and 5%, which resulted in a charge to our income statement of $191.8 million due to the remeasurement of deferred tax assets at the lower tax rate. Excluding the impact of these items, the Group's core profit was $1.50 billion, $174.8 million or 13.2% more than the prior period.

A full discussion of the Group's financial performance can be found in the President's Discussion and Analysis contained on pages 26 to 38 of this report.

The Board of Directors has declared a final dividend of $3.25 (2018: $3.15), which brings the total dividend to $731.8 million or $4.50 (2018: $4.40) per share for the fiscal year. The dividend combined with the increase in the share price of $18.11 during the year means that the total shareholders return for the year was 21.81%.

The final dividend will be paid on December 2, 2019 to all shareholders of record on November 18, 2019.

INVESTMENTS

Cayman National Corporation Limited

On March 13, 2019, Republic Bank Trinidad and Tobago (Barbados) Limited (a subsidiary of RFHL), acquired 74.99% of the outstanding ordinary shares of Cayman National Corporation (CNC). This acquisition increased RFHL's asset base by $11.1 billion and added $92.6 million in profits (after minority interest) for the seven-month period under RFHL ownership.

Acquisition of Scotiabank's operations in the Eastern Caribbean and St. Maarten

On November 27, 2018, RFHL entered into a Purchase and Sale Agreement with Scotiabank to acquire its operations in nine territories – Anguilla, Antigua, Dominica, Grenada, Guyana, St. Kitts and Nevis, Saint Lucia, St. Maarten and St. Vincent and the Grenadines subject to regulatory approvals. Regulatory approval was received from the Eastern Caribbean Central Bank for all territories in the Eastern Caribbean except Antigua. Regulatory approval was received from the Central Bank of Curacao and St. Maarten for the acquisition of the operation in St. Maarten. Regulatory approval was not received from the Bank of Guyana.

On November 1, 2019, RFHL completed the acquisition of the territories for which Regulatory approval was obtained. On a pro-forma basis, the acquisition will add 350 team members to our staff complement, $10 billion to total asset size and $133.6 million to net profits.

REGULATION AND COMPLIANCE

Basel II and III

In Trinidad, RFHL continues to be guided by the Central Bank of Trinidad and Tobago (CBTT) in the implementation of the Basel II and III capital adequacy framework which is currently in the parallel reporting phase. All capital adequacy ratios reported during this phase indicate that RFHL and its subsidiaries are adequately capitalised to achieve compliance with the proposed increased capital requirements.

Across the Group, Barbados and Cayman Islands have already adopted the Basel II framework, while the other territories are currently in varying stages of implementation.

THE GLOBAL ECONOMY

The global economy is projected to grow 3.2% in 2019, which is 0.1% lower than the April 2019 World Economic Outlook forecast. Global activity weakened during the first half of 2019 mainly due to intensified US-China trade disputes, Brexit uncertainty, rising geopolitical tensions and subdued investment and demand. Global trade remains sluggish, as trade volume growth declined to 0.5% year-on-year during the first quarter of 2019 from just below 2% in the fourth quarter of 2018.

Growth projections for advanced economies were revised upward to 1.9%, reflecting stronger-than-expected economic growth in the US during the first quarter of 2019. The euro area is expected to see an improvement in economic activity for the remainder of 2019, while the emerging market and developing economies are projected to register lower growth this year.

THE REGIONAL ECONOMY

The economic performance of the region was aided by increased tourism, increased construction activity and healthy commodity prices. Stronger economic growth in the US helped to bolster tourism demand for the tourism-dependent countries, while

CHAIRMAN'S REVIEW

increased output and higher commodity prices provided moderate growth for the commodity-dependent territories. Some Eastern Caribbean Currency Union (ECCU) states have made positive strides with financial sector reforms, while Guyana is set to see a surge in investment from oil exploration and new gold mines. High public debt and fiscal deficits will however continue to constrain government operations in many Caribbean jurisdictions.

TRINIDAD AND TOBAGO

According to the Central Statistical Office (CSO), the Trinidad and Tobago economy suffered its third consecutive year of contraction in 2018, following declines of 6.3% and 2.3% in 2016 and 2017 respectively. In 2018, real Gross Domestic Product (GDP) contracted by 0.2% mainly due to a decline in condensate production and the closure of the Petrotrin refinery in the fourth quarter of the year. The domestic economy rebounded in the first quarter of 2019, with both the energy and non-energy sectors expanding by 3.9% and 0.8%, respectively.

The government recorded a lower deficit of $3,944.6 million in fiscal 2019 compared to $5,696.8 million in the previous fiscal.

BARBADOS

With its Extended Fund Facility (EFF) approved by the International Monetary Fund (IMF) on October 1, 2018, Barbados received its first disbursement of US$49 million. On November 16, 2018 Standard & Poor's (S&P) raised its long and short term local currency ratings for Barbados from Selective Default (SD/SD) to B-/B. S&P also assigned a B-local currency issue rating on the domestic debt issued in the recent debt exchange. To fulfil commitments made to the Organisation for Economic Cooperation and Development (OECD), Barbados harmonised its domestic and international corporation tax regimes. As a result, most corporate entities in Barbados will now be taxed on a sliding scale between 5.5% and 1%. The Capital Adequacy Ratio (CAR) for commercial banks, ended 2018 at 13.9%, down from 17% at the end of 2017 due to losses on restructuring of Government of Barbados debt.

Barbados' economy contracted by 0.4% in 2018 as solid growth in the tourism and agriculture sectors was offset by declines in construction and distribution. Economic output declined by 0.2% in the first half of 2019, as a healthy tourism performance was offset by the impact of fiscal consolidation on demand together with weaker-than-expected investment. At the end of June, public debt stood at 124.2% of GDP.

GHANA

According to the Bank of Ghana (BoG), the economy expanded by 6.8% year-on-year in the final quarter of 2018. The domestic economy slowed down in the first half of 2019 with year-on-year real GDP growth of 6.7% in the first quarter and 5.7% in the second quarter.

During the first five months of 2019, the government recorded a fiscal deficit of GH¢10,451.1 million (3% of GDP) which was higher than the target of GH¢ 8,417.5 million (2.4% of GDP). An improvement in the trade surplus to US$1,936.2 million during the first half of 2019 from US$1,257.5 million in the same period of 2018, was largely due to a depreciation of the local currency (which led to a contraction in imports). The financial sector remained sound with a Capital Asset Ratio (CAR) of 19.12%, as at June 2019, which was a slight decline from the CAR of 19.31%, as at June 2018.

GRENADA

The economy expanded by 4.2% in 2018, driven by healthy growth in the construction, hotel and restaurant, transportation and distribution sectors. Growth was also supported by solid Citizenship-by-Investment inflows in the form of foreign direct investment and the financing of public projects.

Following the IMF Article IV consultation in June 2019, the IMF projected debt to GDP to be around 60% by the end of 2019. This projection is likely to hold, as in July 2019 it was reported that Grenada's public debt at the end of March 2019 stood at EC$1,960.5 million, equivalent to 60.7% of GDP. This debt however, excludes the non-guaranteed debt of public enterprises (3.5% of GDP) and the debt of PDV Grenada Limited to PetroCaribe (11.5% of GDP). There was improvement in the financial sector as the CAR improved from 13.3% in March 2018 to 13.5% in March 2019 while the Non-performing Loans (NPLs) ratio fell from 3.5% to 2.3% in the same period.

GUYANA

In 2018, the construction and service sectors were the main contributors to real GDP growth of 4.1%. Preliminary data from the Ministry of Finance revealed that Guyana recorded real GDP growth of 4% year-on-year in the first half of 2019.

In 2018, the government reduced its fiscal deficit to 3.5% of GDP from 4.4% of GDP in the previous year. This improvement was attributed to an increase in corporate remittances and tax reform measures. The government registered a fiscal surplus of GY$2.4 billion during the January to June 2019 period, larger than the GY$3.1 billion surplus recorded in the same period of 2018. As at the end of 2018, total public-sector debt stood at 55% of GDP.

According to the IMF, Guyana's economy is projected to expand by 4.4% in 2019 but in the following year, the country is expected to see record-breaking real GDP growth, with oil production scheduled to commence in the first quarter of 2020 at an average of 120,000 barrels per day (b/d). Going forward, oil production is expected to increase to average 424,000 b/d by 2025. The rapid growth in the oil sector will boost the mining sector and by 2024, the oil sector is expected to contribute around 40% of GDP.

The anticipated positive economic outcome from the planned first oil in 2020, augurs well for the business sectors and people of Guyana, however this must be complemented by a stable social and political climate.

SURINAME

Following an IMF Article IV consultation in November 2018, Suriname's 2018 GDP growth was estimated to be 2%. Consumer prices continued to decline significantly, with the average inflation rate slowing to 7.5% in 2018 from 22% in 2017. Suriname's debt position improved markedly from 77.2% of GDP in 2017 to 68.9% of GDP in 2018. Driven primarily by gold production, Suriname's gross international reserves grew strongly to US$552 million at the end of 2018. IMF officials stressed that priority should be given to strengthening the country's fiscal position and reducing public debt, and recommended that efforts focus on reducing energy subsidies, containing the public wage bill and implementing a broad-based value added tax.

CAYMAN ISLANDS

Cayman Islands' economy grew by 3.2% in 2018 driven by healthy increases in tourist arrivals, construction and company registrations. In the 2018 Labour Force Survey, unemployment fell to its lowest rate in more than a decade.

2019 saw even stronger tourist numbers, with the 59,563 arrivals in March representing an 8.4% increase as well as the largest ever number of stay-over visitors. Similarly, the 145,804 stay-over visitors in the first three months of 2019, besides being an 8.7% year-on-year increase, was the best performance for any first quarter since records began. According to the Insurance Managers Association of Cayman (IMAC), the re/insurance sector is set to record healthy growth in 2019. Four Portfolio Insurance Companies (PICs) have already been registered and 16 new insurance and reinsurance company licences have been issued in 2019 so far. The jurisdiction has 120 group captives with more than $3 billion in premiums from over 5,000 shareholder-insured.

OUTLOOK

The next 12-15 months are likely to see increased uncertainty in several key regions across the globe, evidenced by the extended 'Brexit' process and the impeachment proceedings faced by the US President with less than a year to go before Presidential elections. The outlook for the economies in which we operate is generally positive and we expect continued growth in our subsidiaries in those territories. This combined with our recent acquisition of CNC, the completion of the acquisition of Scotiabank's operations in the Eastern Caribbean and St. Maarten, and the implementation of a number of efficiency initiatives, will boost profitability over the coming years.

I take this opportunity to advise of my retirement from the Boards of Directors of Republic Bank Limited and Republic Financial Holdings Limited on December 31, 2019. I wish to extend a warm welcome to Mr. Vincent Pereira who was appointed to the Republic Bank Limited Board on July 1, 2019 and is the Chairman designate for both Boards in 2020. Vincent is the President of BHP Trinidad and Tobago and possesses more than 35 years' experience in the energy sector, both in Trinidad and Tobago and the United States of America. I also wish to thank Mrs. Michal Andrews who will retire from the RFHL Board on December 31, 2019 after one year of dedicated service.

I thank my fellow Directors, committed staff and faithful customers for their dedication over the past year and indeed for the last 57 years of my career with the Bank, the last sixteen of which was spent as Chairman of this great organisation.

PRESIDENT'S DISCUSSION & ANALYSIS

NIGEL M. BAPTISTE

"The Group continues to progress with its strategy of acquisition and diversification of income sources, with the acquisition of Cayman National Corporation, which became part of RFHL on March 13, 2019. On November 1, 2019, the Group completed the acquisition of Scotiabank's banking operations in St. Maarten, Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines"

INTRODUCTION

Republic Financial Holdings Limited (RFHL) recorded profit attributable to equity holders of the Parent of $1.58 billion for the year ended September 30, 2019, an increase of $258.3 million or 19.5% over the profit of $1.32 billion reported in the prior year. These results include two significant one-off items, the net impact of which increased profits by $83.5 million.

The first of these items was the amendment of the terms of the Bank's post-retirement medical benefits plan for employees, which resulted in a net positive write-back to profit after tax of $275.3 million. Secondly, the reduction of the corporation tax rate in Barbados from 30% to a range between 1% and 5%, reduced the effective tax rate of the Group's Barbados subsidiary, resulting in a charge to the consolidated statement of income of $191.8 million due to the remeasurement of deferred tax assets at the lower tax rate.

Excluding the impact of these items, the Group's profit attributable to equity holders of the parent grew by $174.8 million or 13.2%.

The increase in core profitability included Cayman National Corporation (CNC) which contributed $92.6 million for the seven months under RFHL's ownership.

Based on these results, the Board of Directors has declared a final dividend of $3.25 per share for the year ended September 30, 2019. When combined with the interim dividend of $1.25 per share, this brings the total dividend for the year to $4.50 per share, an increase of $0.10 over the amount declared for 2018. At a share price of $121.80 as at September 30, 2019, this dividend results in a dividend yield of 3.69% on an RFHL share. The dividend combined with increase in the share price of $18.11 during the year resulted in a total return to the RFHL shareholders during the year of 21.81%.

NET PROFIT

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Profitability				
Net interest income	**3,814**	3,415	399	11.7
Other income	**1,594**	1,372	222	16.2
Write-back of Post Retirement Medical Benefit provision (PRMB)	**424**	–	424	100.0
Share of profits of associated companies	**6**	8	(2)	-25.0
Less:				
- Operating expenses	**2,835**	2,432	403	16.6
- Employee benefits pension and medical contribution	**106**	139	(33)	-23.7
- Credit loss expense on financial assets	**226**	302	(76)	-25.2
Profit before taxation	**2,671**	1,922	749	39.0
Reversal of deferred tax on write-back of PRMB	**148**	–	148	100.0
Reversal of deferred tax on Barbados change in tax rates	**192**	–	192	100.0
Less Taxation	**615**	527	88	16.7
Profit after taxation	**1,716**	**1,395**	**321**	**23.0**
Less Non-controlling interest	**135**	72	63	87.5
Profit attributable to equity holders of the parent	**1,581**	**1,323**	**258**	**19.5**

NET PROFIT *(continued)*

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Trinidad and Tobago – Core	**851**	878	(27)	-3.1
Barbados – Core	**194**	148	46	31.1
Guyana	**66**	52	14	26.9
Cayman	**169**	95	74	77.9
Eastern Caribbean	**113**	100	13	13.0
Suriname	**40**	30	10	33.3
Ghana	**64**	20	44	220.0
One-off items *	**84**	–	84	100.0
Total	**1,581**	**1,323**	**258**	**19.5**

** Net one-off items are made up of:*

– *Net write-back of Republic Bank's post-retirement medical benefits plan*	*$275.3*	*million*
– *Remeasurement of Barbados deferred tax assets*	*($191.8)*	*million*
Total	***$83.5***	***million***

The following is a detailed discussion and analysis of the financial results of RFHL and its subsidiaries. This should be read in conjunction with the audited consolidated financial statements, contained on pages 84 to 173 of this report. All amounts are stated in Trinidad and Tobago dollars.

CNC became a subsidiary on March 13, 2019 and the financial results for the seven months to September 30, 2019 were included in RFHL's 2019 consolidated financial statements.

NET INTEREST INCOME AND NET INTEREST MARGINS

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Interest income	**4,429**	3,881	548	14.1
Less Interest expense	**615**	466	149	32.0
Net interest income	**3,814**	**3,415**	**399**	**11.7**
Trinidad and Tobago	**2,176**	2,134	42	2.0
Barbados	**443**	471	(28)	-5.9
Guyana	**272**	231	41	17.8
Cayman	**328**	83	245	295.2
Eastern Caribbean	**161**	151	10	6.6
Suriname	**119**	99	20	20.2
Ghana	**315**	246	69	28.0
Total	**3,814**	**3,415**	**399**	**11.7**
Average total assets	**78,975**	**69,608**	**9,367**	**13.5**
Net interest margin	**4.83%**	**4.91%**		

The Group earned Net interest income of $3.8 billion for year ended September 30, 2019, an increase of $399 million or 11.7% over the prior year. Excluding the operations of CNC which was not a subsidiary in 2018, the growth was $152.7 million or 4.5%.

Average total assets increased by $9.4 billion or 13.5% in the fiscal. The higher asset base which was not employed for the full year resulted in the net interest margin declining slightly from 4.91% in 2018 to 4.83% in 2019.

- In Trinidad and Tobago, net interest income increased by $42 million, being the net effect of an $86 million increase in interest income and a $44 million increase in interest expenses. The increase in interest income was generated primarily from the $1.3 billion (5.1%) increase in the loan portfolio, which contributed $61 million to interest income. Higher yields saw investment income rising by $23.8 million despite a decline in the portfolio by $512 million or 8.5%. There was also an increase of $0.3 million in income on liquid assets.

  The $44 million increase in interest expense stemmed from increased borrowing costs to fund general corporate activities.

- In Barbados, net interest income declined by $28 million, the net result of a $22.8 million decline in interest income and a $5 million increase in interest expense. The $22.8 million decline in interest income was as a result of the lower yield on the Government of Barbados debts which were restructured. The $5 million increase in interest expense emanated from an increase in the portfolio of fund-raising instruments.

- In Ghana, the $69 million increase in net interest income resulted from a $102 million increase in interest income, offset by a $33 million increase in interest expense. The increase in interest income was as a result of an increase in the liquid assets portfolio, mainly Treasury Bills, by $189.1 million which increased income by $57.2 million and an increase in the advances portfolio by $233.8 million which increased income by $40.5 million.

The increase in interest expense emanated from an increase in the portfolio of customer deposit and fund-raising instruments by $463.4 million.

- Guyana enjoyed growth of $41 million in net interest income, mainly from the growth in interest income of $42.6 million. The increase in interest income was generated primarily from the $303 million (13%) growth in the loan portfolio, which contributed $36 million in interest income and a $8.7 million increase in interest on investment securities despite a decline in the portfolio by $28.8 million due to one significant investment for which interest was only received for six months of the prior year.

- There were also increases of $20 million in Suriname and $10 million in the Eastern Caribbean due to higher advances and investment security portfolio balances.

OTHER INCOME

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Fees and commission income	1,075	900	175	19.4
Net exchange trading income	351	291	60	20.6
Gains from disposal of investments	10	6	4	66.7
Other operating income	158	175	(17)	-9.7
Write-back of Post Retirement Medical Benefit provision (PRMB)	424	–	424	100.0
Total Other income	**2,018**	**1,372**	**646**	**47.1**
Trinidad and Tobago	907	868	39	4.5
Barbados	125	114	11	9.6
Guyana	118	114	4	3.5
Cayman	199	46	153	332.6
Eastern Caribbean	49	43	6	14.0
Suriname	44	43	1	2.3
Ghana	152	144	8	5.6
PRMB	424	–	424	100.0
Total	**2,018**	**1,372**	**646**	**47.1**

Other Income increased by $646 million or 47%, from $1.372 billion in 2018, to $2.018 billion in 2019. Excluding the impact of the write-back of the post-retirement medical benefit provision and CNC, growth in this area was $61.9 million or 4.5%.

In Trinidad and Tobago, the increase of $39 million is the net effect of the following:

- A $45 million increase in fees and commissions, being the effect of an increase in net commissions on credit card services of $19 million, a $7 million increase in commissions on trustee services, a $10 million increase in fees for customer account services and loans. Advisory services offered by Republic Wealth Management Limited generated an additional $3.8 million in other income in 2019.
- Exchange earnings increased by $10.6 million due to trading gains from increased trading volumes in US dollars and other currencies negated by exchange losses on conversion of foreign currency balances.
- Loan recoveries decreased by $22 million as two previously written-off loans for which recoveries were received over the past few years, were repaid in full during the previous financial year.
- A gain of $3 million was realised on the sale of a portion of the shareholding in an associated company.

TOTAL OPERATING EXPENSES

All figures are stated in TT$ millions

	2019	Less CNC	2019 excl CNC	2018	Change	% Change
Staff Costs	1,392	(147)	1,245	1,180	65	5.5
General administrative expenses	882	(104)	778	759	19	2.5
Property related expenses	153	(5)	148	118	30	25.4
Depreciation	214	(13)	201	199	2	1.0
Advertising and public relations	89	(1)	88	87	1	1.1
Other	105	(16)	89	89	–	0.0
Total operating expenses	**2,835**	**(286)**	**2,549**	**2,432**	**117**	**4.8**
Trinidad and Tobago	1,552	–	1,552	1,473	79	5.4
Barbados	300	–	300	313	(13)	-4.2
Guyana	184	–	184	161	23	14.3
Cayman	331	(286)	45	34	11	32.4
Eastern Caribbean	89	–	89	87	2	2.3
Suriname	86	–	86	84	2	2.4
Ghana	293	–	293	280	13	4.6
Total operating expenses	**2,835**	**(286)**	**2,549**	**2,432**	**117**	**4.8**

The Group incurred total operating expenses for the year ended September 30, 2019 of $2.835 billion. Excluding the costs incurred by CNC of $286 million, this reflects an increase of $117 million or 4.8% over the prior year. This increase is due to the net effect of increases and decreases in several areas as follows:

- The $65 million increase in staff costs is the net effect of increases in Trinidad and Tobago, Guyana, Ghana, Suriname and Grenada, which resulted in a total increase of $69 million, offset by a decline of $3.2 million in Barbados.
- General administrative expenses increased by $19 million or 2.5% due to the net effect of the following across the Group:
  - In Trinidad and Tobago, total administrative expenses increased by $9 million due to increased legal and professional fees for strategic initiatives.
  - In Guyana, these costs increased by $15 million, mainly due to the introduction of Deposit Insurance.
  - In Ghana and Republic Bank (Cayman) Limited, administrative expenses decreased by $4 million each.
- Property related expenses increased by $30 million, $22 million of which originated in Trinidad and Tobago, due to an $18 million reversal of property taxes in the prior year and higher repairs and maintenance costs for plumbing and electrical.

CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Treasury Bills	**1**	14	(13)	-92.9
Loans and advances	**196**	245	(49)	-20.0
Debt instruments measured at amortised cost	**29**	43	(14)	-32.6
Total	**226**	**302**	**(76)**	**-25.2**

For the year ended September 30, 2019, the Group incurred total credit loss expense on financial assets of $226 million, a decrease of $76 million or 25.2% when compared to the amount incurred in the prior financial year.

$49 million of the decrease represents decreased Expected Credit Losses (ECLs) on loans and advances, followed by a $14 million decrease in ECLs for debt security instruments measured at amortised cost and a $13 million decrease in ECLs for Treasury Bills issued by the Government (GoB) of Barbados due to a prior year restructure.

LOAN IMPAIRMENT EXPENSE

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Retail lending	**119**	101	18	17.8
Corporate and commercial lending	**10**	113	(103)	-91.2
Mortgages	**67**	31	36	116.1
	196	**245**	**(49)**	**-20.0**
Trinidad and Tobago	**103**	106	(3)	-2.8
Barbados	**40**	74	(34)	-45.9
Guyana	**10**	25	(15)	-60.0
Cayman	**(4)**	(1)	(3)	300.0
Eastern Caribbean	**–**	(4)	4	-100.0
Suriname	**7**	3	4	133.3
Ghana	**40**	42	(2)	-4.8%
Total	**196**	**245**	**(49)**	**-20.0**

Loan impairment expense for the year ended September 30, 2019 totaled $196 million, a decrease of $49 million or 20.0% when compared to the previous year, mainly due to decreased provisions of $103 million in the corporate and commercial sector and increased provisions of $36 million in the mortgages sector.

The $34 million decrease in provisions in Barbados was a direct result of the restructuring of the GoB loans in the prior year.

CREDIT LOSS EXPENSE ON DEBT SECURITY INSTRUMENTS MEASURED AT AMORTISED COST

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Barbados	**38**	34	4	11.8
Guyana	**(7)**	4	(11)	-275.0
Ghana	**2**	5	(3)	60.0
Grenada	**(4)**	–	(4)	100.0
Total	**29**	**43**	**(14)**	**-32.6**

Credit loss expense on debt security instruments measured at amortised cost for the year ended September 30, 2019 totaled $29 million, a decrease of $14 million or 32.6% when compared to the previous year. $11 million of this decline incurred in Guyana due to an improvement in the credit quality of the investment portfolio maintained by that subsidiary.

REVIEW OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures are stated in TT$ millions

	2019	Less CNC	2019 excl CNC	2018	Change	% Change
Total assets	**87,484**	(11,727)	**75,757**	70,466	5,291	7.5
Liquid assets	**20,979**	(1,769)	**19,211**	16,482	2,729	16.6
Investments	**16,576**	(3,570)	**13,006**	12,479	527	4.2
Advances	**44,630**	(6,118)	**38,512**	36,558	1,954	5.3
Deferred tax assets	**180**	–	**180**	591	(411)	-69.5
Total deposits and other funding instruments	**70,559**	(10,484)	**60,075**	57,375	2,700	4.7
Total equity	**11,232**	(92)	**11,140**	10,098	1,042	10.3

Total assets

At September 30, 2019, the Group's total assets stood at $87.5 billion, an increase of $17 billion or 24.2% over the asset base of 2018. Excluding CNC which added $11.7 billion to the Group's asset base the overall growth amounted to $5.3 billion, the effect of a $2.7 billion growth in liquid assets and $2.0 billion growth in advances.

Liquid assets

Excluding CNC, liquid assets increased by $2.7 billion, the combined effect of increases of $2.8 billion in Trinidad and Tobago and $189.2 million in Ghana. In Trinidad and Tobago the increase in liquid assets is the effect of the drawdown of US$150 million or TT$1.0 billion in borrowings from International Development Bank (IDB) and International Finance Corporation (IFC) in September 2019 to fund a pool of preferential rate mortgages. In Trinidad and Tobago statutory deposits with the Central Bank of Trinidad and Tobago also increased by $1.4 billion in line with increases in the deposit portfolio.

Deposits and other funding instruments

Excluding CNC, deposits and other funding instruments, the Group's main source of liquidity, increased by $2.7 billion or 4.7% over the prior year. Except for Suriname, where this portfolio declined by $165 million, all other territories experienced increases, with $1.3 billion from Trinidad and Tobago, $684 million of the growth emanating from Barbados, $463 million from Ghana, $296 million from Guyana and $142 million from the Eastern Caribbean (EC) region.

Total equity

Total equity at September 30, 2019 increased by $1.0 billion from the prior year, directly in line with increased profitability. The Group Capital adequacy ratio remains robust at 21.63% (Basel I) and 15.37% (Basel II) at September 30, 2019, underscoring the Group's ability to maintain adequate capital levels in the event of shocks.

LOANS AND ADVANCES

All figures are stated in TT$ millions

	2019	2018	Change	% Change
Retail lending	**7,439**	6,590	849	12.9
Corporate and commercial lending	**15,710**	13,877	1,833	13.2
Mortgages	**21,481**	16,091	5,390	33.5
	44,630	**36,558**	**8,072**	**22.1**
Trinidad and Tobago	**25,914**	24,649	1,265	5.1
Barbados	**5,092**	5,014	78	1.6
Guyana	**2,640**	2,337	303	13.0
Cayman	**6,346**	347	5,999	1728.8
Eastern Caribbean	**1,726**	1,755	(29)	-1.7
Suriname	**1,241**	1,019	222	21.8
Ghana	**1,671**	1,437	234	16.3
Total	**44,630**	**36,558**	**8,072**	**22.1**

Loans and advances increased by $8.1 billion or 22.1%, from $36.6 billion in 2018 to $44.6 billion in 2019. This growth included the acquisition of CNC on March 13, 2019, which added $6.0 billion to the Group's loans and advances portfolio. Excluding CNC, loans and advances grew by $2.0 billion or 5.4%.

In Trinidad and Tobago, total loans increased by $1.3 billion or 5.1%, reflecting growth of $1.2 billion (11%) in mortgages and $247 million in retail loans (4.8%) offset by declines in corporate and commercial loans of $116 million.

The growth in Guyana, Suriname and Ghana stemmed mainly from growth in the corporate and commercial advances portfolios.

NET LOANS – DETAILED BY TERRITORY

All figures are stated in TT$ millions

	Trinidad and Tobago	B'dos	Guyana	Cayman	Eastern Caribbean	Suriname	Ghana	Total 2019	Total 2018
Performing loans	25,956	4,857	2,558	6,341	1,722	1,225	1,496	**44,155**	36,164
Non-Performing Loans (NPLs)	545	485	121	147	47	71	346	**1,762**	1,608
Gross loans	26,501	5,342	2,679	6,488	1,769	1,296	1,842	**45,917**	37,772
Allowance for ECL losses	(462)	(246)	(25)	(110)	(36)	(50)	(159)	**(1,088)**	(1,050)
Unearned loan origination fees	(127)	(3)	(15)	(31)	(6)	(5)	(12)	**(199)**	(164)
Net loans	**25,912**	**5,093**	**2,639**	**6,347**	**1,727**	**1,241**	**1,671**	**44,630**	**36,558**
Allowances for ECL									
Stage 1	89	50	12	20	18	14	28	**231**	218
Stage 2	39	53	1	1	1	1	10	**106**	68
Stage 3	334	143	12	89	17	35	121	**751**	764
Total ECL	**462**	**246**	**25**	**110**	**36**	**50**	**159**	**1,088**	**1,050**
NPLs to Gross loans (%)	2.1	9.1	4.5	2.3	2.7	5.5	18.8	**3.8**	4.3
Stage 3 ECLs as a % of NPLs	61.3	29.6	9.9	60.5	36.2	49.3	35.0	**42.6**	47.5
Total ECL as a % of Gross loans	1.7	4.6	0.9	1.7	2.0	3.9	8.6	**2.4**	2.8

As at September 30, 2019, the NPLs to gross loans ratio for the Group stands at 3.8% compared to the 4.3% reported in 2018. Trinidad and Tobago continue to maintain the lowest level of NPLs across the Group, with an NPL ratio of 2.1% as at September 30, 2019, a marginal increase from the 1.8% of 2018.

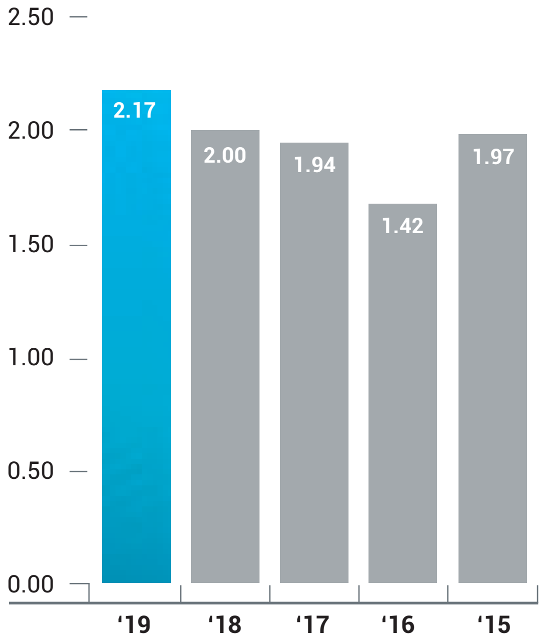
The Group recorded a provision coverage of 42.6% for its non-performing facilities as at September 2019, down from 47.5% in September 2018, with Trinidad and Tobago and Cayman maintaining coverage ratios in excess of 50%.

Including ECLs for the Group's performing portfolio designated as Stage 1 and Stage 2 under IFRS 9, the Group maintains total provisions of $1.09 billion, which represents 2.4% of gross loans, slightly down from 2.8% in 2018.

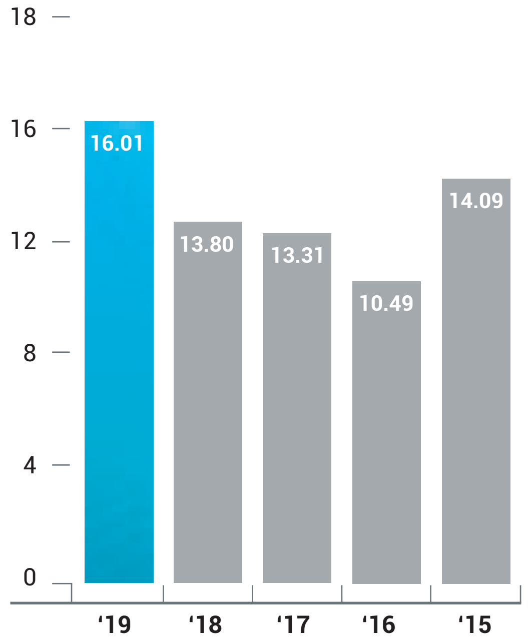
PRESIDENT'S DISCUSSION & ANALYSIS

PERFORMANCE RATIOS

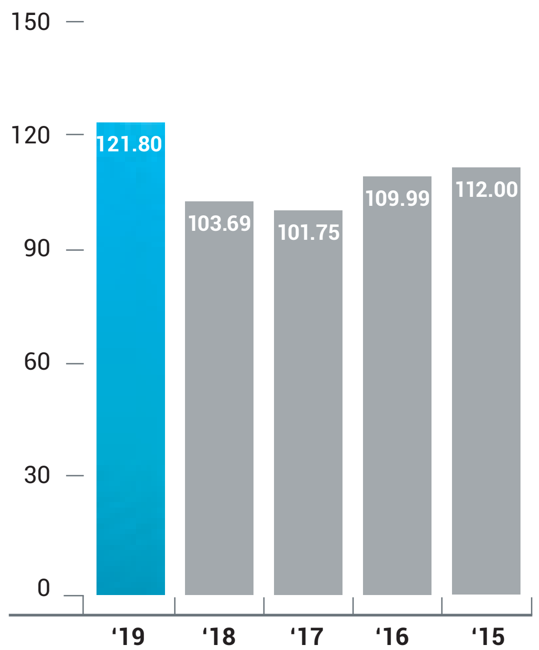
RETURN ON ASSETS (%)



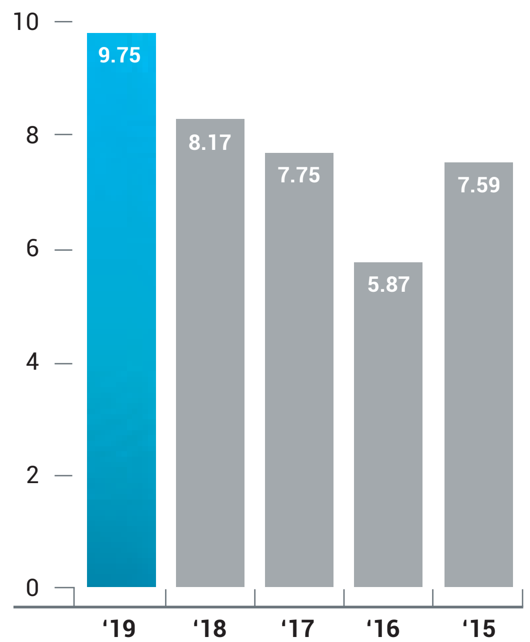
RETURN ON EQUITY (%)



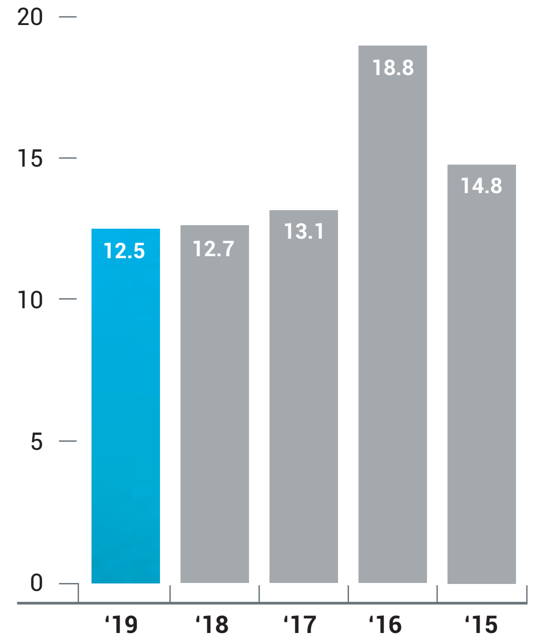
SHARE PRICE ($)



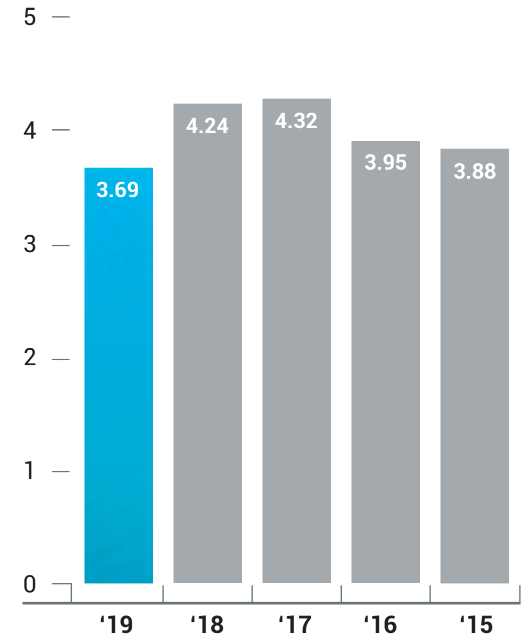
EARNINGS PER SHARE ($)



PRICE EARNING RATIO



DIVIDEND YIELD (%)



The increased profitability in 2019 is reflected in the improvement in most key ratios in 2019, with the Return on Average Assets (ROA) ratio increasing from 2.00% in 2018 to 2.17% in 2019, and the Return on Average Equity (ROE) ratio increasing from 13.80% in 2018 to 16.01% in 2019.

Earnings Per Share (EPS) also increased, from $8.17 in 2018 to $9.75 in 2019, a total increase of $1.58 per share or 19.34%. Combined with a closing share price of $121.80 as at September 30, 2019, which increased by $18.11 or 17.47% over the past year, the Price/Earnings (P/E) ratio declined from 12.7 times in 2018 to 12.5 times in 2019.

Based on these results, the Group has declared a final dividend payment of $3.25, bringing the total dividend for the year to $4.50, an increase of $0.10 per share over the prior year.

CAPITAL STRUCTURE

Capital adequacy ratio (under Basel I)

	2019 %	2018 %
Republic Bank Limited	**21.46**	18.06
Republic Bank (Cayman) Limited	**23.51**	22.80
Republic Bank (Grenada) Limited	**13.64**	14.85
Republic Bank (Guyana) Limited	**22.54**	19.30
Republic Bank (Barbados) Limited	**14.71**	13.51
Republic Bank (Suriname) N.V.	**15.20**	12.11
Republic Bank (Ghana) Limited	**28.22**	34.49
Cayman National Bank Limited	**23.52**	–

PRESIDENT'S DISCUSSION & ANALYSIS

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the respective Central Banks for supervisory purposes. The risk-based capital guidelines under the Basel I accord require a minimum ratio of core capital (Tier I) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier II) ratio of 8%. Core (Tier I) capital comprises mainly of shareholders' equity.

In Trinidad and Tobago, the Basel II implementation exercise is currently in the parallel reporting phase which has been further extended to December 31, 2019. Under the more stringent capital requirements for Basel II, all subsidiaries have reported ratios in excess of the new 10% minimum requirement as well as the 12% requirement being considered for systemically important financial institutions. Under Basel II, the Group Capital adequacy ratio remains robust at 15.37% at September 30, 2019.

OUTLOOK

The Group continues to progress with its strategy of acquisition and diversification of income sources, with the acquisition of Cayman National Corporation, which became part of RFHL on March 13, 2019. On November 1, 2019, the Group completed the acquisition of Scotiabank's banking operations in St. Maarten, Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines. On a pro-forma basis, the acquisition will add 350 team members to our staff complement, US$1.5 billion to total asset size and US$20 million to net profits. I welcome all new team members to the Republic family. The Group is built on our people since we believe that is what differentiates us from any other financial institution. It is important to us that the people behind the success of Scotia's operations in each country continue to be the main drivers of the success of our new operations in those countries. I am very pleased to welcome each of them to the Republic family and I look forward to their growth and ours, in the years and decades to come.

The Group's thrust to improve efficiency is also forging ahead, mainly through the implementation of a common Information Technology (IT) platform across all Caribbean subsidiaries. To date, conversion of the IT systems has been completed for subsidiaries in Suriname and Cayman Islands with Guyana going live on November 1, 2019. Preparation work for Grenada and Barbados is underway. Successful implementation of this common platform will enable the Group to offer our Caribbean clients a common experience and facilitate the introduction of a shared support services infrastructure for improved efficiency. Extension of the programme to Ghana will follow at a later date.

I thank the Board of Directors for their wise counsel and I thank each customer, shareholder and all the skilled and dedicated staff of this Group for your continued loyalty to the organisation.

I would like to particularly thank and acknowledge the outgoing Chairman, Mr. Ronald deC Harford, for his immeasurable contribution towards making this organisation what it is today. Mr. Harford has been a mentor to me from the very first day I arrived at Republic Bank in 1991 and I owe him a deep debt of gratitude for moulding me into the leader I have become. His legacy will live on through myself and the countless other executives that he has helped shape over the last 20 years. Mr. Harford will be suceeded by Mr. Vincent Pereira, who was appointed to the Republic Bank Limited Board on July 1, 2019, and is the Chairman designate for the Republic Bank Limited and Republic Bank Financial Holdings Limited Boards in 2020. I welcome Mr. Pereira to RFHL and look forward to working with him in the coming years.

THE GROUP SUBSIDIARIES

Secure movement into new territories allows us to serve a wider community. As we expand, our strength multiplies, our vision holds firm and steady.

REPUBLIC BANK LIMITED

Republic Bank is one of the largest and longest serving indigenous banking and financial services organisations in Trinidad and Tobago, offering a complete range of products and services to retail and commercial banking customers, corporate clients, and governments. The Bank's network spans 41 branches – the largest across the twin-island republic – includes the most extensive Automated Teller Machine (ATM) network with 134 ATMs in 89 locations and is currently the nation's largest credit card operator.

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MANAGING DIRECTOR

NIGEL M. BAPTISTE

BSc (Hons.) (Econ.), MSc (Econ.), ACIB

Managing Director, Republic Bank Limited

Nigel M. Baptiste, Managing Director, Republic Bank Limited and President and Chief Executive Officer, Republic Financial Holdings Limited since 2016, is a career banker with more than two decades of experience. Prior to his current position, he has served as Deputy Managing Director and Executive Director of Republic Bank Limited, General Manager Human Resources as well as Managing Director of the Group's subsidiary in Guyana. Mr. Baptiste currently serves on the Boards of Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Ghana) Limited, Cayman National Corporation and other subsidiaries within the Republic Group. He holds a a Bachelor of Science with Honours and a Master of Science in Economics from the University of the West Indies, is a graduate of the Harvard Business School Advanced Management Programme, holds a Diploma with distinction from the ABA Stonier Graduate School of Banking (USA), and is a member of the Chartered Institute of Bankers (England).

EXECUTIVE DIRECTORS

DERWIN M. HOWELL

Executive Director

ROOPNARINE OUMADE SINGH

Executive Director

EXECUTIVE MANAGEMENT

RIAH DASS-MUNGAL

General Manager, Internal Audit

KIMBERLY ERRIAH-ALI

Group General Counsel/Corporate Secretary

ANNA-MARÍA GARCÍA-BROOKS

General Manager, Group Human Resources

HILTON HYLAND

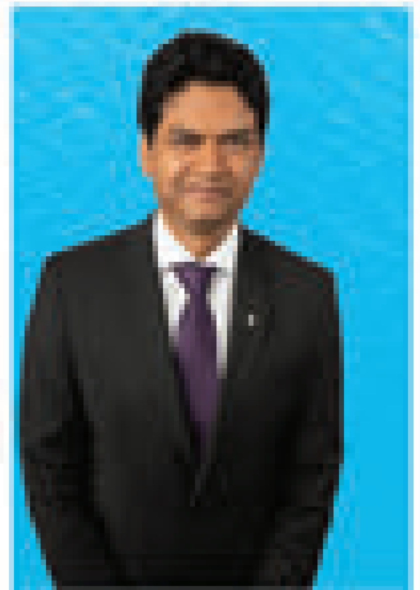
General Manager,
Commercial and Retail Banking

MARSHA MC LEOD-MARSHALL

General Manager,
Group Enterprise, Risk Management

MICHELLE PALMER-KEIZER

General Manager,
Group Marketing and Communications



MARLON PERSAD

General Manager, IT Consolidation

VIJAI RAGOONANAN

General Manager, Risk Management

ALDRIN RAMGOOLAM

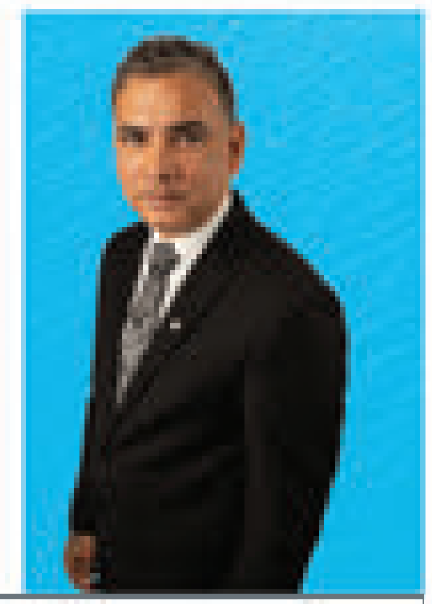
General Manager,
Information Technology Management

BALDATH RAMKISSOON

General Manager, Group Treasury

DENYSE RAMNARINE

General Manager,
Electronic Channels and Payments



DAVID ROBINSON

General Manager, Wealth Management

REPUBLIC BANK LIMITED

EXECUTIVE MANAGEMENT

PARASRAM SALICKRAM

General Manager,
Planning and Financial Control

RICHARD S. SAMMY

General Manager,
Corporate and Investment Banking

SURESH SUPERSAD

General Manager, Shared Services

KAREN YIP CHUCK

General Manager,
Commercial and Retail Banking ***(Designate)***

REPUBLIC SECURITIES LIMITED

Republic Securities Limited is one of the most experienced wealth management firms in Trinidad and Tobago, currently offering a comprehensive range of investment advisory and financial planning services tailored to suit the objectives and needs of individual and corporate clients. A member of the Trinidad and Tobago Stock Exchange for more than a decade, Republic Securities Limited is registered as a broker-dealer with the Trinidad and Tobago Securities and Exchange Commission and provides full service stockbroking on the local stock exchange and via intermediaries on regional and international stock exchanges.

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Website: www.rsltt.com

BROKERAGE MANAGER

LISA LEANDER YEATES

MBA, Dip. ACCA, Dip. (Business Mgmt.), Dip. (Acct. Technician)

Lisa Leander Yeates, Brokerage Manager, Republic Securities Limited (RSL) has been a member of the Republic Group for more than a decade and brings to bear considerable financial and management accounting experience. In her current role, she holds operational and accounting oversight of the organisation's financial records and serves as lead manager for special projects.

Prior to this, she has served as Accountant, ensuring that RSL's financial record keeping was consistent with industry standards, preparing quarterly and annual financial reports for audit review, and overseeing annual audit engagements.

Ms. Leander Yeates holds a Master of Business Administration in Entrepreneurship & Innovation from Anglia Ruskin University and a Diploma from the Association of Chartered Certified Accountants (ACCA). She also holds a Business Management Diploma and an Accounting Technician Diploma from the John S. Donaldson Technical Institute, University of Trinidad and Tobago.

REPUBLIC WEALTH MANAGEMENT LIMITED

Republic Wealth Management Limited was established in 2014 following the disaggregation of Republic Bank's Trust and Asset Management Division (TRAM). The Company is registered as an Investment Adviser under the Securities Act of 2012 and is currently one of the largest investment advisory firms in the Caribbean. Republic Wealth Management Limited houses the Bank's suite of proprietary funds and provides a full range of investment advisory services to corporate pension, savings plans, and private wealth management clients.

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HEAD

CARLA KELSHALL

BSc (Hons.) (Math. and Econ.), CFA

Carla Kelshall, Head, Republic Wealth Management, is a Chartered Financial Analyst CFA® charterholder (2012) with more than 17 years' investment management and actuarial experience in the banking and insurance sectors of Trinidad and Tobago. Ms. Kelshall has represented the Bank in various roles, including Project Lead and Primary Brokerage Liaison, Investment Manager, Republic Wealth Management Limited, and Investment Manager, Republic Trust Services Division. A graduate of the University of Hull, United Kingdom with a Bachelor of Science (First Class Honours) in Economics and Mathematics, Ms. Kelshall holds a Diploma in Actuarial Techniques (DAT) from the Institute of Actuaries and is an Associate of the Society of Actuaries (ASA).

REPUBLIC BANK (BARBADOS) LIMITED

Republic Bank (Barbados) Limited is one of the longest serving banks in Barbados, having proudly served the nation for more than 40 years. Formerly Barbados National Bank Inc. (BNB), Republic Bank (Barbados) Limited operates one of the largest networks in the country and has a network that includes eight conveniently located branches and 31 ATMs. As a leading financial institution, the Bank offers an array of financial services such as Personal and Commercial Lending, as well as Premium, Corporate and Investment Banking. Its wholly-owned subsidiaries, Republic Finance & Trust (Barbados) Corporation and Republic Funds (Barbados) Limited, offer Funds Management, Lease Financing and Merchant Banking services.

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Swift: BNBABBBB
Email: info@republicbarbados.com
Website: www.republicbarbados.com

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

ANTHONY CLERK

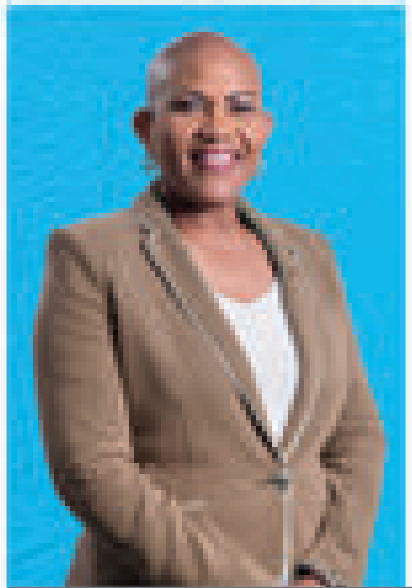
Dip. (Business Mgmt.), AIBAF, EMBA

Anthony Clerk, Managing Director and Chief Executive Officer, Republic Bank (Barbados) Limited, was appointed to the Board of Republic Bank (Barbados) Limited in 2017. Mr. Clerk is a career banker with a decade of experience at the senior management level and has served as Regional Corporate Manager, Corporate Business Centre East/Central, Republic Bank Limited; General Manager, Credit, Republic Bank (Grenada) Limited; Corporate Manager, Corporate Business Centre North, Republic Bank Limited; and Branch Sales Manager, Ellerslie Court, Republic Bank Limited.

Mr. Clerk holds an Executive Master of Business Administration and a Diploma in Business Management, both from the Arthur Lok Jack Global School of Business, and a Diploma in Banking from the Institute of Banking and Finance of Trinidad and Tobago. He has served as a Non-Executive Director on the Board of National Enterprises Limited.

REPUBLIC BANK (BARBADOS) LIMITED

EXECUTIVE MANAGEMENT



NAOMI DE ALLIE

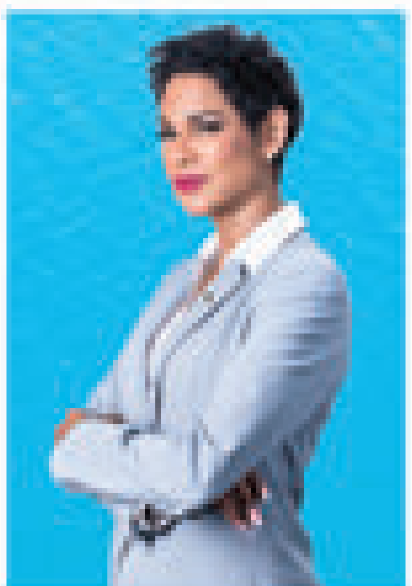
General Manager,
Corporate and Commercial Credit

HAMANT LALLA

Corporate Controller

SUSAN TORRY

General Manager, Operations



SHARON ZEPHIRIN

General Manager, Retail Banking

REPUBLIC BANK (CAYMAN) LIMITED

Republic Bank (Cayman) Limited is a private bank offering comprehensive Offshore Wealth Management Services to clients in the Caribbean region and around the globe. As a strong contributor to the Group's profits, Republic Bank (Cayman) Limited offers banking services in major international currencies, investment management advice, registered office and company management services, as well as trustee services.

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Fax: (345) 949-2795

COUNTRY MANAGER

RAVI MYKOO

BSc (Hons.) (Econ. and Mgmt.), CFA

Ravi Mykoo, Country Manager of Republic Bank (Cayman) Limited, has served the Bank in various leadership roles as both an analyst and manager for more than a decade. He is a Chartered Financial Analyst and a graduate of the University of the West Indies with a Bachelor of Science (First Class Honours) in Economics and Management. Mr Mykoo holds several professional certificates in Treasury Risk Management, Basel: Understand and Transit, and Corporate Tax Training.

CAYMAN NATIONAL CORPORATION

Republic Bank Trinidad and Tobago (Barbados) Limited (RBTTBL), a wholly-owned subsidiary of Republic Financial Holdings Limited acquired a 74.99% shareholding in Cayman National Corporation (csx: CNC), a publicly traded entity on the Cayman Islands Stock Exchange. Cayman National is a trusted financial services provider, headquartered in the Cayman Islands, with offices in the Isle of Man and Dubai. With five subsidiaries, Cayman National offers domestic and international clients expertise in a full range of integrated financial solutions, including retail, corporate and premier banking; investment management services, trust services, fund management and administration.

Registered Office
Peter A. Tomkins Building
200 Elgin Avenue
PO Box 1097
Grand Cayman KY1–1102
Cayman Islands
Tel: (345) 949-4655
Fax: (345) 949-0774
Email: cnc@caymannational.com
Website: www.caymannational.com

PRESIDENT AND CHIEF EXECUTIVE OFFICER

STUART DACK

ACIB, MBA

Stuart Dack entered banking in 1971, and obtained the Associate of the Chartered Institute of Bankers qualification with distinction. Mr. Dack worked for the Midland Bank group in the UK for 22 years where he held a number of managerial roles at branch, area, and regional levels. He joined Cayman National as internal auditor in 1992 and in 1998 was promoted to Executive Vice President of Cayman National Corporation. In 2001, he was awarded a Master of Business Administration with Merit from Southampton University. In April 2004 he was appointed President and Chief Executive of Cayman National.

REPUBLIC BANK (GHANA) LIMITED

Republic Bank (Ghana) Limited, formerly HFC Bank (Ghana), officially joined Republic Financial Holdings Limited in 2018, following a successful mandatory takeover of HFC Bank (Ghana) in 2015, As a licensed commercial bank, Republic Bank (Ghana) Limited operates 43 branches throughout Ghana, providing a wide range of banking services, including mortgages and real estate services, commercial banking, investment banking, microfinance, private equity and venture capital fund management.

Registered Office
'Ebankese'
#35 Sixth Avenue
North Ridge
P.O.Box CT 4603
Cantonments
Accra
Ghana
Tel: (233) 302 242090-4
Fax: (233) 302 242095
Swift: HFCAGHAC
Email: email@republicghana.com
Website: www.republicghana.com

MANAGING DIRECTOR

FARID ANTAR

ACIB, ACIS, Dip. (Business Mgmt.), Cert. in Int'l Mktg.

Mr. Farid Antar, Managing Director of Republic Bank (Ghana) Limited, is an experienced banker with over 39 years of both professional and practical exposure in the banking and financial services industry in both Trinidad and Tobago and Barbados. Prior to his appointment to Republic Bank (Ghana) in May 2019, he served as the General Manager, Group Enterprise Risk Management at Republic Bank Limited and Chief Risk Officer at Republic Financial Holdings Limited. Mr. Antar served as the Chairman of the Board of Directors of Republic Caribbean Investments Limited, Atlantic Financial Limited and Republic Bank (Suriname) Holdings Limited; a Director of G4S Holdings (Trinidad) Limited and the London Street Project Company Limited; and a Trustee for the Caribbean Court of Justice Trust Fund (CCJTF).

Mr. Antar holds a Certificate in International Marketing from the Institute of Business, University of the West Indies, Certificate from the School of Bank Marketing and Management, American Bankers Association, USA Certificate in Business Excellence from Columbia Business School, USA. Anti-Money Laundering Certified Associate (AMLCA); Associate of the Chartered Institute of Bankers (ACIB) and a Fellow of the Institute of Chartered Secretaries & Administrators (ICSA), UK.

REPUBLIC BANK (GHANA) LIMITED

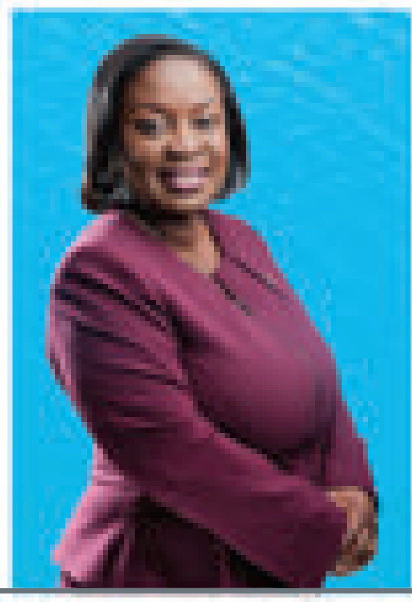
EXECUTIVE MANAGEMENT

BEATRIX AMA AMOAH
Company Secretary

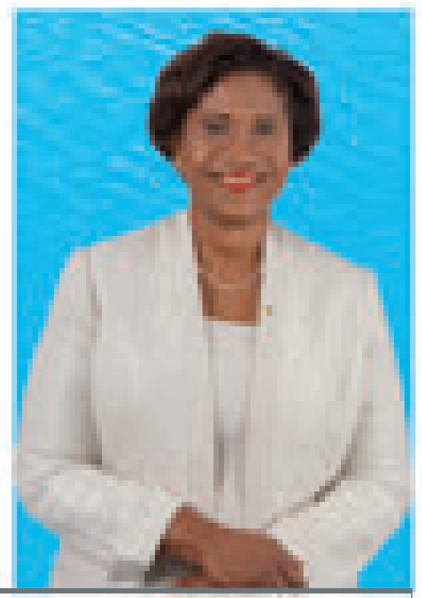
CHARLES AGYEMAN BONSU
General Manager,
Technology and Business Systems Support

KALAWATEE BICKRAMSINGH
General Manager, Risk Management

BENJAMIN DZOBOKU
General Manager, Finance and Strategy



MADELINE NETTEY
General Manager,
Republic Investment Services



ANNETTE WATTIE
General Manager, Retail Banking

REPUBLIC BANK (GRENADA) LIMITED

Republic Bank (Grenada) Limited is one of the largest banks in Grenada, with an asset base of one billion dollars and a network that includes six branches and 11 ATMs. Having faithfully served Grenada for four decades, Republic Bank (Grenada) Limited has built a solid reputation as both a comprehensive financial services provider and an outstanding corporate social responsibility citizen through its Power to Make A Difference programme. Republic Bank (Grenada) Limited has won the Eastern Caribbean Central Bank (ECCB) Best Corporate Citizen Award nine times in the award's 21-year history.

Registered Office
P.O. Box 857
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Grenada
West Indies
Tel: (473) 444-BANK (2265)
Fax: (473) 444-5501
Swift: NCBGGDGD
Email: info@republicgrenada.com
Website: www.republicgrenada.com

MANAGING DIRECTOR

KEITH A. JOHNSON
BSc (Acct.), EMBA, AICB

Keith A. Johnson was appointed Managing Director of Republic Bank (Grenada) Limited in 2009. He started his banking career in Guyana in 1976, and has served in various leadership roles in the Bank's Guyana operations. Mr. Johnson holds an Executive Master's degree in Business Administration from the University of the West Indies (UWI), Cave Hill, a Bachelor of Science in Accountancy from the University of Guyana, and is an Associate of the Institute of Canadian Bankers.

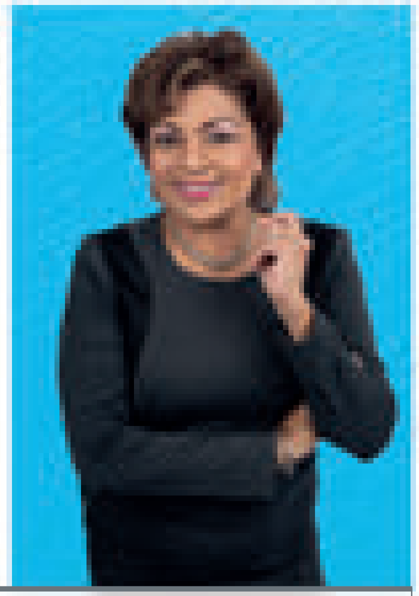
External Appointments
Mr. Johnson is the Vice-President of the Eastern Caribbean Currency Union Bankers' Association, and is also the current President of the Grenada Bankers' Association.

REPUBLIC BANK (GRENADA) LIMITED

EXECUTIVE MANAGEMENT

CLIFFORD D. BAILEY

General Manager, Operations



SHAEEN GHOURALAL

General Manager, Credit

REPUBLIC BANK (GUYANA) LIMITED

Republic Bank (Guyana) Limited is one of Guyana's largest and longest operating financial institutions, celebrating a history of service to the people of the nation of more than 180 years. As a fully comprehensive bank, Republic Bank (Guyana) Limited provides its customers and clients customised, efficient, and competitively priced financial products and services across a network that spans 12 branches and 49 ATMs. Currently, in addition to the suite of services already provided, the Bank has placed significant emphasis on growing its lending portfolio, with particular emphasis on Small and Medium Enterprises, as well as focus on corporate social investment driven by a long-ingrained philosophy of sustainable development in Guyana.

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Promenade Court
155-156 New Market Street
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Georgetown
Guyana
Tel: (592) 223- 7938-49
Fax: (592) 233-5007
Swift: RBGL GYGG
Email: gyemail@rfhl.com
Website: www.republicguyana.com

MANAGING DIRECTOR

AMRAL F. KHAN

BSc (Industrial Mgmt.), Dip. (Business Mgmt.), MBA

Amral Fazal Khan was appointed Managing Director, Republic Bank (Guyana) Limited in 2019, bringing to the position his considerable banking experience accumulated over the course of three decades as a member of the Republic Bank Group. Prior to his appointment, Mr. Khan served in several managerial capacities within the Group, including, most recently, Regional Corporate Manager, East/Central; Senior Manager, Risk Management; Senior Manager, Internal Audit; and Corporate Manager, Corporate Business Centre – North.

He has completed several courses and training programmes, including the Certified Professional in Anti-Money Laundering (CPAML); Euromoney's Advanced Business and Financial Analysis; the Advanced Credit Analysis Programme; and Negotiating to Win (AMA). Mr. Khan holds an International Master of Business Administration with Distinction, a Diploma in Business Management, and a Bachelor of Science with Honours in Management Studies all from the University of the West Indies, St. Augustine campus, Trinidad and Tobago.

REPUBLIC BANK (GUYANA) LIMITED

EXECUTIVE MANAGEMENT

DENISE HOBBS

General Manager, Operations

PARBATIE KHAN

General Manager, Credit

REPUBLIC BANK (SURINAME) N.V.

Republic Bank (Suriname) N.V. offers customers a fully comprehensive suite of financial products and services through a network of five branches in the capital of Paramaribo and one in Nickerie. Currently the third largest bank in Suriname by asset size, Republic Bank (Suriname) N.V. joined Republic Financial Holdings Limited in 2015 following the acquisition of RBC Royal Bank (Suriname) N.V. from RBC Financial (Caribbean) Limited.

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swift: RBNKSRPA
Email: email@republicbanksr.com
Website: www.republicbanksr.com

MANAGING DIRECTOR

SEAN HUSAIN

MSc (Int'l Fin. Mgmt.), BSc (Econ.)

Sean Husain, Managing Director, Republic Bank (Suriname) N.V., brings significant experience in the area of corporate banking, having served most recently as General Manager, Corporate and Commercial Credit, Republic Bank (Barbados) Limited for the past 14 years. Mr. Husain is a graduate of the University of Guyana with a Bachelor of Science with Honours in Economics and holds a Master of Science in International Financial Management from the University of London, United Kingdom.

REPUBLIC BANK (SURINAME) N.V.

EXECUTIVE MANAGEMENT

MONTAGUE D. MC LEOD

Director, Corporate Banking

LILIAN LEEFLANG

Director, Retail Banking

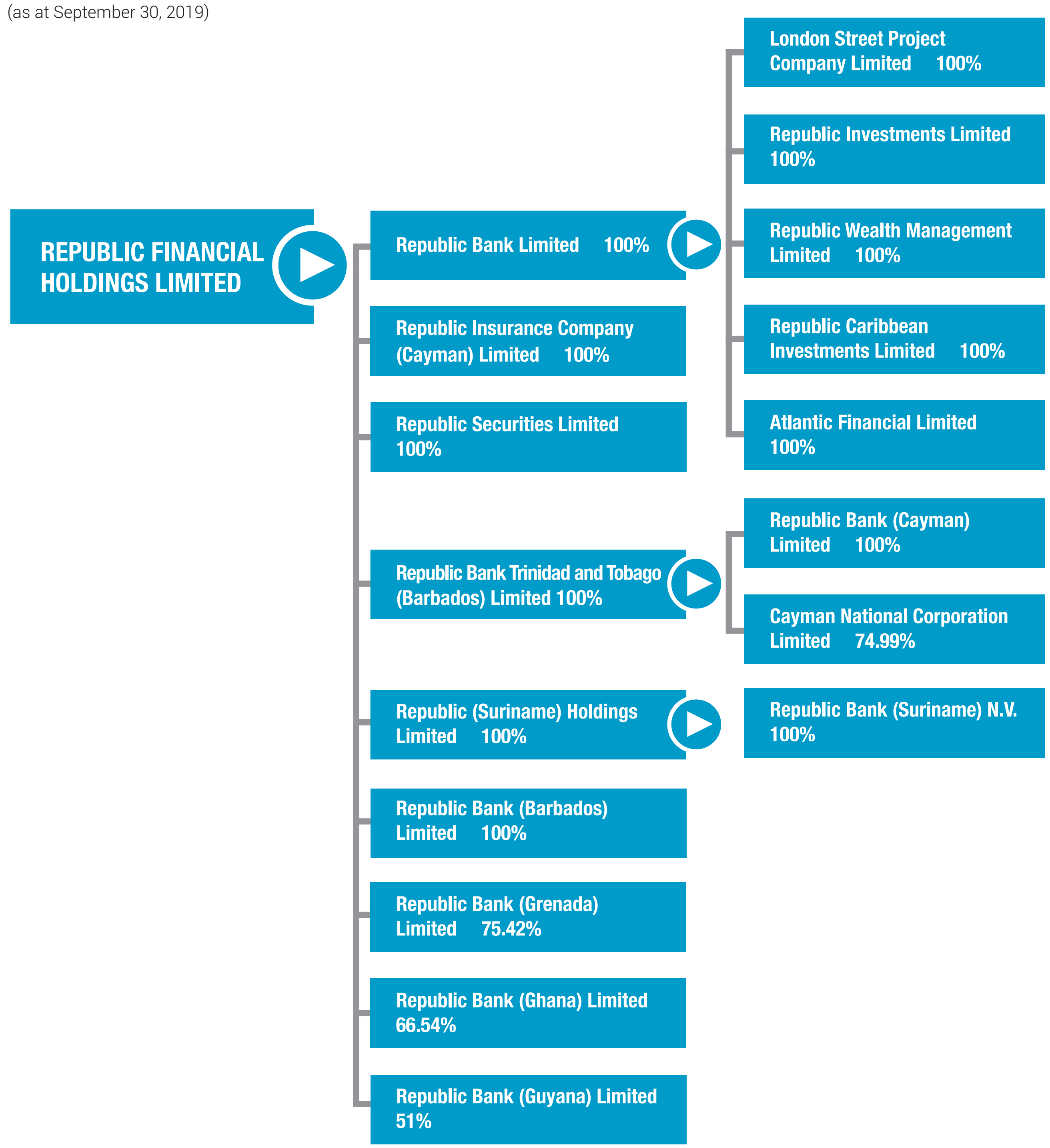
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION

Republic Financial Holdings Limited is the financial holding company and Parent of all the banks in the Group, i.e. Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Ghana) Limited (formerly HFC Bank (Ghana), Republic Bank (Suriname) N.V, Republic Bank (Cayman) Limited and Cayman National Corporation Limited. Republic Financial Holdings Limited is also the Parent of the other companies shown in the chart below.

REPUBLIC FINANCIAL HOLDINGS ORGANISATION CHART

(as at September 30, 2019)



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Republic Financial Holdings Limited ("the Board") continues to be committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update as necessary our internal systems in order to ensure standards reflect best international practice tailored to the specific needs of the members of the Group. In this regard Republic Financial Holdings Limited has adopted the Trinidad and Tobago Corporate Governance Code on the 'apply or explain basis.'

OBJECTIVES

The role of the Board is to provide leadership, enterprise, integrity and good judgment in guiding the Group to achieve growth and deliver long term sustainable shareholder value. The Board sets the strategic objectives for the Group and provides oversight and control. Implementation of the strategy is delegated to management under the leadership of the President of Republic Financial Holdings Limited.

Entrepreneurial leadership is encouraged within a framework of prudent and effective controls that enable risk to be assessed and managed. Short term objectives are balanced carefully against the necessity of achieving long term growth.

The Board acts in the best interests of the Group and its stakeholders, guided by a philosophy that is based on good governance, transparency, accountability and responsibility. The Group's Core Values of: Customer Focus, Integrity, Respect for the Individual, Professionalism, and Results Orientation are set by the Board to ensure that the Group's obligations to its shareholders, employees, customers and the societies it serves, are met. Integrity and trust are the cornerstones of the business of banking and finance and the Board manages the Group and makes decisions that uphold these ideals at all times.

The Board recognises that it is the quality of its staff that differentiates it from its competitors, and creates value for its customers and investors. The Board is responsible for ensuring that its management and staff do things in the right way by setting the required tone from the top, by living the Republic culture and upholding the Core Values in everything that it does and ensuring they are reflected in the decisions the Board makes. The Board holds the Group Executive Management to account for and uphold these Core Values thereby creating a culture in which doing the right thing is integral to the way Republic Financial Holdings Limited operates, globally. The Group's Ethics and Operating Principles confirm the commitment of the Board to strive for the highest standards of conduct within the Group.

RESPONSIBILITIES

The Group has 10 principles of corporate governance that summarise the objectives of the Board and provide a framework for the manner in which it functions and discharges its responsibilities:-

Principles

1 Lay solid foundation for management and oversight
2 Structure the Board to add value
3 Promote ethical and responsible decision making
4 Safeguard integrity in financial reporting
5 Make timely and balanced disclosure
6 Respect the rights of shareholders
7 Recognise and manage risk
8 Encourage enhanced performance
9 Remunerate fairly and responsibly
10 Recognise the legitimate interests of stakeholders

Within the scope of these Principles the responsibility of the Board of Directors is further refined to include the following duties:-

- Setting the strategic aims and reviewing and approving corporate strategy
- Selecting, compensating and monitoring, and where necessary, replacing key executives and overseeing succession planning
- Ensuring the Group has the appropriate organisational structure in place to achieve its objectives
- Approval of an overall risk appetite framework for the Group reviewing and approving systems of risk management and internal compliance and control and legal compliance
- Monitoring the effectiveness of corporate governance practices and updating organisational rules and policies in step with industry changes
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures
- Ensuring the integrity of accounting, financial and non-financial reporting
- Establishing Values for the Group and approving of Codes of Conduct and Ethics

The Board is committed to facilitating the ownership rights of all shareholders, including minority shareholders and institutional investors. Provision is made for shareholders to have the opportunity to engage with the Group and participate effectively in Annual and Special Meetings through the provision of proxies. External Auditors and members of Senior Management and the Board are available at meetings with shareholders to respond to shareholder questions.

The Group's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner which is precise and tangible both to the Board and Management. In turn these performance expectations and business plans are disseminated to each subsidiary. The Group's affairs are subject to comprehensive assessment against accurate and relevant information, both financial and non-financial as appropriate, obtainable not only from the Group's internal reporting systems but from external sources as well, so that informed assessment can be made of issues facing the Board.

The Board of Directors complies with the Model Code for Securities Transaction by Insiders of Listed Companies issued by the Trinidad and Tobago Stock Exchange Limited. Strict guidelines are provided by the Group for the occasions when it may be perceived that Directors and Officers have special knowledge, and dealing in the entity's shares during these occasions is prohibited. The purchase or sale of shares by an insider requires the prior consent of the Corporate Secretary, and transactions are tabled for the information of the Board of Directors. All Directors are routinely reminded of their obligations under the Code for Dealing in The Republic Financial Holdings Limited Group securities.

The Board also has a disclosure policy designed to provide for accurate, timely and balanced disclosure of all material matters concerning the Group.

COMPOSITION

The Board shall comprise a maximum of 15 Directors, of which no more than two shall be Executive Directors. The Chairman shall be a Non-Executive Director. There shall be a Senior Non-Executive Director to be known as the Senior Independent Director.

The majority of the Directors shall be independent. It shall be for the Board to review the criteria to be considered in determining whether a Director is independent, both in character and judgment. The Board may take into account any direct or indirect relationship that a Director has within the Group that may be likely to interfere with the exercise of independent, unbiased judgment.

This balance between independent Non-Executive Directors and Executive Directors throughout the Group ensures that the Board as well as other subsidiary boards are able to exercise independent judgment with sufficient management information to enable proper and objective assessment of issues facing the Group.

The Board considers certain core characteristics important in any nominee for Director. They must: (i) be individuals of the highest character and integrity, (ii) demonstrate a breadth and depth of management and/or leadership experience, preferably in a senior leadership role in a large or recognised organisation or governmental entity; (iii) possess financial literacy or other professional or business experience relevant to an understanding of the Group and its business; and (iv) have a demonstrated ability to think and act independently as well as the ability to work constructively in a collegial environment. In identifying nominees for the position of Director, the Governance and Nomination Committee shall determine whether an individual meets the characteristics approved by the Board, assess any gaps identified in a skills matrix and also consider the current composition of the Board in light of the diverse communities and geographies served by the Group.

The Board considers that the quality, skills and experience of its Directors enhances the Board's effectiveness, and the core set of skills and experience identified effectively provide the Group with appropriate leadership and guidance, necessary to tackle the risks and opportunities facing the Group.

The Non-Executive Directors on this board as well as on the subsidiary boards reflect a diverse cross-section of the professional and business community and are highly respected, independent individuals with significant experience in their respective fields. It is also critical that all Directors have sufficient time available to devote to the performance of their duties.

Non-Executive Directors, including the Chairman, shall not participate in performance-based incentive plans; their remuneration consists solely of cash. Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Executive Directors are not paid fees in respect of their Board or Committee membership.

The Board of Directors shall meet at least quarterly, while Special Board Meetings shall be called as the need arises.

INDEPENDENT ADVICE

The Board shall have access to the best possible banking, management and financial advice during its deliberations and in that regard the Board has access to the advice of the Group General Counsel/Corporate Secretary, as well as External Counsel. In addition, the Board of Directors may appoint or retain any other professional advisors it considers appropriate.

DELEGATED AUTHORITY

The Board is the principal decision making forum for decisions that impact the Group. The Board of Directors has delegated the

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

responsibility for the operational and day to day activities in relation to the Group's business to the President of Republic Financial Holdings Limited. Explicit authorities and responsibilities of the President are documented and approved by the Board of Directors. Further, formal structures of delegated authority exist for all the operating subsidiary Boards and their Managing Directors. Matters not specifically delegated are reserved to the Board.

The Board of Directors has also delegated authority to the following Board Committees:-

- Audit Committee
- Enterprise Risk Committee
- Governance and Nomination Committee

DIRECTOR TENURE

A Non-Executive Director shall retire from the Board after serving for a maximum of 15 years or on becoming 70 years of age whichever first occurs. However, the Board may in its discretion consider the exigencies of a particular situation. An Executive Director shall retire in accordance with the Bank's usual retirement policy.

Republic Financial Holdings Limited scheduled seven meetings within the period October 2018 to September 2019:-

	Board – 5 Meetings Special Board – 2 Meetings	
Directors	**Attendance**	**Eligible to Attend**
Shazan Ali	6	7
Michal Andrews *(appointed December 17, 2018)*	3	4
Nigel M. Baptiste	6	7
Ian Benjamin	7	7
Dawn Callender	6	7
Terrence Farrell	6	7
Ronald F. deC. Harford	7	7
Alison Lewis	7	7
William P. Lucie-Smith	6	7
Robert Riley	3	7
Waltnel Sosa *(appointed December 17, 2018)*	3	4
Kristine Thompson	7	7
Gregory Thomson	7	7

AUDIT COMMITTEE

This Committee meets quarterly to review the Group's financial statements, the system of internal control throughout the Group, management of financial risks, the Group audit process, the Group's process for monitoring compliance with laws and regulations and its own code of business. Four meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
William P. Lucie-Smith– *Chairman*	4
Michal Andrews *(appointed January 30, 2019)*	2
Dawn Callender	4
Ronald F. deC. Harford	4
Robert Riley	3
Gregory Thomson	4

ENTERPRISE RISK COMMITTEE

This Committee is responsible for providing oversight and advice to the Board on risk management in Republic Financial Holdings Limited and its subsidiaries and affiliates. This sub-committee considers and recommends for approval by the Board the Group's enterprise risk management policy, risk appetite statement, tolerance, limits and mandates taking into account the Group's capital adequacy and the external risk environment. It has oversight of strategic or material transactions including acquisitions or disposals, focusing on risk and implications for the risk appetite and tolerance of the Group. Five meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
Terrence Farrell – *Chairman*	5
Nigel M. Baptiste	5
Dawn Callender	5
William Lucie-Smith	5
Waltnel Sosa *(appointed January 30, 2019)*	3
Gregory I. Thomson	5

GOVERNANCE AND NOMINATION COMMITTEE

This Committee is responsible for establishing formal and transparent procedures for the selection of Executive and Non-Executive Directors, reviewing the Group's Management Succession Plan, developing and implementing processes to assess and improve Board and Committee effectiveness, and addressing issues which from time to time may emerge, having implications for the good governance within the Group and meets as the need arises. This Committee is also responsible for reviewing the remuneration, performance and incentive rewards of Senior Executives to ensure that the remuneration framework is relevant and balanced. Three meetings were held for the fiscal year.

The Committee comprises:-

Directors	Attendance
Ronald F. deC. Harford – *Chairman*	3
Shazan Ali	3
Ian Benjamin	3
Terrence Farrell	3
Kristine Thompson	3

At this Annual Meeting William Lucie-Smith and Shazan Ali, retire from the Board by rotation and being eligible, offer themselves for re-election for a term expiring at the close of the first and second annual meeting respectively. Kristine Thompson and Waltnel Sosa also retire from the Board by rotation and being eligible, offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment. The Board recommends that all the nominees be re-elected. Mrs Michal Andrews retires from the Board and therefore does not present herself for re-election.

DIRECTOR TRAINING AND EVALUATION

The international environment and legislative and regulatory demands are becoming increasingly complex and challenging, causing us to constantly review our systems and make use of technology to ensure that compliance is robust with minimal negative impact on our legitimate customers. In this context, the Group recognises its responsibility to continue to source training programmes for Directors that will enhance Directors' knowledge and improve effectiveness.

Each new Director participates in an orientation of the Group. This orientation includes presentations by Senior Management on the Group's strategic plans, its significant financial, accounting and risk management policies and issues, its compliance programs, and other matters of importance to the Group.

In May 2019, the Board received its annual Anti-Money Laundering training conducted by Calvin Wilson, LLM, of Calvin Wilson and Associates. The Board also benefitted from insights on the Role of the Board of Directors in Enterprise Risk Management with focus on Integrating Risk Management into Strategy, presented by Norman Marks in September 2019. As customary, the Directors were also exposed to the annual Health and Safety training inhouse. Externally, the Directors participated in the Distinguished Leadership and Innovation Conference 2019 hosted by the Arthur Lok Jack Global School of Business. Josh Linkner presented the feature topic, 'Reinvest Leadership through Entrepreneurship'.

During this fiscal, an independent evaluation of the Board and subsidiary Boards was spearheaded by Pricewaterhouse Coopers. This independent evaluation included reviews of the various terms of reference, charters and guides as well as independent interviews with each Director and a Director self-evaluation.

ENTERPRISE RISK MANAGEMENT

Republic Financial Holdings Limited is committed to maintaining a robust enterprise risk management framework to ensure that it understands and monitors its risk environment and takes proactive measures to manage risk within acceptable levels consistent with its risk appetite. To this end, Republic Financial Holdings Limited has defined its risk management goals and objectives and supporting principles to effectively embed risk management throughout the Group into its strategic decisions and day-to-day business activities.

The Board has overall accountability for the Group's enterprise risk profile. They approve and enforce the risk management framework, inclusive of the overall risk appetite and the Group's philosophy on risk taking.

The Group Chief Risk Officer (CRO) has been appointed with responsibility for ensuring consistent application of the risk management framework across the group and monitoring how effectively risk is being managed. The CRO reports to the Enterprise Risk Committee of the Board.

INTERNAL AUDIT

The Chief Internal Auditor provides an independent review of the Group's operations and validates that controls are working effectively. Under the leadership of the Chief Internal Auditor a professional cadre of Internal Auditors conducts periodic audits of all aspects of the Group's operations. External Auditors have full and free access to the Chairman of the Audit Committee, and meet periodically with the Audit Committee to discuss the audit and findings as to the integrity of the Group's accounting and financial reporting. Internal Audit provides the Board/Audit Committee with independent assurance on the adequacy of the system of internal controls within the Group.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

FINANCIAL REPORTING REQUIREMENTS

The Board of Directors of Republic Financial Holdings Limited is responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards and present a true and fair view of the financial affairs of Republic Financial Holdings Limited and the subsidiaries within the Group on a consolidated and individual basis. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors.

Responsibilities include:-

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors have always recognised the importance of the Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Group. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Group.

Signed on behalf of the Board

RONALD F. deC. HARFORD
Chairman

September 30, 2019

CORPORATE SOCIAL RESPONSIBILITY

Supporting those who need it to reach their true potential, empowering them to seek new horizons, helping them realise a better vision for themselves – this is our **Power To Make A Difference** programme.

THE POWER TO LEARN

LEARN

We empower those in need with the know-how to make a better quality of life

THE POWER TO CARE

CARE

We champion those in need to keep them steady in every area of their lives

THE POWER TO MAKE A DIFFERENCE

CREATING ALTERNATIVE FUTURES

The Power to Learn. The Power to Care. The Power to Help. The Power to Succeed.

Across many borders and within many diverse communities in the Caribbean, South America and Ghana, these words have stood out as the very pillars of the Power to Make A Difference Programme, as it helps individuals and groups create alternative futures.

As the calls for stronger, more resilient, caring, and compassionate societies continue to gather voice, and social investment initiatives become more of the norm than the exception, so too must the Power to Make A Difference evolve. The programme has taken firm footing in communities and in the hearts and minds of many who, through teamwork, dedication, and ingenuity, strive to address the problems we face today.

The Programme, which has adopted varying approaches in different markets, represents a steadfast promise, made together with Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs), to promote sustainable development through partnerships that stand the test of time and sponsorships that have a definite impact.

Over the course of fifteen years, the Power to Make A Difference has become more than a flagship social investment programme. It is a covenant, an ongoing and heavily subscribed commitment to continue investing in the wellbeing and the futures of many.

This commitment has become the "why" of the Power to Make A Difference – why it exists and why the teamwork must continue towards its eventual success.

With a new phase on the horizon, and a new leg of the Group's journey underway, the past year's projects and partnerships provided both impetus and confirmation in the pursuit of safeguarding alternative futures for many. The inspiring stories of success and acts of kindness resulting from this commitment have engendered the hope of forging even greater partnerships and alignment as, together, we continue to build more sustainable and successful societies.

THE POWER TO LEARN

With the focus attuned to instilling a greater sense of urgency and responsibility within today's young achievers, the Power to Learn places a high premium on youth development through education and literacy.

In Trinidad and Tobago, new chapters were added to a growing history of partnership with the Butler Institute of Learning and Labour, the Cotton Tree Foundation, Africa Film Trinidad & Tobago, In Full Flight! with Don LaFoucade, the Loveuntil Foundation, the Restore a Sense of I Can (RSC) – a programme that supports tech clubs in schools, the University of the West Indies North Campus Project, and the School Leadership Center of Trinidad and Tobago programme: "Leading for Literacy Now!"

The pursuit of youth development through education brought to bear sustained support of the Republic Bank Bursary Programme and the T.A. Marryshow Community College (TAMCC) Award for Overall Academic Excellence in Grenada. Adding to that already rich history of community investment, collaboration with the Parent Teachers Association of Wesley College to renovate the school's Resource Centre, made it much easier for the students (who come mainly from low-income households) to learn. Going a step further, partnership with the National Disaster Management Agency (NADMA) on a Disaster Awareness Quiz for primary schools meant that hundreds of young achievers had increased awareness on climate change, hurricanes, earthquakes and other natural phenomena.

Similarly, Guyana persevered in building on a longstanding relationship with the University of Guyana through support for a number of their initiatives, including their well-received scholarship programme. The Republic Bank Youth Link Apprenticeship Programme, which commemorated its eleventh year in Guyana, further signaled to the nation the continuation of the Power to Make A Difference programme doing more to prepare young achievers for and beyond the academic halls. All Youth Link graduates received the Caribbean Vocational Qualification (CVQ) from the Caribbean Association of National Training Agencies (CANTA) in Banking Operations Level One. With this qualification, they will be eligible for jobs within the CARICOM region, further increasing their vocational and career opportunities.

In Ghana, support of the Marshallan Community Reading Project, under the auspices of the Noble Order of Knights and Ladies of Marshall, a Catholic friendly society founded in 1926, encouraged more than 500 students within the community to explore new worlds through reading.

Suriname, in turn, built upon an ongoing history of sustainability through collaboration with Foundation Unu Pikin, (Our Children), to furnish three primary school libraries in communities located within the nation's interior (Bigi Poika, Redi Doti and Moengo). Foundation Unu Pikin, which operates as a sheltered workplace

THE POWER TO HELP

HELP

We help shape the future for those who are following a course to their dreams

THE POWER TO SUCCEED

SUCCEED

We work together with those who want success, inspiring them to achieve their goals and lead others to do the same

THE POWER TO MAKE A DIFFERENCE

for people with disabilities, also works on improving the children's educational environment.

THE POWER TO CARE

The Power to Care transforms that basic compassion within us into deeds that make the world of difference for others in need. One of the most fundamental aspects of the Power to Make A Difference, this pillar focusses on the Group's investment in programmes that champion the standards of living and the rights for the socially marginalised, people with disabilities, the ailing and the elderly – our very brothers and sisters whom we have promised to protect.

In Trinidad and Tobago, longstanding alliances were strengthened with Horses Helping Humans and the Trinidad and Tobago Cancer Society in the continuation of ongoing efforts that assist children with autism and raise cancer awareness and funding, respectively.

Partnerships with the SickKids Foundation continued to grow from strength to strength in both Trinidad and Tobago and Barbados as the programmes once again focussed on specialised training of nurses and on ensuring the health and wellbeing of children in the fight against congenital diseases.

Collaboration with the Grenada Cancer Society paved the way for the launch of a Mobile Cancer Screening Unit designed to favourably tip the scales in the fight to raise awareness and save lives through education and early detection. The Unit will travel around the nation affording potentially life-saving screening to many. In a similar vein of outreach, support of the Grenada Down Syndrome Association's annual awareness-raising programme and the launch of a community-building initiative with the General Hospital created new avenues to engage and serve people in the spirt of kinship. The General Hospital community-building initiative gifted four new mothers, who gave birth on New Year's Day 2019, with hampers and RightStart Savings Accounts,

In Barbados, through support of a new initiative called Jabez House, powerful alliances were formed in the cause to stem the commercial exploitation of women, and in the process, more was done to empower women by giving hope and facilitating a sustainable transition to the workforce. In addition to skills training, Jabez House also provides psychosocial support, access to medical care, food, clothing, and, in some cases, housing.

Similarly, in Guyana, continued support for Women Across Differences (WAD) meant that even more young women and girls in the nation would benefit from comprehensive empowerment programmes for adolescent mothers. In so doing, they will continue to make giant strides in becoming proud and emboldened advocates for sexual reproductive health, family planning education, self-development training and vocational skills building.

Continued partnership with 's Lands Hospital in Suriname meant that the institution, the oldest hospital in the country and one renowned for its prenatal and maternal care, would maintain its status in providing safe and affordable healthcare and in reducing maternal and infant morbidity. Through the Power to Make A Difference, eight new hospital beds and patient monitoring machines were acquired and much needed maintenance work carried out to keep the facility attractive and in good condition.

The Power to Care was further championed in Ghana through projects that included: the construction of an ultra-modern school block for the Berase Community, creating a new horticultural landscape for the J.B. Danquah Avenue at the University of Ghana, and supporting the National Partnership for Children's Trust to assist brilliant but socially marginalised children in the pursuit of education. Additionally, that momentum was augmented through a joint project between the Madina Branch staff and the Echoing Hills Orphanage to provide much needed food and toiletries to the institution's charges, many of whom have developmental disabilities and special needs. Also, through a new partnership with the New Juaben South Municipal Assembly, a clean-up exercise in the Central Business District of Koforidua was successfully carried out.

THE POWER TO HELP

The Power to Help is embodied most in the Group's support programmes that show tremendous promise in assisting persons in need by giving both opportunity and hope, and illustrating the basic understanding that there are those who can and are willing to help. At its very heart, the Power to Help is championed through Group-wide staff volunteerism efforts in addition to outreach programmes that reflect the Group's approach to doing even more than investing financial resources.

In Trinidad and Tobago, an ongoing partnership with the Adult Literacy Tutors Association (ALTA) on their programme to promote greater adult literacy meant greater outreach to and tutoring of many grownups who would have either been too embarrassed or too afraid to learn on their own.

Likewise, sponsorship of the Five-Year Development Plan for Awutu Winton Senior High School in Ghana proved fundamental in offsetting the cost of constructing a centre of excellence, which while accommodating the fast growing community, will

THE POWER TO MAKE A DIFFERENCE

be especially beneficial to the students in need at the Awutu Community.

In Suriname, this strategy of building centres of excellence took on a new approach through a unique restoration project with the Paramaribo Zoo. A much beloved community and national staple, the Zoo averages 13,000 visitors annually but remains in dire need of an upgrade to the playground area. Through the Power to Make a Difference, the Zoo will be well on its way to recapturing its former glory as a place of beauty, wonderment, and fun for all.

Just across the way, in Guyana, the fight to raise greater awareness for those with autism and their families stepped into a higher gear with the continued support of the annual Autism Awareness Walk in partnership with the Step by Step Foundation, under the patronage of the First Lady of Guyana, Mrs. Sandra Granger. Additionally, with community development and environmental preservation at the fore, the pursuit continued in earnest of the ongoing maintenance of a beloved national treasure, the Promenade Gardens.

Grenada developed longstanding relationships in the pursuit of helping others through support of the National Learn-to-Swim Week, the Carriacou Regatta Festival, the Carriacou Maroon Festival, the Spice Island Billfish Tournament, and the Grenada Sailing Festival Workboat Regatta – initiatives that all furthered the Bank's investment in community development. New to the slate is the St. Patrick's Church Dormitory restoration project in Hillsborough, Carriacou. The building, once completed will serve as a safe space for young achievers to learn, play, and grow, as well as provide the community with a much-needed space for fun and engaging activities.

In Barbados, support of Transplant Links Community, now in its fifth year, gained momentum as a means of facilitating hands-on training, as well as surgical assistance (in situ), in kidney transplantation for surgeons, doctors and nurses in developing nations. This transfer of knowledge has made the difference in saving the lives of children and adults afflicted with life-threatening, end stage kidney disease. To date, several doctors and nurses have been trained in Barbados and eight patients have benefited from successful surgeries thus far. Over time, the numbers of those trained will rise and, with hope, so too will the number of lives saved.

THE POWER TO SUCCEED

The focus on youth empowerment through cultural development, art and sport starts with giving young achievers the encouragement to explore and pursue these avenues to the fullest. In seeking new ways to inspire young hearts and minds, across the Group, initiatives – both longstanding and new – continue to motivate young dreamers to lead the way.

In Trinidad and Tobago, a steady course of sustainable support continued to be pursued through ongoing partnerships with: the Sanatan Dharma Maha Sabha (SDMS) Baal Vikaas Vihaar (children's cultural festival), the Emancipation Support Committee National African History Quiz and Spoken Word Competition, the Republic Bank Junior Parade of the Bands, the National Carnival Bands Association (NCBA) Mas Academy, the Republic Bank Love Movement Youth Outreach, Zebapique Productions (a Carnival band and mas-making organisation for the Laventille communities) and the Republic Bank Pan Minors Music Literacy Programme.

Going a step further, through sponsorship of the Republic Bank Exodus Steel Orchestra, a longstanding cultural, musical, and national icon; Monlo Music (with well-renowned local musician Etienne Charles); and the widely-successful 14th Annual Caribbean Festival of the Arts (Carifesta XIV), the way continued to be paved for an even more substantive and inclusionary investment in national and regional cultural development.

Both Grenada and Guyana have continued to pursue longstanding relationships with the steel pan communities through sponsorship of the Republic Bank Angel Harps Steel Orchestra and the Republic Bank Mashramani Panorama Steel Band Competition, respectively. In that vein, in Barbados, ongoing investment in the annual Grand Kadooment made a significant difference in the nation's plans to sustainably develop and revitalise a cherished staple of their cultural calendar. The most recent investment led to an extension of the 2019 Carnival parade route, giving reveler and onlooker, national and visitor alike, an even greater opportunity to see and be a part of the mas.

In sport, both longstanding and new youth empowerment initiatives continue to gather momentum in Trinidad and Tobago, including the Republic Cup National Youth Football League, the Republic Bank Caribbean Junior Golf Open Championship (Trinidad), the Republic Bank Jane Young Tobago Junior Golf Programme, the Republic Bank RightStart Laventille Netball League Tournament, the National Secondary School Water Polo League, and the Sea to Sea Marathon.

During the period, new ground was also broken with partnerships with Rodney's Revolution/CrossFit and the National Association of Athletics Administration of Trinidad and Tobago. Additionally, sponsorships of sports Brand Ambassadors, Olympic aspirants – Khalifa St. Fort, Andrew Lewis, Chennise Charles and Jereem Richards, further indicated the desire to develop the current level of athletic prowess while simultaneously encouraging future athletes to dream big and work hard.

In Grenada, the drive to empower youth through sport was exemplified with the Republic Bank RightStart Cup Youth Football Tournament and the Republic Bank RightStart/GCA Under-19 Inter-parish Cricket Tournament; meaning that, once again, the nation's young athletes were given a chance to showcase their skills before audiences of thousands.

A second year of support for the Barbados Golf Club – Junior Golphers Program continued to bring golfers 12 years and under, and local instructors together to help elevate their game to the next level. With fun and proper technique as the main drivers, juniors are trained from their very first swing to first tournament, all the while building a slate of memorable experiences and training that will last a lifetime.

In Ghana, the Power to Succeed took even greater shape with support of the Ghana Education Service (GES) BIA EAST District Teacher Prize, which recognised some of the District's most dedicated and innovative educators. New ground was similarly broken through support of the Ghana Olympics Committee's first entry into the African Beach Games in Sal, Cape Verde, representing the next progression of a relationship that spans decades.

CREATING ALTERNATIVE FUTURES

Closely aligned with our partners in the pursuit of a brighter, more sustainable future, the Republic Bank Group will continue to promote advocacy and teamwork as the primary means to help communities achieve their goals. With every partnership, every commitment to wisely invest financial and human resources towards sustainable development, comes a similar promise to work together to inspire even more partners to follow suit and to fully embrace the responsibility that comes with helping build strong communities and creating alternative futures.

Even as the landscapes around us change, the aim, as we work with our partners – new, long-time and future – remains the same; to use **the Power to Learn, the Power to Care, the Power to Help,** and **the Power to Succeed** to make a difference that truly matters.

FINANCIAL STATEMENTS

Anchored to the strength of our resources, we have one goal in mind: to deliver a profitable outlook for every customer and stakeholder.

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EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Republic Financial Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Allowance for Expected Credit Losses (ECLs)	
Refer to Notes 2.6g, 4d, 5c, 19 and 21.2. IFRS 9: Financial Instruments requires the Group to record an allowance for Expected Credit Losses (ECLs) for all advances and other financial assets not held at fair value through profit and loss (FVPL), together with loan commitments and financial guarantee contracts. Advances (loans) and other financial assets held at amortised cost comprise 94% of the Group's total assets. The estimation of ECLs on financial assets is inherently uncertain and is subject to significant judgment. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying overlays to these outputs, which adjusts the ECLs.	We assessed and tested the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and evaluated its compliance with the requirements of IFRS 9. We reviewed the completeness and accuracy of data from underlying systems through to the models used to determine the ECLs. We considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures At Default (EADs) against asset subledgers and amortisation schedules. Where PDs and LGDs were based on assigned global credit ratings, we independently tested to the source data. We tested the aging of the portfolios and performed an independent assessment for a sample of commercial facilities to assess the accuracy and timely assignment of risk ratings in compliance with Management's policy, both of which are inputs in the staging of the portfolios. We concluded on the accuracy of the staging applied against the methodologies, and assessed the reasonableness of all assumptions and overlays used to determine whether the Group appropriately reflected additional risks where identified.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Allowance for Expected Credit Losses (ECLs) (continued)	
Key areas of judgment included: - the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models; - the application of assumptions where there was limited or incomplete data; - the identification of exposures with a significant deterioration in credit quality; - assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security; and - the need to apply overlays, the quantification of which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model. These factors, individually and collectively, result in a higher judgmental risk and thus are considered a significant matter in the context of the consolidated financial statements.	We also ensured that the definition of a significant deterioration in credit risk and staging adopted by the Group was in compliance with IFRS 9. For ECLs calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default. We utilised our EY valuation specialists to assess the appropriateness of the models and assumptions used by the Group, including monitoring/validation, model governance and its mathematical accuracy. Finally we assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
Refer to Note 8. The Group has goodwill of $730 million. Goodwill impairment assessment is very subjective as it requires the use of projected financial information and assumptions. Under IAS 36: Impairment of Assets, goodwill needs to be tested for impairment annually. The purpose of the impairment review is to ensure that goodwill is not carried at an amount greater than its recoverable amount. The recoverable amount is compared with the carrying value of the asset to determine if the asset is impaired. Recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU); the underlying concept being that an asset should not be carried at more than the amount it could raise, either from selling it now or from using it.	We evaluated and tested the Group's process for goodwill impairment assessment. We involved our EY valuation specialists to assist us in the review of the assumptions, cash flows and discount rate used to ensure that they are reasonable. We also assessed whether appropriate and complete disclosures have been included in the consolidated financial statements consistent with the requirements of IAS 36.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2019 Annual Report
Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

The engagement partner in charge of the audit resulting in this independent auditor's report is Pria Narinesingh.

EY

Port of Spain
TRINIDAD:
November 6, 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2019	2018
ASSETS			
Cash and cash equivalents		**1,742,788**	816,620
Statutory deposits with Central Banks		**7,200,336**	6,688,554
Due from banks		**8,751,576**	4,538,274
Treasury Bills		**3,284,410**	4,438,251
Advances	4	**44,630,109**	36,558,137
Investment securities	5	**16,576,059**	12,478,559
Investment interest receivable		**194,230**	155,439
Investment in associated companies	6	**52,600**	83,350
Premises and equipment	7	**2,874,572**	2,481,421
Intangible assets	8	**872,913**	393,966
Pension assets	9	**630,325**	821,672
Deferred tax assets	10 a	**180,390**	591,206
Taxation recoverable		**58,020**	52,204
Other assets	11	**435,560**	367,967
TOTAL ASSETS		**87,483,888**	**70,465,620**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**1,396,171**	180,818
Customers' current, savings and deposit accounts	12	**65,023,102**	52,656,548
Other fund raising instruments	13	**5,536,089**	4,718,537
Debt securities in issue	14	**2,122,274**	293,888
Pension liability	9	**56,865**	77,206
Provision for post-retirement medical benefits	9	**68,746**	520,324
Taxation payable		**190,029**	177,839
Deferred tax liabilities	10 b	**258,149**	331,769
Accrued interest payable		**116,977**	87,020
Other liabilities	15	**1,483,726**	1,323,889
TOTAL LIABILITIES		**76,252,128**	**60,367,838**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2019	2018
EQUITY			
Stated capital	16	**803,064**	790,102
Statutory reserves		**1,346,858**	1,277,372
Other reserves	17	**15,131**	(45,599)
Retained earnings		**8,103,694**	7,466,323
Attributable to equity holders of the parent		**10,268,747**	9,488,198
Non-controlling interests		**963,013**	609,584
TOTAL EQUITY		**11,231,760**	**10,097,782**
TOTAL LIABILITIES AND EQUITY		**87,483,888**	**70,465,620**

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

These consolidated financial statements were approved by the Board of Directors on November 6, 2019 and signed on its behalf by:

RONALD F. deC. HARFORD	**NIGEL M. BAPTISTE**	**WILLIAM P. LUCIE-SMITH**	**KIMBERLY ERRIAH-ALI**
Chairman	President	Director	Corporate Secretary

CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

	Notes	2019	2018
Interest income	18 a	**4,429,111**	3,880,506
Interest expense	18 b	**(614,750)**	(465,485)
Net interest income		**3,814,361**	3,415,021
Other income	18 c	**2,017,836**	1,372,302
		5,832,197	4,787,323
Operating expenses	18 d	**(2,941,806)**	(2,571,370)
Share of profit of associated companies	6	**5,980**	7,567
Operating profit		**2,896,371**	2,223,520
Credit loss expense on financial assets	19	**(226,176)**	(301,532)
Net profit before taxation		**2,670,195**	1,921,988
Taxation expense	20	**(954,542)**	(527,075)
Net profit after taxation		**1,715,653**	**1,394,913**
Attributable to:			
Equity holders of the parent		**1,581,124**	1,322,850
Non-controlling interests		**134,529**	72,063
		1,715,653	**1,394,913**
Earnings per share (expressed in $ per share)			
Basic		**$9.75**	$8.17
Diluted		**$9.73**	$8.16
Weighted average number of shares ('000)			
Basic	16	**162,156**	161,980
Diluted	16	**162,430**	162,076

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2019	2018
Net profit after taxation	**1,715,653**	**1,394,913**
Other comprehensive income:		
Other comprehensive loss (net of tax) that will be reclassified to the consolidated statement of income in subsequent periods:		
Translation adjustments	**(54,678)**	(58,092)
Total items that will be reclassified to the consolidated statement of income in subsequent periods	**(54,678)**	**(58,092)**
Other comprehensive loss (net of tax) that will not be reclassified to the consolidated statement of income in subsequent periods:		
Remeasurement losses on defined benefit plans	**(80,887)**	(107,222)
Income tax related to above	**(5,861)**	40,700
Total items that will not be reclassified to the consolidated statement of income in subsequent periods	**(86,748)**	**(66,522)**
Other comprehensive loss for the year, net of tax	**(141,426)**	**(124,614)**
Total comprehensive income for the year, net of tax	**1,574,227**	**1,270,299**
Attributable to:		
Equity holders of the parent	**1,451,151**	1,213,357
Non-controlling interests	**123,076**	56,942
	1,574,227	**1,270,299**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 17)	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at October 1, 2017 as previously reported	**780,950**	**1,243,151**	**881,832**	**6,779,447**	**9,685,380**	**460,625**	**10,146,005**
Net impact of adopting IFRS 9	–	–	(911,537)	182,776	(728,761)	(10,753)	**(739,514)**
Restated opening balance under IFRS 9	**780,950**	**1,243,151**	**(29,705)**	**6,962,223**	**8,956,619**	**449,872**	**9,406,491**
Total comprehensive income for the year	–	–	(42,953)	1,256,310	1,213,357	56,942	**1,270,299**
Issue of shares	7,762	–	–	–	7,762	–	**7,762**
Share-based payment	1,390	–	–	–	1,390	–	**1,390**
Shares purchased for profit sharing scheme	–	–	(32,141)	–	(32,141)	–	**(32,141)**
Allocation of shares	–	–	59,200	–	59,200	–	**59,200**
Transfer to statutory reserves	–	34,221	–	(34,221)	–	–	**–**
Non-controlling interests' share of rights issue	–	–	–	(1,332)	(1,332)	121,389	**120,057**
Dividends (Note 29)	–	–	–	(714,861)	(714,861)	–	**(714,861)**
Dividends paid to non-controlling interests	–	–	–	–	–	(19,178)	**(19,178)**
Share issuance costs	–	–	–	(8,494)	(8,494)	–	**(8,494)**
Other	–	–	–	6,698	6,698	559	**7,257**
Balance at September 30, 2018	**790,102**	**1,277,372**	**(45,599)**	**7,466,323**	**9,488,198**	**609,584**	**10,097,782**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 17)	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at September 30, 2018	**790,102**	**1,277,372**	**(45,599)**	**7,466,323**	**9,488,198**	**609,584**	**10,097,782**
Total comprehensive income for the year	–	–	(43,224)	1,494,375	1,451,151	123,076	**1,574,227**
Issue of shares	10,432	–	–	–	10,432	–	**10,432**
Share-based payment	2,530	–	–	–	2,530	–	**2,530**
Shares purchased for profit sharing scheme	–	–	(46,630)	–	(46,630)	–	**(46,630)**
Allocation of shares	–	–	59,153	–	59,153	–	**59,153**
Transfer to other reserves	–	–	91,431	(91,431)	–	–	**–**
Transfer to statutory reserves	–	69,486	–	(69,486)	–	–	**–**
Share of changes in equity	–	–	–	–	–	666	**666**
Acquisition of non-controlling interests	–	–	–	–	–	258,014	**258,014**
Dividends (Note 29)	–	–	–	(715,264)	(715,264)	–	**(715,264)**
Dividends paid to non-controlling interests	–	–	–	–	–	(28,327)	**(28,327)**
Other	–	–	–	19,177	19,177	–	**19,177**
Balance at September 30, 2019	**803,064**	**1,346,858**	**15,131**	**8,103,694**	**10,268,747**	**963,013**	**11,231,760**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2019	2018
Operating activities			
Net profit before taxation		2,670,195	1,921,988
Adjustments for:			
Depreciation	7	214,329	199,220
Credit loss expense on financial assets	19	226,176	301,532
Investment securities impairment expense		3,213	1,681
Amortisation of intangibles	8 b and c	12,304	11,483
Translation difference		93,872	46,384
Loss/(gain) on sale of premises and equipment		4,795	(7,464)
Realised gain on investment securities		(15,180)	(1,353)
Share of net profit of associated companies	6	(5,980)	(7,567)
Stock option expense	16	2,530	1,390
(Increase)/decrease in employee benefits		(361,103)	77,749
Increase in advances		(2,231,952)	(1,547,368)
Increase in customers' deposits and other fund raising instruments		3,255,226	2,751,105
Increase in statutory deposits with Central Banks		(511,783)	(1,170,947)
Increase in other assets and investment interest receivable		(3,587)	(24,863)
Increase/(decrease) in other liabilities and accrued interest payable		68,268	(49,748)
Taxes paid, net of refund		(621,248)	(663,616)
Cash provided by operating activities		**2,800,075**	**1,839,606**
Investing activities			
Purchase of investment securities		(8,412,624)	(14,979,444)
Redemption of investment securities		7,762,537	12,667,979
Acquisition of a subsidiary, net of cash acquired	33	809,700	–
Non-controlling interests' share of rights issue		–	122,744
Acquisition of additional interest in a subsidiary		–	(2,686)
Dividends from associated companies	6	3,129	3,353
Additions to premises and equipment	7	(368,272)	(353,830)
Proceeds from sale of premises and equipment		6,069	13,420
Cash used in investing activities		**(199,461)**	**(2,528,464)**
Financing activities			
Increase/(decrease) in balances due to other banks		1,215,354	(162,882)
Issuance/(repayment) of debt securities		1,828,386	(811,590)
Proceeds from share issue	16	10,432	7,762
Shares purchased for profit sharing scheme	17	(46,630)	(32,141)
Allocation of shares to profit sharing plan	17	59,153	59,200
Dividends paid to shareholders of the parent	29	(715,264)	(714,861)
Dividends paid to non-controlling shareholders of the subsidiaries		(28,327)	(19,178)
Cash provided by/(used in) financing activities		**2,323,104**	**(1,673,690)**

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2019	2018
Net increase/(decrease) in cash and cash equivalents		4,923,718	(2,362,548)
Net foreign exchange difference		(21,787)	(22,853)
Cash and cash equivalents at beginning of year		7,829,001	10,214,402
Cash and cash equivalents at end of year		**12,730,932**	**7,829,001**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		1,742,788	816,620
Due from banks		8,751,576	4,538,274
Treasury Bills – original maturities of three months or less		1,900,922	2,134,424
Bankers' acceptances – original maturities of three months or less		335,646	339,683
		12,730,932	**7,829,001**
Supplemental information:			
Interest received during the year		4,377,580	3,845,962
Interest paid during the year		(584,793)	(483,515)
Dividends received	18 c	722	686

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

1 CORPORATE INFORMATION

Republic Financial Holdings Limited (the 'Company' or 'RFHL'), the financial holding company for the Republic Group and the ultimate Parent of the Group, is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain. RFHL is listed on the Trinidad and Tobago Stock Exchange.

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities mainly in the Caribbean Community (CARICOM) region, Cayman Islands and Ghana. A full listing of the Group's subsidiary companies is detailed in Note 32 while associate companies are listed in Note 6.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied across the Group.

2.1 Basis of preparation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These consolidated financial statements have been prepared on a historical cost basis and at fair value through profit or loss. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in Note 3.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Republic Financial Holdings Limited and its subsidiaries as at September 30 each year. The financial statements of subsidiaries are prepared for the same reporting year as the Parent company using consistent accounting policies.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are all entities over which the Group has the power to direct the relevant activities, has exposure or rights to the variable returns and the ability to use its power to affect the returns of the investee, generally accompanying a shareholding of more than 50% of the voting rights.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases and any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Non-controlling interests represent interests in subsidiaries not held by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies

New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended September 30, 2018, except for the adoption of new standards and interpretations below.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)

The amendment deletes short-term exemptions in paragraphs E3–E7 of IFRS 1 because they have now served their intended purpose. The adoption and amendment to this standard had no impact on the Group.

IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a Parent.

If an entity applies those amendments for an earlier period, it must disclose that fact. The adoption and amendment to this standard had no impact on the Group.

IFRS 2 Classification and measurement of share-based payment transactions – Amendments to IFRS 2 (effective January 1, 2018)

These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled

The adoption and amendment to this standard had no impact on the Group.

IFRS 15 Revenue from contracts with customers (effective January 1, 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue – Barter transactions involving advertising services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New accounting policies/improvements adopted *(continued)*

IFRS 15 Revenue from contracts with customers (effective January 1, 2018) *(continued)*

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

As a result of the adoption of this standard, credit card fees and commissions are being recorded net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received (Refer to Notes 2.6 (w) and 18 (c)). In 2018, $163.3 million of credit card expenses previously reported under general and administrative expenses was reclassified to be netted against other income. Credit card fees and commissions are now presented within Note 18 (c) on a net basis. This amendment had no effect on the operating profit, net profit after taxation, earnings per share, net cash flows or net assets of the Group for 2018.

IFRS 4 Insurance contracts: Applying IFRS 9 with IFRS 4 Insurance contracts – Amendments to IFRS 4 (effective January 1, 2018)

The amendment addresses concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The adoption and amendment to this standard had no impact on the Group.

IAS 40 Investment property: Transfers of investment properties – Amendments to IAS 40 (effective January 1, 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use. The adoption and amendment to this standard had no impact on the Group.

IFRIC Interpretation 22 Foreign currency transactions and advance consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The adoption and amendment to this standard had no impact on the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New accounting policies/improvements adopted *(continued)*

IFRIC Interpretation 22 Foreign currency transactions and advance consideration (effective January 1, 2018) *(continued)*

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

i The beginning of the reporting period in which the entity first applies the interpretation
OR

ii The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation

2.4 Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Group's consolidated financial statements. These standards and interpretations will be applicable to the Group at a future date and will be adopted when they become effective. The Group is currently assessing the impact of adopting these standards and interpretations.

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRIC Interpretation 23 Uncertainty over income tax treatments (effective January 1, 2019)

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

IFRS 9 Financial Instruments – Amendments to IFRS 9 (effective January 1, 2019)

The amendments to IFRS 9 clarify that a financial asset passes the Solely Payments of Principal and Interest (SPPI) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Standards in issue not yet effective *(continued)*

IFRS 9 Financial Instruments – Amendments to IFRS 9 (effective January 1, 2019) *(continued)*

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

IAS 28 Investments in associates and joint ventures – Amendments to IAS 28 (effective January 1, 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the Expected Credit Loss (ECL) model in IFRS 9 applies to such long-term interests.

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions.

IAS 19 Employee Benefits – Amendments to IAS 19 (effective January 1, 2019)

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability or asset

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, Changes in accounting estimate (effective January 1, 2020)

The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Standards in issue not yet effective *(continued)*

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, Changes in accounting estimates (effective January 1, 2020) *(continued)*

The amendments clarify that materiality will depend on the nature and magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

IFRS 3 Business combinations – Amendments to IFRS 3 (effective January 1, 2020)

The International Accounting Standards Board (IASB) issued amendments to the definition of a business in IFRS 3 Business combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

IFRS 17 Insurance contracts (effective January 1, 2021)

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the consolidated statement of comprehensive income based on the concept of services provided during the period

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Standards in issue not yet effective *(continued)*

IFRS 17 Insurance contracts (effective January 1, 2021) *(continued)*

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the consolidated statement of income, but are recognised directly on the consolidated statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the IASB deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2019:

IFRS		Subject of Amendment
IFRS 3	–	Business combinations – Previously held Interests in a joint operation *(effective January 1, 2019)*
IFRS 11	–	Joint arrangements – Previously held Interests in a joint operation *(effective January 1, 2019)*
IAS 12	–	Income taxes – Income tax consequences of payments on financial instruments classified as equity *(effective January 1, 2019)*
IAS 23	–	Borrowing costs – Borrowing costs eligible for capitalisation *(effective January 1, 2019)*

2.6 Summary of significant accounting policies

a Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash at hand and at bank, Treasury Bills and bankers' acceptances with original maturities of three months or less.

b Statutory deposits with Central Banks

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, Republic Bank Limited is required to maintain with the Central Bank of Trinidad and Tobago, statutory balances in relation to the deposit liabilities of the institutions. Other than Statutory deposits of $4.5 billion (2018: $5 billion), Republic Bank Limited also holds Treasury Bills and other deposits of $706.8 million (2018: $437.8 million) with the Central Bank of Trinidad and Tobago as at September 30, 2019. Interest earned on these balances for the year was $18.8 million (2018: $13.3 million).

Pursuant to the Banking Act of Grenada 1988, Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement to its deposit liabilities.

Pursuant to the Guyana Financial Institutions Act 1995, Republic Bank (Guyana) Limited is required to maintain with the Bank of Guyana, statutory reserve balances in relation to the deposit liabilities of the institution.

In accordance with statutory provisions, Republic Bank (Barbados) Limited, is required to maintain reserves in the form of certain cash resources and government securities with the Central Bank of Barbados.

In accordance with statutory provisions, Republic Bank (Ghana) Limited, is required to maintain reserves in the form of certain cash resources with the Bank of Ghana.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

b Statutory deposits with Central Banks *(continued)*

In accordance with statutory provisions, Republic Bank (Suriname) N.V. is required to maintain reserves in the form of certain cash resources with the Central Bank of Suriname.

Cayman National Bank currently has no required statutory provisions.

c Financial instruments – initial recognition

i Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

ii Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.6 (d) (i). Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at Fair Value through Profit or Loss (FVPL), transaction costs are added to, or subtracted from, this amount.

iii Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in Note 2.6 (d) (i)
- FVPL, as explained in Note 2.6 (d) (ii)

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

d Financial assets and liabilities

i Due from banks, Treasury Bills, Advances and Investment securities

The Group only measures Due from banks, Treasury Bills, Advances to customers and Investment securities at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below.

The SPPI test

For the first step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

i Due from banks, Treasury Bills, Advances and Investment securities *(continued)*

The SPPI test (continued)

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or Fair Value Through Other Comprehensive Income (FVOCI) without recycling.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management may designate an instrument at FVPL upon initial recognition.

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value. Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the Effective Interest Rate (EIR), taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

iii Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements but no ECL was determined based on historical observation of defaults.

iv Debt securities and Other fund raising instruments

Financial liabilities issued by the Group that are designated at amortised cost, are classified as liabilities under Debt securities in issue and Other fund raising instruments, where the substance of the contractual arrangement results in the Group having an obligation to deliver cash to satisfy the obligation. After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

e Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

f Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, to facilitate changes to the original loan agreement or arrangement due to weaknesses in the borrower's financial position and/or non-repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new loan, with the difference recognised as an impairment loss. The newly recognised loans are classified as Stage 2 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate (or credit-adjusted EIR for purchased or credit impaired financial assets), the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

f Derecognition of financial assets and liabilities *(continued)*

Derecognition other than for substantial modification *(continued)*

Financial assets (continued)

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

g Impairment of financial assets

i Overview of the ECL principles

The Group records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

i Overview of the ECL principles *(continued)*

The Group uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 21.2.5.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 21.2.6.

Where the financial asset meets the definition of Purchased or Originated Credit Impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group classifies its loans and investments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1

When financial assets are first recognised and continue to perform in accordance with the contractual terms and condition after initial recognition, the Group recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2

When financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3

Financial assets considered credit-impaired (as outlined in Note 21.2). The Group records an allowance for the LTECLs.

POCI

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

i Overview of the ECL principles *(continued)*

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

ii The calculation of ECLs

The Group calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD – The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 21.2.4.

EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

ii The calculation of ECLs *(continued)*

Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3

For financial assets considered credit-impaired (as defined in Note 21.2), the Group recognises the LTECLs for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI

POCI assets are financial assets that are credit-impaired on initial recognition. The Group only recognises the cumulative changes in LTECLs since initial recognition, based on a probability-weighting, discounted by the credit-adjusted EIR.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

iii Credit cards, overdrafts and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group limits its exposure on these revolving facilities to the outstanding balance for non-performing facilities. For Stage 1 and Stage 2 facilities, the Group calculates ECL on a percentage utilisation of the credit card and overdraft limit based on the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 21.2.4, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

The interest rate used to discount the ECLs for credit cards is based on the interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

iv Treasury Bills, Statutory deposits with Central Banks and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short-term funds placed with Central Banks in the countries where the Group is engaged in the full range of banking and financial activities and correspondent banks.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

v Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default.

vi Forward looking information

In its ECL models, the Group considers a broad range of forward-looking information as economic inputs, such as:

- Currency rates
- Gross Domestic Product (GDP) growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

Within the countries in which the Group operates, there was little statistical correlation between the overall performance of the economies and historic loss trends. It was therefore not possible to directly correlate macroeconomic expectations to adjustments within the ECL models.

The Group however recognised that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the consolidated financial statements. To reflect this, management adjustments or overlays are occasionally made based on judgements as temporary adjustments when such differences are significantly material.

h Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations and other data provided by third parties.

i Collateral repossessed

The Group's policy is for a repossessed asset to be sold. Assets to be sold are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Group's policy.

In its normal course of business, should the Group repossess properties or other assets in its retail portfolio, it sometimes engages external agents to assist in the sale of these assets to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

j Write-offs

The Group's accounting policy is for financial assets to be written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

k Investment in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for under the equity method of accounting.

The investments in associates are initially recognised at cost and adjusted to recognise changes in the Group's share of net assets of the associate, less any impairment in value. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of income reflects the Group's net share of the results of operations of the associates. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

The Group determines whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income.

l Leases

Finance leases

Finance charges on leased assets are taken into income using the amortisation method. This basis reflects a constant periodic rate of return on the lessor's net investment in the finance lease. Finance leases net of unearned finance income are included in the consolidated statement of financial position under advances.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

m Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

m Premises and equipment *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

Leasehold improvements and leased equipment are depreciated on a straight-line basis over the period of the lease. Depreciation other than on leasehold improvements and leased equipment is computed on the declining balance method at rates expected to apportion the cost of the assets over their estimated useful lives.

The depreciation rates used are as follows:

Freehold and leasehold premises	2%
Equipment, furniture and fittings	15% - 33.33%

n Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Premises and equipment (Note 7)
- Intangible assets (Note 8)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows available to shareholders are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

o Business combinations and goodwill

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

o Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

As at acquisition date, any goodwill acquired is allocated to each of the CGUs expected to benefit from the combination's synergies. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU, to which goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

p Employee benefits

i Pension obligations

The Group operates a number of defined benefit plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plans every three years. In Trinidad, Republic Bank Limited (RBL) took the actuary's advice regarding a pension holiday, effective January 1999.

Annually, the Group's independent actuaries conduct a valuation exercise to measure the effect of all employee benefit plans.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognised in the consolidated statement of income on the earlier of:

a The date of the plan amendment or curtailment, and

b The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'operating expenses' in the consolidated statement of income:

a Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

b Net interest expense or income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

p Employee benefits *(continued)*

i Pension obligations *(continued)*

The defined benefit plans mainly expose the Group to risks such as investment risk, interest rate risk and longevity risk.

The above accounting requirement in no way affects the pension plans which continue to be governed by the approved Trust Deed and Rules and remain under the full control of the appointed Trustees.

The full results of the valuation exercise are disclosed in Note 9 to these consolidated financial statements.

ii Other post-retirement obligations

The Group provides post-retirement medical benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Independent qualified actuaries carry out a valuation of these obligations.

iii Profit sharing scheme

The Group operates various employee profit sharing schemes at the subsidiary level, which are administered by Trustees in accordance with terms outlined in the Profit Sharing Scheme Rules. The profit share to be distributed to employees each year is based on a specific formula outlined in these Profit Sharing Scheme Rules. Employees of RBL have the option to receive their profit share allocation in cash (up to a maximum of 75% of the total entitlement) and receive the balance in ordinary shares of RFHL. The number of shares to be allocated is based on the employees' total entitlement less the cash element, divided by the average price of the unallocated shares purchased by the Trustees. The Group accounts for the profit share, as an expense, through the consolidated statement of income.

iv Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

q Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

r Statutory reserves

The Trinidad and Tobago Financial Institutions Act 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. This requirement was met as at June 2012 for RBL. In accordance with the Trinidad and Tobago Financial Institutions Act 2008, RBL is also required to maintain statutory reserves of at least twenty times its deposit liabilities.

The Banking Act of Grenada (No. 19 of 2005) requires that a minimum of 20% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up capital. These reserves are not available for distribution as dividends or for any other form of appropriation.

The Guyana Financial Institutions Act 1995 requires that a minimum of 15% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up or assigned capital.

The Offshore Banking Act of Barbados requires that a minimum of 25% of the net profits of each year before any dividend is paid, be transferred to a statutory reserve account until the balance on this reserve is not less than the issued and paid-up capital.

The Barbados Financial Institutions Act requires that a minimum of 25% of the net income in each year be transferred to a general reserve account until the balance on this reserve is not less than the paid-up capital.

The Banking Act, 2004 and Amendment Act, 2008 of Ghana requires that proportions of 12.5% to 50% of net profit after tax be transferred to a statutory reserve fund depending on the existing statutory reserve fund to paid-up capital.

s Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these consolidated financial statements as they are not the assets of the Group. These assets under administration at September 30, 2019 totaled $48.4 billion (2018: $35.5 billion).

t Earnings per share

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the year.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, which are share options granted to Executive Management.

The difference between the weighted average number of shares used as the denominator in calculating basic earnings per share and that used for calculating diluted earnings per share is due to share options granted during the year.

u Foreign currency translation

The individual financial statements of each group entity is presented in the currency of the primary economic environment, in which the entity operates (its functional currency). The consolidated financial statements are expressed in Trinidad and Tobago dollars, which is the functional currency of the Parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

u Foreign currency translation *(continued)*

Monetary assets and liabilities of the Parent, which are denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on September 30. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the consolidated statement of income.

The assets and liabilities of subsidiary companies are translated into Trinidad and Tobago dollars at the mid-rates of exchange ruling at the consolidated statement of financial position date and all resulting exchange differences are recognised in other comprehensive income. All revenue and expenditure transactions are translated at an average rate.

v Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

w Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

The EIR method

Interest income and expense is recorded using the EIR method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

w Revenue recognition *(continued)*

Interest income and expense

The Group calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For POCI financial assets a credit-adjusted EIR is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains or losses on financial assets at FVPL, respectively.

Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided.

Credit card fees and commissions are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. Credit card fees and commissions are therefore net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received.

Dividends

Dividend income is recognised when the right to receive the payment is established.

x Fair value

The Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 24 to the consolidated financial statements.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i In the principal market for the asset or liability, or
ii In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

x Fair value *(continued)*

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. 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 those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3
Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Where the Group's investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Investments classified as 'at FVPL' are actively traded in organised markets and fair value is determined by reference to the market price at year end or on the last trade date prior to year end.

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, investment interest receivable, customers' deposit accounts, other fund raising instruments, other assets and other liabilities.

Advances are net of specific and other provisions for impairment. The fair value of advances is based on a current yield curve appropriate for the remaining term to maturity.

The fair value of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates, therefore the carrying values are assumed to equal fair values.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

x Fair value *(continued)*

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

y Segment reporting
A geographical segment is engaged in providing products, or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing similar products and services that are subject to risks and returns that are different from those of other business segments.

The Group analyses its operations by both geographic and business segments. The primary format is geographic, reflecting its management structure. Its secondary format is that of business segments, reflecting retail and commercial banking and merchant banking.

z Customers' liabilities under acceptances, guarantees, indemnities and letters of credit
These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Group's consolidated statement of financial position but are detailed in Note 30 (b) to these consolidated financial statements.

aa Equity reserves
The reserves recorded in equity on the Group's consolidated statement of financial position include:

Stated capital	– Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group.
Capital reserves	– Used to record exchange differences arising from the translation of the net investment in foreign operations.
Unallocated shares	– Used to record the unallocated portion of shares purchased for the staff profit sharing scheme. Such shares are presented in the notes to the consolidated financial statements and are stated at cost.
General contingency reserves/Other reserves	– The balance on this reserve was transferred to Other reserves and represent regulatory reserve requirements for certain subsidiaries in the Group.

Other statutory reserves that qualify for treatment as equity are discussed in Note 2.6 (r).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Other disclosures relating to the Group's exposure to risks and uncertainties include:

a Risk management (Note 21)

b Capital management (Note 23)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment losses on financial assets (Note 4 and Note 5)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Group's internal credit grading model, assigns grades for corporate facilities, and this was the basis for grouping PDs
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of the existence of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- The inclusion of overlay adjustments based on judgement and future expectations

Other assumptions

Net pension asset/liability (Note 9)

In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Group, the Banks' independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plans.

Goodwill (Note 8 (a))

The Group's consolidated financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2019 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present value.

Deferred taxes (Note 10)

In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Judgements *(continued)*

Premises and equipment (Note 7)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

Assessment of control

Management uses judgement in performing a control assessment review on all mutual funds and retirement plans sponsored by the Group and its subsidiaries. This assessment revealed that the Group is unable to exercise power over the activities of the funds/plans and is therefore not deemed to be in control of any of the mutual funds and retirement plans.

4 ADVANCES

a Advances

			2019			
	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
Performing advances	6,344,289	11,614,617	21,075,843	3,832,186	1,221,000	**44,087,935**
Non-performing advances	180,376	652,085	775,493	87,763	67,448	**1,763,165**
	6,524,665	12,266,702	21,851,336	3,919,949	1,288,448	**45,851,100**
Unearned interest/ finance charge	(67,832)	(34,283)	–	–	–	**(102,115)**
Accrued interest	7,640	97,392	51,879	10,967	–	**167,878**
	6,464,473	12,329,811	21,903,215	3,930,916	1,288,448	**45,916,863**
Allowance for ECLs – Note 4 d	(178,005)	(428,065)	(327,750)	(71,175)	(82,618)	**(1,087,613)**
	6,286,468	11,901,746	21,575,465	3,859,741	1,205,830	**44,829,250**
Unearned loan origination fees	(53,333)	(51,136)	(94,672)	–	–	**(199,141)**
Net advances	**6,233,135**	**11,850,610**	**21,480,793**	**3,859,741**	**1,205,830**	**44,630,109**

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 **ADVANCES** *(continued)*

a **Advances** *(continued)*

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Performing advances	5,594,285	10,052,958	15,717,974	3,625,987	1,086,963	**36,078,167**
Non-performing advances	193,802	661,493	620,173	109,169	65,123	**1,649,760**
	5,788,087	10,714,451	16,338,147	3,735,156	1,152,086	**37,727,927**
Unearned interest/ finance charge	(56,996)	(41,620)	–	–	–	**(98,616)**
Accrued interest	7,786	86,842	37,743	10,694	–	**143,065**
	5,738,877	10,759,673	16,375,890	3,745,850	1,152,086	**37,772,376**
Allowance for ECLs – Note 4 d	(165,334)	(480,861)	(219,579)	(103,350)	(80,746)	**(1,049,870)**
	5,573,543	10,278,812	16,156,311	3,642,500	1,071,340	**36,722,506**
Unearned loan origination fees	(54,685)	(43,981)	(65,703)	–	–	**(164,369)**
Net advances	**5,518,858**	**10,234,831**	**16,090,608**	**3,642,500**	**1,071,340**	**36,558,137**

b **Net investment in leased assets included in net advances**

	2019	2018
Gross investment	**138,040**	189,127
Unearned finance charge	**(16,711)**	(22,604)
Net investment in leased assets	**121,329**	**166,523**

c **Net investment in leased assets has the following maturity profile**

	2019	2018
Within one year	**7,265**	11,029
One to five years	**85,456**	124,775
Over five years	**28,608**	30,719
	121,329	**166,523**

4 **ADVANCES** *(continued)*

d **Impairment allowance for advances to customers**

The table below shows the staging of advances and the related ECLs based on the Group's criteria as explained in Note 21.2.4. Policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 21.2.6.

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Gross loans	6,464,474	12,329,811	21,903,214	3,930,916	1,288,448	**45,916,863**
Stage 1: 12 Month ECL	(60,603)	(45,255)	(65,545)	(31,774)	(27,854)	**(231,031)**
Stage 2: Lifetime ECL	(2,356)	(65,568)	(14,503)	(9,397)	(14,029)	**(105,853)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(115,046)	(317,242)	(247,702)	(30,004)	(40,735)	**(750,729)**
	6,286,469	**11,901,746**	**21,575,464**	**3,859,741**	**1,205,830**	**44,829,250**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2018	56,761	51,217	58,229	25,327	26,071	**217,605**
Acquisition of a subsidiary	733	1,059	6,681	25,842	945	**35,260**
Translation adjustments	(647)	(651)	(118)	(827)	–	**(2,243)**
ECL on new instruments issued during the year	24,806	13,826	8,383	4,013	199	**51,227**
Other credit loss movements, repayments etc.	(21,050)	(20,196)	(7,630)	(22,581)	639	**(70,818)**
At September 30, 2019	**60,603**	**45,255**	**65,545**	**31,774**	**27,854**	**231,031**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2018	2,981	32,035	14,543	5,355	13,270	**68,184**
Acquisition of a subsidiary	33	236	481	2,102	562	**3,414**
Translation adjustments	(29)	(134)	(268)	(60)	–	**(491)**
ECL on new instruments issued during the year	1,294	5,137	2,009	535	–	**8,975**
Other credit loss movements, repayments etc.	(1,923)	28,294	(2,262)	1,465	197	**25,771**
At September 30, 2019	**2,356**	**65,568**	**14,503**	**9,397**	**14,029**	**105,853**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 **ADVANCES** *(continued)*

d **Impairment allowance for advances to customers** *(continued)*

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 3: Credit-impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2018	105,592	397,609	146,807	72,668	41,405	**764,081**
Acquisition of a subsidiary	8,066	13,035	50,927	49	1,279	**73,356**
Reclass of ECL amount	–	(35,897)	–	–	–	**(35,897)**
Translation adjustments	(691)	(9,935)	197	(2,113)	–	**(12,542)**
Charge-offs and write-offs	(81,937)	(68,419)	(17,721)	(19,622)	(31,585)	**(219,284)**
Credit loss expense /(reversal)	106,790	46,694	73,740	(16,022)	36,025	**247,227**
Recoveries	(22,774)	(25,845)	(6,248)	(4,956)	(6,389)	**(66,212)**
At September 30, 2019	**115,046**	**317,242**	**247,702**	**30,004**	**40,735**	**750,729**
Total	**178,005**	**428,065**	**327,750**	**71,175**	**82,618**	**1,087,613**

Of the total ECL of $1,088 million, 17.5% was on a collective basis and 82.5% was on an individual basis.

Overdrafts and credit cards are revolving facilities, therefore the ECL on new instruments issued during the year are assumed to be nil.

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Gross loans	5,738,877	10,759,673	16,375,890	3,745,850	1,152,086	**37,772,376**
Stage 1: 12 Month ECL	(56,761)	(51,217)	(58,229)	(25,327)	(26,071)	**(217,605)**
Stage 2: Lifetime ECL	(2,981)	(32,035)	(14,543)	(5,355)	(13,270)	**(68,184)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(105,592)	(397,609)	(146,807)	(72,668)	(41,405)	**(764,081)**
	5,573,543	**10,278,812**	**16,156,311**	**3,642,500**	**1,071,340**	**36,722,506**

4 **ADVANCES** *(continued)*

d **Impairment allowance for advances to customers** *(continued)*

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2017	53,084	58,326	55,105	23,398	25,496	**215,409**
Translation adjustments	(681)	(861)	(244)	(1,397)	(2)	**(3,185)**
ECL on new instruments issued during the year	22,577	20,902	4,791	–	–	**48,270**
Other credit loss movements, repayments etc.	(18,219)	(27,150)	(1,423)	3,326	577	**(42,889)**
At September 30, 2018	**56,761**	**51,217**	**58,229**	**25,327**	**26,071**	**217,605**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2017	2,277	53,840	15,968	4,872	15,330	**92,287**
Translation adjustments	(28)	(376)	(628)	(1)	(1)	**(1,034)**
ECL on new instruments issued during the year	1,142	5,249	2,134	–	–	**8,525**
Other credit loss movements, repayments etc.	(410)	(26,678)	(2,931)	484	(2,059)	**(31,594)**
At September 30, 2018	**2,981**	**32,035**	**14,543**	**5,355**	**13,270**	**68,184**
Stage 3: Credit-impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2017	86,161	356,462	164,603	52,093	34,875	**694,194**
Translation adjustments	(2,455)	(16,719)	(4,679)	(4,387)	(2)	**(28,242)**
Charge-offs and write-offs	(56,576)	(49,169)	(41,445)	(4,659)	(12,375)	**(164,224)**
Credit loss expense	104,378	177,825	36,546	33,281	27,378	**379,408**
Recoveries	(25,916)	(70,790)	(8,218)	(3,660)	(8,471)	**(117,055)**
At September 30, 2018	**105,592**	**397,609**	**146,807**	**72,668**	**41,405**	**764,081**
Total	**165,334**	**480,861**	**219,579**	**103,350**	**80,746**	**1,049,870**

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 ADVANCES *(continued)*

e Restructured/modified loans

Within the retail and credit card portfolios, management will in the normal course of business modify the terms and conditions of facilities in the case of difficulties by the borrower. These modifications rarely result in an impairment loss and if it does, it is not material.

The Group occasionally makes modifications to the original terms of large commercial and corporate loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. These modifications are made only when the Group believes the borrower is likely to meet the modified terms and conditions. Indicators of financial difficulties include defaults on covenants, overdue payments or significant concerns raised by the Credit Risk Department. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $462.8 million as at September 30, 2019 ($400 million as at September 30, 2018).

5 INVESTMENT SECURITIES

a Designated at fair value through profit or loss

	2019	2018
Equities and mutual funds	178,674	79,259
	178,674	**79,259**

	2019	2018
b Debt instruments at amortised cost		
Government securities	6,603,138	4,949,748
State-owned company securities	2,423,717	2,734,117
Corporate bonds/debentures	4,656,225	4,238,771
Bankers' acceptances	463,007	460,907
Other short-term liquid investments and venture capital funds	2,251,298	15,757
	16,397,385	**12,399,300**
Total investment securities	**16,576,059**	**12,478,559**

5 INVESTMENT SECURITIES *(continued)*

c Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit rating system, aging and year end stage classification.

2019

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets – Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
Gross exposure	14,018,387	998,685	111,594	1,431,361	**16,560,027**
ECL	(6,110)	(23,790)	(70,275)	(62,467)	**(162,642)**
Net exposure	**14,012,277**	**974,895**	**41,319**	**1,368,894**	**16,397,385**
ECL allowance as at October 1, 2018	6,630	37,456	213,530	–	**257,616**
Translation adjustments	–	(16)	(421)	–	**(437)**
ECL on new instruments issued during the year	744	4,499	3,270	47,570	**56,083**
Other credit loss movements, repayments and maturities	(1,264)	(18,149)	(22,333)	14,897	**(26,849)**
ECL on old instruments converted in debt restructure	–	–	(123,771)	–	**(123,771)**
At September 30, 2019	**6,110**	**23,790**	**70,275**	**62,467**	**162,642**

2018

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets – Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
Gross exposure	10,891,593	1,299,599	465,724	–	**12,656,916**
ECL	(6,630)	(37,456)	(213,530)	–	**(257,616)**
Net exposure	**10,884,963**	**1,262,143**	**252,194**	**–**	**12,399,300**

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

5 **INVESTMENT SECURITIES** *(continued)*

c **Financial investment securities subject to impairment assessment** *(continued)*

Debt instruments measured at amortised cost (continued)

	2018				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets – Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
ECL allowance as at October 1, 2017	5,065	176,133	39,052	–	**220,250**
Translation adjustments	(6)	362	(5,879)	–	**(5,523)**
ECL on new instruments issued during the year	1,624	528	–	–	**2,152**
Other credit loss movements, repayments and maturities	(53)	(139,567)	180,357	–	**40,737**
At September 30, 2018	**6,630**	**37,456**	**213,530**	**–**	**257,616**

The Group accepted the Government of Barbados Debt Exchange offer in the 2019 financial year. The terms of the Exchange Instruments which included Treasury Bills, notes, debentures, loans and bonds issued or owned by certain state-owned enterprises, collectively the 'old' instruments; were significantly different due to extended maturities and lower interest rates. Consequently, the 'old' instruments were derecognised at the carrying value. The Exchanged Instruments were recognised under IFRS 9 at fair value and classified as POCI financial assets. No gains or losses were recognised on the derecognition.

d **Designated at fair value through profit or loss**

Mutual fund securities are quoted and fair value is determined to be the quoted price at the reporting date. Holdings in unquoted equities are insignificant for the Group.

6 **INVESTMENT IN ASSOCIATED COMPANIES**

	2019	2018
Balance at beginning of year	**83,350**	79,139
Share of profit	**5,980**	7,567
Dividends received	**(3,129)**	(3,353)
Exchange adjustments	**–**	(3)
Sale of Eastern Caribbean Financial Holding (ECFH) shares	**(5,613)**	–
Balance ECFH shares reclassed to FVPL	**(27,988)**	–
Balance at end of year	**52,600**	**83,350**

At September 30, 2018, the Group held an investment in ECFH of 19.30% which was classified as an investment in associate. In 2019, the Group partially disposed of its holding resulting in a 16.13% holding. This investment has been reclassified to investment securities.

6 **INVESTMENT IN ASSOCIATED COMPANIES** *(continued)*

The Group's interest in associated companies is as follows:

	Country of incorporation	Reporting year end of associate	Proportion of issued capital held
G4S Holdings (Trinidad) Limited	Trinidad and Tobago	December	24.50%
InfoLink Services Limited	Trinidad and Tobago	December	25.00%

Summarised financial information in respect of the Group's associates is as follows:

	2019	2018
Total assets	**248,686**	5,537,920
Total liabilities	**36,790**	4,985,280
Net assets/equity	**211,896**	552,639
Group's share of associates' net assets	**52,600**	83,350
Profit for the period	**32,465**	143,908
Group's share of profit of associated companies after tax for the period	**5,980**	7,567
Dividends received during the period	**3,129**	3,353

7 **PREMISES AND EQUIPMENT**

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2019					
Cost					
At beginning of year	282,100	1,912,337	216,563	1,966,493	**4,377,493**
Acquisition of a subsidiary	35,463	239,878	40,891	207,066	**523,298**
Exchange and other adjustments	(357)	–	(4,040)	(8,028)	**(12,425)**
Additions at cost	268,321	7,785	1,783	90,383	**368,272**
Disposal of assets	(1,186)	(10,918)	(786)	(52,619)	**(65,509)**
Transfer of assets	(109,509)	32,429	1,973	75,107	**–**
	474,832	**2,181,511**	**256,384**	**2,278,402**	**5,191,129**

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For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

7 PREMISES AND EQUIPMENT *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2019					
Accumulated depreciation					
At beginning of year	–	258,106	116,478	1,521,488	**1,896,072**
Acquisition of a subsidiary	–	73,834	32,519	160,736	**267,089**
Exchange and other adjustments	–	8	(317)	(6,051)	**(6,360)**
Charge for the year	–	32,076	10,591	171,662	**214,329**
Disposal of assets	–	(9,175)	(606)	(44,792)	**(54,573)**
	–	**354,849**	**158,665**	**1,803,043**	**2,316,557**
Net book value	**474,832**	**1,826,662**	**97,719**	**475,359**	**2,874,572**

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2018					
Cost					
At beginning of year	502,908	1,542,844	220,130	1,898,859	**4,164,741**
Exchange and other adjustments	(1,350)	(1,281)	(7,806)	(8,855)	**(19,292)**
Additions at cost	236,835	15,062	12,290	89,643	**353,830**
Disposal of assets	–	(2,206)	(8,051)	(111,529)	**(121,786)**
Transfer of assets	(456,293)	357,918	–	98,375	**–**
	282,100	**1,912,337**	**216,563**	**1,966,493**	**4,377,493**
Accumulated depreciation					
At beginning of year	–	217,145	113,309	1,483,965	**1,814,419**
Exchange and other adjustments	–	17,339	(603)	(29,418)	**(12,682)**
Charge for the year	–	24,028	14,015	161,177	**199,220**
Disposal of assets	–	(406)	(10,243)	(94,236)	**(104,885)**
	–	**258,106**	**116,478**	**1,521,488**	**1,896,072**
Net book value	**282,100**	**1,654,231**	**100,085**	**445,005**	**2,481,421**

7 PREMISES AND EQUIPMENT *(continued)*

Capital commitments

	2019	2018
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	**153,639**	120,901
Other capital expenditure authorised by the Directors but not yet contracted for	**103,050**	46,970

8 INTANGIBLE ASSETS

		2019	2018
a	Goodwill	**729,653**	393,009
b	Core deposits	**108,019**	957
c	Trade name	**35,241**	–
		872,913	**393,966**

		2019	2018
a	**Goodwill**		
	Goodwill on acquisition brought forward	**393,009**	393,009
	Goodwill arising on acquisition of a subsidiary – Note 33	**336,644**	–
		729,653	**393,009**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited, Republic Bank (Ghana) Limited, Cayman National Corporation, Republic Bank (Cayman) Limited and Republic Bank (Guyana) Limited.

Impairment testing of goodwill

In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment using the 'Value in use' method. In each case, the cash flow projections are based on financial budgets approved by senior management and the values assigned to key assumptions reflect past performance.

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

8 **INTANGIBLE ASSETS** *(continued)*

a **Goodwill** *(continued)*

Impairment testing of goodwill *(continued)*

The following table highlights the goodwill and key assumptions used in the 'Value in use' calculations for each CGU:

	Republic Bank (Ghana) Limited TT$ million	Republic Bank (Barbados) Limited TT$ million	Republic Bank (Cayman) Limited TT$ million	Republic Bank (Guyana) Limited TT$ million	Cayman National Corporation TT$ million	Total TT$ million
Carrying amount of goodwill	125	144	32	92	337	730
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	
Discount rate	16%	15%	9%	15%	N/A	
Cash flow projection term	10 yrs	10 yrs	10 yrs	5 yrs	N/A	
Terminal growth rate	3.5%	2.0%	2.8%	3.5%	N/A	

b **Core deposits**

	2019	2018
Cost		
At beginning and end of year	40,189	40,189
Acquisition of a subsidiary – Note 33	114,711	–
	154,900	40,189
Accumulated amortisation		
At beginning of year	39,232	27,749
Amortisation	7,649	11,483
	46,881	39,232
Net book value	108,019	957

Core deposit intangibles acquired through business combinations in 2019 have been determined to have a life of 10 years from acquisition date.

8 **INTANGIBLE ASSETS** *(continued)*

c **Trade name**

	2019	2018
Cost		
Acquisition of a subsidiary – Note 33	39,896	–
Accumulated amortisation		
Amortisation	4,655	–
	4,655	–
Net book value	35,241	–

Trade name intangibles acquired through business combinations in 2019 have been determined to have a life of five years from acquisition date.

9 **EMPLOYEE BENEFITS**

a **The amounts recognised in the consolidated statement of financial position are as follows:**

	Defined benefit pension plans			
	Pension assets		Pension liabilities	
	2019	2018	2019	2018
Present value of defined benefit obligation	(3,392,914)	(3,168,372)	(267,917)	(271,567)
Fair value of plan assets	4,035,122	4,002,045	311,576	287,446
Surplus	642,208	833,673	43,659	15,879
Effect of asset ceiling	(11,883)	(12,001)	(100,524)	(93,085)
Net asset/(liability) recognised in the consolidated statement of financial position	630,325	821,672	(56,865)	(77,206)

	Post-retirement medical benefits	
	2019	2018
Present value of defined benefit obligation	(68,746)	(520,324)
Fair value of plan assets	–	–
Net liability recognised in the consolidated statement of financial position	(68,746)	(520,324)

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9 EMPLOYEE BENEFITS *(continued)*

b Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Opening defined benefit obligation	**3,439,939**	3,301,218	**520,324**	474,691
Exchange adjustments	**(12)**	1,615	**25**	(73)
Current service cost	**129,100**	124,826	**28,005**	26,439
Interest cost	**197,057**	189,389	**28,491**	25,939
Members' contributions	**1,595**	1,934	**–**	–
Past service cost/(credit)	**14,063**	7,418	**(476,735)**	–
Remeasurements:				
– Experience adjustments	**24,314**	(1,154)	**(31,152)**	2,515
– Actuarial gains/(losses) from change in demographic assumptions	**4,982**	(55,371)	**2,719**	(1,169)
– Actuarial (losses)/gains from change in financial assumptions	**(11,072)**	(405)	**4,633**	(354)
Benefits paid	**(139,135)**	(129,531)	**(1,194)**	(1,645)
Premiums paid by the Group	**–**	–	**(6,370)**	(6,019)
Closing defined benefit obligation	**3,660,831**	**3,439,939**	**68,746**	**520,324**

c Reconciliation of opening and closing consolidated statement of financial position entries:

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Defined benefit obligation at prior year end	**744,466**	881,375	**520,324**	474,691
Exchange adjustments	**(5,060)**	(301)	**–**	(76)
Opening defined benefit obligation	**739,406**	881,074	**520,324**	474,615
Net pension (credit)/cost	**(102,480)**	(86,781)	**(420,239)**	52,378
Remeasurements recognised in other comprehensive income	**(104,692)**	(106,227)	**(23,805)**	995
Contributions/premiums	**41,226**	56,400	**(7,534)**	(7,664)
Closing net pension asset	**573,460**	**744,466**	**68,746**	**520,324**

9 EMPLOYEE BENEFITS *(continued)*

d Liability profile

The defined benefit obligation is allocated amongst the Plan's members as follows:

	Defined benefit pension plans	Post-retirement medical benefits
– Active members	**42% to 76%**	28% to 56%
– Deferred members	**2% to 6%**	N/A
– Pensioners	**22% to 52%**	44% to 72%

The weighted duration of the defined benefit obligation ranged from 16.4 to 20.0 years.

16% to 61% of the defined benefit obligation for active members was conditional on future salary increases.

32% to 100% of the benefits for active members were vested.

e Changes in the fair value of plan assets are as follows:

	Defined benefit pension plans	
	2019	**2018**
Opening fair value of plan assets	**4,289,491**	4,262,334
Exchange adjustments	**(5,060)**	1,305
Interest income	**218,883**	217,256
Return on plan assets, excluding interest income	**(58,198)**	(118,250)
Contributions by employer	**41,212**	56,418
Members' contributions	**1,595**	1,934
Benefits paid	**(139,135)**	(129,531)
Expense allowance	**(2,090)**	(1,975)
Closing fair value of plan assets	**4,346,698**	**4,289,491**
Actual return on plan assets	**135,532**	**122,859**

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9 EMPLOYEE BENEFITS *(continued)*

f Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		% Allocation	
	2019	**2018**	**2019**	**2018**
Equity securities	**1,938,951**	1,935,734	**44.66**	45.24
Debt securities	**1,905,622**	1,940,285	**43.89**	45.34
Property	**11,740**	11,716	**0.27**	0.27
Mortgages	**5,799**	6,193	**0.13**	0.14
Money market instruments/cash	**479,240**	385,068	**11.05**	9.01
Total fair value of plan assets	**4,341,352**	**4,278,996**	**100.0**	**100.0**

As at September 30, 2019, plan assets of $5.3 million (2018: $10.5 million) for one of the Group's subsidiaries are held by an insurance company that are not separately identifiable. This plan asset allocation is maintained by the insurance company.

g The amounts recognised in the consolidated statement of income are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Current service cost	**129,100**	124,826	**28,005**	26,439
Interest on defined benefit obligation	**(42,773)**	(47,438)	**28,491**	25,939
Past service cost/(credit)	**14,063**	7,418	**(476,735)**	–
Administration expenses	**2,090**	1,975	**–**	–
Total included in staff costs	**102,480**	**86,781**	**(420,239)**	**52,378**

The terms and conditions of the post-retirement medical benefits plan was adjusted in 2019, which resulted in a write-back to income of $423.6 million.

h Remeasurements recognised in other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Experience losses	**(105,471)**	(105,351)	**23,805**	(995)
Effect of asset ceiling	**779**	(876)	**–**	–
Total included in other comprehensive income	**(104,692)**	**(106,227)**	**23,805**	**(995)**

9 EMPLOYEE BENEFITS *(continued)*

i Summary of principal actuarial assumptions as at September 30

	2019 %	**2018** %
Discount rate	**3.00 - 8.50**	4.30 - 8.50
Rate of salary increase	**3.50 - 10.53**	3.50 - 10.53
Pension increases	**0.00 - 3.00**	0.00 - 3.00
Medical cost trend rates	**3.00 - 7.00**	3.00 - 7.00
NIS ceiling rates	**3.00 - 5.00**	3.00 - 5.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2019 are as follows:

	Defined benefit pension plans	
	2019	**2018**
Life expectancy at age 60 - 65 for current pensioner in years:		
– Male	**14.6 to 24.7**	14.6 to 24.7
– Female	**18.4 to 26.9**	18.4 to 26.9
Life expectancy at age 60 - 65 for current members age 40 in years:		
– Male	**14.6 to 36.2**	14.6 to 36.2
– Female	**18.4 to 42.1**	18.4 to 42.1

j Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2019 would have changed as a result of a change in the assumptions used.

	Defined benefit pension plans		Post-retirement medical benefits	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
– Discount rate	(484,199)	624,376	(3,278)	5,398
– Future salary increases	247,513	(211,242)	2	(2)
– Future pension cost increases	278,057	(277,229)	–	–
– Medical cost increases	–	–	726	(549)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2019 by $78.2 million and the post-retirement medical benefit by $4.3 million.

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

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9 EMPLOYEE BENEFITS *(continued)*

k Funding

The Group meets the entire cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $35.6 million to the pension plan in the 2020 financial year.

The Group operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. The Group expects to pay $9.3 million to the medical plan in the 2020 financial year.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

			Credit/(charge)			
	Opening balance 2018	Impact of IFRS 9	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2019
Post-retirement medical benefits	195,750	–	(624)	(139,017)	(42,383)	**13,726**
Leased assets	1,674	–	–	5,162	–	**6,836**
Unrealised reserve	–	–	135	(135)	–	**–**
Unearned loan origination fees	50,104	–	–	136	–	**50,240**
Tax losses	–	–	–	12,273	–	**12,273**
Premises and equipment	7,600	–	231	(7,831)	–	**–**
Provisions	325,661	–	–	(232,139)	872	**94,394**
Other	10,417	–	(2,408)	(5,088)	–	**2,921**
	591,206	**–**	**(2,666)**	**(366,639)**	**(41,511)**	**180,390**

			Credit/(charge)			
`	Opening balance 2017	Impact of IFRS 9	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2018
Post-retirement medical benefits	181,517	–	32	5,218	8,983	195,750
Leased assets	3,375	–	–	(1,701)	–	1,674
Unrealised reserve	1,771	(559)	(1,212)	–	–	–
Unearned loan origination fees	45,156	–	193	4,755	–	50,104
Premises and equipment	–	–	123	7,477	–	7,600
Provisions	44,621	223,677	273	57,090	–	325,661
Other	11,323	–	(2,905)	1,999	–	10,417
	287,763	**223,118**	**(3,496)**	**74,838**	**8,983**	**591,206**

10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Components of deferred tax assets and liabilities *(continued)*

b Deferred tax liabilities

			Charge/(credit)			
`	Opening balance 2018	Impact of IFRS 9	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2019
Pension asset	287,919	–	–	(30,368)	(36,522)	**221,029**
Leased assets	19,883	–	–	(4,034)	–	**15,849**
Premises and equipment	24,118	–	(788)	(2,574)	515	**21,271**
Other	(151)	–	141	10	–	**–**
	331,769	**–**	**(647)**	**(36,966)**	**(36,007)**	**258,149**
Net charge to consolidated statement of income (Note 20)				**329,673**		

			Charge/(credit)			
`	Opening balance 2017	Impact of IFRS 9	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2018
Pension asset	339,392	–	(30)	(19,726)	(31,717)	287,919
Leased assets	25,020	–	–	(5,137)	–	19,883
Premises and equipment	38,919	–	–	(14,801)	–	24,118
Unrealised reserve	28,175	(29,385)	1,210	–	–	–
Other	1,030	(5)	(1,173)	(3)	–	(151)
	432,536	**(29,390)**	**7**	**(39,667)**	**(31,717)**	**331,769**
Net credit to consolidated statement of income (Note 20)				**114,505**		

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11 OTHER ASSETS

	2019	2018
Accounts receivable and prepayments	**311,920**	260,911
Project financing reimbursables	**4,076**	2,235
Deferred commission and fees	**8,917**	8,430
Other	**110,648**	96,391
	435,560	**367,967**

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2019	2018
State	**7,115,252**	4,771,612
Corporate and commercial	**18,879,742**	13,687,503
Personal	**34,789,481**	30,333,451
Other financial institutions	**3,838,425**	3,560,846
Other	**400,202**	303,136
	65,023,102	**52,656,548**

13 OTHER FUND RAISING INSTRUMENTS

At September 30, 2019 investment securities held to secure other fund raising instruments of the Group amounted to $4.6 billion (2018: $4.3 billion).

Concentration of other fund raising instruments

	2019	2018
State	**2,050,165**	2,330,276
Corporate and commercial	**137,042**	–
Personal	**756,634**	753,394
Other financial institutions	**2,363,938**	1,508,239
Other	**228,310**	126,628
	5,536,089	**4,718,537**

14 DEBT SECURITIES IN ISSUE

	2019	2018
Unsecured		
a Fixed rate bonds	**1,036,371**	–
b Floating rate bonds	**1,036,569**	82,824
	2,072,940	**82,824**
Secured		
a Floating rate bonds	**49,334**	210,558
b Mortgage pass-through certificates	**–**	506
	49,334	**211,064**
Total debt securities in issue	**2,122,274**	**293,888**

Unsecured obligations

a Floating rate bonds include bonds that are denominated in Ghanaian cedis and includes bonds issued by Republic Bank (Ghana) Limited at floating rates of interest linked to the Ghanaian Treasury Bill rate and the inflation rate. Interest on these bonds are on a semi-annual and monthly basis.

Republic Bank Limited (RBL) borrowed the amount of $75 million United States dollars from the International Development Bank (IDB) and $75 million United States dollars from International Finance Corporation (IFC) both on an unsecured basis. This amount is repayable in full on June 2026, at an interest rate of 4.5% plus six month London Interbank Offered Rate (LIBOR).

b Republic Financial Holdings Limited has an unsecured fixed rate debt of $150 million United States dollars which become repayable at the end of a five year period, interest is accrued at a rate of 5.07%. Principal repayments would be made bi-annually after the first year of the debt, in the amount of $11.25 million United States dollars until repaid. Interest payments would be made bi-annually from inception.

Secured obligations

a For RBL, the floating rate bonds denominated in Trinidad and Tobago dollars, matured in March 2019. Other floating rate bonds are also denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

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15 OTHER LIABILITIES

	2019	2018
Accounts payable and accruals	**1,254,363**	1,109,139
Deferred income	**4,350**	1,132
Other	**225,013**	213,618
	1,483,726	**1,323,889**

16 STATED CAPITAL

Authorised

An unlimited number of shares of no par value.

	Number of ordinary shares 2019 '000	Number of ordinary shares 2018 '000	2019 $'000	2018 $'000
Issued and fully paid				
At beginning of year	**161,976**	161,672	**790,102**	780,950
Shares issued/proceeds from shares issued	**111**	91	**10,432**	7,762
Shares purchased for profit sharing scheme	**(426)**	(313)	**–**	–
Share-based payment	**–**	–	**2,530**	1,390
Allocation of shares	**560**	526	**–**	–
At end of year	**162,221**	**161,976**	**803,064**	**790,102**

The following reflects the calculation of the effect of the issue of stock options on the weighted average number of ordinary shares.

	2019	2018
Weighted average number of ordinary shares	**162,156**	161,980
Effect of dilutive stock options	**274**	96
Weighted average number of ordinary shares adjusted for the effect of dilution	**162,430**	**162,076**

17 OTHER RESERVES

	Translation reserves	Unallocated shares	General contingency/ Other reserves	Net unrealised gains	Total
Balance at October 1, 2017	**67,394**	**(86,223)**	**793,476**	**107,185**	**881,832**
Translation adjustments	(30,060)	–	27,906	2,250	**97**
Reclassification of debt securities from available-for-sale to amortised cost	–	–	–	(106,018)	**(106,018)**
Transfer of general contingency reserves to retained earnings	–	–	(802,199)	–	**(802,199)**
Reclassification of investment securities from available-for-sale to FVPL	–	–	–	(3,417)	**(3,417)**
Opening balance under IFRS 9 (October 1, 2017)	**37,334**	**(86,223)**	**19,183**	**–**	**(29,705)**
Translation adjustments	(42,952)	–	–	–	**(42,952)**
Shares purchased for profit sharing scheme	–	(32,141)	–	–	**(32,141)**
Allocation of shares	–	59,200	–	–	**59,200**
Balance at September 30, 2018	**(5,618)**	**(59,164)**	**19,183**	**–**	**(45,599)**
Translation adjustments	(43,224)	–	–	–	**(43,224)**
Transfer to general contingency reserves from retained earnings	–	–	91,431	–	**91,431**
Shares purchased for profit sharing scheme	–	(46,630)	–	–	**(46,630)**
Allocation of shares	–	59,153	–	–	**59,153**
Balance at September 30, 2019	**(48,842)**	**(46,641)**	**110,614**	**–**	**15,131**

General contingency reserves/Other reserves

Prior to the adoption of IFRS 9, a General contingency reserve was created as a voluntary appropriation of retained earnings. This balance represents the difference between regulatory reserve requirements and specific provisions under IFRSs and is an appropriation of retained earnings for certain subsidiaries in the Group.

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Financial Holdings Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2019, shares costing $46.6 million (2018: $59.2 million) remain unallocated from the profit sharing scheme. Refer to Note 28 (a).

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17 OTHER RESERVES *(continued)*

Unallocated shares in the staff profit sharing scheme *(continued)*

	Number of ordinary shares 2019 '000	2018 '000
Balance brought forward	**560**	773
Add shares purchased	**426**	313
Allocation of shares	**(560)**	(526)
Balance carried forward	**426**	**560**

18 OPERATING PROFIT

	2019	2018
a Interest income		
Advances	**3,510,034**	3,137,834
Investment securities	**731,948**	613,201
Liquid assets	**187,129**	129,471
	4,429,111	**3,880,506**
b Interest expense		
Customers' current, savings and deposit accounts	**410,995**	321,930
Other fund raising instruments and debt securities in issue	**160,788**	125,614
Other interest bearing liabilities	**42,967**	17,941
	614,750	**465,485**
c Other income		
Fees and commission from trust and other fiduciary activities	**328,169**	280,725
Credit card fees and commission (net)	**311,295**	230,779
Other fees and commission income	**435,863**	389,175
Net exchange trading income	**351,625**	291,208
Dividends	**722**	686
Net gains from investments at fair value through profit or loss	**973**	92
Net gains on derecognition of financial instruments	**8,641**	6,297
Other operating income	**156,978**	173,340
Employee benefits medical contribution write-back – Note 9 g	**423,570**	–
	2,017,836	**1,372,302**

18 OPERATING PROFIT *(continued)*

	2019	2018
d Operating expenses		
Staff costs	**1,233,831**	1,046,870
Staff profit sharing – Note 28 a	**158,605**	132,739
Employee benefits pension and medical contribution – Note 9 g	**105,811**	139,159
General administrative expenses	**882,030**	758,805
Operating lease payments	**74,036**	65,773
Property related expenses	**153,199**	117,639
Depreciation expense – Note 7	**214,329**	199,220
Advertising and public relations expenses	**89,265**	87,512
Intangible amortisation expense – Note 8	**12,304**	11,483
Investment impairment expense	**3,213**	1,681
Directors' fees	**15,183**	10,489
	2,941,806	**2,571,370**
e Non-cancellable operating lease commitments		
Within one year	**54,395**	36,620
One to five years	**95,097**	93,291
Over five years	**517**	7,956
	150,009	**137,867**

19 CREDIT LOSS EXPENSE

	2019	2018
Advances – Note 4 d	**196,168**	244,665
Debt instruments measured at amortised cost – Note 5 c	**29,234**	42,889
Treasury Bills	**774**	13,978
	226,176	**301,532**

20 TAXATION EXPENSE

	2019	2018
Corporation tax	**624,869**	641,580
Deferred tax – Note 10	**329,673**	(114,505)
	954,542	**527,075**

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20 TAXATION EXPENSE *(continued)*

Reconciliation between taxation expense and net profit before taxation

Income taxes in the consolidated statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2019	2018
Net profit before taxation	2,670,195	1,921,988
Tax at applicable statutory tax rates	1,286,352	601,057
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(586,240)	(28,686)
Non-deductible expenses	277,485	79,241
Allowable deductions	(224,891)	(92,129)
Change in tax rates	185,815	(33,259)
Provision for other taxes	16,021	851
	954,542	527,075

The Group has tax losses in one of its subsidiaries amounting to $409.1 million (2018: two of its subsidiaries amounting to $37.8 million).

21 RISK MANAGEMENT

21.1 General

The Group's prudent banking practices are founded on solid risk management. In an effort to keep apace with its dynamic environment, the Group has established a comprehensive framework for managing risks, which is continually evolving as the Group's business activities change in response to market, credit, product and other developments.

The basic principles of risk management followed by the Group include:

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks through their life cycle;
- Abiding by all applicable laws, regulations and governance standards in every country in which we do business;
- Applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- Undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

The Board of Directors has ultimate responsibility for the management of risk within the Group. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee (ALCO) and Other Risks Committees, review specific risk areas.

A Group Enterprise Risk Management unit exists headed by a Chief Risk Officer, with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

21 RISK MANAGEMENT *(continued)*

21.1 General *(continued)*

The Internal Audit function audits Risk Management processes throughout the Group by examining both the adequacy of the procedures and the Group's compliance with these procedures. Internal Audit discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committees of the Parent and respective subsidiaries.

The Group's activities are primarily related to the use of financial instruments. The Group accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The main risks arising from the Group's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk. The Group reviews and agrees policies for managing each of these risks as follows:

21.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Group's credit risk management function is to maximise the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Group.

The Group's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, including executive and non-executive directors, is in place, with the authority to exercise the powers of the Board on all risk management decisions.

The Risk Management unit is accountable for the general management and administration of the Group's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from and independent of the business development aspect of the operations.

The Group uses a risk rating system which groups commercial/corporate accounts and overdrafts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. Retail lending, mortgages and retail overdrafts are managed by product type. Preset risk management criteria is in place at all branches to facilitate decision-making for all categories of loans including credit cards. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The debt securities within the Group's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with preset exposure limits as approved by the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

The Group avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

The Group's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding balance may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

21.2.1 Analysis of risk concentration

The Group's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The table below shows the Group's maximum exposure to any client or counterparty before taking into account collateral or other credit enhancements.

	Gross maximum exposure	
	2019	**2018**
Statutory deposits with Central Banks	**7,200,336**	6,688,554
Due from banks	**8,751,576**	4,538,274
Treasury Bills	**3,284,410**	4,438,251
Advances	**44,630,109**	36,558,137
Investment securities	**16,397,385**	12,399,300
Investment interest receivable	**194,230**	155,439
Total	**80,458,046**	**64,777,955**
Undrawn commitments	**7,582,839**	6,653,735
Acceptances	**1,503,612**	995,932
Guarantees and indemnities	**294,111**	268,598
Letters of credit	**487,942**	264,721
Total	**9,868,504**	**8,182,986**
Total credit risk exposure	**90,326,550**	**72,960,941**

Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

a Industry sectors

The following table shows the risk concentration by industry for the components of the consolidated statement of financial position. Additional disclosures for credit quality and the maximum exposure for credit risk per categories based on the Group's internal credit rating system and year-end stage classification are further disclosed in Notes 4 (d) and 5 (c).

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.1 Analysis of risk concentration *(continued)*

a Industry sectors *(continued)*

	2019	**2018**
Government and Central Government Bodies	**19,810,000**	18,324,613
Financial sector	**17,174,389**	9,902,188
Energy and mining	**1,437,363**	1,388,718
Agriculture	**379,383**	339,738
Electricity and water	**1,377,598**	1,478,323
Transport, storage and communication	**1,264,874**	896,364
Distribution	**6,306,056**	5,273,842
Real estate	**9,042,963**	3,752,496
Manufacturing	**2,419,654**	2,560,448
Construction	**2,699,030**	2,470,373
Hotel and restaurant	**1,858,488**	1,599,929
Personal	**19,801,353**	18,635,534
Other services	**6,755,399**	6,338,375
	90,326,550	**72,960,941**

Credit exposure with state-owned bodies have been categorised according to the service offered by the organisation rather than within 'Government and Central Government Bodies'.

b Geographical sectors

The Group's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of its counterparties:

	2019	**2018**
Trinidad and Tobago	**44,925,700**	42,851,255
Barbados	**9,284,125**	8,375,874
Eastern Caribbean	**1,645,035**	1,624,815
Guyana	**5,903,021**	5,660,964
United States	**6,960,462**	3,891,170
Europe	**3,976,658**	2,109,303
Suriname	**2,462,669**	2,049,802
Ghana	**3,524,164**	2,843,917
Cayman Islands	**7,103,512**	1,503
Other countries	**4,541,204**	3,552,338
	90,326,550	**72,960,941**

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.2 Impairment assessment

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write off are also reviewed annually and action taken in accordance with prescribed guidelines. The Group's impairment assessment and measurement approach is set out below.

21.2.3 Default and recovery

The Group generally considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once recovered depends on the updated credit grade at the time of recovery.

21.2.4 The Group's internal rating and PD estimation process

Commercial and corporate lending and mortgages

The Group has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A vintage approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and there being no statistical correlation between macroeconomic trends and historical default rates, management applied judgmental overlays based on expectations. As previously mentioned, LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on an individual level including estimating the present value of future cash flows. EAD equals the loan balance outstanding plus accrued interest.

Retail lending and mortgages

Product types were selected as cohort for PD analyses for retail lending and retail mortgages. A vintage approach was applied looking at the number of defaults by segment over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends, management applied judgmental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

Overdrafts and credit cards

Many corporate customers are extended overdraft facilities and the PDs developed for the corporate portfolio were therefore applied. LGDs for the corporate portfolio were also utilised for overdrafts. EADs were developed based on historical trends in utilisation of overdraft limits. ECL percentages for the retail portfolio were utilised for retail overdrafts. PDs for the credit card portfolio were developed using default percentages over a period of time. EADs were developed based on historical trends in utilisation of credit card limits and LGD percentage estimates were developed based on historical loss trends for a sample of credit card non-performing facilities.

Management judgmentally applied overlays as required as there was no noted correlation between macroeconomic trends and historical default rates.

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.4 The Group's internal rating and PD estimation process *(continued)*

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instrument or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied judgmental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

Treasury Bills and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short term funds placed with Central Banks and correspondent banks and the Group therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to be zero. For the Government of Barbados, PDs and LGDs were developed based on countries in the region who have defaulted in the past.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. As a result, the Group considers the risk of default to be very low and the ECLs on these instruments were determined to be zero.

21.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 21.2.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

21.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.6 (g) (i) dependent on the factors below, the Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The commercial and corporate lending and overdraft portfolio
- The mortgage portfolio
- The retail lending portfolio
- The credit card portfolio

Asset classes where the Group calculates ECL on a collective basis include:

- The retail overdraft portfolio
- Subsidiaries with small, homogeneous retail portfolios
- Past due not yet relegated credit facilities

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows:

Advances

	2019 %	2018 %
Stage 1	**81.8**	76.5
Stage 2	**14.4**	19.2
Stage 3	**3.8**	4.3
	100.0	100.0

2019

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 1						
Gross loans	5,917,449	8,518,393	19,618,712	2,500,955	1,013,552	**37,569,061**
ECL	(60,603)	(45,255)	(65,545)	(31,774)	(27,854)	**(231,031)**
	5,856,846	**8,473,138**	**19,553,167**	**2,469,181**	**985,698**	**37,338,030**
ECL as a % of Gross loans	1.0	0.5	0.3	1.3	2.7	**0.6**

2018

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 1						
Gross loans	5,136,442	6,405,521	14,198,489	2,225,639	916,431	**28,882,522**
ECL	(56,761)	(51,217)	(58,229)	(25,327)	(26,071)	**(217,605)**
	5,079,681	**6,354,304**	**14,140,260**	**2,200,312**	**890,360**	**28,664,917**
ECL as a % of Gross loans	1.1	0.8	0.4	1.1	2.8	**0.8**

The ECLs of Stage 1 remained relatively stable from 2018 to 2019.

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

Advances (continued)

2019

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 2						
Gross loans	366,649	3,159,333	1,509,010	1,342,199	207,446	**6,584,637**
ECL	(2,356)	(65,568)	(14,503)	(9,397)	(14,029)	**(105,853)**
	364,293	**3,093,765**	**1,494,507**	**1,332,802**	**193,417**	**6,478,784**
ECL as a % of Gross loans	0.6	2.1	1.0	0.7	6.8	**1.6**

2018

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 2						
Gross loans	408,633	3,692,661	1,557,228	1,411,041	170,533	**7,240,096**
ECL	(2,981)	(32,035)	(14,543)	(5,355)	(13,270)	**(68,184)**
	405,652	**3,660,626**	**1,542,685**	**1,405,686**	**157,263**	**7,171,912**
ECL as a % of Gross loans	0.7	0.9	0.9	0.4	7.8	**0.9**

The increase in ECLs of the Stage 2 portfolios was primarily driven by a decrease in the estimates of what the Group expected to recover.

2019

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 3						
Gross loans	180,376	652,085	775,493	87,763	67,448	**1,763,165**
ECL	(115,046)	(317,242)	(247,702)	(30,004)	(40,735)	**(750,729)**
	65,330	**334,843**	**527,791**	**57,759**	**26,713**	**1,012,436**
ECL as a % of Gross loans	63.8	48.7	31.9	34.2	60.4	**42.6**

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21 **RISK MANAGEMENT** *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

Advances (continued)

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 3						
Gross loans	193,802	661,493	620,173	109,169	65,123	**1,649,760**
ECL	(105,592)	(397,609)	(146,807)	(72,668)	(41,405)	**(764,081)**
	88,210	**263,884**	**473,366**	**36,501**	**23,718**	**885,679**
ECL as a % of Gross loans	54.5	60.1	23.7	66.6	63.6	**46.3**

The decrease in ECLs of Stage 3 portfolios was driven by variations in the underlying security arrangements.

Investment securities

	2019 %	2018 %
Stage 1	**84.7**	86.0
Stage 2	**6.0**	10.3
Stage 3	**0.7**	3.7
POCI	**8.6**	0.0
	100.0	**100.0**

2019	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	14,018,387	998,685	111,594	1,431,361	**16,560,027**
ECL	(6,110)	(23,790)	(70,275)	(62,467)	**(162,642)**
	14,012,277	**974,895**	**41,319**	**1,368,894**	**16,397,385**
ECL as a % of Gross investments	0.0	2.4	63.0	4.4	**1.0**

21 **RISK MANAGEMENT** *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

Investment securities (continued)

2018	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	10,891,593	1,299,599	465,724	–	**12,656,916**
ECL	(6,630)	(37,456)	(213,530)	–	**(257,616)**
	10,884,963	**1,262,143**	**252,194**	**–**	**12,399,300**
ECL as a % of Gross investments	0.1	2.9	45.8	0.0	**2.0**

The decrease in ECLs on investment securities was driven mainly by the reclassification of the Government of Barbados debt from Stage 3 into POCI securities at a reduced carrying value and ECL mitigated by a 28% increase in the gross size of the portfolio in other territories.

21.3 Liquidity risk

Liquidity risk is defined as the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Group has sufficient funds to meet all of its obligations.

Three primary sources of funds are used to provide liquidity – retail deposits, wholesale deposits and the capital market. A substantial portion of the Group is funded with 'core deposits'. The Group maintains a core base of retail and wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required, providing diverse funding sources to the Group. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

The ALCO sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury Bill, the Group also holds significant investments in other Government securities, which can be used for liquidity support. The Group continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

21.3.1 **Analysis of financial liabilities by remaining contractual maturities**

The table below summarises the maturity profile of the Group's financial liabilities at September 30 based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position. Refer to Note 27 for a maturity analysis of assets and liabilities.

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21 **RISK MANAGEMENT** *(continued)*

21.3 **Liquidity risk** *(continued)*

21.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities – on consolidated statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2019					
Customers' current, savings and deposit accounts	49,485,584	14,105,704	1,480,118	10	**65,071,416**
Other fund raising instruments	–	5,368,542	81,184	145,396	**5,595,122**
Debt securities in issue	–	212,123	1,354,284	1,228,007	**2,794,414**
Due to banks	38,260	1,370,238	–	–	**1,408,498**
Other liabilities	418,683	298,107	42,613	57	**759,460**
Total undiscounted financial liabilities	**49,942,527**	**21,354,714**	**2,958,199**	**1,373,470**	**75,628,910**
2018					
Customers' current, savings and deposit accounts	44,228,228	8,026,259	424,894	–	**52,679,381**
Other fund raising instruments	–	4,589,376	344,599	166,540	**5,100,515**
Debt securities in issue	–	167,156	49,907	96,745	**313,808**
Due to banks	27,711	243,516	–	–	**271,227**
Other liabilities	368,562	221,230	12,684	–	**602,476**
Total undiscounted financial liabilities	**44,624,501**	**13,247,537**	**832,084**	**263,285**	**58,967,407**

Financial liabilities – off consolidated statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2019					
Acceptances	272,367	826,977	403,942	326	**1,503,612**
Guarantees and indemnities	11,666	232,710	18,306	31,429	**294,111**
Letters of credit	306,768	181,174	–	–	**487,942**
Total	**590,801**	**1,240,861**	**422,248**	**31,755**	**2,285,665**

21 **RISK MANAGEMENT** *(continued)*

21.3 **Liquidity risk** *(continued)*

21.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities – off consolidated statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2018					
Acceptances	178,448	558,861	258,453	170	**995,932**
Guarantees and indemnities	41,799	180,041	14,425	32,333	**268,598**
Letters of credit	188,452	76,269	–	–	**264,721**
Total	**408,699**	**815,171**	**272,878**	**32,503**	**1,529,251**

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

21.4 **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

21.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group has an Asset/Liability Committee which reviews on a monthly basis the non-credit and non-operational risk for the Parent and each subsidiary. Asset and Liability management is a vital part of the risk management process of the Group. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Group, including interest rate, foreign exchange, liquidity and market risks.

The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor and country. The Group is committed to refining and defining these tools to be in line with international best practice.

The table below summarises the interest rate exposure of the Group's consolidated statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

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21 RISK MANAGEMENT *(continued)*

21.4 Market risk *(continued)*

21.4.1 Interest rate risk *(continued)*

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonably possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table:

		Impact on net profit			
	Change in basis points	**2019 Increase**	**2019 Decrease**	**2018 Increase**	**2018 Decrease**
TT$ instruments	+/- 50	55,193	(55,193)	51,372	**(51,372)**
US$ instruments	+/- 50	19,712	(19,927)	5,379	**(5,379)**
BDS$ instruments	+/- 50	1,607	(1,607)	21,545	**(21,545)**
GHS¢ instruments	+/- 300	2,024	(2,024)	9,041	**(9,041)**
Other currency instruments	+/- 50	389	(424)	148	**(148)**

21.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments and overseas subsidiaries and associates. The Group's policy is to match the initial net foreign currency investment with funding in the same currency. The Group also monitors its foreign currency position for both overnight and intra-day transactions.

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets and related funding of overseas subsidiaries and associates, from the respective local currency to Trinidad and Tobago dollars (TTD). Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognised in reserves. Gains or losses on related foreign currency funding are recognised in the consolidated statement of income.

The principal currencies of the Group's subsidiary and associated company investments are TTD, United States dollars (USD), Guyana dollars (GYD), Eastern Caribbean dollars (XCD), Barbados dollars (BDS), Ghana Cedi (GHS), Suriname dollars (SRD) and Cayman Island dollars (KYD).

The tables below indicate the currencies to which the Group had significant exposure at September 30 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the TTD, with all other variables held constant.

21 RISK MANAGEMENT *(continued)*

21.4 Market risk *(continued)*

21.4.2 Currency risk *(continued)*

2019	**TTD**	**USD**	**BDS**	**GHS**	**SRD**	**KYD**	**Other**	**Total**
Financial assets								
Cash and cash equivalents	381,144	670,981	97,166	83,551	24,035	64,357	421,554	**1,742,788**
Statutory deposits with Central Banks	4,525,971	134,008	1,290,415	188,713	221,120	–	840,109	**7,200,336**
Due from banks	1,937,129	4,789,461	12,977	70,686	373,312	–	1,568,011	**8,751,576**
Treasury Bills	1,511,381	360,859	–	223,699	26,099	–	1,162,372	**3,284,410**
Advances	21,989,231	7,212,666	5,033,558	1,135,396	726,105	4,581,254	3,951,899	**44,630,109**
Investment securities	4,822,197	8,661,404	1,368,638	1,171,231	–	–	552,589	**16,576,059**
Investment interest receivable	54,144	69,317	417	62,026	870	–	7,456	**194,230**
Total financial assets	**35,221,197**	**21,898,696**	**7,803,171**	**2,935,302**	**1,371,541**	**4,645,611**	**8,503,990**	**82,379,508**
Financial liabilities								
Due to banks	365,252	915,155	12,688	73,915	1,447	–	27,714	**1,396,171**
Customers' current, savings and deposit accounts	26,837,870	16,069,286	7,274,268	1,821,183	830,034	3,581,776	8,608,685	**65,023,102**
Other fund raising instruments	4,285,538	773,963	146,994	329,594	–	–	–	**5,536,089**
Debt securities in issue	49,333	1,990,012	–	82,929	–	–	–	**2,122,274**
Interest payable	30,792	68,206	1,425	–	4,675	10,396	1,482	**116,976**
Total financial liabilities	**31,568,785**	**19,816,622**	**7,435,375**	**2,307,621**	**836,156**	**3,592,172**	**8,637,881**	**74,194,612**
Net currency risk exposure		**2,082,074**	**367,796**	**627,681**	**535,385**	**1,053,439**	**(133,891)**	
Reasonably possible change in currency rate (%)		**1**	**1**	**3**	**1**	**1**	**1**	
Effect on profit before tax		**20,821**	**3,678**	**18,830**	**5,354**	**10,534**	**(1,339)**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.4 Market risk *(continued)*

21.4.2 Currency risk *(continued)*

2018	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial assets								
Cash and cash equivalents	374,869	39,637	100,829	99,040	50,121	–	152,124	**816,620**
Statutory deposits with Central Banks	4,989,936	4,570	640,403	142,593	245,000	–	666,052	**6,688,554**
Due from banks	166,377	2,169,293	13,054	171,452	218,491	–	1,799,607	**4,538,274**
Treasury Bills	1,949,234	166,316	1,080,038	15,784	53,748	–	1,173,131	**4,438,251**
Advances	20,582,207	5,910,812	5,014,398	932,169	508,446	–	3,610,105	**36,558,137**
Investment securities	5,295,838	5,678,571	236,147	893,950	–	–	374,053	**12,478,559**
Investment interest receivable	60,571	46,201	10,002	28,478	1,045	–	9,142	**155,439**
Total financial assets	**33,419,032**	**14,015,400**	**7,094,871**	**2,283,466**	**1,076,851**	**–**	**7,784,214**	**65,673,834**
Financial liabilities								
Due to banks	131,480	10,495	14,339	–	1,894	–	22,610	**180,818**
Customers' current, savings and deposit accounts	25,974,973	9,778,250	6,583,489	1,575,840	899,247	–	7,844,749	**52,656,548**
Other fund raising instruments	3,662,374	570,384	176,255	309,524	–	–	–	**4,718,537**
Debt securities in issue	211,064	79,172	–	3,652	–	–	–	**293,888**
Interest payable	27,588	18,928	2,427	33,323	3,548	–	1,206	**87,020**
Total financial liabilities	**30,007,479**	**10,457,229**	**6,776,510**	**1,922,339**	**904,689**	**–**	**7,868,565**	**57,936,811**
Net currency risk exposure		**3,558,171**	**318,361**	**361,127**	**172,162**	**–**	**(84,351)**	
Reasonably possible change in currency rate (%)		1	1	3	1	1	1	
Effect on profit before tax		**35,582**	**3,184**	**10,834**	**1,722**	**–**	**(844)**	

21.5 Operational risk

The growing sophistication of the financial industry has made the Group's operational risk profile more complex. Operational risk is inherent within all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Group recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Group's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

21 RISK MANAGEMENT *(continued)*

21.5 Operational risk *(continued)*

The Group has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

Managing cyber security related threats across RFHL remains a major priority. As part of the Group's business strategy in reducing cyber risk exposure, cyber security is embedded in the design of technology and services prior to deployment. The Group's Enterprise Risk Management Committee is responsible for overseeing cyber security risks and maintaining cyber security risk appetite. Mechanisms are in place across the Group to predict, prevent, detect and respond against cyber threats and where appropriate, risk is transferred by the placement of adequate insurance coverage.

22 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates.

	2019	2018
Advances, investments and other assets		
Directors and key management personnel	**232,958**	21,180
Other related parties	**174,865**	290,618
	407,823	**311,798**
Deposits and other liabilities		
Directors and key management personnel	**127,521**	89,601
Other related parties	**436,482**	353,497
	564,003	**443,098**
Interest and other income		
Directors and key management personnel	**8,644**	790
Other related parties	**22,793**	29,398
	31,437	**30,188**
Interest and other expense		
Directors and key management personnel	**7,286**	11,603
Other related parties	**11,641**	18,121
	18,927	**29,724**

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22 RELATED PARTIES *(continued)*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management compensation

	2019	2018
Short-term benefits	**49,070**	37,086
Post employment benefits	**4,949**	7,479
Share-based payment	**2,530**	1,390
	56,549	**45,955**

23 CAPITAL MANAGEMENT

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $1.1 billion to $11.2 billion during the year under review.

Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the respective Central Banks for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

RFHL and its main subsidiary, RBL, have commenced the preparatory work for the implementation of the Basel II and III framework. While the new requirements in its current form will require banks to hold substantially more capital, the Group with their existing strong capital base, will meet the new requirements.

Capital adequacy ratio

	2019 %	2018 %
Republic Bank Limited	**21.46**	18.06
Republic Bank (Cayman) Limited	**23.51**	22.80
Republic Bank (Grenada) Limited	**13.64**	14.85
Republic Bank (Guyana) Limited	**22.54**	19.30
Republic Bank (Barbados) Limited	**14.71**	13.51
Republic Bank (Suriname) N.V.	**15.20**	12.11
Republic Bank (Ghana) Limited	**28.22**	34.49
Atlantic Financial Limited	**73.26**	49.15
Cayman National Bank	**23.52**	–

At September 30, 2019, RBL and each of RFHL's banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

24 FAIR VALUE

24.1 Carrying values and fair values

The following table summarises the carrying amounts and the fair values of the Group's financial assets and liabilities:

	2019		
	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	13,778,774	13,778,774	–
Advances	44,630,109	42,697,115	(1,932,994)
Investment securities	16,576,059	16,822,810	246,751
Investment interest receivable	194,230	194,230	–
Other financial assets	311,920	311,920	–
Financial liabilities			
Customers' current, savings and deposit accounts	65,023,102	65,021,627	1,474
Borrowings and other fund raising instruments	6,932,260	6,932,260	–
Debt securities in issue	2,122,274	2,213,682	(91,409)
Accrued interest payable	116,977	116,977	–
Other financial liabilities	1,254,363	1,254,363	–
Total unrecognised change in unrealised fair value			**(1,776,178)**

	2018		
	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	9,793,145	9,793,145	–
Advances	36,558,137	34,599,194	(1,958,943)
Investment securities	12,478,559	12,489,673	11,114
Investment interest receivable	155,439	155,439	–
Other financial assets	260,911	260,911	–
Financial liabilities			
Customers' current, savings and deposit accounts	52,656,548	52,665,157	(8,609)
Borrowings and other fund raising instruments	4,899,355	4,899,355	–
Debt securities in issue	293,888	294,388	(500)
Accrued interest payable	87,020	86,389	631
Other financial liabilities	1,109,139	1,109,139	–
Total unrecognised change in unrealised fair value			**(1,956,307)**

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24 FAIR VALUE *(continued)*

24.2 Fair value and fair value hierarchies

24.2.1 Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities:

2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	19,251	116,282	43,139	**178,672**
Financial assets for which fair value is disclosed				
Advances	–	–	42,697,115	**42,697,115**
Investment securities	5,136,557	10,119,073	1,388,509	**16,644,139**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	65,021,627	**65,021,627**
Debt securities in issue	–	2,130,753	82,929	**2,213,682**

2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	16,969	46,404	14,990	**78,363**
Financial assets for which fair value is disclosed				
Advances	–	–	34,599,194	**34,599,194**
Investment securities	5,210,142	6,944,908	256,260	**12,411,310**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	52,665,157	**52,665,157**
Debt securities in issue	–	294,388	–	**294,388**

24 FAIR VALUE *(continued)*

24.2 Fair value and fair value hierarchies *(continued)*

24.2.2 Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2019 are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted cash flow method	Growth rate for cash flows for subsequent years	4.0% - 28.2%
Customers' current, savings and deposit accounts	Discounted cash flow method	Growth rate for cash flows for subsequent years	0.0% - 9.0%

24.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2019, $1.06 million of assets were transferred between Level 1 and Level 2 (2018: nil).

24.2.4 Reconciliation of movements in Level 3 financial assets measured at fair value

	Balance at beginning of year	Additions/ Transfers	Disposals/ Transfers to Level 2	Balance at end of year
Financial assets designated at fair value through profit or loss	14,990	28,990	(841)	43,139
	14,990	**28,990**	**(841)**	**43,139**

25 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2019 %	2018 %
Republic Bank (Ghana) Limited	Ghana	**33.46**	33.46
Republic Bank (Guyana) Limited	Guyana	**49.00**	49.00
Cayman National Corporation	Cayman Islands	**25.01**	–

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25 MATERIAL PARTLY-OWNED SUBSIDIARIES *(continued)*

Financial information of subsidiaries that have material non-controlling interests is provided below: *(continued)*

Proportion of equity interest held by non-controlling interests: *(continued)*

Name	2019	2018
Accumulated balances of material non-controlling interests:		
Republic Bank (Ghana) Limited	**235,216**	210,210
Republic Bank (Guyana) Limited	**369,214**	328,738
Cayman National Corporation	**283,998**	–
Profit allocated to material non-controlling interests:		
Republic Bank (Ghana) Limited	**34,268**	17,295
Republic Bank (Guyana) Limited	**63,129**	50,063
Cayman National Corporation	**30,900**	–

The summarised financial information of these subsidiaries is provided in Note 26 (i) of these consolidated financial statements.

26 SEGMENTAL INFORMATION

The Group is organised into two main business segments: retail and commercial banking and merchant banking. The Group's primary reporting format comprises geographical segments, reflecting its management structure and the secondary segment is by class of business. The following is an analysis by respective segments:

i **By geographic segment**

2019	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
Interest income	2,371,030	477,818	155,858	198,039	291,694	542,710	391,962	**4,429,111**
Interest expense	(195,516)	(34,662)	(36,682)	(37,105)	(19,701)	(227,544)	(63,540)	**(614,750)**
Net interest income	2,175,514	443,156	119,176	160,934	271,993	315,166	328,422	**3,814,361**
Other income	1,330,535	125,259	44,562	48,787	117,931	152,102	198,660	**2,017,836**
Share of profits/(loss) of associates	6,111	–	(131)	–	–	–	–	**5,980**
Operating income	3,512,160	568,415	163,607	209,721	389,924	467,268	527,082	**5,838,177**
Other operating expenses	(1,642,170)	(305,583)	(93,365)	(90,137)	(186,897)	(292,862)	(330,792)	**(2,941,806)**
Operating profit	1,869,990	262,832	70,242	119,584	203,027	174,406	196,290	**2,896,371**
Credit loss (expense)/ income on financial assets	(103,958)	(78,612)	(6,792)	5,776	(2,890)	(43,503)	3,803	**(226,176)**
Net profit before taxation	**1,766,032**	**184,220**	**63,450**	**125,360**	**200,137**	**130,903**	**200,093**	**2,670,195**
Taxation	(638,786)	(182,135)	(23,209)	(6,399)	(71,304)	(32,417)	(292)	**(954,542)**
Net profit after taxation	**1,127,246**	**2,085**	**40,241**	**118,961**	**128,833**	**98,486**	**199,801**	**1,715,653**

26 SEGMENTAL INFORMATION *(continued)*

i **By geographic segment** *(continued)*

2019	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
Investment in associated companies	51,523	–	1,077	–	–	–	–	**52,600**
Total assets	46,793,990	10,016,559	3,180,215	2,883,148	6,015,765	3,905,339	14,688,872	**87,483,888**
Total liabilities	42,761,747	7,720,098	2,853,433	2,213,767	5,266,695	3,051,905	12,384,483	**76,252,128**
Depreciation	122,876	24,122	12,661	6,633	15,861	15,877	16,299	**214,329**
Capital expenditure on premises and equipment	287,899	11,944	7,167	5,107	19,155	19,334	17,666	**368,272**
Cash flow from operating activities	1,791,878	255,058	(546,300)	42,243	115,211	343,477	798,833	**2,800,400**
Cash flow from investing activities	2,395,764	(1,148,817)	35,975	1,183	22,439	(459,367)	(1,046,638)	**(199,461)**
Cash flow from financing activities	1,169,938	1,209,735	(567)	(6,886)	(45,521)	79,760	(83,680)	**2,322,779**

2018	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
Interest income	2,276,702	500,657	131,535	188,201	249,086	440,520	93,805	**3,880,506**
Interest expense	(142,211)	(29,705)	(32,045)	(37,417)	(18,582)	(194,506)	(11,019)	**(465,485)**
Net interest income	2,134,491	470,952	99,490	150,784	230,504	246,014	82,786	**3,415,021**
Other income	867,975	114,272	43,269	43,452	113,681	144,190	45,463	**1,372,302**
Share of profits of associates	7,297	–	270	–	–	–	–	**7,567**
Operating income	3,009,763	585,224	143,029	194,236	344,185	390,204	128,249	**4,794,890**
Other operating expenses	(1,590,153)	(324,131)	(91,677)	(88,207)	(163,254)	(279,817)	(34,131)	**(2,571,370)**
Operating profit	1,419,610	261,093	51,352	106,029	180,931	110,387	94,118	**2,223,520**
Credit loss (expense)/ income on financial assets	(106,350)	(122,338)	(3,473)	4,710	(28,864)	(45,855)	638	**(301,532)**
Net profit before taxation	**1,313,260**	**138,755**	**47,879**	**110,739**	**152,067**	**64,532**	**94,756**	**1,921,988**
Taxation	(436,194)	9,566	(17,604)	(6,032)	(49,897)	(26,914)	–	**(527,075)**
Net profit after taxation	**877,066**	**148,321**	**30,275**	**104,707**	**102,170**	**37,618**	**94,756**	**1,394,913**

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26 SEGMENTAL INFORMATION *(continued)*

i **By geographic segment** *(continued)*

2018	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
Investment in associated companies	82,142	–	1,208	–	–	–	–	**83,350**
Total assets	43,473,915	9,474,995	3,269,912	2,875,670	5,626,376	3,303,677	2,441,075	**70,465,620**
Total liabilities	38,996,229	7,091,989	2,987,578	2,077,118	4,951,513	2,502,217	1,761,194	**60,367,838**
Depreciation	114,267	27,749	12,622	7,280	16,674	19,446	1,182	**199,220**
Capital expenditure on premises and equipment	284,675	21,858	8,355	5,313	10,892	12,770	9,967	**353,830**
Cash flow from operating activities	41,073	487,322	493,749	102,846	434,205	(53,827)	334,187	**1,839,555**
Cash flow from investing activities	365,708	(2,069,373)	(210,043)	(105,518)	(59,930)	(257,561)	(191,750)	**(2,528,467)**
Cash flow from financing activities	(1,716,808)	(210,556)	(1,581)	(218)	(41,739)	351,877	(54,614)	**(1,673,639)**

ii **By class of business**

2019	Retail and commercial banking	Merchant banking	Total
Interest income	3,987,485	441,626	**4,429,111**
Interest expense	(473,161)	(141,589)	**(614,750)**
Net interest income	3,514,324	300,037	**3,814,361**
Other income	1,779,797	238,039	**2,017,836**
Share of profit of associates	5,980	–	**5,980**
Operating income	5,300,101	538,076	**5,838,177**
Other operating expenses	(2,888,194)	(53,612)	**(2,941,806)**
Operating profit	2,411,907	484,464	**2,896,371**
Credit loss (expense)/income on financial assets	(233,156)	6,980	**(226,176)**
Net profit before taxation	**2,178,751**	**491,444**	**2,670,195**
Taxation	(903,556)	(50,986)	**(954,542)**
Net profit after taxation	**1,275,195**	**440,458**	**1,715,653**

26 SEGMENTAL INFORMATION *(continued)*

ii **By class of business** *(continued)*

2019	Retail and commercial banking	Merchant banking	Total
Investment in associated companies	52,600	–	**52,600**
Total assets	78,661,611	8,822,277	**87,483,888**
Total liabilities	70,055,985	6,196,143	**76,252,128**
Depreciation	214,329	–	**214,329**
Capital expenditure on premises and equipment	367,115	1,157	**368,272**
Cash flow from operating activities	2,450,936	349,464	**2,800,400**
Cash flow from investing activities	1,972,944	(2,172,405)	**(199,461)**
Cash flow from financing activities	939,799	1,382,980	**2,322,779**

2018	Retail and commercial banking	Merchant banking	Total
Interest income	3,469,582	410,924	**3,880,506**
Interest expense	(346,110)	(119,375)	**(465,485)**
Net interest income	3,123,472	291,549	**3,415,021**
Other income	1,169,837	202,465	**1,372,302**
Share of profit of associates	7,567	–	**7,567**
Operating income	4,300,876	494,014	**4,794,890**
Other operating expenses	(2,529,141)	(42,229)	**(2,571,370)**
Operating profit	1,771,735	451,785	**2,223,520**
Credit loss (expense)/income on financial assets	(310,284)	8,752	**(301,532)**
Net profit before taxation	**1,461,451**	**460,537**	**1,921,988**
Taxation	(472,224)	(54,851)	**(527,075)**
Net profit after taxation	**989,227**	**405,686**	**1,394,913**
Investment in associated companies	83,350	–	**83,350**
Total assets	60,627,057	9,838,563	**70,465,620**
Total liabilities	54,783,991	5,583,847	**60,367,838**
Depreciation	197,863	1,357	**199,220**
Capital expenditure on premises and equipment	343,856	9,974	**353,830**
Cash flow from operating activities	(1,569,107)	3,408,713	**1,839,606**
Cash flow from investing activities	(1,183,525)	(1,344,939)	**(2,528,464)**
Cash flow from financing activities	(751,982)	(921,708)	**(1,673,690)**

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the discounted assets and liabilities of the Group based on the remaining period at September 30 to the contractual maturity date. See Note 21.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2019	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	1,742,788	–	**1,742,788**
Statutory deposits with Central Banks	7,200,336	–	**7,200,336**
Due from banks	8,751,576	–	**8,751,576**
Treasury Bills	3,284,410	–	**3,284,410**
Advances	10,708,069	33,922,040	**44,630,109**
Investment securities	5,001,375	11,574,684	**16,576,059**
Investment interest receivable	194,230	–	**194,230**
Investment in associated companies	–	52,600	**52,600**
Premises and equipment	1,921	2,872,651	**2,874,572**
Intangible assets	–	872,913	**872,913**
Pension assets	–	630,325	**630,325**
Deferred tax assets	–	180,390	**180,390**
Taxation recoverable	3,335	54,685	**58,020**
Other assets	402,597	32,963	**435,560**
	37,290,637	**50,193,251**	**87,483,888**
LIABILITIES			
Due to banks	1,396,171	–	**1,396,171**
Customers' current, savings and deposit accounts	63,853,456	1,169,646	**65,023,102**
Other fund raising instruments	5,313,917	222,172	**5,536,089**
Debt securities in issue	–	2,122,274	**2,122,274**
Pension liability	–	56,865	**56,865**
Provision for post-retirement medical benefits	–	68,746	**68,746**
Taxation payable	190,029	–	**190,029**
Deferred tax liabilities	–	258,149	**258,149**
Accrued interest payable	114,828	2,149	**116,977**
Other liabilities	1,398,542	85,184	**1,483,726**
	72,266,943	**3,985,185**	**76,252,128**

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

2018	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	816,620	–	**816,620**
Statutory deposits with Central Banks	6,688,554	–	**6,688,554**
Due from banks	4,538,274	–	**4,538,274**
Treasury Bills	4,438,251	–	**4,438,251**
Advances	9,533,010	27,025,127	**36,558,137**
Investment securities	2,812,651	9,665,908	**12,478,559**
Investment interest receivable	135,624	19,815	**155,439**
Investment in associated companies	–	83,350	**83,350**
Premises and equipment	2,462	2,478,959	**2,481,421**
Intangible assets	–	393,966	**393,966**
Pension assets	–	821,672	**821,672**
Deferred tax assets	–	591,206	**591,206**
Taxation recoverable	–	52,204	**52,204**
Other assets	362,375	5,592	**367,967**
	29,327,821	**41,137,799**	**70,465,620**
LIABILITIES			
Due to banks	180,818	–	**180,818**
Customers' current, savings and deposit accounts	52,612,073	44,475	**52,656,548**
Other fund raising instruments	4,718,537	–	**4,718,537**
Debt securities in issue	150,000	143,888	**293,888**
Pension liability	–	77,206	**77,206**
Provision for post-retirement medical benefits	–	520,324	**520,324**
Taxation payable	177,839	–	**177,839**
Deferred tax liabilities	–	331,769	**331,769**
Accrued interest payable	86,693	327	**87,020**
Other liabilities	1,283,928	39,961	**1,323,889**
	59,209,888	**1,157,950**	**60,367,838**

28 EQUITY COMPENSATION BENEFITS

a Profit sharing scheme

It is estimated that approximately $128.6 million (2018: $115 million) will be allocated to staff from the profit sharing scheme in the current financial year. The total staff profit sharing for the Group was $158.6 million (2018: $133 million). Refer to Note 18 (d). During the 2019 financial year, $46.6 million in advances were made by Republic Bank Limited for purchase of shares to the staff profit sharing scheme (2018: $32.1 million).

b Stock option plan

The Group has a stock option plan for senior executives. Under this arrangement, the holder has the right to purchase a specified number of ordinary shares of Republic Financial Holdings Limited at a pre-determined price on or before a pre-determined date. Options are granted only when certain pre-determined individual, corporate and strategic objectives are realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

28 EQUITY COMPENSATION BENEFITS *(continued)*

b Stock option plan *(continued)*

The plan provides that the maximum number of ordinary shares that may be purchased on the exercise of options is 7,950,650 shares and the maximum entitlement for any one executive is no more than 50% of the shares comprising the plan. There is a three-year waiting period after the grant date of options before the grantee may exercise the right to purchase the shares represented by the options. The maximum period within which an option may be exercised is ten years.

The option price shall be RFHL's share price at the beginning of the performance period during which the option is earned. The price is calculated as the average closing share price on all trading days during the calendar month, prior to the beginning of the performance period. The process of assessment, calculation of options and approval by the Board of Directors takes place in the first quarter following the end of the financial year.

The movement in outstanding options is outlined below:

	Weighted average exercise price		Number of shares	
	2019	**2018**	**2019**	**2018**
At the beginning of the year	**$105.03**	$102.64	**2,053,177**	1,791,923
Granted	**$101.92**	$110.00	**555,277**	380,253
Forfeited	**$78.78**	$84.91	**(10,952)**	(27,705)
Exercised	**$93.98**	$84.97	**(111,009)**	(91,294)
At end of year	**$104.94**	**$102.64**	**2,486,493**	**2,053,177**
Exercisable at end of year	**$105.01**	**$101.43**	**1,742,428**	**1,526,339**

Expiry date	Exercise price	2019	2018
15-Dec-18	$78.78	**–**	10,952
20-Dec-19	$90.19	**24,185**	49,244
20-Dec-20	$86.75	**63,711**	68,942
20-Dec-21	$80.00	**41,490**	56,885
20-Dec-22	$101.80	**11,876**	11,876
13-Dec-23	$85.94	**61,101**	61,101
8-Dec-24	$72.99	**102,079**	102,079
14-Dec-25	$92.67	**150,135**	186,840
14-Dec-26	$104.41	**331,104**	342,415
11-Dec-27	$110.03	**338,492**	355,800
11-Dec-28	$121.74	**415,912**	415,912
9-Dec-29	$112.05	**10,878**	10,878
12-Dec-30	$110.00	**380,253**	380,253
7-Dec-31	$101.92	**555,277**	–
		2,486,493	**2,053,177**

28 EQUITY COMPENSATION BENEFITS *(continued)*

b Stock option plan *(continued)*

As at September 30, 2019, 415,592 (2018: 1,505,258) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share.

The fair value of the stock options have been determined using a binomial option-pricing model. The assumptions used in the calculation of the fair value are as follows:

Grant date	December 14, 2018 to July 19, 2019
Number granted	555,277
Exercise price	$101.92
Share price at grant date	$101.63 to $121.28
Risk free interest rate	3.5% per annum
Expected volatility	7.5% per annum
Dividend yield	4.0% per annum
Exercise term	Option exercised when share price is 150% of the exercise price
Fair value	$6.60 to $17.86

The expected volatility is based on historical volatility of the share price over the last five years.

The weighted average share price for share options exercised during the year was $93.98. For options outstanding at September 30, 2019 the exercise price ranged from $72.99 to $121.74 and the weighted average remaining contractual life was 8.4 years.

The total expense for the share option plan was $2.530 million (2018: $1.390 million).

29 DIVIDENDS PAID AND PROPOSED

	2019	2018
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2018: $3.15 (2017: $3.15)	**511,990**	511,703
Interim dividend for 2019: $1.25 (2018: $1.25)	**203,274**	203,158
Total dividends paid	**715,264**	**714,861**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2019: $3.25 (2018: $3.15)	**528,605**	**511,990**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CONTINGENT LIABILITIES

a Litigation

As at September 30, 2019, there were certain tax and legal proceedings outstanding against the Group. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2019	2018
Acceptances	**1,503,612**	995,932
Guarantees and indemnities	**294,111**	268,598
Letters of credit	**487,942**	264,721
	2,285,665	**1,529,251**

c Sectoral information

	2019	2018
State	**156,285**	145,369
Corporate and commercial	**2,058,610**	1,314,865
Personal	**26,178**	26,688
Other financial institutions	**44,192**	28,114
Other	**400**	14,215
	2,285,665	**1,529,251**

d Pledged assets

The table below illustrates the distribution of pledged assets in the Group's consolidated statement of financial position:

	Carrying amount		Related liability	
	2019	2018	2019	2018
Financial assets	**4,806,337**	3,879,562	**5,498,692**	3,949,755

The assets pledged by the Group relate to a pool of securities held for the purpose of providing collateral for the counterparty. Individual securities within the pool may be sold by the Group once the total value of the pool exceeds the value of the liability. In the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

31 STRUCTURED ENTITIES

The Group sponsors several structured entities which are not consolidated as the Group is not deemed to be in control of those entities. The Group considers itself to be sponsor of a structured entity when it facilitates the establishment of the structured entity. The Group may hold an interest in some of these entities but does not provide any financial support to these entities.

These structured entities include Mutual Funds and Retirement Benefit Plans which are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2019, the Group earned $27.8 million (2018: $25.9 million) in management fees from the retirement plans and $97.6 million (2018: $91.1 million) from the mutual funds.

31 STRUCTURED ENTITIES *(continued)*

The Group holds an interest of $45.9 million (2018: $28.2 million) in sponsored funds as at September 30, 2019. The maximum exposure to loss in these funds is the carrying value of the assets held by the Group. These values are all included in the Investment securities portfolio of the Group as at September 30, 2019.

32 SUBSIDIARY COMPANIES

Name of Company	Country of incorporation	% equity interest
Republic Bank (Barbados) Limited *Commercial Bank*	Barbados	100.00
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00
Cayman National Corporation *Banking and Fiduciary Services*	Cayman Islands	74.99
Republic Bank (Ghana) Limited *Commercial Bank*	Ghana	66.54
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	75.71
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00
Atlantic Financial Limited *International Business Company*	Saint Lucia	100.00
Republic Caribbean Investments Limited *Investment Company*	Saint Lucia	100.00
Republic (Suriname) Holdings Limited *Investment Company*	Saint Lucia	100.00
Republic Bank (Suriname) N.V. *Commercial Bank*	Suriname	100.00
Republic Bank Limited *Commercial Bank*	Trinidad and Tobago	100.00

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32 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Country of incorporation	% equity interest
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00

33 BUSINESS COMBINATIONS

Acquisition of Cayman National Corporation

On March 13, 2019, Republic Bank Trinidad and Tobago (Barbados) Limited (a subsidiary of Republic Financial Holdings Limited), acquired 74.99% of the outstanding ordinary shares and obtained control of Cayman National Corporation. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Cayman National Corporation as at the date of acquisition were:

	Fair value recognised on acquisition February 28, 2019
Assets	
Cash resources	2,139,552
Investment securities	2,605,223
Advances	6,043,519
Intangibles	154,605
Other assets	359,020
	11,301,920
Liabilities	
Customer deposits and due to banks	9,928,882
Other liabilities	121,816
	10,050,698
Total identifiable net assets at fair value	1,251,222
Non-controlling interests	(258,013)
Goodwill arising on acquisition	336,644
Purchase consideration transferred	**1,329,852**

33 BUSINESS COMBINATIONS *(continued)*

Acquisition of Cayman National Corporation *(continued)*

Purchase Consideration	
Amount settled in cash	1,329,852
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	2,139,552
Consideration transferred	(1,329,852)
Net cash outflow	**809,700**

The net assets recognised as at February 28, 2019, which was used for convenience, were based on an independent valuation of the fair value of Cayman National Corporation completed in 2019. Acquisition date fair value of core deposit intangibles of $152.9 million and trade name of $53.2 million was determined of which $114.7 million and $40 million respectively was the Group's share. Fair value of the land and buildings was $182.3 million, an increase of $86.6 million over the carrying value of which $65 million was the Group's share. The increased depreciation charge on the core deposit intangibles and buildings from the acquisition date amounted to $12.1 million.

For the seven month period ending September 30, 2019, Cayman National Corporation contributed $406.4 million of revenue and $123.8 million to profit before taxation from continuing operations of the Group.

34 EVENTS AFTER THE REPORTING PERIOD

On November 1, 2019, the Group completed the acquisition of Scotiabank's banking operations in St. Maarten, Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines. On a pro-forma basis, the acquisition will add TT$10.1 billion to the Group's assets.


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