Republic Financial Holdings Limited

2017

Annual Report

Republic Financial Holdings Limited

still soaring

Our history began with a duty... a duty to our customers and our nation. Nearly two centuries later, through local, regional and global economic storms, and evolving governments and societies, that duty still calls to us and we hold to our promise to answer it. As our customer needs have changed, we have tailored our products and services to suit, ever ensuring that we stay in touch with the minds and hopes of those who continue to help us achieve our success - our stakeholders and our staff. As a holding company, we reaffirm our commitment to live by the values that turn the wheels of our organisation.

The Group at a Glance

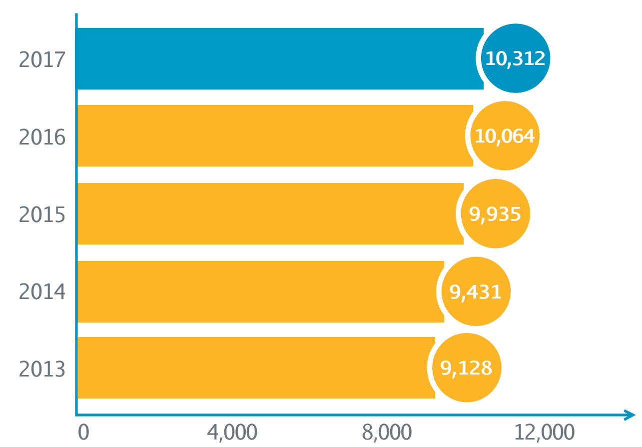
About Us

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., HFC Bank (Ghana), Republic Securities Limited, 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.

Our Vision

Republic Financial Holdings,
the Caribbean Financial Services
Group 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.

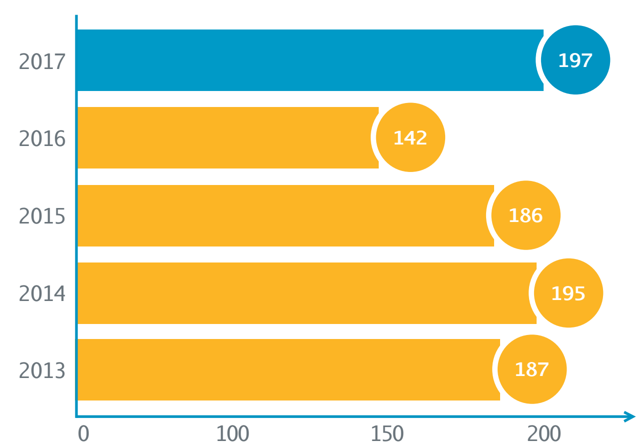
Total Assets (US$Million)



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.

Profit After Tax (US$Million)



Core Values

Customer Focus

Integrity

Respect for the Individual

Professionalism

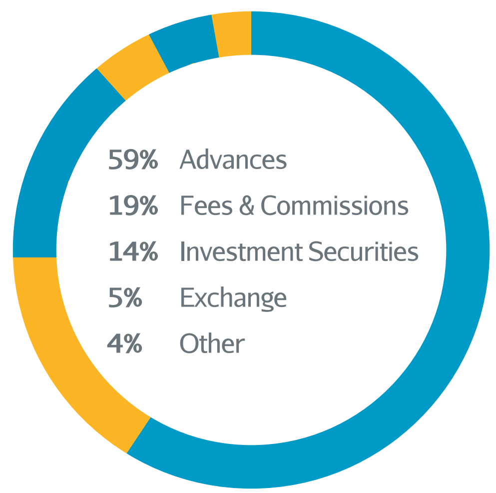
Results Orientation

Network

Branches	118
ABMs	296
Employees	5,484

Operating Countries

Sources of Revenue



Shares 2016 - 2017

Earnings per Share

2016 US$0.88 2017 US$1.16

Share Price

2016 US$16.56 2017 US$15.23

Dividend Yield

2016 3.95% 2017 4.32%

PE Ratio

2016 18.8 2017 13.1

Corporate Social Responsibility

Republic Bank

THE POWER TO MAKE A DIFFERENCE

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

For more than a decade, through relationships with Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs), we have worked together to help enhance the quality of lives of the differently able; 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

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Notice of Meeting

Annual Meeting

NOTICE is hereby given that the Second 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 18, 2017 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, 2017 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, 2017.
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 8, 2017

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 20, 2017 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 $3.15 declared for the financial year ended September 30, 2017 will be payable on December 4, 2017 to shareholders at the close of business on November 20, 2017.

Republic Financial Holdings Limited

This is the Second 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.)*
Dawn Callender, *FCCA, CPA, MBA*
Terrence W. Farrell, *PhD, LLB, LEC*
Alison Lewis, *MOM, BA (Econ. and Mgmt.)*
William P. Lucie-Smith, *MA (Oxon), FCA*
Russell Martineau, *CMT, SC, LLM (Lond.)*
Robert Riley, *CMT, BSc (Agri. Sc.), LLB (Hons.), EMBA*
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
Farid Antar, *ACIS, ACIB, Cert. (Int'l. Marketing), Dip. (Business Mgmt.)*

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

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

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@republictt.com
Website: www.republicfinancialholdings.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
Sagicor Centre
21-25 Independence Avenue, San Fernando
Trinidad and Tobago, West Indies

Auditors

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

Consolidated Financial Summary

All figures are in thousands of Trinidad and Tobago dollars ($'000)

	2017	2016	2015	2014	2013
Total assets	**68,892,879**	66,859,543	66,001,576	59,371,516	57,612,365
Advances	**35,464,448**	34,292,693	33,007,998	27,095,407	25,235,517
Customers' deposits	**50,402,800**	49,631,274	49,711,582	43,770,760	42,098,310
Stated capital	**780,950**	765,950	739,125	704,871	649,932
Equity	**10,146,005**	9,542,695	9,410,609	8,746,323	8,516,034
Actual number of shares in issue	**162,445**	162,274	161,999	161,663	161,111
Weighted average number of shares - diluted	**161,679**	161,592	161,662	161,467	160,768
Profit after taxation and non-controlling interest	**1,252,128**	946,307	1,223,648	1,193,390	1,151,021
Dividends based on the results of the financial year	**714,637**	705,820	704,665	686,865	683,527
Dividends paid during the year	**705,985**	704,967	687,597	685,251	683,028
Dividend per share based on the results of the financial year	**$4.40**	$4.35	$4.35	$4.25	$4.25
Dividend per share paid during the year	**$4.35**	$4.35	$4.25	$4.25	$4.25
Earnings per share (basic)	**$7.75**	$5.87	$7.59	$7.42	$7.18
Return on average assets	**1.94%**	1.42%	1.97%	2.10%	2.16%
Return on average equity	**13.31%**	10.49%	14.09%	14.33%	14.33%

A Guide to the Group Financial Calendar

Dividend Payments

Final dividend for year ended September 30, 2017	December 2017
Dividend for half year ending March 31, 2018	May 2018

Results

Publication of results for first quarter to December 31, 2017	February 2018
Publication of results for half year to March 31, 2018	May 2018
Publication of results for third quarter to June 30, 2018	August 2018
Publication of results for year ending September 30, 2018	November 2018
Report and Accounts mailing	November 2018
Annual Meeting	December 2018

Board of Directors and Executives

atm

point
of sale

online
banking

mobile
app

banking solutions

Board of Directors

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

Chairman,
Republic Financial
Holdings 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

Dawn Callender
FCCA, CPA, 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

Russell Martineau
CMT, SC, LLM (Lond.)

Senior Counsel

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

Executive Director,
Robert Riley Leadership
and Energy Consulting

Kristine Thompson
B.Comm, MBA

Director,
Yay! Entertainment
Ltd.

Gregory I. Thomson
BSc (Math and Physics), MBA

Consultant

Board of Directors

Ronald F. deC. Harford Age 72

CMT, FCIB, FIBAF, FCABFI, LLD

Chairman,
Republic Financial Holdings Limited

Ronald F. deC. Harford, Chairman of Republic Financial Holdings Limited and Republic Bank Limited, is a career banker with more than 54 years of service with Republic Bank Limited. He is also the Chairman of Republic Bank (Barbados) Ltd., (formerly Barbados National Bank Inc.), Republic Bank Trinidad and Tobago (Barbados) Limited, Republic Bank (Grenada) Limited and the Campaign Cabinet for Habitat for Humanity Trinidad and Tobago. He is also the Deputy Chairman of the Arthur Lok Jack Graduate School of Business – UWI, a Director of Caribbean Information and Credit Rating Services Limited, and a former Director of the Grenada Industrial Corporation.

Mr. Harford 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.

He is a past President of the Bankers Association of Trinidad and Tobago and the Trinidad and Tobago Red Cross Society, and is the 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 a former founding Director of the Trinidad and Tobago Debates Commission and has led the private sector funding that enabled the Commission to be established and hold a successful political debate on Local Government.

On August 31, 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 Degree of Doctor of Laws (LLD) by the University of the West Indies on October 26, 2012 and inducted to the Trinidad and Tobago Chamber of Industry and Commerce's Business Hall of Fame on November 10, 2012.

Nigel M. Baptiste Age 51

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

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

Nigel M. Baptiste was appointed President and Chief Executive Officer of Republic Financial Holdings Limited and Managing Director of Republic Bank Limited on February 11, 2016.

He was first appointed to the Republic Group Board of Directors in 2005 as an Executive Director and was appointed Deputy Managing Director in 2014. He is a First Class Honours Graduate of The University of the West Indies, an Associate of the Chartered Institute of Banking in England, and a graduate of the Stonier Graduate School of Banking in the United States of America. Mr. Baptiste currently serves on the Boards of Republic Bank (Guyana) Limited and other entities within the Republic Group.

Shazan Ali Age 70

BSc (Hons.) (Mechanical Eng.)

Chairman and Chief Executive Officer,
TOSL Engineering Limited

Shazan Ali joined the Republic Group Board of Directors in 2010. He is the Chief Executive Officer of TOSL Engineering Limited and has a wealth of experience in the energy industry having spent the last 34 years 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 the Chairman of Eagle Ibis Consulting Limited and a Council Member of the Energy Chamber of Trinidad and Tobago (ECTT). In these roles, he aims to fashion a more proactive energy services sector that will redound more financial benefits to the Trinidad and Tobago economy.

Dawn Callender Age 60

FCCA, CPA, MBA

Consultant

Dawn Callender joined the Republic Group Board of Directors in 2011 and currently works as an independent consultant. She has worked in the UK, US, and Zimbabwe in the fields of business management, strategic financial management, and implementation of business systems. With more than ten years of experience at the executive management level, Ms. Callender is a Fellow of the Association of Chartered Certified Accountants (UK) and a Certified Public Accountant.

She holds an MBA from Henley Management College in the UK and has research interest in the fields of strategy and leadership.

External Appointments
Ms. Callender is a Director of Trinidad Dry Dock Company Limited, Women Institute for Alternative Development (WINAD), and The Lydian Singers.

Terrence W. Farrell Age 64

PhD, LLB, LEC

Consultant

Terrence W. Farrell is a business development and strategy consultant and attorney at law. He was appointed to the Republic Group Board of Directors in 2008. 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 at the University of Toronto, where he obtained his PhD in 1979. He holds an LLB (London) degree, as well as an LEC 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.

Alison Lewis Age 63

MOM, BA (Econ. and Mgmt.)

Consultant

Alison Lewis was appointed to the Republic Group Board of Directors in 2014. She is the current Chairman of the Port Authority of Trinidad and Tobago, and a Director at Niquan Energy (Trinidad) Limited. She is also a member on the Economic Development Advisory Board.

A former Governor of the Heritage and Stabilisation Fund, Ms. Lewis has worked as an Advisor in the office of Executive Director, World Bank; has served as Permanent Secretary of the Ministry of Finance; and was 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 her 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, and the Sovereign Wealth Funds Group.

William P. Lucie-Smith Age 66

MA (Oxon), FCA

Retired Chartered Accountant

William P. Lucie-Smith is a retired Senior Partner of PricewaterhouseCoopers Trinidad where he headed its Corporate Finance and Recoveries practice. He joined the Republic Group Board of Directors in 2005. A Chartered Accountant by profession, Mr. Lucie-Smith holds an MA in Philosophy, Politics and Economics from Oxford University. He 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.

Board of Directors

Russell Martineau Age 72

CMT, SC, LLM (Lond.)

Senior Counsel

Russell Martineau joined the Republic Group Board of Directors in 1999. He has been Senior Counsel since 1993 and is a member of the Bar in England and Wales, Barbados, Antigua, St. Lucia, St. Vincent, Grenada, Dominica, and Trinidad and Tobago. He is the current Chairman of the A.N.R. Robinson Library, Museum and Ethics Centre, a former Attorney General of Trinidad and Tobago, and a former President of the Law Association of Trinidad and Tobago.

In August, 2012, Mr. Martineau was awarded the Chaconia Medal (Gold) by the Government of the Republic of Trinidad and Tobago for his meritorious contribution to the field of law.

External Appointments

Mr. Martineau is a member of the Board of Directors of Caribbean Finance Company Limited.

Robert Riley Age 59

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

Executive Director,
Robert Riley Leadership and Energy Consulting

Robert Riley joined the Republic Group Board of Directors in 2016. During his professional career, which spans more than three decades, Mr. Riley has held a number of executive management and senior legal positions, including Group Head of Safety and Operation Risk, BP PLC (London); Chairman and Chief Executive Officer, BP Trinidad and Tobago; Business Unit Leader, BP Amoco Trinidad; Vice President, Legal and Government Affairs, Amoco and BP/Amoco; General Counsel and Corporate Secretary, BWIA; Attorney, Legal and Government Affairs, Amoco Trinidad; and Advocate Attorney-at-Law, JD Sellier & Co.

An Attorney-at-Law, admitted to the Supreme Court in 1987, Mr. Riley holds a Consortium Executive MBA from the Thunderbird American Graduate School of International Management; a Bachelor of Laws (Hons.) from the University of the West Indies, Barbados; and a BSc. (Hons) in Agricultural Science from the University of the West Indies, St. Augustine, 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 the University of the West Indies, St. Augustine.

Mr. Riley has served as Chairman, Amoco Trinidad and Tobago LLC and other Amoco entities; Executive Director, Titan Methanol; Executive Chairman, BP Trinidad and Tobago LLC; Executive Director, Atlantic LNG Boards; Director, Bank of Nova Scotia, Trinidad and Tobago Limited; Founder Director, University of Trinidad and Tobago (UTT); and Director, Caribbean Airlines Limited. He also served as Director, Sequis LLC (Internet Software Company).

External Appointments

Mr. Riley is currently a Non-Executive Director, Massy Holdings Ltd.

Kristine Thompson Age 46

B. Comm., MBA

Director,
Yay! Entertainment Ltd

Kristine Thompson joined the Republic Group Board of Directors in 2011. She co-owns and operates the Chuck E. Cheese's family 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 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 for many years.

Ms. Thompson holds a Bachelor of Commerce degree from Queen's University in Canada and an MBA in Business Administration from the Harvard Business School.

External Appointments

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

Gregory I. Thomson Age 65

BSc (Math and Physics), MBA

Consultant

Gregory I. Thomson has over 35 years of experience in Banking and Finance. He was the Deputy Managing Director of Republic Bank Limited for seven years and retired from this position in 2012. Mr. Thomson joined the Republic Group Board of Directors in 2014 and currently sits on the Board of One Caribbean Media Ltd.

Mr. Thomson holds a BSc. in Mathematics and Physics from the University of the West Indies, St. Augustine and an MBA from the University of Western Ontario, Canada.

Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2017.

Financial Results and Dividends

The Directors' report that the Group's profit after taxation and non-controlling interest for the year ended September 30, 2017 amounted to $1.25 billion.

The Directors have declared a dividend of $3.15 per share for the year ended September 30, 2017. A half-year dividend of $1.25 per share was paid on June 1, 2017 making a total dividend on each share of $4.40 (2016: $4.35).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2017 together with their connected parties and our ten (10) largest shareholders.

Directors and Senior Officers

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	11,212	
Nigel M. Baptiste	18,193	
Dawn Callender	1,000	
Terrence W. Farrell	-	
Ronald F. deC. Harford	4,574	
Alison Lewis	-	
William P. Lucie-Smith	-	7,500
Russell Martineau	-	1,000
Robert Riley	1,000	
Kristine Thompson	-	
Gregory I. Thomson	15,917	
Kimberly Erriah-Ali	6,281	
Parasram Salickram	11,449	
Farid Antar	26,423	
Riah Dass-Mungal	4,640	

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	%
CLICO Trust Corporation Ltd.	40,072,299	24.67
National Insurance Board	29,104,942	17.92
CLICO Investment Bank Ltd. (In liquidation)	16,196,905	9.97
Trintrust Limited	14,959,404	9.21
First Company Limited	13,261,911	8.16
Colonial Life Insurance Company Ltd.	11,786,000	7.26
RBC Trust Limited	5,746,676	3.54
First Citizens Trust & Merchant Bank Ltd.	3,954,069	2.43
Guardian Life of the Caribbean Ltd.	2,630,568	1.62
Trinidad & Tobago Unit Trust Corporation	2,391,765	1.47

Directors

In accordance with By-law No. 1, Paragraph 4.4, Messrs. Alison Lewis, Gregory I. Thomson and Terrence Farrell 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.

Ms. Dawn Callender also retires from the Board by rotation, and being eligible, offers herself for re-election for a term expiring at the close of the first annual meeting following this appointment.

Community Involvement

The Power to Make A Difference

As a group pledged to celebrating the diversity of communities proudly served across the Caribbean and Ghana, Republic Financial Holdings Limited continued the course of building successful societies through the avenues of youth empowerment; advocacy for social justice and those with disabilities; healthcare; and staff volunteerism. In 2016/2017, encouraged by the consistent results achieved and maintained since the programme's inception, the Group's approach focussed on doing even more to go above and beyond in partnership with a wider range of allies; forming new bonds and strengthening existing ones in the pursuit of successful initiatives that placed the spotlight on teamwork as an effective way of sustainable community and nation building.

The drive to dare young achievers to succeed was underscored by support of empowerment projects centered on literacy, sports, culture and the arts, and education. During the period, the Group helped awaken the minds of thousands through groundbreaking partnerships with the YMCA on their Read to Lead Project 2017, the Loveuntil Foundation's Power of One (Trinidad and Tobago); RightStart Speech Contest (Barbados); Jubilee Steelpan – A Portrait in Pan and the Mashramani Pan-O-Rama Steel Band Competition (Guyana); Sport Association Neptunes Suriname, the Foundation Postgraduate Education for Medicine in Suriname, Foundation Biblionef Suriname; partnership with the Ghana Education Service to sponsor youth athletes (Ghana), and Learn to Swim week in partnership with the Grenada Youth Adventurers, and support of the Anglican High School's new recreation and activities centre.

In the pursuit of greater social justice, protecting the rights of the socially vulnerable and bolstering healthcare programmes, the Group redoubled efforts through support of programmes like RapidFire Kidz Foundation and the UN World Down Syndrome Family Network (Trinidad and Tobago); Light it Up Blue with the Step by Step Foundation and School for Autistic Children (Guyana); the Diabetes Association of Barbados and Transplant Links (Barbados); the National Foundation for the Blind and Persons who are partially sighted in Suriname (Suriname); Renovation of the Children's Ward of the Tamale SDA Hospital and Nsawam Female Prisons (Ghana); and the Not In My Back Yard (NIMBY) arts programme and the Common Sense Parenting Programme (Grenada).

Directors' Report

In 2016/2017, the Group maintained the level of support provided through many existing flagship programmes, including the Republic Bank RightStart Pan Minors Music Literacy Programme; the Republic Bank Youth Link Apprenticeship Programme, the Republic Cup National Youth Football League; the Republic Bank Laventille Netball League, the Republic Bank Junior Parade of the Bands; and the Baal Vikaas Vihaar.

On a more personalised level, the Group's staff volunteerism initiatives continued to take on different forms across different markets as staff members stepped up their commitment to become even more involved in the pursuit of truly helping others in need. During the period, staff members all across the Group turned out in their hundreds to assist many charitable organisations including the United Way of Trinidad and Tobago and Habitat for Humanity.

United as Republic Financial Holdings Limited, the way forward is clear as the mission to continue to build on the Power to Make A Difference continues to yield encouraging results. Working together with diverse communities to build and empower successful societies, the Republic Group remains as committed as ever to the goals set out more than a decade ago; confident in the attainment of success as to the promise to continue doing all that is possible in service of others.

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

"The turbulent forecasts for the regional economy, along with the imminent changes in accounting standards and in the local regulatory, taxation and foreign exchange policies, are all expected to challenge the Group in the upcoming year. We, however, remain confident that our robust credit policies, strong capital base and expansion in the region and Africa will allow us to achieve a creditable performance in 2018."

Ronald F. deC. Harford
Chairman

Chairman's Review

Results

Republic Financial Holdings Limited (RFHL) and its subsidiaries recorded profit attributable to equity holders of the parent of $1.25 billion for the year ended September 30, 2017; an increase of $69 million or 5.8% over the core profit of $1.18 billion reported for the prior year. When the $1.25 billion is compared with the actual reported profit of 2016 of $946 million, which was negatively impacted by three significant one-off items totalling $237 million, the increase is $306 million or 32.3%.

A full discussion of the Group's financial performance can be found in the President's Discussion and Analysis contained on pages 25 to 35 of this report.

Based on these results, the Board of Directors has declared a final dividend of $3.15 (2016: $3.10), which brings the total dividend for the fiscal year to $4.40 (2016: $4.35). This final dividend, which represents a pay-out ratio of 57.1% (2016: 74.6%), will be paid on December 4, 2017 to all shareholders of record on November 20, 2017.

Regulation and Compliance

Basel II and III

RFHL and its subsidiaries continue to work with the Central Bank of Trinidad and Tobago (CBTT) in the implementation of the Basel II and III capital adequacy framework. The results of the two Quantitative Impact Studies conducted by the CBTT over the past year indicate that RFHL and all of its subsidiaries are sufficiently capitalised to achieve full compliance with these new capital requirements.

IFRS 9

The Group has commenced preparations for the mandatory adoption of International Financial Reporting Standard No. 9 (Financial Instruments) by October 1, 2018. This standard changes the way financial instruments are classified and measured and allows for the recognition of expected impairment losses on financial instruments in line with key economic trends, changes in counterparty risk and forecasts over the life of the instrument. RFHL and its subsidiaries will be in a position to quantify the financial impact of adopting this standard well before the mandatory adoption date in 2018.

The Global Economy

The world economy is projected to grow by 3.6% in 2017 compared with the 3.2% in 2016, with economic activity expected to increase in all regions except the Middle East. Due in part to the performance of the Euro area, advanced economies bounced back from a subpar performance of 1.7% growth in 2016 to a 2.2% expansion this year.

Growth in emerging markets and developing economies is expected to increase from 4.3% in 2016, to 4.6% in 2017. Part of the increase is due to China, which registered stronger-than-expected output in the first half of this year. Vigorous growth is, however, also expected in the rest of the emerging markets and in developing Asia.

The Regional Economy

The divergence between tourism-dependent and commodity-exporting countries continued in 2017, however, the rate of diversion has narrowed. In its October Regional Economic Outlook report, the IMF forecast GDP growth of 1.8% for tourism-dependent countries, up from 1.4% in 2016, while commodity exporting countries are expected to register a decline of 1.9% in 2017, an improvement on the 4.9% contraction of 2016. This analysis however does not factor in the impact of Hurricanes Irma and Maria, so the gap between the two groups of countries could narrow further. While the outlook for the commodity-exporters will not change significantly, the growth outlook for the tourism-dependent economies will invariably be lower.

Trinidad and Tobago

Energy prices remained low in 2016, with an average crude oil price (WTI) of US$43.33 per barrel and a natural gas price of US$2.61 per million standard cubic feet. This, along with the domestic energy sector's continued struggle with low gas and oil production, resulted in a contraction of the sector's output, revenues and foreign exchange flows. With this malaise also affecting the non-energy sector, Trinidad and Tobago's economy contracted by 6% in 2016 and Government registered a fiscal deficit equivalent to 5.4% of GDP. Domestic borrowing by Government and foreign exchange sales by the Central Bank of Trinidad and Tobago contributed to a decline in liquidity towards the end of the year, with private sector and consumer loan growth moderating during this period as well. Nonetheless, financial soundness indicators continued to be healthy, with the banking sector (commercial banks and non-banks) ending the year with a collective capital adequacy ratio of 12.5% and a return on equity of 19.9%.

Difficult conditions persisted through 2017, with average oil production from January to August of 72,581 barrels per day in tandem with slightly higher average oil prices of US$49.25 per barrel over the same period. With reduced economic activity in much of the non-energy sector as well, inflation continued to be subdued, with average consumer prices for the first half of 2017 just 2.3% higher than the corresponding 2016 period. While Government made some inroads in curbing expenditure, its revenue in the 2016/2017 fiscal year was significantly lower than budgeted, resulting in a deficit of $12,643.5 million (8.4% of GDP). The country's debt to GDP ratio stood at 62.6% in September 2017. Not surprisingly, the foreign exchange challenge persisted, with gross official reserves falling from US$9,465.8 million in December 2016 to US$8,711 million in August 2017. Trinidad and Tobago's economy is expected to contract by 2.3% in 2017.

Although indications are that credit growth in commercial banks has been moderating, loan balances remain higher than the corresponding 2016 levels. While Government has signalled its intention to serve as a facilitator of a private-sector driven thrust in construction and other sectors, recurrent revenue is likely to remain weak over the short term, with Government forced to rely on asset sales to make up some of the shortfall. In this context, banks will have to continue navigating difficult economic conditions.

Barbados

Tourism was the main driver of growth in the fourth quarter of 2016 and this trend continued in the first half of 2017. An economic expansion of 2% in 2016 was followed by real GDP growth of 2.2% in the first six months of 2017. The healthy performance of the tradeables sector was largely supported by the tourism sector, as there was a 7.5% increase in long-stay arrivals during the first half of 2017. The construction and mining and quarrying sub-sectors were the main contributors to growth in the non-tradeables sector. Continued fiscal consolidation efforts resulted in a 9% decline in the fiscal deficit during the second quarter of 2017. However, the wide fiscal deficit and high public debt continue to place a heavy burden on Government finances. Although foreign reserves increased in March 2017, import cover fell below 10 weeks by the end of June 2017. The financial sector remained stable with growth in private sector credit and a reduction in the non-performing loans ratio. In September 2017, international rating agency, Standard and Poor's, lowered Barbados' long-term local currency rating from CCC+ to CCC with a negative outlook. This downgrade reflects major policy challenges which include high debt and debt servicing requirements, a low level of foreign reserves and a limited appetite for private sector investment.

Ghana

Negatively impacted by problems in the energy sector, Ghana's economic growth of 3.6% for 2016 was lower than expected, with many of the country's key indicators coming in well short of the target. Average inflation was high at 17.5%, significant fiscal slippage resulted in a deficit of 9.3% of GDP, and the country's debt to GDP ratio ended 2016 at 72.5%. During the period, total credit to the public and private sector, while declining, is still healthy with annual growth of 17.6% compared to 24.9% in 2015.

Thus far, 2017 is shaping up to be a much stronger year in terms of production of Ghana's main commodities. While gold production has been down, cocoa production through to July has been very strong. Increased oil production has resulted in a 67% increase in oil revenue in the first half of 2017, with economic growth for the first quarter estimated at 6.6%. Inflation has been moderating for much of the year, with the rate slowing to 12.1% in June and 11.9% in July before increasing slightly to 12.3% in August. Not surprisingly, Government's fiscal operations are in a better position, with provisional data to July pointing to a fiscal deficit of 4% of GDP. At the end of June, Ghana's total public debt stood at GHc138.6 billion (68.6% of GDP), while international reserves were US$5,909.1 million (3.4 months of import cover).

According to the Bank of Ghana's (BoG's) Monetary Policy Committee (MPC), private sector credit grew by 14.4% in July 2017 compared to 17.1% for the same period in 2016. Generally, the financial sector is liquid and solvent, although non-performing loans remain high. While the banking sector should benefit from what is likely to be a much-improved economic performance in 2017, it will face some changes over the next year as the BoG's decision to increase the minimum capital requirement for lenders from 120 million cedis to 400 million cedis (US$91 million) by December 2018 is likely to spur a number of mergers and acquisitions in the sector.

Grenada

Grenada recorded economic growth of 3.9% in 2016, largely due to tourism and tourism-led construction. Stay-over tourist arrivals and cruise-ship passenger arrivals increased by 2.6% and 12.3% respectively. This trend continued for the first half of 2017 and Grenada should register its fifth consecutive year of growth, with real GDP growth projected to be approximately 2.5% in 2017. Improved marketing efforts and other initiatives led by the Grenada Tourism Authority helped to stimulate a 5% increase in tourist arrivals for the first six months of 2017. An increase in Government revenues, coupled with a reduction in capital expenditure and interest payments resulted in a 14.5% (year-on-year) increase in the overall balance during the first seven months of 2017. Public debt has trended downwards and is projected to fall from 84% of GDP in 2016 to 72% of GDP in 2017. Tourism will continue to be the main driver of growth in the next fiscal with the opening of two new tourist resorts in 2018.

Guyana

Guyana's economy achieved growth of 3.3% in 2016 and is expected to further expand in 2017. Increased output for rice, manufactured goods and other crops, as well as heightened activity in the construction

Chairman's Review

sector, all contributed to an economic expansion of 2.2% in the first half of 2017. Rice production and manufacturing sector output increased by 31.6% and 9.9% respectively. Public sector investment projects provided sufficient impetus for the construction sector, which experienced growth of 2.2% in the first six months of 2017. In August 2017, Exxon Mobil discovered more offshore oil in the Payara reservoir, bringing the company's total estimated resource potential to approximately 500 million barrels of oil. Guyana is primed to receive a windfall of hydrocarbon wealth as they are expected to produce around 120,000 barrels of oil per day by 2020 and approximately 400,000 barrels of oil per day by the mid-2020's. Even if oil prices remain subdued in the future, this level of export earnings will still be substantial compared to what the country is earning now.

By contrast, the mining sector, the sugar industry and the financial and insurance services sub-sector all suffered contractions for the same period. The Government recorded a fiscal surplus of GY$8,259 million, as at June 2017, mostly due to increased revenue collections from value added tax and a reduction in the capital spend. Although liquidity in the commercial banking sector fell in June 2017, private sector credit grew by 1.8% as a result of increased lending for personal credit, real estate and other services. As at June 2017, foreign reserves stood at US$578.4 million, which represented 3.4 months of import cover.

Suriname

After suffering an economic contraction of 10.5% in 2016, Suriname is expected to rebound with minimal growth of around 1% in 2017. An increase in volume of exports and higher public-sector investment (aided by multilateral assistance) will be the main contributors for growth in 2017. Gold output increased in 2017 with the opening of the Newmont Merian gold mine in October 2016, and gold prices were favourable for most of the year, averaging US$1,262 per troy ounce for the first nine months. As a result, gold mining revenue is projected at US$286 million for 2017. The future prospects for the gold mining sector seem promising with the second phase of the Newmont gold mine scheduled for completion by October 2018. Furthermore, IamGold Corporation (Canada) discovered an additional 1.5 million troy ounces of gold at its Gross Rosebel mine and the actual process of mining these newly discovered gold reserves will commence in 2019. During the first half of 2017, the Government recorded a fiscal deficit of 3% of GDP but that is projected to increase to 6.5% of GDP by the end of the year. In 2018, the Government is aiming to reduce the fiscal deficit to 5% of GDP with the implementation of VAT and road vehicle tax, as well as plans to remove subsidies on electricity. Suriname cancelled its two-year, US$478 million Stand-By Arrangement (SBA) with the IMF in May 2017 and with IMF assistance no longer available, the Government has had to seek financial assistance elsewhere. Consequently, they were successful in attaining a US$40 million Inter-American Development Bank loan that will be used to bolster their fiscal sustainability efforts in 2018. Inflation has slowed to approximately 16% (year-on-year) as at August 2017 after peaking around 80% in October 2016.

Outlook

Global energy prices should remain relatively unchanged with any notable increases likely to be short-lived. US interest rates could increase over the short term; however, the pace of these increases could slow if the US economy falters. It is unlikely that the EU and UK economies will experience major shifts in their current economic growth levels to warrant changes in their respective interest rates. Still, the Sterling could be negatively affected by the ongoing 'Brexit' negotiations, which are shaping up to be increasingly problematic for the UK. While economic developments appear to be somewhat predictable at this point, geo-political events and natural disasters are two factors that could cause large spikes and trigger the greatest degree of uncertainty in the short term.

The turbulent forecasts for the regional economy, along with the imminent changes in accounting standards and in the local regulatory, taxation and foreign exchange policies, are all expected to challenge the Group in the upcoming year. We, however, remain confident that our robust credit policies, strong capital base and expansion in the region and Africa will allow us to achieve a creditable performance in 2018.

I wish to express my thanks to Jacqueline Quamina (Group's General Counsel), Robert Le Hunte (CEO of HFC Bank (Ghana) Limited) and Ian De Souza (CEO of Republic Bank (Barbados) Limited) who retired after 22, 27 and 23 years respectively of dedicated and outstanding service to the Group.

To the dedicated staff, loyal customers and valued shareholders of the Group, I thank you for your steadfast commitment throughout the year and look forward to your continued support in the future.

President's Discussion and Analysis

"Developments with respect to new capital adequacy regulations, more stringent accounting standards (the imminent adoption of IFRS 9 in particular) and ongoing changes to the taxation regimes will place pressure on the Group to reinvent its business model in the upcoming year and beyond. Nonetheless, the Group is well positioned to overcome these challenges through our highly skilled workforce, strong capital base, sound asset quality and continued investment in technology to improve customer service, eliminate costs and improve efficiency."

Nigel M. Baptiste
President

President's Discussion and Analysis

Introduction

Republic Financial Holdings Limited (RFHL) recorded profit attributable to equity holders of the parent of $1.25 billion for the year ended September 30, 2017; an increase of $69 million or 5.8% over the core profit of $1.18 billion reported for the prior year. When the $1.25 billion is compared with the actual reported profit of 2016 of $946 million, which was negatively impacted by three significant one-off items totaling $237 million, the increase is $306 million or 32.3%. This is analysed in the table below.

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Profits attributable to equity holders of the parent, excluding one-off items	**1,252**	1,183	69	5.8%
One-off items in 2016 (after-tax):				
- Goodwill impairment expense - HFC	–	(107)		
- RFHL Share of HFC loss	–	(68)		
- Write-down of investment in ECFH	–	(62)		
Net one-off losses - 2016	–	**(237)**		
Profits attributable to equity holders of the parent, as reported	**1,252**	**946**	**306**	**32.3%**

Based on these results, the Board of Directors declared a final dividend of $3.15 per share for the year ended September 30, 2017. When combined with the interim dividend of $1.25 per share, this brings the total dividend for the year to $4.40 per share, an increase of 1.15% over the $4.35 paid for 2016. At a share price of $101.75 as at September 30, 2017, the dividend yield on an RFHL share is 4.32%, an increase over the 3.95% yield of the prior year.

The following is a detailed discussion and analysis of the financial results of RFHL. This should be read in conjunction with the audited financial statements contained on pages 82 to 163 of this report. All amounts are stated in Trinidad and Tobago dollars.

Review of the Consolidated Statement of Income

Net Interest Income and Net Interest Margins

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Interest Income	**3,797**	3,610	187	5.2%
Interest Expense	**(569)**	(553)	(16)	3.0%
Net Interest Income	**3,228**	**3,057**	**170**	**5.6%**
Trinidad and Tobago	**2,017**	1,901	115	6.0%
Barbados	**456**	427	29	6.7%
Guyana	**221**	214	7	3.5%
Cayman/Eastern Caribbean	**209**	182	27	15.0%
Suriname	**93**	83	10	11.7%
Ghana	**232**	250	(18)	-7.0%
Total	**3,228**	**3,057**	**170**	**5.6%**
Average Total Assets	**67,876**	**66,431**	**1,446**	**2.2%**
Net Interest Margin	**4.76%**	**4.60%**		

Net interest income was $3.2 billion for the year ended September 2017; an increase of $170 million or 5.6% over the prior year. Average total assets increased by $1.4 billion or 2.2% in the fiscal, resulting in net interest margin moving from 4.6% in 2016 to 4.76% in 2017.

- The increase of $115 million in net interest income in Trinidad and Tobago is the net effect of a $141 million increase in interest income, offset by a $26 million increase in interest expense. The increase in interest income was generated mainly from the loan portfolio, which increased by $819 million or 3.5%, generating an increase of $89 million in interest income. Interest income on investments increased by $56 million, driven by $705 million or 12.5% increase in the portfolio. The $26 million increase in interest expense was derived from a $15 million increase in interest on other fund raising instruments resulting from a $101 million growth in that portfolio, while interest on customer deposits increased by $10 million mainly from a $454 million increase in the deposit portfolio.
- Net interest income in Barbados increased by $29 million, the result of a $15 million increase in interest income and a $14 million decrease in interest expense. $9 million of the increased interest income was generated from increased yields on Treasury Bills while another $4 million was derived from a $287 million or 6% growth in the advances portfolio. Relaxation in the minimum savings rate and high levels of liquidity led to the decline in interest expenses.
- The subsidiaries in the Cayman/Eastern Caribbean region achieved increased net interest income of $27 million, largely due to growth of $155 million or 9% in loans and advances, which generated a $17 million increase in income. The investment portfolio in this region also increased by $268 million or 13%, generating increased income of $10 million.
- In Suriname, a $177 million (18%) increase in total advances was the main driver of the $10 million increase in net interest income, while a $100 million (5%) loan growth in Guyana drove the $7 million increase in net interest income.

President's Discussion and Analysis

- The decline in net interest income in Ghana was driven by the combination of a $367 million or 23% decline in the net loan portfolio mainly due to write offs and increased provision, which reduced interest income by $100 million and reduced yields on the Treasury bill portfolio that led to an $88 million decrease in interest income. These decreases were, however, partially offset by a $500 million increase in investments which increased interest income by $170 million.

Other Income

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Fees and commission income	**1,013**	1,011	2	0.2%
Net exchange trading income	**262**	230	32	13.7%
Gains from disposal of investments	**9**	28	(19)	-67.6%
Other operating income	**177**	145	32	22.3%
Total Other Income	**1,461**	**1,414**	**47**	**3.4%**
Trinidad and Tobago	**977**	972	5	0.5%
Barbados	**135**	142	(7)	-4.8%
Guyana	**90**	81	9	11.5%
Cayman/Eastern Caribbean	**71**	71	0	0.0%
Suriname	**73**	51	22	43.8%
Ghana	**125**	106	19	17.8%
Inter-company eliminations	**(11)**	(9)	(2)	16.7%
Total	**1,461**	**1,414**	**47**	**3.4%**

The Group earned Other Income of $1.46 billion in 2017; an increase of $47 million or 3.4% over the amount earned in 2016, largely due to increases of $22 million in Suriname and $19 million in Ghana.

Increased income in Suriname was driven by exchange gains resulting from the depreciation of Suriname's currency. In Ghana, the increased income was derived mainly from gains on the sale of real estate properties during the year.

In Trinidad and Tobago, the increase of $5 million is the net effect of the following:

- A $37 million increase in fees and commissions, of which $20 million was derived from commissions on credit card services, $8 million from brokerage fees, $6 million from fees for customer account services and $3 million from Trustee services.
- Exchange earnings declined by $25 million or 17% as a result of the reduced trading volumes given the tight market conditions for United States Dollars.
- Gains on the sale of investments was lower by $5 million and other operating income lower by $3 million when compared with their 2016 comparable due to one-off transactions which occurred in 2016.

In Barbados, Other Income was lower by $7 million in 2017 as the 2016 amount was boosted by gains on sale of investments.

In Guyana, the $9 million increase in Other Income was generated mainly from fees on Foreign Business and Deposit accounts ($5 million) as well as recoveries on written-off loans ($1.1 million).

Total Operating Expenses

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Staff Costs	**1,164**	1,119	45	4%
Employee benefits pension and medical contribution	**112**	118	(6)	-5%
General administrative expenses	**932**	841	91	11%
Property related expenses	**208**	193	15	8%
Depreciation	**189**	166	23	14%
Advertising and public relations	**84**	82	2	2%
Other	**47**	94	(47)	-50%
Total core operating expenses	**2,736**	**2,613**	**123**	**5%**
Trinidad and Tobago	**1,626**	1,606	20	1%
Barbados	**372**	333	39	12%
Guyana	**153**	136	17	12%
Cayman/Eastern Caribbean	**124**	127	(3)	-2%
Suriname	**130**	112	18	16%
Ghana	**329**	295	34	12%
Inter-company eliminations	**2**	3	(1)	21%
Total	**2,736**	**2,613**	**123**	**5%**

The Group incurred total operating expenses of $2.7 billion for the year ended September 2017; an increase of $123 million or 5% over the prior year.

Union-negotiated salary increases in Trinidad and Tobago, Barbados and Grenada resulted in a $45 million or 4% increase in staff costs.

General administrative expenses increased by $91 million or 11% due to the combination of the following factors across the Group:

- In Trinidad and Tobago, total administrative expenses increased by $48 million due to increased costs for credit card bonus points programmes, supervisory/regulatory fees, security and software license fees.
- In Barbados, expenses in this area increased by $17 million due to increased credit card expenses as well as further increases in the regulatory fees imposed by the Central Bank of Barbados on the banking sector.

Property related expenses across the Group increased by $15 million or 8%, with the majority of this increase derived from costs incurred on the sale of real estate properties in Ghana (offset by the increase in other income).

President's Discussion and Analysis

Loan Impairment Expense

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Retail Lending	**92**	77	15	19.1%
Corporate and Commercial Lending	**44**	314	(270)	-85.8%
Mortgages	**23**	21	2	10.4%
Total Loan Impairment Expense	**159**	**413**	**(253)**	**-61.3%**
Trinidad and Tobago	**102**	139	(37)	26.2%
Barbados	**16**	42	(26)	-62.5%
Guyana	**22**	25	(3)	-11.6%
Cayman/Eastern Caribbean	**11**	22	(11)	-51.9%
Suriname	**11**	16	(5)	-31.3%
Ghana	**(3)**	169	(172)	-101.7%
Total	**159**	**413**	**(253)**	**-61.3%**

Loan impairment expense, net of recoveries, for the year ended September 2017, totaled $159 million; a decline of $253 million or 61.3% from the previous year. This improvement in impairment expenses is the net effect of mainly a $270 million improvement in the corporate and commercial sector offset by a $15 million increase in the retail sector.

While impairment in the retail sectors in Trinidad and Tobago and Barbados increased, indicative of the general decline in both these economies, total impairment expenses reduced across all the other territories. Of note is the $172 million decline in Ghana, where impairment in the prior year was concentrated among a few large loans in the Corporate and Commercial portfolio.

Review of the Consolidated Statement of Financial Position

Financial Position

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Total assets	**68,893**	66,860	2,033	3.0%
Total liquid assets	**16,712**	17,808	(1,096)	-6.2%
Total investments	**12,057**	10,265	1,792	17.5%
Total advances	**35,464**	34,293	1,171	3.4%
Total deposits and other funding instruments	**54,624**	53,475	1,149	2.1%
Total equity	**10,146**	9,543	603	6.3%

Total assets

The Group held total assets of $68.9 billion as at September 30, 2017, an increase of $2 billion or 3% over that of 2016. This overall growth in assets reflects the net impact of a $1.1 billion decline in liquid assets and increases of $1.8 billion in investments and $1.2 billion in advances.

Liquid assets and investments

The Group continued its strategy of deploying excess liquidity into higher-yielding loans and investments which grew by $3 billion or 6.6%. This strategy resulted in a reduction of liquid assets by $1.1 billion and a decline in the liquid assets ratio from 26.6% in 2016 to 24.3% in 2017.

The decline in liquid assets occurred mainly in Trinidad and Tobago ($653 million decline), while in the other territories, the respective portfolios declined by $229 million in Barbados, $257 million in Guyana, and $114 million in Suriname. In Ghana, where liquidity is also high but yields are more attractive than in the Caribbean region, the liquid assets portfolio increased by $155 million.

Deposits and other funding instruments

The Group's portfolio of deposits and other funding instruments increased by $1.1 billion or 2.1% over the prior year. $570 million of this increase, representing portfolio growth of 1.6%, emanated in Trinidad and Tobago, while Suriname's portfolio increased by $374 million (16.8% growth), Ghana by $223 million (10.1% growth), and the Cayman/Eastern Caribbean region by $174 million (5% growth). Growth in these territories was, however, offset by declines of $176 million in Guyana (4.2% contraction due to one-off withdrawals) and $15 million (0.2% contraction) in Barbados.

Total equity

Total equity increased by $603 million or 6.3%, from $9.5 billion in 2016 to $10.1 billion in 2017. With a Group Capital adequacy ratio of 24.80% as at September 30, 2017, the Group continues to maintain sufficient capital levels to meet Basel I as well as the upcoming Basel II/III capital requirements.

Loans and Advances

Net Loans and Advances - Summary by Product and Territory

All figures are stated in TT$ millions

	2017	2016	Change	% Change
Retail Lending	**6,196**	6,058	138	2.3%
Corporate and Commercial Lending	**15,723**	15,539	184	1.2%
Mortgages	**13,545**	12,696	849	6.7%
Total Net Loans and Advances	**35,464**	**34,293**	**1,171**	**3.4%**
Trinidad and Tobago	**24,127**	23,307	820	3.5%
Barbados	**5,018**	4,731	287	6.1%
Guyana	**1,974**	1,875	99	5.3%
Cayman/Eastern Caribbean	**1,964**	1,809	155	8.6%
Suriname	**1,154**	977	177	18.2%
Ghana	**1,227**	1,594	(367)	-23.0%
Total	**35,464**	**34,293**	**1,171**	**3.4%**

President's Discussion and Analysis

Loans and advances stand at $35.5 billion as at September 30, 2017; an increase of $1.2 billion or 3.4% over the prior year. $849 million or 73% of this growth emanated from the mortgage sector, while the corporate and commercial sector grew by $184 million or 16% of total growth and the retail sector by $138 million or 12%.

In Trinidad and Tobago, total loans increased by $820 million or 3.5% mainly due to growth in the mortgage product. The other territories enjoyed growth mainly in the corporate sector, with $287 million being generated in Barbados (6.1% growth), $177 million in Suriname (18.2% growth) and $155 million (8.6% growth) in the Cayman/Eastern Caribbean region.

In Ghana, the portfolio declined by $367 million or 23% mainly due to provisions / write-off of relegated loans.

Net Loans and Advances - Detailed by Territory

All figures are stated in TT$ millions

							2017	2016
	T'dad and T'go	B'dos	Guyana	Cayman/ East Car.	Suriname	Ghana	Total	Total
Performing loans	23,977	4,647	1,868	1,934	1,106	1,139	**34,671**	33,383
Non-performing loans (NPLs)	438	538	132	93	89	305	**1,595**	1,790
Gross loans	24,415	5,185	2,000	2,027	1,195	1,444	**36,267**	35,173
Loan provision	(288)	(167)	(26)	(63)	(42)	(217)	**(802)**	(880)
Net loans	**24,127**	**5,018**	**1,974**	**1,964**	**1,154**	**1,227**	**35,464**	**34,293**
Contingency reserve	174	373	109	2	47	88	**793**	909
Non-performing loans to Gross loans	**1.8%**	**10.4%**	**6.6%**	**4.6%**	**7.4%**	**21.1%**	**4.4%**	**5.1%**
Loan provision as a % of NPLs	**65.8%**	**31.0%**	**19.5%**	**67.6%**	**46.8%**	**71.2%**	**50.3%**	**49.2%**
Provision and contingency reserves as a % of Non-performing loans	**105.6%**	**100.3%**	**102.1%**	**69.4%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

As at September 30, 2017, the non-performing loans (NPLs) to gross loans ratio for the Group stands at 4.4%, a healthy improvement over the 5.1% reported in the comparable period last year. This improvement is largely due to the implementation of Group risk management policies in Ghana, which resulted in a decline in that subsidiary's NPL ratio from 31.3% in 2016 to 21.1% in 2017. NPL ratios also declined in Barbados from 11.4% in 2016 to 10.4% in 2017, and in the Cayman/Eastern Caribbean region from 7.1% in 2016 to 4.6% in 2017.

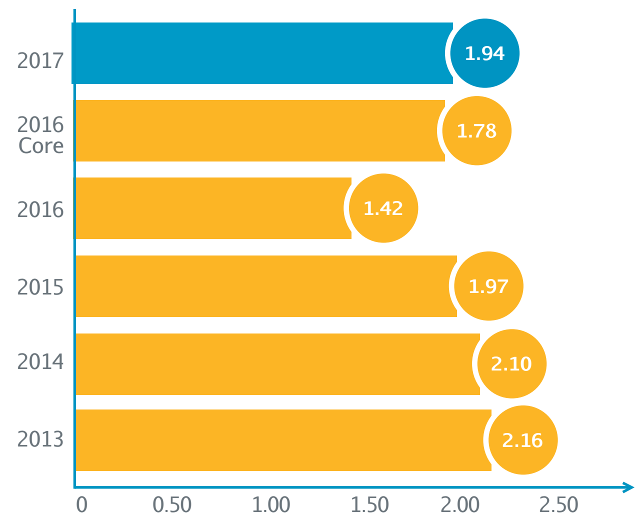
With an NPL ratio of 1.8% as at September 2017, Trinidad and Tobago continues to maintain low levels of NPL's despite a marginal increase from the 1.4% reported in 2016, mainly due to current economic conditions.

The decline in NPLs in Ghana resulted in an increase in the Group's total loan provision coverage ratio from 49.2% in 2016 to 50.3% in 2017.

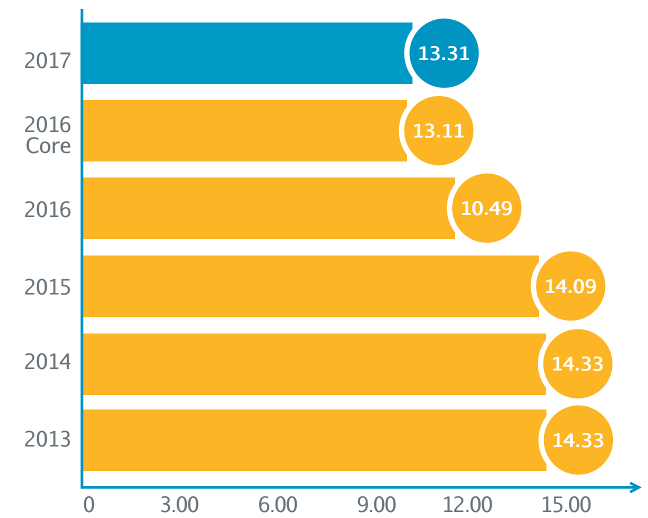
The Group seeks to achieve at least 100% provision for non-performing loans through specific and inherent risk provisions, which are booked through the consolidated statement of income and through a general contingency reserve which is booked directly through equity. As at September 30, 2017, the combination of specific and general provisions meets that target and stands at 100% of NPLs.

Performance Ratios

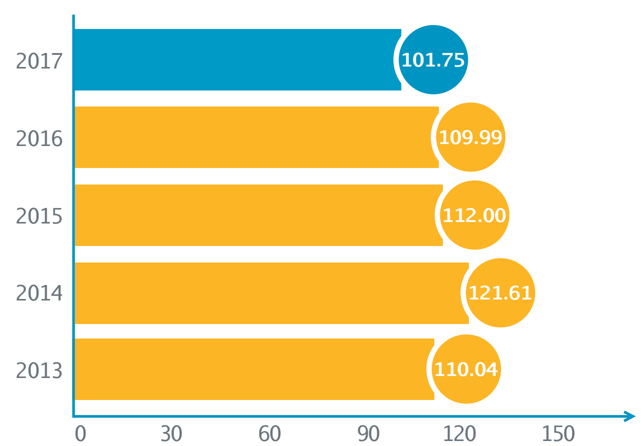
Return on Assets (%)



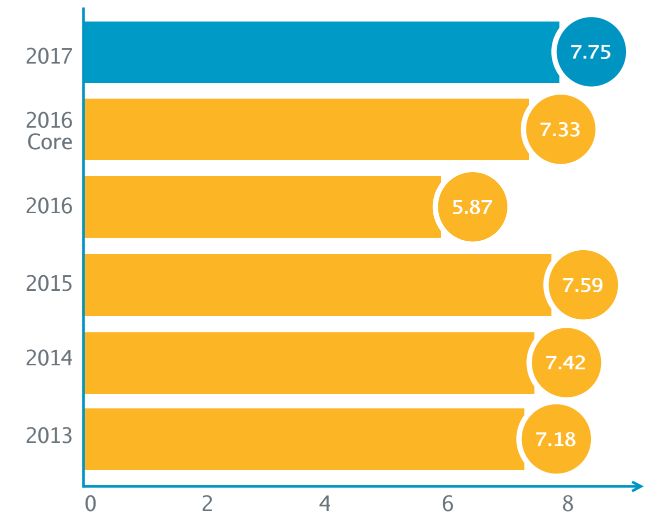
Return on Equity (%)



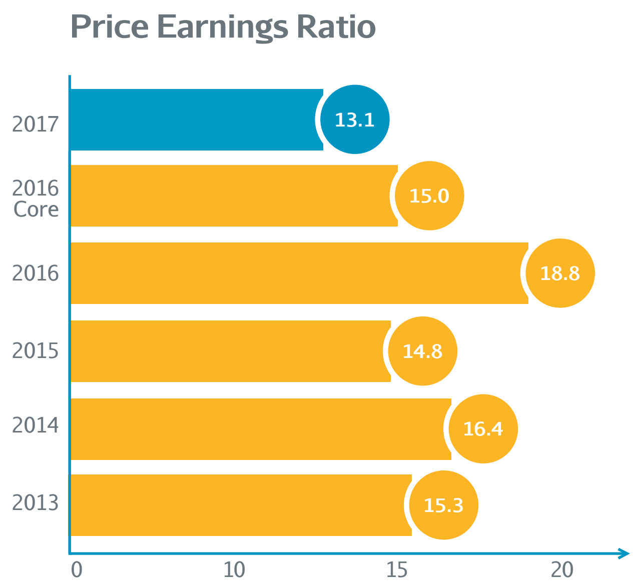
Share Price ($)

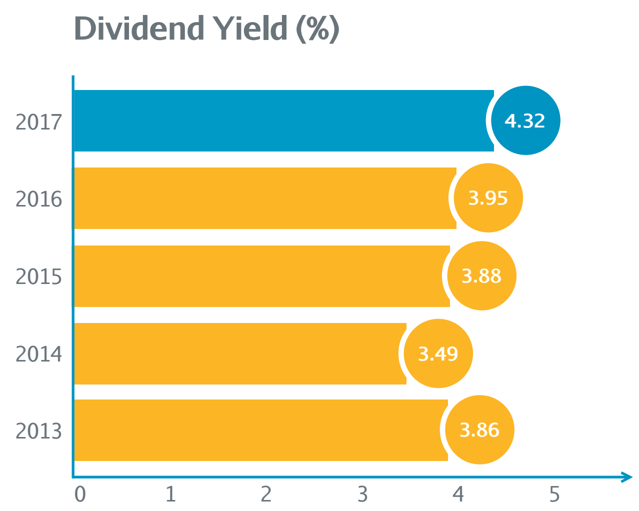


Earnings per Share ($)



President's Discussion and Analysis





The increase in profits resulted in general improvement in several key ratios in 2017, with the Return on Average Assets (ROA) ratio increasing from 1.78% in 2016 to 1.94% in 2017 and the Return on Average Equity (ROE) ratio increasing from 13.11% in 2016 to 13.31% in 2017.

Earnings per Share (EPS) also increased by 5.7%, from $7.33 in 2016 to $7.75 in 2017. Combined with a closing share price of $101.75 as at September 30, 2017, which declined by $8.24 or 7.49% over the past year, the price/earnings (P/E) ratio declined from 15 times in 2016 to 13.1 times in 2017.

Based on these results, the Group has declared a final dividend payment of $3.15, bringing the total dividend for the year to $4.40; a 1.15% increase over the prior year.

Assessed against RFHL's closing share price of $101.75, this represents a dividend yield to shareholders of 4.32%, an increase of 37 basis points over the 3.95% yield of 2016.

Capital Structure

Capital Adequacy Ratio (under Basel 1)

	2017	2016
Republic Bank Limited	**20.13%**	21.18%
Republic Bank (Cayman) Limited	**26.18%**	26.72%
Republic Bank (Grenada) Limited	**14.57%**	15.50%
Republic Bank (Guyana) Limited	**25.20%**	22.38%
Republic Bank (Barbados) Limited	**16.21%**	16.48%
Republic Bank (Suriname) N.V.	**11.42%**	9.40%
HFC Bank (Ghana) Limited	**15.98%**	12.08%
Atlantic Financial Limited	**42.72%**	50.80%

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 capital (Tier I) comprises mainly shareholders' equity.

All of the companies within the Group have capital ratios in excess of the regulatory requirement and the Group continues to maintain a strong capital base, reflected in a Group capital adequacy ratio of 24.80%, well in excess of the 8% minimum requirement under Basel I. The results of the two Quantitative Impact Studies (QIS) conducted by the Central Bank of Trinidad and Tobago over the past year indicate that while this excess will be slightly eroded under the increased capital requirements of the Basel II accord which is carded for adoption locally in 2018, the capital of the Group and each of its subsidiaries will remain above the new 10% minimum requirement as well as the 12% requirement being considered for systemically important financial institutions.

The Group has historically maintained a dividend payout ratio of between 40% and 60% of net earnings. The payout ratio this year is 57.1%, down from the 74.6% last year due to the reduced profits in that period, but a minimal decline from the 57.5% payout ratio of 2015.

Outlook

The economic outlook for the region offers a mix of opportunities for, and challenges to, the Republic Group. Energy and commodity prices are expected to remain at their existing levels and, coupled with declining production levels in the sector, will present fiscal challenges in our largest market, Trinidad and Tobago. Conversely, other commodity exporting territories such as Guyana, and to a lesser extent, Suriname and Ghana, are being buoyed by new finds and expanded productions in oil, gas and gold mining. Tourism dependent economies are also forecast to experience improved fortunes in the years to come, though recent natural disasters (and the threat of same) could dampen that outlook.

Developments with respect to new capital adequacy regulations, more stringent accounting standards (the imminent adoption of IFRS 9 in particular) and ongoing changes to the taxation regimes will place pressure on the Group to reinvent its business model in the upcoming year and beyond. Nonetheless, the Group is well positioned to overcome these challenges through our highly skilled workforce, strong capital base, sound asset quality and continued investment in technology to improve customer service, eliminate costs and improve efficiency.

I wish to thank all stakeholders of the Group for their continued loyalty and support, and in particular, all members staff, for their dedicated service.

The Group Subsidiaries

savings & chequing

credit & prepaid cards

loans

mortgages

everyday banking

Republic Bank Limited

Republic Bank is one of the largest and most successful indigenous banks in Trinidad and Tobago, offering a diverse portfolio of products and services designed to satisfy the growing needs of its retail banking customers, corporate clients, and governments. The Bank has a network of 41 branches – the largest in the nation – and the most extensive ABM network in the island with 132 ABMs in 84 locations. The Bank is also the nation's largest credit card operator.

Registered Office
Republic House, 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@republictt.com
Website: www.republictt.com

Nigel M. Baptiste

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

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

Nigel M. Baptiste was appointed President and Chief Executive Officer of Republic Financial Holdings Limited and Managing Director of Republic Bank Limited on February 11, 2016.

He was first appointed to the Republic Group Board of Directors in 2005 as an Executive Director and was appointed Deputy Managing Director in 2014. He is a First Class Honours Graduate of The University of the West Indies, an Associate of the Chartered Institute of Banking in England, and a graduate of the Stonier Graduate School of Banking in the United States of America. Mr. Baptiste currently serves on the Boards of Republic Bank (Guyana) Limited and other entities within the Republic Group.

Executive Directors

Derwin M. Howell

Executive Director,
Republic Bank Limited

Roopnarine Oumade Singh

Executive Director,
Republic Bank Limited

Executive Management

Farid Antar

General Manager,
Group Enterprise Risk/
Chief Risk Officer,
Republic Financial
Holdings Limited

Riah Dass-Mungal

General Manager,
Internal Audit/
Chief Internal Auditor,
Republic Financial
Holdings Limited

Kimberly Erriah-Ali

Group General Counsel/
Corporate Secretary,
Republic Bank Limited
Republic Financial
Holdings Limited

Anna-María García-Brooks

General Manager,
Group Human
Resources

Hilton Hyland

General Manager,
Commercial and
Retail Banking

Charles A. Mouttet

General Manager,
Treasury

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

David Robinson

General Manager,
Wealth Management

Parasram Salickram

General Manager,
Planning and
Financial Control/
Chief Financial Officer,
Republic Financial
Holdings Limited

Executive Management

Anthony Wong

General Manager,
Electronic Channels
and Payments

Karen Yip Chuck

General Manager,
Corporate and
Investment Banking

Republic Securities Limited

Republic Securities Limited is a full-service stockbroking firm that trades on the local stock exchange and has execution capabilities for international stocks on the New York Stock Exchange. The company provides investment advisory services and specialises in financial planning, portfolio management and retirement planning.

Registered Office
2nd Floor, Promenade Centre
72 Independence Square, Port of Spain
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Tel: (868) 623-0435
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Email: rslinfo@republictt.com
Website: www.rsltt.com

Carla Kelshall

BSc (Mathematics and Econ.), CFA

Manager, Republic Securities Limited

Carla Kelshall, Manager, Republic Securities Limited, is a CFA® charterholder (2012) with over 17 years' investment management and actuarial experience in the Banking and Insurance sectors of Trinidad and Tobago.

Ms. Kelshall served as the Bank's Project Lead and primary brokerage liaison to the National Gas Company of Trinidad and Tobago for the TTNGL Additional Public Offering. She has previously served as Investment Manager, Republic Wealth Management Limited, representing the Bank at the Mutual Fund Association of Trinidad and Tobago (MFATT) and managing various portfolios in excess of TT$10 billion. She has also served as Investment Manager, Republic Trust Services Division, ensuring compliance with regulatory and internally established limits.

A graduate of the University of Hull, United Kingdom, with a BSc (First Class Hons.) in Economics and Mathematics, Ms. Kelshall holds a Diploma in Actuarial Techniques (DAT) from the Institute of Actuaries and an Associate of the Society of Actuaries (ASA) from the Society of Actuaries.

Republic Wealth Management Limited

Republic Bank's Trust and Asset Management Division (TRAM), which was established in 1938, was disaggregated on July 1, 2014. The investment management services provided to individual investors, to corporate pension and savings plan clients, and to Republic Bank's suite of proprietary funds are now housed at Republic Wealth Management Limited, which is registered under the Securities Act, 2012 as an Investment Adviser.

Registered Office
Republic House
9-17 Park Street, Port of Spain
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Website: www.republictt.com

Steve Roberts
BSc (Mgmt. Studies)
Head

Steve Roberts, Head of Republic Wealth Management Limited, has been a banker for over 35 years and has gained extensive knowledge in the asset management and trust disciplines over the course of his career. In 1997, Mr. Roberts joined Republic Bank Limited, and in 1998, was transferred to the Trust and Asset Management Division where he was appointed as an Investment Manager in 2001. Mr. Roberts, who holds a BSc in Industrial Management from the University of the West Indies, was appointed Head of Republic Wealth Management Limited on its formation on July 1, 2014.

Republic Bank (Cayman) Limited

Republic Bank (Cayman) Limited is a private bank offering comprehensive wealth management service to clients in the Caribbean region and beyond. This service includes banking in major international currencies, investment management and formation of private investment holding companies, and trustee services. Republic Bank (Cayman) Limited continues to be a strong contributor to the Group's profits and allows the network to offer a full range of Offshore Wealth Management Services to its clients.

Registered Office
3rd Floor, Citrus Grove, 106 Goring Avenue, P.O. Box 2004
George Town, KY1-1104, Cayman Islands
Tel: (345) 949-7844
Fax: (345) 949-2795

Ravi Mykoo
BSc (Econ. and Mgmt.), CFA
Country Manager

Ravi Mykoo is the current Country Manager of Republic Bank (Cayman) Limited. Mr. Mykoo joined Republic Bank in 2007 as a Junior Treasury Analyst and served in that position for 5 years before joining the Bank's Management Associate Programme. During his time as a Management Associate, Mr. Mykoo was responsible for making investment decisions and was involved in foreign exchange trading and management. In July, 2015, he was appointed as Manager, Money Market, with responsibility of managing the Bank's liquidity position, investment portfolios and market risk. Prior to working at Republic Bank Limited, Mr. Mykoo held the position of Analyst at Business Insight Limited and was a Research Assistant at the University of the West Indies, St. Augustine. He is a Chartered Financial Analyst and a graduate of the University of the West Indies with a BSc. (First Class Hons.) in Economics and Management. He has several professional certificates in Treasury Risk Management, Basel: Understand and Transit, and Corporate Tax Training.

Republic Bank (Barbados) Limited

One of the longest serving banks in Barbados, Republic Bank (Barbados) Limited has been in existence for over 30 years. Formerly Barbados National Bank Inc. (BNB), it boasts one of the largest ABM networks on the island and 10 conveniently located branches. The Bank offers an array of financial services such as Personal and Commercial Lending and 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.

Registered Office
Independence Square, Bridgetown
Barbados, West Indies
Tel: (246) 431-5999
Fax: (246) 429-2606
Swift: BNBABBBB
Email: info@republicbarbados.com
Website: www.republicbarbados.com

Anthony Clerk
Dip. (Business Mgmt.), AIBAF, EMBA
Managing Director and Chief Executive Officer

Anthony Clerk, Managing Director and Chief Executive Officer, Republic Bank Barbados Limited, is a career banker with close to a decade of experience at the senior management level. Prior to his current position, Mr. Clerk has served as Regional Corporate Manager, Corporate Business Centre East/Central, Republic Bank Limited. He has held a number of positions including, 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 Branch, Republic Bank Limited.

Mr. Clerk holds an Executive MBA and a Diploma in Business Management, both from the Arthur Lok Jack Graduate 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 the National Enterprises Limited.

Executive Management

Sean Husain

General Manager,
Corporate and
Commercial Credit

Hamant Lalla

Corporate Controller

Susan Torry

General Manager,
Operations

Sharon Zephirin

General Manager,
Retail Banking

Republic Bank (Grenada) Limited

Incorporated on October 12, 1979, Republic Bank (Grenada) Limited is considered the leading bank in Grenada with the largest market share in assets and loans. It also boasts the widest network of branches (6), and automated banking machines (11). In 2008, Republic Bank (Grenada) Limited became the first Grenadian corporation to list its shares on the Eastern Caribbean Securities Exchange (ECSE).

As at September 30, 2017, Republic Bank (Grenada) Limited's equity base stood at US$40.060 million and asset base at US$342.680 million.

Registered Office
P.O. Box 857, Grand Anse, St. George, Grenada, West Indies
Telephone: (473) 444-BANK (2265)
Fax: (473) 444-5501
SWIFT ADDRESS: NCBGGDGD
E-mail: info@republicgrenada.com
Website: www.republicgrenada.com

Keith A. Johnson
BSc (Accountancy), MBA, AICB
Managing Director

Keith A. Johnson, Managing Director of Republic Bank (Grenada) Limited, started his banking career in Guyana in 1976 as a counter clerk. In 2009, he was seconded from Guyana to his current role. Mr. Johnson holds an EMBA in Business Management from the University of the West Indies (UWI) (Cave Hill), a BSc in Accountancy from the University of Guyana, and is an Associate of the Institute of Canadian Bankers. He also serves as Vice Chairperson of the Caribbean Association of Banks Inc. and as the President of the Grenada Bankers' Association.

Executive Management

Naomi E. De Allie

General Manager,
Credit

Clifford D. Bailey

General Manager,
Operations

Republic Bank (Guyana) Limited

Established in 1836, Republic Bank (Guyana) Limited is one of Guyana's longest-serving institutions and is a recognised leader in the provision of financial services. Over the past year, the Bank has concentrated on growing its lending portfolio, with particular emphasis on Small and Medium Enterprises. The Bank remains committed to providing customised, efficient and competitively priced financial services, and maintaining a philosophy of social investment in Guyana.

Registered Office
Republic Bank (Guyana) Limited, Promenade Court
155-156 New Market Street, North Cummingsburg
Georgetown, Guyana
Telephone: (592) 223- 7938-49
Fax: (592) 233-5007
SWIFT: RBGL GYGG
E-mail: email@republicguyana.com
Website: www.republicguyana.com

Richard Sammy
BSc (Hons.) (Mgmt. Studies), MBA
Managing Director

Richard S. Sammy is an outstanding banker with significant regional experience in corporate and investment banking. He previously served as the Regional Manager, Corporate Business Centre, South and Regional Manager, Investment Banking Division at Republic Bank Limited. Prior to joining Republic Bank Limited, he served in management roles at Sagicor Merchant Limited and RBTT Merchant Bank Limited. Mr. Sammy holds an MBA from the Warwick Business School in the United Kingdom and a BSc (Hons.) in Management Studies from the University of the West Indies, St. Augustine. He is well-respected in the banking field and currently serves as a Director on the Board of the Caribbean Association of Banks Inc. (CAB) and Chairman of the Board of the Guyana Association of Bankers (GAB).

Executive Management

Denise Hobbs

General Manager, Operations

Parbatie Khan

General Manager, Credit

Republic Bank (Suriname) N.V.

On July 31, 2015, Republic Bank welcomed Republic Bank (Suriname) N.V. into its expanding financial group. Republic Bank acquired RBC Royal Bank (Suriname) N.V. from RBC Financial (Caribbean) Limited through the purchase of Royal Overseas Holdings (St. Lucia) Limited. The Surinamese bank has a network of five branches in the capital of Paramaribo and one in Nickerie, and assets of approximately US$431 million as at September 30, 2017. In terms of asset size, it is the third largest bank in Suriname.

Registered Office
Kerkplein 1, Paramaribo
Suriname
Tel: (597) 471555
Fax: (597) 425709
Email: email@republicbanksr.com
Website: www.republicbanksr.com

Gloria Anthony
ACIB, MBA
Managing Director

Gloria Anthony, Managing Director, Republic Bank (Suriname) N.V. is a career banker with extensive experience in Corporate and Retail Banking. During the last 15 years, she has performed in key Senior Managerial positions in Republic Bank Limited, including Corporate Manager, Area Credit Manager, Regional Sales manager and General Manager, Commercial and Retail Banking. She previously sat on the boards of Bank of St. Lucia Limited, G4S Secure Solutions Services, Trinidad, and the Caribbean Association of Banks. Mrs. Anthony holds an MBA from Heriot-Watt University in the UK and an Associate Degree in Banking from the IFS School of Finance, UK. She is a member of the American Management Association and an Associate of the Chartered Institute of Bankers.

Executive Management

Montague D. Mc Leod

Director,
Corporate Banking

Lilian Leeflang

Director,
Retail Banking

HFC Bank (Ghana) Limited

In May, 2015, following a successful mandatory takeover of HFC Bank (Ghana) Limited, Republic Financial Holdings Limited increased its shareholding in HFC Bank to 57.11%. This gave Republic Financial Holdings Limited majority ownership. HFC Bank (Ghana) was licensed as a commercial bank in 2003 and today 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: hfcomp@hfcbank.com.gh
Website: www.hfcbank.com.gh

Anthony Jordan
EMBA, BSc (Mgmt.), ACIB
Managing Director
General Manager, Risk Management

Anthony Jordan, Managing Director of HFC Bank Ghana, is a career banking professional with more than 30 years of experience in Corporate Finance, Trade Finance, and Investment Banking. Mr. Jordan also currently serves as General Manager, Risk Management with responsibility for Risk Management including Market, Credit, Operational, Compliance, Information, and Technology risk.

Prior to his appointment as Managing Director in August 2017 and role as General Manager, Risk Management, he served as Assistant General Manager – Corporate and Investment Banking, Republic Bank Limited with responsibility for all business development aspects in both corporate banking and capital markets. He has also served as Regional Corporate Manager, Republic Bank Limited with responsibility for developing bank objectives in accordance to corporate banking policies and maintaining the loan portfolios of individual high profile clients to ensure optimal quality and profitability. Mr. Jordan holds an EMBA and a BSc Management Studies from the University of the West Indies, St. Augustine, and is also an Associate of the Chartered Institute of Bankers, London (ACIB).

Executive Management

Beatrix Ama Amoah

Company Secretary

Benjamin Dzoboku

General Manager,
Finance and Strategy

Paula Baldwin

General Manager,
Retail Banking and
Marketing and
Communications

Charles Agyeman Bonsu

General Manager,
Technology and
Business Systems
Support

Joseph Nketsiah

General Manager,
Treasury

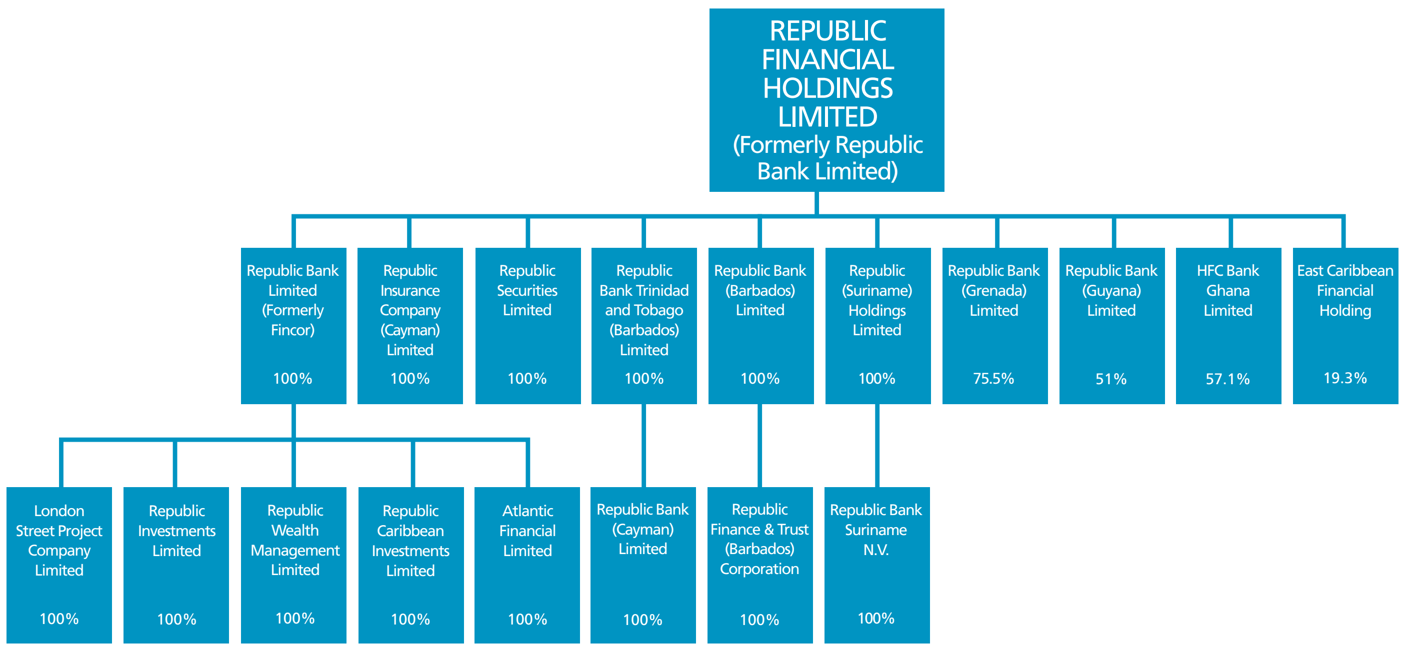
Corporate Governance

Introduction

The formation of Republic Financial Holdings Limited took place on December 16, 2015. This restructuring of the Republic Group was effected by a Vesting Order under the Financial Institutions Act Chap 79:09, of the Laws of Trinidad and Tobago, successfully bringing the structure of the Republic Group in line with international best practices to facilitate future growth.

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

Republic Financial Holdings Organisation Chart



The Board of Directors '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 judgement 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 Company 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 will manage the Group and make decisions that uphold these ideals at all times.

We recognise that it is the quality of our people that differentiates us from our competitors and creates value for our customers and investors. As a Board, we are responsible for ensuring that our people 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 we do and reflected in the decisions we make. We hold 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 we operate globally. 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 2 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.

Corporate Governance

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 judgement. 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 judgement.

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 judgement 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 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 75 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 six (6) meetings within the period October 2016 to September 2017:-

	Board - 5 Meetings Special Board - 1 Meeting	
Directors	**Attendance**	**Eligible to Attend**
Shazan Ali	6	6
Nigel M. Baptiste	5	6
Dawn Callender	6	6
Terrence Farrell	6	6
Ronald F. deC. Harford	6	6
Alison Lewis	5	6
William P. Lucie-Smith	4	6
Russell Martineau	6	6
Robert Riley	6	6
Kristine Thompson	4	6
Gregory Thomson	6	6

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's audit process, the Group's process for monitoring compliance with laws and regulations and its own code of business. Four (4) meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
William P. Lucie-Smith, Chairman	3
Dawn Callender	4
Ronald F. deC. Harford	3
Alison Lewis (resigned 26.4.17)	2
Robert Riley (appointed 1.5.17)	1
Gregory I. 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, focussing on risk and implications for the risk appetite and tolerance of the Group. Four (4) meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
Terrence W. Farrell, Chairman	4
Dawn Callender	4
William P. Lucie-Smith	4
Gregory I. Thomson	4
Nigel M. Baptiste	3

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. One (1) meeting was held for the fiscal year.

The Committee comprises:-

Directors	Attendance
Ronald F. deC. Harford, Chairman	1
Shazan Ali	1
Terrence W. Farrell	1
Russell Martineau	1
Kristine Thompson	1

At this Annual Meeting, Alison Lewis, Gregory I. Thomson, Terrence Farrell and Dawn Callender retire from the Board by rotation and, being eligible, have offered themselves for re-election. The Board recommends that all the nominees be re-elected.

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.

The Board participated in the Distinguished Leadership and Innovation Conference, hosted by Arthur Lok Jack Graduate School of Business. The theme for this year was 'It's a time to "Inspire, Innovate & Go Global"'.

Corporate Governance

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.

The results of the self-evaluation exercise conducted in the second half of 2016 were completed in 2017 and an appointment was scheduled for Directors to discuss and review each report with the Chairman. An independent review of the board by an external consultant is scheduled for 2018.

This year, the Board engaged the services of an expert on Corporate Governance and management of subsidiaries from Deloitte Touche Tohamatsu India LLP to review the structure of the Group and assess the Corporate Governance framework and make recommendations to improve its effectiveness. The review focussed on the interaction between RFHL and its subsidiaries with particular emphasis on ensuring the Group was aligned to industry best practice.

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 of Directors 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.

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 judgements, these represent the best estimate and judgement 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, 2017

Corporate Social Responsibility

learn care help succeed

stronger together through teamwork

We did it, just like them! Students from St Francois Girls' College rejoice as they are announced the winners of the 2016 Emancipation Support Committee National African History Quiz

Making the right choice - Youth of the St. David's Parish, Grenada pose in full costume as part of the Proactive Nation Builders' Performing Arts Programme

Dance mama dance! Les Coteaux performers show their skill at the annual Tobago Heritage Festival

Learning through culture - Students of Spring Village Hindu display traditional Hindu customs at the 9th Baal Vikas Vihaar

The Power to Make A Difference

Stronger Together Through Teamwork

The Power to Make A Difference beats with the heart of the people across communities in the English-speaking Caribbean, South America and Ghana. For decades, this heartbeat has driven the Republic Group forward in partnership with employees, families, communities and across the diversity of markets that are our homes.

The result has been a framework of interwoven stories of achievement; stories that speak to the tremendous promise that comes from working with different people, united by the pursuit of a common goal – building successful societies.

Through the years, the individual success stories of the people touched by the Power to Make A Difference have helped define this narrative. The emboldened young achievers better equipped to seize life's opportunities, the children and adults with special needs who can take solace in knowing that there are those who support them, and the formation of more stable, caring, and inclusive societies, all come together as the foundation upon which to build even further; standing out as the Power of Many at work and a holistic group-wide commitment to service and to becoming stronger together through teamwork.

Strength, Success, Stability, Self-Reliance

In 2016/2017, the pursuit of Strength, Stability, Success, and Self-Reliance revealed invaluable opportunities to do even more with new allies and go even further with existing ones. During that period, the Group kept the focus on youth empowerment through education, culture, arts, and sport; supporting healthcare and community development programmes; championing the rights of people with disabilities and the socially marginalised; and active involvement through staff volunteerism.

The relationships forged along this journey and the rare experiences undergone tell the tale of staying the course of responsible social investment through a dynamic mix of investment, advocacy and teamwork.

Giving Strength to Others

Far too often, people with physical and learning disabilities have less access to education, personal and professional development, and a better quality of life. Any effort to empower those with special needs must have at its heart the commitment to draw closer in solidarity, as well as the drive to work together to promote a culture of fellowship and inclusion. Across the Group, the need to become more vocal took precedence as efforts expanded to better generate increased levels of understanding, tolerance and acceptance, not just within society but also within our Republic family. Key to that commitment was the drive to promote a message of respect and equality.

During the period, long-time ally like the Autistic Society of Trinidad and Tobago continued to champion the rights of thousands in the national community. New relationships were created with the Rapidfire Kidz Foundation in support of their awareness walk, aimed at assisting underprivileged rural special-needs children, and the UN World Down Syndrome Family Network, in advancing a wider spirit of inclusion and giving a greater voice for people with Down syndrome.

Meaningful partnerships across the board with the National Foundation for Blinds and Visually Impaired Persons in Suriname (NSBS) created the opportunity to support their Braille and ICT Courses training programme for the benefit of 70 visually impaired adults from Paramaribo and Nickerie. Additionally, several instructors were certified as Braille and ICT trainers under the programme, thereby increasing the number of skilled professionals able to teach the visually impaired.

In Guyana, teamwork with the Step by Step Foundation and the School for Autistic Children gave the opportunity to closely support their fight to promote the rights and well-being of those dealing with autism. In just its second year, the annual "Light It Up Blue" Autism Awareness Walk 2017 proved to be a phenomenal success; increasing its attendance base, quadrupling the funds needed to add teachers and construct a new school, and generating even more widespread support from diverse segments of the national community.

In Grenada, hundreds of special needs persons benefited from a deepened relationship with familiar allies like the Dorothy Hopkin Centre for the Disabled, the Rotary Club of Grenada East - Vosh Eye Care Programme, and the Grenada National Council for Disabled – signalling the resolve to engage diverse communities in the pursuit of sustainable development through inclusion across various levels.

Sowing the Seeds of Success

Youth empowerment continued to be one of the main areas of focus of the Power to Make A Difference; occupying much attention as one of the most sustainable means of building successful societies. With literacy and education at the forefront of youth empowerment, in 2016/2017, partnerships with several organisations in this shared pursuit presented opportunities to align efforts in the hopes of challenging future leaders to succeed.

The Power to Make A Difference

Work with the Trinidad and Tobago Commission for UNESCO on their Leading for Literacy Now programme presented a unique opportunity to empower more than 1,500 students, parents, teachers and principals in Trinidad and Tobago to improve their communications skills and make definitive steps toward improving children's reading capacities. Going a step further, hundreds of schoolchildren of various ages from around Trinidad and Tobago took up the challenge to chart brighter futures as part of the Camp Phoenix Motivational Tour, the Loveuntil Foundation Power of One, the Dev Cropper Residential Teen Writers Workshop and the YMCA-led Read to Lead Project 2017.

In Barbados, in just its 2nd year, the Republic Bank RightStart Speech contest has shown tremendous promise in using the power of debate as a means of empowering young achievers; giving them the confidence and the opportunity to add their voices to the chorus of sustainable nation building through education.

In Suriname, the BIBLIONEF, a book-donor agency aimed at affording young learners access to informative literature, continued their ongoing journey to engage the community. In the latest phase, more than 7,500 new books were acquired and distributed to thousands of schoolchildren in the pursuit of encouraging them to read more, discover the worlds of imagination, and make good on the promise of brighter future as assured through literacy.

Strategic investments with four organisations in Ghana – the Ridge Church School, the National Partnership for Children's Trust (NPCT), the SOS Children's Village Ghana, and the University of Ghana Needy Students Fund – helped empower hundreds of young achievers along the road to success.

In sport development, thousands of young achievers once again drew upon flagship programmes like the Republic Bank Laventille Netball League, the Republic Bank National Youth Football League in Trinidad and Tobago, and the RightStart Cup Youth Football Tournament in Grenada as means of self-development and impetus for the realisation of the tremendous athletic potential that abounds within. As some of the leading youth developmental tournaments in their respective countries, these programmes continue to bring a greater sense of purpose in inspiring and guiding young achievers to set the right foundation to progress even further in their sporting careers while also offering invaluable coaching on softer life skills, such as discipline and team building.

Through the Learn to Swim Programme, led by the swimming club, Sport Association Neptunes Suriname, 250 underprivileged children in coastal Suriname challenged themselves to learn how to swim and about the importance of safety in water. In this initial phase, starting the school children at a young age, the programme has helped develop and refine their skills; setting the foundation for the next generation of competitive swimmers.

Going further, the Anglican High School Past Pupils Association, celebrating 100 years, stepped up their drive to establish leadership among the nation's youth with the creation of a sports and recreational flat to serve as a centre for a variety of sporting disciplines, including track and field, netball, volleyball, football, and tennis. Working together, provided the opportunity to invest significantly in the project and the reclamation of an area of undeveloped land, using the concept "recycle, reduce, reuse", to be the proposed site for the new facility.

Similarly, the Grenada Youth Adventurers (GYA) has provided many underprivileged youth with basic swimming lessons during the Easter school vacation. With as many as 14 different locations around Grenada being used, the programme continues to be an unprecedented success, reaching out to consecutively increasing numbers over the past three years, and attracting more than 100 volunteers to donate their time and talent as swim coaches.

Hundreds of young achievers have been better positioned to benefit from the signing of a three-year partnership with the Ghana Education Service (GES) as part of an overall thrust to sponsor national youth athletes and enhance the country's competitiveness in discovering, developing, and training the next generation of athletic prowess.

Across the Group, keeping tradition alive has stood paramount in working with diverse communities to preserve, protect, and promote various cultural aspects, with their development therefore positioned as yet another dimension through which young minds were challenged and awakened.

Mainstay programmes like the Republic Bank Junior Parade of the Bands and the Baal Vikaas Vihaar in Trinidad, The Republic Bank Pan Minors Music Literacy Programme in Trinidad and Tobago and in Guyana, the annual Republic Bank Mashramani Pan-O-Rama Steel Band competition in Guyana, and support of the Republic Bank Angel Harps Steel Orchestra in Grenada helped set the foundation for strategic investment geared toward developing the next brand of future cultural ambassadors.

In a similar vein, support of the beloved and world-renowned Crop Over Festival in Barbados was expanded upon to include the Folk Concert,

Getting tested - Citizens show up to get tested at the annual diabetes drive in commemoration of World Diabetes Day at the Warrens Branch, Barbados

All smiles - Surinamese students from one of the 85 participating primary schools, display their cards during the promotional tour for healthy lifestyles, hosted by the SPAOGS and Republic Bank

The lifeblood of our organisation - Staff volunteers in Ghana provide much needed assistance at the annual blood drive hosted by the National Blood Bank

Light it up blue! Hundreds turn up in support of the Step by Step Foundation's second annual Autism Awareness Walk in Guyana

The Power to Make A Difference

the Visual Arts Exhibition, the Opening Gala, which marks the official start of the festival, and Grand Kadooment, the culmination of the Crop Over activities.

Protecting a Future of Stability

The links between healthcare, environmental preservation, and socioeconomic development are incontrovertible in building successful societies. It is critical, therefore, to keep them stable in support of the many NGOs that have dedicated their efforts to protecting as many lives and communities as possible through programmes that have significant and long lasting impact.

Partnerships during the period brought greater alignment with the causes of some of our longstanding allies like the Trinidad and Tobago Cancer Society and their youth awareness programme, Edufest; the Diabetes Association of Barbados and their mobile unit's ongoing work to screen thousands of primary school children; and Hope of a Miracle and the Transplant Links Community in affording 10 children from Barbados access to life-saving kidney transplants.

In Suriname, support of the Foundation Postgraduate Education for Medicine in Suriname (SPAOGS) and their project "Sabi Akra Siki" (Be Aware Of Diseases) helped improve health literacy for more than 6,000 young achievers and their parents in various communities. This innovative programme quickly became a cornerstone of the national community in fostering healthier lifestyles in the fight against obesity among young citizens.

Promoting a Culture of Self-Reliance

The ongoing drive to give many a greater sense of agency in shaping their destinies created unique opportunities to provide opportunities to further encourage socially marginalised people to become more self-reliant and, in turn, to pass this knowledge others.

The Proactive Nation Builders (PNB), a community development movement, challenged more than 200 young achievers in the parish of St. David to lead more purpose-driven lifestyles as part of their ground-breaking 'NIMBY' ("Not In My Back Yard") programme, which facilitated their active participation in a variety of character-building initiatives such as the performing arts, swimming and martial arts. Similarly, more than 100 parents and teachers learned how to better communicate with their children; gaining greater coaching on how best to articulate instructions and expectations through the Franciscan Institute and their Common Sense Parenting Programme.

In Guyana, the ongoing partnership with Women Across Differences brought greater awareness and humanity to the many struggles that more than 200 young women and mothers face in their personal, educational, and professional development. Working together on their development programme made it possible to reach out to these women, and, in so doing, help encourage them to aim higher, dream bigger, and act on their invaluable roles in building a sustainable and successful society.

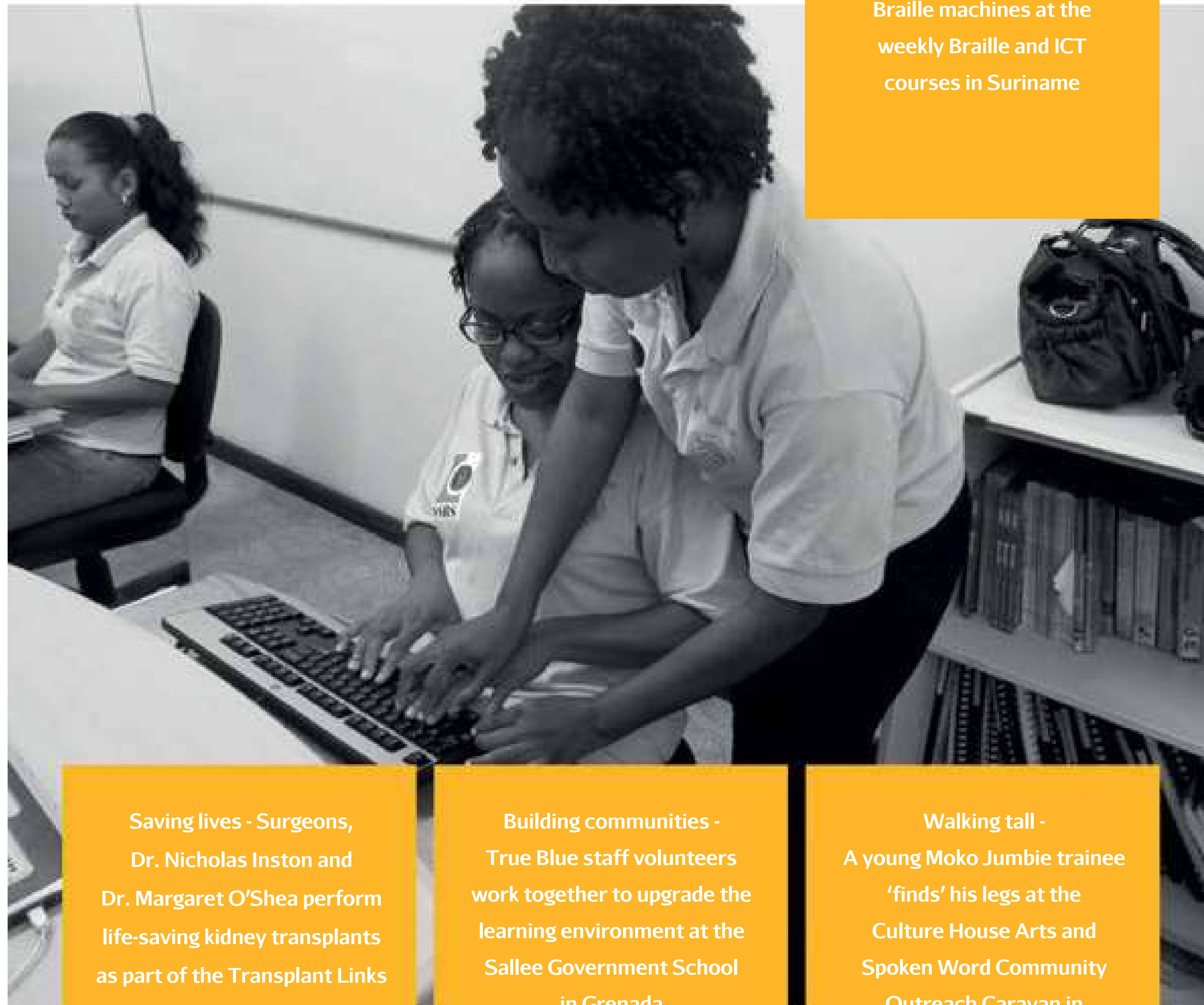
Working Closely with the Communities We Serve

Staff volunteerism continued to play a critical role in ensuring the ongoing success of the Power to Make A Difference. Staying the course of earnest social partnership, underscored by a basic commitment to serve, throughout the entire Group, staff members turned out in their numbers, answering the call to become involved with a signature style that can only be described as the "True Blue Spirit".

Over the period, volunteerism drives varied from partnerships with Habitat for Humanity Trinidad and Tobago; National Blood Bank, the Seventh Day Adventist Hospital in Tamale (Ghana) and the Nsawam Female Prison in Ghana to the St. Ann's Orphanage and the Diamond Special School in Guyana; and the River Sallee Government School and the St. Patrick's Pre-School, in Grenada, to name a few – all of which brought us closer to the realisation that there is always more that can be done and every effort truly helps to achieve success.

Growing Stronger Together Through Teamwork

The promise of the Power to Make A Difference continues to bear fruit with every young mind awakened, every special needs person empowered, every life made more self-reliant, and every community made stronger. As we approach the next phase, guided by a promise to serve, the emphasis remains on working together to unlock and develop our people's greatest potential. Looking to the future, thankful for the stories of Strength, Success, Stability and Self-Reliance and the people who lead them, we hold the Power to Make A Difference as a covenant to make every effort to promote an era of building successful societies through fellowship, diligence, and advocacy.

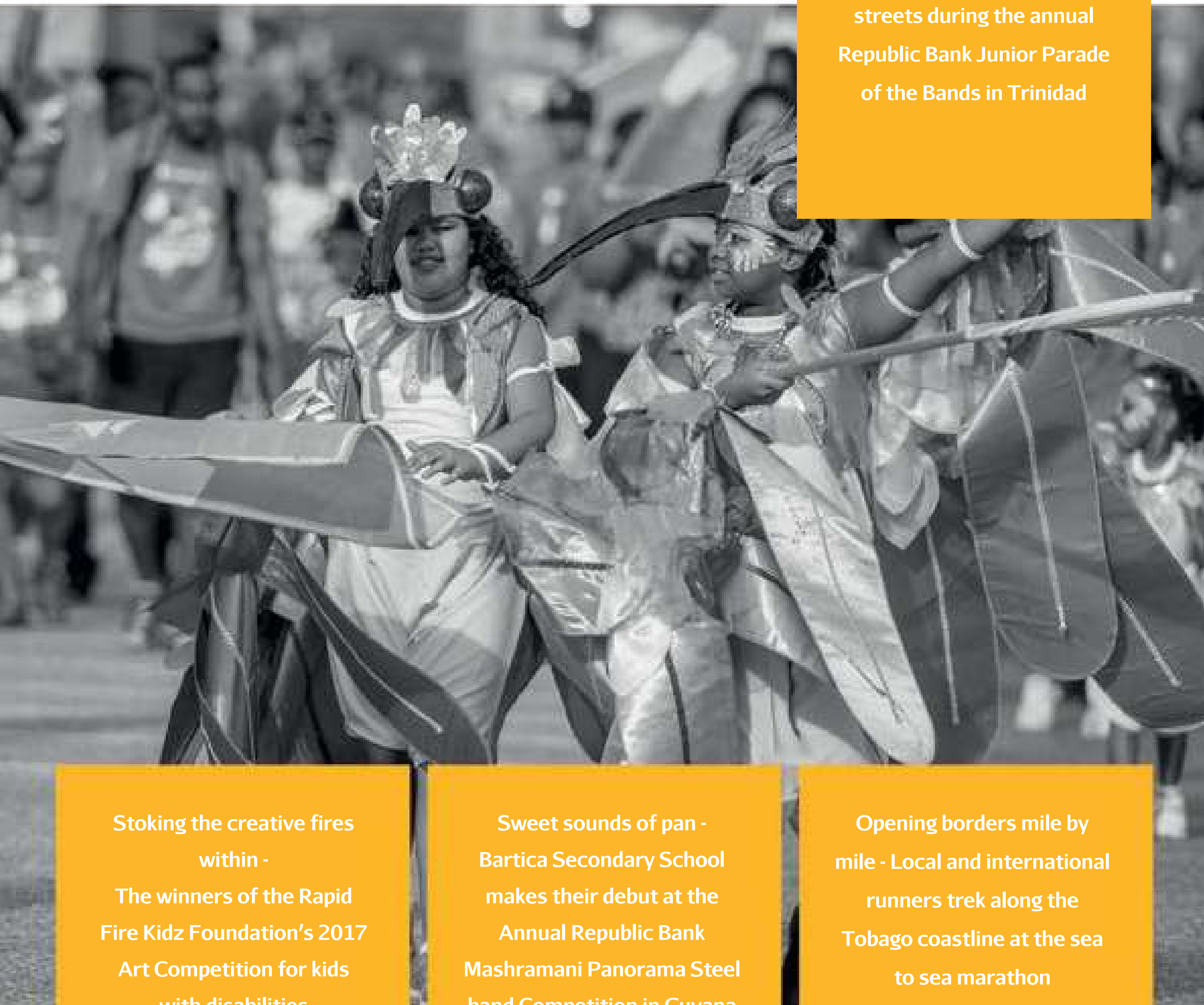


Getting the feel of things - Visually impaired persons are guided in the use of Braille machines at the weekly Braille and ICT courses in Suriname

Saving lives - Surgeons, Dr. Nicholas Inston and Dr. Margaret O'Shea perform life-saving kidney transplants as part of the Transplant Links Commnity's Kidney Transplant programme in Barbados

Building communities - True Blue staff volunteers work together to upgrade the learning environment at the Sallee Government School in Grenada

Walking tall - A young Moko Jumbie trainee 'finds' his legs at the Culture House Arts and Spoken Word Community Outreach Caravan in Aranguez, Trinidad



Flying the flag -
Junior revellers make a mas as they parade through the streets during the annual Republic Bank Junior Parade of the Bands in Trinidad

Stoking the creative fires within -
The winners of the Rapid Fire Kidz Foundation's 2017 Art Competition for kids with disabilities

Sweet sounds of pan -
Bartica Secondary School makes their debut at the Annual Republic Bank Mashramani Panorama Steel band Competition in Guyana

Opening borders mile by mile - Local and international runners trek along the Tobago coastline at the sea to sea marathon

Financial Statements

working capital

trade finance

bonds & guarantees

investment banking

future growth

Financial Reporting Requirements

The Directors of Republic Bank Limited are 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 the company. Where amounts are based on estimates and judgements, these represent the best estimate and judgement of the Directors.

General 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.

The system of internal control is further supported by a professional staff of Internal Auditors who conduct periodic audits of all aspects of the Group's operations. External Auditors have full and free access to, and meet periodically with the Audit Committee to discuss their audit and findings as to the integrity of the Group's accounting and financial reporting and the adequacy of the system of internal controls.

Signed on behalf of the Board

Ronald F. Dec. Harford
Chairman

September 30, 2017

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REPUBLIC FINANCIAL HOLDINGS LIMITED

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, 2017, 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, 2017 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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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REPUBLIC FINANCIAL HOLDINGS LIMITED

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
Loan loss provisions	
Refer to Note 4. Advances comprise 51.5% of the Group's total assets. The appropriateness of loan loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The disclosures relating to Advances are considered important to users of the consolidated financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Group's process and documented policy for loan loss provisioning. For loan loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. We performed an independent assessment of a sample of commercial loan files to assess accurate and timely assignment of loan risk ratings and compliance with management's rating policy. We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment. For loan loss provisions calculated on a collective basis, we reviewed management's inherent risk provision estimate, with a focus on the reasonableness of the factors applied and assumptions used, considering the economic changes in the respective territories. Finally we focused on the adequacy of the Group's financial statement disclosures regarding Advances and the related loan loss provisions.

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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
Fair value measurement of investment securities and related disclosures	
Refer to Notes 5 and 23. The Group invests in various investment securities, of which $10.3 billion is carried at fair value. Of these assets, $6.9 billion relates to investments for which no published prices in active markets are available and has been classified as Level 2 and Level 3 assets in the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the determination of fair value of Level 2 and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. These assets are regularly assessed for impairment.	We independently tested the pricing on quoted securities, and we used our EY valuation specialists to assess the appropriateness of pricing models used by the Group. This included: - An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines. - Testing of the inputs used, including cash flows and other market based data. - An evaluation of the reasonableness of other assumptions applied such as credit spreads. - The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. - An assessment of management's impairment analysis. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk.

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REPUBLIC FINANCIAL HOLDINGS LIMITED

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 $393 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 team 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.

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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 2017 Annual Report

Other information consists of the information included in the Group's 2017 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.

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REPUBLIC FINANCIAL HOLDINGS LIMITED

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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REPUBLIC FINANCIAL HOLDINGS LIMITED

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.

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REPUBLIC FINANCIAL HOLDINGS LIMITED

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.

Ernst + Young

Port of Spain
TRINIDAD:
November 8, 2017

A member firm of Ernst & Young Global Limited

Consolidated Statement of Financial Position

As at September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
ASSETS			
Cash and cash equivalents		**803,686**	793,703
Statutory deposits with Central Banks		**5,517,607**	5,787,709
Due from banks		**5,166,205**	5,340,734
Treasury Bills		**5,224,816**	5,886,143
Investment interest receivable		**108,822**	95,535
Advances	4	**35,464,448**	34,292,693
Investment securities	5	**12,056,865**	10,265,047
Investment in associated companies	6	**79,139**	75,491
Premises and equipment	7	**2,350,322**	2,188,528
Intangible assets	8	**405,449**	416,931
Pension assets	9	**968,751**	1,010,851
Deferred tax assets	10 (a)	**287,763**	211,868
Taxation recoverable		**73,598**	82,820
Other assets	11	**385,408**	411,490
TOTAL ASSETS		**68,892,879**	**66,859,543**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**343,700**	167,481
Customers' current, savings and deposit accounts	12	**50,402,800**	49,631,274
Other fund raising instruments	13	**4,221,180**	3,843,646
Debt securities in issue	14	**1,105,478**	1,148,792
Pension liability	9	**87,376**	67,360
Provision for post-retirement medical benefits	9	**474,691**	430,929
Taxation payable		**218,454**	160,274
Deferred tax liabilities	10 (b)	**432,536**	394,194
Accrued interest payable		**105,051**	104,676
Other liabilities	15	**1,355,608**	1,368,222
TOTAL LIABILITIES		**58,746,874**	**57,316,848**

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

continued	Notes	2017	2016
EQUITY			
Stated capital	16	**780,950**	765,950
Statutory reserves		**1,243,151**	1,212,651
Other reserves	17	**881,832**	951,932
Retained earnings		**6,779,447**	6,194,078
Attributable to equity holders of the parent		**9,685,380**	9,124,611
Non-controlling interest		**460,625**	418,084
TOTAL EQUITY		**10,146,005**	**9,542,695**
TOTAL LIABILITIES AND EQUITY		**68,892,879**	**66,859,543**

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

These financial statements were approved by the Board of Directors on November 8, 2017 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, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

	Notes	2017	2016
Interest income	18 (a)	**3,796,975**	3,610,566
Interest expense	18 (b)	**(568,842)**	(553,419)
Net interest income		**3,228,133**	3,057,147
Other income	18 (c)	**1,461,376**	1,413,741
		4,689,509	**4,470,888**
Operating expenses	18 (d)	**(2,736,433)**	(2,613,040)
Share of profit/(loss) of associated companies	6	**6,444**	(1,045)
Operating profit		**1,959,520**	**1,856,803**
Goodwill impairment expense	8	**–**	(107,309)
Loan impairment expense, net of recoveries	4 (b), 25	**(158,689)**	(412,622)
Net profit before taxation		**1,800,831**	**1,336,872**
Taxation expense	19	**(483,742)**	(393,759)
Net profit after taxation		**1,317,089**	943,113
Attributable to:			
Equity holders of the parent		**1,252,128**	**946,307**
Non-controlling interest		**64,961**	(3,194)
		1,317,089	**943,113**
Earnings per share ($)			
Basic		**$7.75**	$5.87
Diluted		**$7.74**	$5.86
Weighted average number of shares ('000)			
Basic	16	**161,540**	161,342
Diluted	16	**161,679**	161,592

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Note	2017	2016
Net profit after taxation		**1,317,089**	**943,113**
Other comprehensive income:			
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on available-for-sale investments		**2,439**	61,465
Translation adjustments		**10,751**	29,168
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**13,190**	**90,633**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Net remeasurement losses on defined benefit plans		**(48,593)**	(143,231)
Share of changes recognised directly in associate's equity	6	**–**	(626)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(48,593)**	**(143,857)**
Total other comprehensive loss for the year, net of tax		**(35,403)**	**(53,224)**
Total comprehensive income for the year, net of tax		**1,281,686**	**889,889**
Attributable to:			
Equity holders of the parent		**1,221,382**	876,069
Non-controlling interest		**60,304**	13,820
		1,281,686	**889,889**

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at September 30, 2015	**739,125**	**1,194,889**	**636,543**	**6,361,538**	**8,932,095**	**478,514**	**9,410,609**
Total comprehensive income for the year	–	–	71,806	804,263	876,069	13,820	**889,889**
Issue of shares	22,752	–	–	–	22,752	–	**22,752**
Share-based payment	4,073	–	–	–	4,073	–	**4,073**
Shares purchased for profit sharing scheme	–	–	(78,461)	–	(78,461)	–	**(78,461)**
Allocation of shares	–	–	54,762	–	54,762	–	**54,762**
Transfer to general contingency reserve	–	–	267,282	(267,282)	–	–	**–**
Transfer to statutory reserves	–	17,762	–	(17,762)	–	–	**–**
Acquisition of non-controlling interest	–	–	–	16,442	16,442	(54,960)	**(38,518)**
Dividends (Note 28)	–	–	–	(704,965)	(704,965)	–	**(704,965)**
Dividends paid to non-controlling interest	–	–	–	–	–	(20,175)	**(20,175)**
Other	–	–	–	1,844	1,844	885	**2,729**
Balance at September 30, 2016	**765,950**	**1,212,651**	**951,932**	**6,194,078**	**9,124,611**	**418,084**	**9,542,695**
Total comprehensive income for the year	–	–	17,580	1,203,802	1,221,382	60,304	**1,281,686**
Issue of shares	14,275	–	–	–	14,275	–	**14,275**
Share-based payment	725	–	–	–	725	–	**725**
Shares purchased for profit sharing scheme	–	–	(17,837)	–	(17,837)	–	**(17,837)**
Allocation of shares	–	–	45,662	–	45,662	–	**45,662**
Transfer from general contingency reserve	–	–	(115,505)	115,505	–	–	**–**
Transfer to statutory reserves	–	30,500	–	(30,500)	–	–	**–**
Acquisition of non-controlling interest	–	–	–	271	271	748	**1,019**
Dividends (Note 28)	–	–	–	(705,985)	(705,985)	–	**(705,985)**
Dividends paid to non-controlling interest	–	–	–	–	–	(19,279)	**(19,279)**
Other	–	–	–	2,276	2,276	768	**3,044**
Balance at September 30, 2017	**780,950**	**1,243,151**	**881,832**	**6,779,447**	**9,685,380**	**460,625**	**10,146,005**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
Operating activities			
Net profit before taxation		**1,800,831**	1,336,872
Adjustments for:			
Depreciation	7	**188,959**	165,627
Loan impairment expense, net of recoveries	4 (b)(ii)	**158,689**	412,622
Goodwill impairment expense, net of negative goodwill	8 (a)	**–**	106,573
Investment securities impairment expense		**12,260**	65,507
Amortisation of intangibles	8 (b)	**11,482**	16,267
Translation difference		**(19,148)**	258,260
Loss on sale of premises and equipment		**4,297**	6,286
Realised loss/(gain) on investment securities		**407**	(11,359)
Share of net (profit)/loss of associated companies	6	**(6,444)**	1,045
Stock option expense	16	**725**	4,073
Increase in employee benefits		**58,398**	90,493
Increase in advances		**(1,330,470)**	(1,694,495)
Increase in customers' deposits and other fund raising instruments		**1,149,061**	1,176,768
Decrease/(increase) in statutory deposits with Central Banks		**270,102**	(160,417)
Decrease in other assets and investment interest receivable		**48,694**	63,050
Decrease in other liabilities and accrued interest payable		**(12,237)**	(28,561)
Taxes paid, net of refund		**(468,884)**	(463,257)
Cash provided by operating activities		**1,866,722**	**1,345,354**
Investing activities			
Purchase of investment securities		**(7,929,920)**	(7,681,348)
Redemption of investment securities		**6,382,303**	5,652,267
Acquisition of additional interest in a subsidiary	32	**(720)**	(38,518)
Dividends from associated companies	6	**2,826**	1,705
Additions to premises and equipment	7	**(417,597)**	(438,756)
Proceeds from sale of premises and equipment		**22,130**	5,388
Cash used in investing activities		**(1,940,978)**	**(2,499,262)**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000)

continued	Notes	2017	2016
Financing activities			
Increase/(decrease) in balances due to other banks		**176,219**	(386,654)
Repayment of debt securities		**(43,314)**	(44,160)
Proceeds from share issue	16	**14,275**	22,752
Shares purchased for profit sharing scheme	17	**(17,837)**	(78,461)
Allocation of shares to profit sharing plan	17	**45,662**	54,762
Dividends paid to shareholders of the parent	28	**(705,985)**	(704,965)
Dividends paid to non-controlling shareholders of the subsidiaries		**(19,279)**	(20,176)
Cash used in financing activities		**(550,259)**	**(1,156,902)**
Net decrease in cash and cash equivalents		**(624,515)**	(2,310,810)
Net foreign exchange difference		**41,782**	(384,171)
Cash and cash equivalents at beginning of year		**10,797,135**	13,492,116
Cash and cash equivalents at end of year		**10,214,402**	**10,797,135**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**803,686**	793,703
Due from banks		**5,166,205**	5,340,734
Treasury Bills - original maturities of three months or less		**3,870,764**	4,330,354
Bankers' acceptances - original maturities of three months or less		**373,747**	332,344
		10,214,402	**10,797,135**
Supplemental information:			
Interest received during the year		**3,740,319**	3,589,431
Interest paid during the year		**(568,468)**	(517,335)
Dividends received	18 (c)	**1,693**	1,257

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017. 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 Caricom region and Ghana. A full listing of the Group's subsidiary companies is detailed in Note 30 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, except for the measurement at fair value of investment securities classified as available-for-sale 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 except for HFC Bank (Ghana) Limited which used 12 months to August 31 and Republic Bank (Suriname) N.V. which used 14 months from August 1, 2016, to September 30, 2017, 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 intercompany 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

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 interest represents interest in subsidiaries not held by the Group.

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, 2016, except for the adoption of new standards and interpretations below.

IAS 1 Disclosure Initiative – Amendments to IAS 1 (effective January 1, 2016)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:

- The materiality requirements in IAS 1
- That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and OCI. The adoption and amendment to this standard had no impact on the Group.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective January 1, 2016)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The adoption and amendment to these standards had no impact on the Group.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective January 1, 2016)

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New accounting policies/improvements adopted (continued)

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective January 1, 2016) (continued)

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The adoption and amendment to these standards had no impact on the Group.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective January 1, 2016)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The adoption and amendment to these standards had no impact on the Group.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective January 1, 2016)

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 Business Combinations, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control. The adoption and amendment to these standards had no impact on the Group.

IFRS 14 Regulatory Deferral Accounts (effective January 1, 2016)

The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS. The adoption and amendment to this standard had no impact on the Group.

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

For the year ended September 30, 2017. 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 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.

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.

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.

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.

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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board 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, 2017:

IFRS	Subject of Amendment
IFRS 12	Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1	First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
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)

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 institution. Other than Statutory Deposits of $4.3 billion, the Bank also holds Treasury Bills and other deposits of $2.1 billion with the Central Bank of Trinidad and Tobago as at September 30, 2017. Interest earned on these balances for the year was $20.7 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, HFC Bank (Ghana) Limited is required to maintain reserves in the form of certain cash resources with the Bank of Ghana.

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.

c Financial instruments

The Group's financial assets and financial liabilities are recognised in the consolidated statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or where the Group has substantially transferred all the risks and rewards of ownership of the asset or control of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. All 'regular way' purchases and sales are recognised at settlement date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

c Financial instruments *(continued)*

For purposes of subsequent measurement financial assets are classified in the following categories:

i Advances

Advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income in 'loan impairment expense'.

ii Investment securities

At fair value through profit or loss

Financial assets are classified in this category if they are either acquired for the purpose of selling in the short-term or if so-designated by management. Securities held as financial assets at fair value through profit or loss are initially recognised at fair value and are continuously measured at fair value based on quoted market prices where available, or discounted cash flow models.

All gains, realised and unrealised, from trading securities and those designated at fair value through profit or loss are reported in other income whilst losses are reported in operating expenses. Interest and dividends earned whilst holding trading securities and those designated at fair value through profit or loss are reported in interest income.

Available-for-sale

Available-for-sale investments are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Securities held as available-for-sale are initially recognised at fair value plus transaction costs and are continuously remeasured at fair value based on quoted market prices where available or discounted cash flow models. Unquoted equity instruments are recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the consolidated statement of income as an impairment expense on investment securities.

iii Debt securities and other fund raising instruments

Debt securities and other fund raising instruments are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

d Impairment of financial assets

The Group assesses, at each consolidated statement of financial position date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

i Advances

All non-performing and individually significant advances are individually reviewed and specific provisions made for the impaired portion based on the present value of estimated future cash flows and discounted by the original effective interest rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. Individually insignificant loans with similar characteristics are assessed for impairment on a group basis.

Regulatory and other loan loss requirements that exceed these amounts are dealt with in the general contingency reserve as an appropriation of retained earnings.

When all efforts have been exhausted to recover a non-performing loan, that loan is deemed uncollectible and written off against the related provision for loan losses.

ii Investment securities

The Group individually assesses each investment security for objective evidence of impairment. If an impaired debt instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of 'interest income'. If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the consolidated statement of income.

If there is objective evidence that the cost of an available-for-sale equity security may not be recovered, the security is considered to be impaired. Objective evidence that the cost may not be recovered includes qualitative impairment criteria as well as a significant or prolonged decline in the fair value below cost. The Group's policy considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for greater than one year. This policy is applied by all subsidiaries at the individual security level.

If an available-for-sale equity security is impaired based upon the Group's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Group's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairments.

Any subsequent increases in value of previously impaired securities are taken to OCI.

e 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

e Investment in associates *(continued)*

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.

f 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.

g 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Premises and equipment *(continued)*

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%

h 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.

i 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)*

i 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 cash-generating units 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 cash-generating unit to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

j 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 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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

j 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).

k 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 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

l 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 20 times 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 require 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.

m 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, 2017, totalled $33.3 billion (2016: $32.0 billion).

n 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.

o 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.

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 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.

p 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 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.

q Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. 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.

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

2.6 Summary of significant accounting policies *(continued)*

q Revenue recognition *(continued)*

Interest income and expense
Interest income and expense are recognised in the consolidated statement of income for all interest-bearing instruments on an accrual basis using the effective interest yield method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on Treasury Bills and other discounted instruments.

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.

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

r Fair value
The Group measures financial instruments at fair value at each 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 23 to the 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 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:

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.

r Fair value *(continued)*

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 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 available-for-sale 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 fair value through profit or loss' 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 values of advances are based on a current yield curve appropriate for the remaining term to maturity.

The fair values of the floating rate debt securities in issue are 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)*

r Fair value *(continued)*

Level 3 *(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.

s 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.

t 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 29 (b) of these consolidated financial statements.

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.

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

a Risk management (Note 21)

b Capital management (Note 22)

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.

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

Estimates and assumptions *(continued)*

Impairment of financial assets

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Inherent provisions on advances (Note 4b)

Inherent provisions on advances are calculated on an estimate of impairment incurred but not reported, existing in assets as at the consolidated statement of financial position date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

Valuation of investments (Note 5)

The Group has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

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 8a)

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, 2017, using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit 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:

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.

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 ADVANCES

a Advances

2017	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	6,205,714	15,314,994	13,090,191	**34,610,899**
Non-performing advances	197,735	804,487	592,934	**1,595,156**
	6,403,449	16,119,481	13,683,125	**36,206,055**
Unearned interest/finance charges	(49,807)	(44,772)	–	**(94,579)**
Accrued interest	7,713	113,214	34,212	**155,139**
	6,361,355	16,187,923	13,717,337	**36,266,615**
Allowance for impairment losses – Note 4 (b)	(165,688)	(464,545)	(171,934)	**(802,167)**
Net advances	**6,195,667**	**15,723,378**	**13,545,403**	**35,464,448**
2016				
Performing advances	6,064,381	15,002,423	12,302,217	**33,369,021**
Non-performing advances	166,155	1,107,463	516,231	**1,789,849**
	6,230,536	16,109,886	12,818,448	**35,158,870**
Unearned interest/finance charges	(51,310)	(50,883)	–	**(102,193)**
Accrued interest	7,569	80,436	28,327	**116,332**
	6,186,795	16,139,439	12,846,775	**35,173,009**
Allowance for impairment losses – Note 4 (b)	(128,738)	(600,417)	(151,161)	**(880,316)**
Net advances	**6,058,057**	**15,539,022**	**12,695,614**	**34,292,693**

4 ADVANCES *(continued)*

b Allowance for impairment losses

i Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more immediate attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment.

Allowances are evaluated on each reporting date with each portfolio receiving a separate review. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

ii Reconciliation of the allowance for impairment losses for loans and advances by class

2017	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	128,738	600,417	151,161	**880,316**
Translation adjustment	(1,633)	(31,206)	4,637	**(28,202)**
Charge-offs and write-offs	(53,747)	(148,287)	(6,602)	**(208,636)**
Loan impairment expense	134,010	131,089	46,434	**311,533**
Loan impairment recoveries	(41,680)	(87,468)	(23,696)	**(152,844)**
Balance carried forward	**165,688**	**464,545**	**171,934**	**802,167**

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

b Allowance for impairment losses *(continued)*

ii Reconciliation of the allowance for impairment losses for loans and advances by class *(continued)*

2017	Retail lending	Commercial and Corporate lending	Mortgages	Total
Individual impairment	136,853	402,750	132,312	**671,915**
Collective impairment	28,835	61,795	39,622	**130,252**
	165,688	**464,545**	**171,934**	**802,167**
Gross amount of loans individually determined to be impaired before deducting any allowance	**197,735**	**804,487**	**592,934**	**1,595,156**
2016				
Balance brought forward	116,142	360,283	135,062	**611,487**
Translation adjustment	1,508	(6,103)	(2,553)	**(7,148)**
Charge-offs and write-offs	(65,596)	(68,205)	(2,844)	**(136,645)**
Loan impairment expense	100,602	391,690	40,975	**533,267**
Loan impairment recoveries	(23,918)	(77,248)	(19,479)	**(120,645)**
Balance carried forward	**128,738**	**600,417**	**151,161**	**880,316**
2016				
Individual impairment	102,981	520,954	121,820	**745,755**
Collective impairment	25,757	79,463	29,341	**134,561**
	128,738	**600,417**	**151,161**	**880,316**
Gross amount of loans individually determined to be impaired before deducting any allowance	**166,155**	**1,107,463**	**516,231**	**1,789,849**

4 ADVANCES *(continued)*

c Net investment in leased assets included in net advances

	2017	2016
Gross investment	**209,547**	242,768
Unearned finance charge	**(29,231)**	(38,259)
Net investment in leased assets	**180,316**	**204,509**

d Net investment in leased assets has the following maturity profile

	2017	2016
Within one year	**6,825**	3,150
One to five years	**51,181**	39,449
Over five years	**122,310**	161,910
	180,316	**204,509**

5 INVESTMENT SECURITIES

	2017	2016
a Available-for-sale		
Government securities	**4,838,798**	4,658,321
State-owned company securities	**1,483,426**	1,242,790
Corporate bonds/debentures	**4,268,628**	3,435,703
Bankers' acceptances	**507,747**	469,696
Equities and mutual funds	**34,924**	34,060
	11,133,523	**9,840,570**
b Held to maturity		
Government securities	**115,441**	366,668
State-owned company securities	**738,446**	–
Corporate bonds/debentures	**21,659**	9,142
Equities and mutual funds	**14,747**	21,769
	890,293	**397,579**
c Designated at fair value through profit or loss		
Held for trading – Quoted securities	**33,049**	26,898
Total investment securities	**12,056,865**	**10,265,047**

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6 INVESTMENT IN ASSOCIATED COMPANIES

	2017	2016
Balance at beginning of year	**75,491**	142,066
Share of current year profit/(loss)	**6,444**	(1,045)
Dividends received	**(2,826)**	(1,705)
Exchange adjustments	**30**	(1,358)
Share of revaluation reserves	**–**	(626)
Investment impairment	**–**	(61,841)
Balance at end of year	**79,139**	**75,491**

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%
East Caribbean Financial Holding Company Limited (ECFH)	St. Lucia	December	19.30%

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

	2017	2016
Total assets	**5,382,197**	9,546,404
Total liabilities	**4,943,327**	8,756,973
Net assets/equity	**438,870**	789,431
Group's share of associates' net assets	**79,139**	75,491
Profit/(loss) for the period	**88,862**	(10,404)
Group's share of profit/(loss) of associated companies after tax for the period	**6,444**	(1,045)
Group's share of revaluation reserves of associated companies	**–**	(626)
Dividends received during the year	**2,826**	1,705

7 PREMISES AND EQUIPMENT

2017	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	402,304	1,494,818	194,606	1,752,293	**3,844,021**
Exchange and other adjustments	393	(34,294)	(5,515)	(1,862)	**(41,278)**
Additions at cost	303,964	9,450	9,217	94,966	**417,597**
Disposal of assets	–	(16,027)	(3,489)	(36,083)	**(55,599)**
Transfer of assets	(203,753)	88,897	25,311	89,545	**–**
	502,908	**1,542,844**	**220,130**	**1,898,859**	**4,164,741**
Accumulated depreciation					
At beginning of year	–	195,852	102,577	1,357,064	**1,655,493**
Exchange and other adjustments	–	241	(208)	721	**754**
Charge for the year	–	21,103	12,580	155,276	**188,959**
Disposal of assets	–	(51)	(1,640)	(29,096)	**(30,787)**
	–	**217,145**	**113,309**	**1,483,965**	**1,814,419**
Net book value	**502,908**	**1,325,699**	**106,821**	**414,894**	**2,350,322**

2016	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	254,583	1,356,920	196,243	1,660,794	**3,468,540**
Exchange and other adjustments	1,738	735	1,493	(4,339)	**(373)**
Additions at cost	332,420	18,872	1,813	85,651	**438,756**
Disposal of assets	–	–	(12,950)	(49,952)	**(62,902)**
Transfer of assets	(186,437)	118,291	8,007	60,139	**–**
	402,304	**1,494,818**	**194,606**	**1,752,293**	**3,844,021**

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7 PREMISES AND EQUIPMENT *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2016					
Accumulated depreciation					
At beginning of year	–	181,145	101,126	1,268,399	1,550,670
Exchange and other adjustments	–	(4,952)	848	(5,471)	(9,575)
Charge for the year	–	19,659	7,531	138,437	165,627
Disposal of assets	–	–	(6,928)	(44,301)	(51,229)
	–	**195,852**	**102,577**	**1,357,064**	**1,655,493**
Net book value	**402,304**	**1,298,966**	**92,029**	**395,229**	**2,188,528**

Capital commitments

	2017	2016
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	**329,020**	520,904
Other capital expenditure authorised by the Directors but not yet contracted for	**30,357**	77,016

8 INTANGIBLE ASSETS

	2017	2016
a Goodwill	**393,009**	393,009
b Core Deposits	**12,440**	23,922
	405,449	**416,931**

a Goodwill

	2017	2016
Goodwill on acquisition brought forward	**393,009**	499,582
Negative goodwill taken to income	**–**	736
Goodwill written off during the year	**–**	(107,309)
	393,009	**393,009**

8 INTANGIBLE ASSETS *(continued)*

a Goodwill *(continued)*

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited and HFC Bank (Ghana) Limited and acquisitions by 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.

The following table highlights the goodwill and key assumptions used in value in use calculations for each cash-generating unit:

	HFC Bank (Ghana) Limited TT$ million	Republic Bank (Barbados) Limited TT$ million	Republic Bank (Cayman) Limited TT$ million	Republic Bank (Guyana) Limited TT$ million	Total TT$ million
Carrying amount of goodwill	124	144	32	92	**393**
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	
Discount rate	18%	13%	9%	15%	
Cash flow projection term	10 yrs	10 yrs	10 yrs	5 yrs	
Terminal Growth rate	3.5%	2.0%	2.6%	3.0%	

Using these assumptions, in 2016, the value in use of the cash-generating units exceeded the carrying values except for HFC Bank (Ghana) Limited which was determined to be lower than the carrying value of the company. A goodwill impairment expense of $107 million was recorded in 2016 for the Group's investment in HFC Bank (Ghana) Limited.

b Core Deposits

	2017	2016
Cost		
At beginning and end of year	**40,189**	**40,189**
Accumulated amortisation		
At beginning of year	**16,267**	–
Amortisation	**11,482**	16,267
	27,749	**16,267**
Net book value	**12,440**	**23,922**

Core deposit intangibles acquired through business combinations in 2015 have been determined to have a life of 3.5 years from acquisition date.

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9 EMPLOYEE BENEFITS

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

	Defined benefit pension plans			
	Pension assets		Pension liability	
	2017	2016	2017	2016
Present value of defined benefit obligation	**(2,934,444)**	(2,790,586)	**(366,774)**	(359,827)
Fair value of plan assets	**3,913,740**	3,811,946	**348,594**	292,467
Surplus/(deficit)	**979,296**	1,021,360	**(18,180)**	(67,360)
Effect of asset ceiling	**(10,545)**	(10,509)	**(69,196)**	–
Net asset/(liability) recognised in the consolidated statement of financial position	**968,751**	**1,010,851**	**(87,376)**	**(67,360)**

	Post-retirement medical benefits	
	2017	2016
Present value of defined benefit obligation	**(474,691)**	(430,929)
Fair value of plan assets	**–**	–
Net liability recognised in the consolidated statement of financial position	**(474,691)**	**(430,929)**

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	
	2017	2016	2017	2016
Opening defined benefit obligation	**3,150,413**	2,918,889	**430,929**	406,171
Exchange adjustments	**6,413**	19,707	**430**	1,444
Current service cost	**124,730**	114,328	**21,374**	18,056
Interest cost	**182,203**	166,674	**23,496**	21,799
Members' contributions	**1,412**	1,221	**–**	–
Past service cost	**3,546**	13,229	**(11,815)**	11,419
Remeasurements:				
- Experience adjustments	**(21,200)**	18,735	**22,047**	(23,513)
- Actuarial (losses)/gains from change in demographic assumptions	**(26,165)**	14,050	**(1,755)**	1,259
- Actuarial losses from change in financial assumptions	**(863)**	–	**(1,634)**	–
Benefits paid	**(119,271)**	(116,420)	**(2,677)**	(284)
Premiums paid by the Group	**–**	–	**(5,704)**	(5,422)
Closing defined benefit obligation	**3,301,218**	**3,150,413**	**474,691**	**430,929**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Defined benefit obligation at prior year end	**943,491**	1,170,552	**430,929**	406,171
Exchange adjustments	**(2,635)**	(2,399)	**433**	1,443
Opening defined benefit obligation	**940,856**	1,168,153	**431,362**	407,614
Net pension cost	**(78,491)**	(67,166)	**33,055**	51,274
Remeasurements recognised in other comprehensive income	**(26,535)**	(190,813)	**18,655**	(22,253)
Contributions/Premiums	**45,545**	33,317	**(8,381)**	(5,706)
Closing net pension asset	**881,375**	**943,491**	**474,691**	**430,929**

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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	61% to 83%	70% to 84%
- Deferred members	4% to 8%	N/A
- Pensioners	13% to 33%	16% to 30%

The weighted duration of the defined benefit obligation ranged from 11.9 to 19.7 years.

28% to 46% of the defined benefit obligation for active members was conditional on future salary increases.

19% 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	
	2017	2016
Opening fair value of plan assets	**4,104,413**	4,100,765
Exchange adjustments	**3,785**	17,308
Interest income	**211,276**	212,203
Return on plan assets, excluding interest income	**17,079**	(142,130)
Contributions by employer	**45,545**	33,317
Members' Contributions	**1,412**	1,221
Benefits paid	**(119,271)**	(116,420)
Expense Allowance	**(1,905)**	(1,851)
Closing fair value of plan assets	**4,262,334**	**4,104,413**
Actual return on plan assets	**196,571**	**64,029**

9 EMPLOYEE BENEFITS *(continued)*

f Plan asset allocation as at September 30

	Defined benefit pension plans Fair value		% Allocation	
	2017	2016	2017	2016
Equity securities	**1,815,823**	1,904,453	**42.73%**	46.40%
Debt securities	**1,907,419**	1,950,027	**44.88%**	47.51%
Property	**13,760**	13,323	**0.32%**	0.32%
Mortgages	**6,382**	6,939	**0.15%**	0.17%
Money market instruments/cash	**506,274**	229,671	**11.91%**	5.60%
Total fair value of plan assets	**4,249,658**	**4,104,413**	**100.0%**	**100.0%**

As at September 30, 2017, plan assets of $12.7 million for one of the Group's subsidiaries are held by an insurance company and 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	
	2017	2016	2017	2016
Current service cost	**124,730**	114,328	**21,374**	18,056
Interest on defined benefit obligation	**(47,577)**	(62,242)	**23,496**	21,799
Past service cost	**3,546**	13,229	**(11,815)**	11,419
Administration expenses	**(2,208)**	1,851	**–**	–
Total included in staff costs	**78,491**	**67,166**	**33,055**	**51,274**

h Remeasurements recognised in other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Experience (losses)/gains	**(27,077)**	(192,251)	**(18,655)**	22,253
Effect of asset ceiling	**542**	1,438	**–**	–
Total included in other comprehensive income	**(26,535)**	**(190,813)**	**(18,655)**	**22,253**

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9 EMPLOYEE BENEFITS *(continued)*

i Summary of principal actuarial assumptions as at September 30

	2017	2016
	%	%
Discount rate	**4.20 - 7.75**	5.50 - 7.75
Rate of salary increase	**4.00 - 10.50**	4.00 - 6.75
Pension increases	**0.00 - 3.00**	0.00 - 2.40
Medical cost trend rates	**3.00 - 7.00**	5.75 - 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, 2017, are as follows:

	Defined benefit pension plans	
	2017	2016
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	**14.6 to 24.6**	14.6 to 24.5
- Female	**18.4 to 26.8**	18.4 to 26.8
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	**14.6 to 36.2**	14.6 to 26.2
- Female	**18.4 to 42.1**	18.4 to 27.6

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, 2017, would have changed as a result of a change in the assumptions used:

	Defined benefit pension plan		Post-retirement medical benefits	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
- Discount rate	(442,082)	581,329	(100,078)	134,845
- Future salary increases	231,448	(197,737)	344	(297)
- Future pension cost increases	271,126	(267,042)	24,087	(16,579)
- Medical cost increases	–	–	110,751	(81,310)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2017 by $73.76 million and the post-retirement medical benefit by $28.32 million.

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

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 $25.26 million to the pension plan in the 2018 financial year.

The Group operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Group pays 'premiums' of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Group expects to pay $10.6 million to the medical plan in the 2018 financial year.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

	Opening Balance	Exchange and other adjustments	Credit/(Charge) Consolidated Statement of Income	Credit/(Charge) Other Comprehensive Income	Closing Balance
	2016				2017
Post-retirement medical benefits	139,614	121	16,974	24,808	**181,517**
Leased assets	11,158	(7,089)	(694)	–	**3,375**
Unrealised reserve	4,965	26	1,146	(4,366)	**1,771**
Unearned loan origination fees	39,139	23	5,994	–	**45,156**
Tax losses	–	6,397	28,272	–	**34,669**
Other	16,992	4	4,279	–	**21,275**
	211,868	**(518)**	**55,971**	**20,442**	**287,763**

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10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

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

b Deferred tax liabilities

	Opening Balance	Exchange and other adjustments	Charge/(Credit) Consolidated Statement of Income	Charge/(Credit) Other Comprehensive Income	Closing Balance
	2016				**2017**
Pension asset	304,462	30	9,162	25,738	**339,392**
Leased assets	29,542	–	(4,522)	–	**25,020**
Premises and equipment	38,464	(274)	(221)	950	**38,919**
Unrealised reserve	20,702	16	–	7,457	**28,175**
Other	1,024	6	–	–	**1,030**
	394,194	**(222)**	**4,419**	**34,145**	**432,536**
Net credit to consolidated statement of income (Note 19)			**51,552**		

11 OTHER ASSETS

	2017	**2016**
Accounts receivable and prepayments	**271,550**	259,634
Project financing reimbursables	**2,080**	795
Deferred commission and fees	**7,466**	13,424
Non-current assets held to maturity	**–**	26,103
Other	**104,312**	111,534
	385,408	**411,490**

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2017	**2016**
State	**4,712,318**	5,577,885
Corporate and commercial	**13,305,499**	13,404,015
Personal	**29,347,394**	28,221,625
Other financial institutions	**2,777,740**	2,197,692
Other	**259,849**	230,057
	50,402,800	**49,631,274**

13 OTHER FUND RAISING INSTRUMENTS

At September 30, 2017, investment securities held to secure other fund raising instruments of the Group amounted to $3.2 billion (2016: $3.7 billion).

Concentration of other fund raising instruments

	2017	**2016**
State	**2,351,969**	1,811,263
Corporate and commercial	**22,418**	102,170
Personal	**630,841**	151,416
Other financial institutions	**1,031,201**	1,778,797
Other	**184,751**	–
	4,221,180	**3,843,646**

14 DEBT SECURITIES IN ISSUE

	2017	**2016**
Unsecured		
a Fixed rate bonds	**845,977**	846,950
b Floating rate bonds	**32,879**	60,275
	878,856	**907,225**

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14 DEBT SECURITIES IN ISSUE *(continued)*

		2017	2016
Secured			
a	Floating rate bonds	**221,262**	231,468
b	Fixed rate bonds	**4,963**	9,388
c	Mortgage pass-through certificates	**397**	711
		226,622	241,567
Total debt securities in issue		**1,105,478**	**1,148,792**

Unsecured obligations

a Fixed rate bonds are denominated in Trinidad and Tobago dollars and include a subordinated bond issued by Republic Bank Limited in 2008 for a term of ten years at a fixed rate of interest of 8.55% per annum.

b Floating rate bonds are denominated in Ghanaian cedis and include three bonds issued by HFC Bank (Ghana) Limited at floating rates of interest linked to the Ghanaian Treasury Bill rate. Interest on these bonds is paid semi-annually.

Secured obligations

a For Republic Bank Limited, the floating rate bonds are denominated in Trinidad and Tobago dollars and are unconditional secured obligations of the Bank. The Bank has pledged a portfolio of liquid debt securities issued or guaranteed by the Government of Trinidad and Tobago, together with high-grade corporate bonds and debentures, in an aggregate amount equal to the bonds issued as collateral security for the bondholders. Other floating rate bonds are also denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

b Fixed rate bonds for one of the subsidiaries are denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

c Mortgage pass-through certificates are secured on a portfolio of mortgage loans, net of the related loan loss provisions to the extent that the Bank has recourse to the note holders.

15 OTHER LIABILITIES

	2017	2016
Accounts payable and accruals	**961,275**	1,019,789
Unearned loan origination fees	**141,809**	142,124
Deferred income	**10,709**	7,808
Other	**241,815**	198,501
	1,355,608	**1,368,222**

16 STATED CAPITAL

Authorised

An unlimited number of shares of no par value

	2017	2016	2017	2016
	Number of ordinary shares '000	'000	$'000	$'000
Issued and fully paid				
At beginning of year	**161,276**	161,249	**765,950**	739,125
Shares issued/proceeds from shares issued	**171**	275	**14,275**	22,752
Shares purchased for profit sharing scheme	**(163)**	(700)	**–**	–
Share-based payment	**–**	–	**725**	4,073
Allocation of shares	**388**	452	**–**	–
At end of year	**161,672**	**161,276**	**780,950**	**765,950**

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

	2017	2016
Weighted average number of ordinary shares	**161,540**	161,342
Effect of dilutive stock options	**139**	250
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,679**	**161,592**

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17 OTHER RESERVES

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2015	**38,412**	**(90,349)**	**641,699**	**46,781**	**636,543**
Realised gains transferred to net profit	–	–	–	(321)	**(321)**
Revaluation of available-for-sale investments	–	–	–	59,185	**59,185**
Translation adjustments	13,569	–	–	–	**13,569**
Share of changes recognised directly in associate's equity	(627)	–	–	–	**(627)**
Total income and expense for the year recognised directly in equity	12,942	–	–	58,864	**71,806**
Shares purchased for profit sharing scheme	–	(78,461)	–	–	**(78,461)**
Allocation of shares	–	54,762	–	–	**54,762**
Transfer from retained earnings	–	–	267,282	–	**267,282**
Balance at September 30, 2016	**51,354**	**(114,048)**	**908,981**	**105,645**	**951,932**
Realised gains transferred to net profit	–	–	–	(607)	**(607)**
Revaluation of available-for-sale investments	–	–	–	2,147	**2,147**
Translation adjustments	16,040	–	–	–	**16,040**
Total income and expense for the year recognised directly in equity	16,040	–	–	1,540	**17,580**
Shares purchased for profit sharing scheme	–	(17,837)	–	–	**(17,837)**
Allocation of shares	–	45,662	–	–	**45,662**
Transfer to retained earnings	–	–	(115,505)	–	**(115,505)**
Balance at September 30, 2017	**67,394**	**(86,223)**	**793,476**	**107,185**	**881,832**

General contingency reserves

Specific provisions are made for non-performing advances based on the difference between the loan balances and the discounted realisable value of collateral held. These provisions are charged through the consolidated statement of income.

17 OTHER RESERVES *(continued)*

General contingency reserves *(continued)*

A General contingency reserve is created as an appropriation of retained earnings, for the difference between the specific provision and non-performing advances. When the collateral is realised, the reserve is released back to retained earnings. The General contingency reserve serves to enhance the Group's non-distributable capital base. As at September 30, 2017, the balance in the General contingency reserve of $793.5 million is part of Other reserves which totals $881.8 million.

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, 2017, shares costing $86.2 million (2016: $114 million) remain unallocated from the profit sharing scheme. Refer to Note 27(a).

	2017	2016
	No. of shares (000's)	
Balance brought forward	**998**	750
Add shares purchased	**163**	700
Allocation of shares	**(388)**	(452)
Balance carried forward	**773**	**998**

18 OPERATING PROFIT

		2017	2016
a	**Interest income**		
	Advances	**3,080,593**	3,044,845
	Investment securities	**551,933**	313,747
	Liquid assets	**164,449**	251,974
		3,796,975	**3,610,566**
b	**Interest expense**		
	Customers' current, savings and deposit accounts	**375,935**	367,707
	Other fund raising instruments and debt securities in issue	**161,390**	164,895
	Other interest bearing liabilities	**31,517**	20,817
		568,842	**553,419**

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18 OPERATING PROFIT *(continued)*

		2017	2016
c	Other income		
	Fees and commission from trust and other fiduciary activities	**295,986**	249,976
	Other fees and commission income	**717,307**	722,081
	Net exchange trading income	**261,611**	268,769
	Dividends	**1,693**	1,257
	Net gains from investments at fair value through profit or loss	**125**	–
	Gains from disposal of available-for-sale investments	**8,949**	27,843
	Other operating income	**175,705**	143,815
		1,461,376	**1,413,741**
d	Operating expenses		
	Staff costs	**1,037,771**	1,037,029
	Staff profit sharing – Note 27(a)	**125,872**	82,315
	Employee benefits pension and medical contribution – Note 9(g)	**111,546**	118,440
	General administrative expenses	**944,602**	840,821
	Operating lease payments	**61,894**	40,789
	Property related expenses	**145,970**	151,661
	Depreciation expense – Note 7	**188,959**	165,627
	Advertising and public relations expenses	**84,232**	81,721
	Intangible amortisation expense	**11,482**	16,267
	Investment impairment expense	**12,260**	65,507
	Directors' fees	**11,845**	12,863
		2,736,433	**2,613,040**
e	Non-cancellable operating lease commitments		
	Within one year	**36,930**	24,261
	One to five years	**89,651**	60,823
	Over five years	**19,391**	21,660
		145,972	**106,744**

19 TAXATION EXPENSE

	2017	2016
Corporation tax	**535,294**	447,164
Deferred tax	**(51,552)**	(53,405)
	483,742	**393,759**

Reconciliation between taxation expense and accounting profit

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:

	2017	2016
Accounting profit	**1,800,831**	1,336,872
Tax at applicable statutory tax rates	**529,658**	358,909
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(34,576)**	(36,347)
Non-deductible expenses	**39,273**	134,973
Allowable deductions	**(51,552)**	(53,405)
Change in tax rates	**168**	–
Provision for other taxes	**771**	(10,371)
	483,742	**393,759**

The Group has tax losses in three of its subsidiaries amounting to $240.9 million (2016: $165.2 million). In one of these subsidiaries, no deferred tax asset has been recognised for these tax losses in the financial statements since it is not anticipated that there will be sufficient future taxable profits to offset these losses.

20 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.

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20 RELATED PARTIES *(continued)*

	2017	2016
Advances, investments and other assets		
Directors and key management personnel	**20,357**	18,706
Other related parties	**265,278**	332,941
	285,635	**351,647**
Deposits and other liabilities		
Directors and key management personnel	**85,588**	76,759
Other related parties	**373,987**	142,483
	459,575	**219,242**
Interest and other income		
Directors and key management personnel	**1,097**	1,672
Other related parties	**35,261**	44,442
	36,358	**46,114**
Interest and other expense		
Directors and key management personnel	**12,469**	13,536
Other related parties	**19,520**	7,803
	31,989	**21,339**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group.

	2017	2016
Key management compensation		
Short-term benefits	**37,873**	34,437
Post employment benefits	**4,474**	19,495
Share-based payment	**1,992**	4,074
	44,339	**58,006**

21 RISK MANAGEMENT

21.1 Introduction

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 and Other Risks Committees review specific risk areas.

In 2016, a Group Enterprise Risk Management unit, headed by a Chief Risk Officer, was formed with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

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.

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21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

The Group uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, a computerised Credit Scoring system with preset risk management criteria is in place at all branches to facilitate decision-making. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend informs the credit decision and determines the intensity of the monitoring process.

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.

Loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted 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 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.

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the Group's maximum exposure to credit risk:

	2017	**2016**
	Gross maximum exposure	
Statutory deposits with Central Banks	**5,517,607**	5,787,709
Due from banks	**5,166,205**	5,340,734
Treasury Bills	**5,224,816**	5,886,143
Investment interest receivable	**108,822**	95,535
Advances	**35,464,448**	34,292,693
Investment securities	**11,974,145**	10,182,319
Total	**63,456,043**	**61,585,133**
Undrawn commitments	**6,078,901**	5,882,547
Acceptances	**1,081,292**	1,050,603
Guarantees and indemnities	**227,111**	277,114
Letters of credit	**229,362**	231,387
Total	**7,616,666**	**7,441,651**
Total credit risk exposure	**71,072,709**	**69,026,784**

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.

Collateral and other credit enhancements

The Group maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash or securities, charges over real estate properties, inventory and trade receivables, and mortgages over residential properties and chattels. The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector as detailed in the following schedules:

a 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:

	2017	2016
Trinidad and Tobago	**41,917,706**	42,188,341
Barbados	**9,082,530**	8,390,365
Eastern Caribbean	**1,713,010**	1,969,617
Guyana	**4,587,187**	4,521,953
United States	**5,031,568**	2,853,410
Europe	**1,354,843**	786,755
Suriname	**1,168,790**	2,713,115
Ghana	**2,601,602**	2,456,498
Other Countries	**3,615,473**	3,146,730
	71,072,709	**69,026,784**

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.2 Risk concentrations of the maximum exposure to credit risk *(continued)*

b Industry sectors

The following table breaks down the Group's maximum credit exposure as categorised by the industry sectors of its counterparties:

	2017	2016
Government and Central Government Bodies	**21,430,212**	20,983,381
Financial sector	**9,461,456**	9,133,643
Energy and mining	**1,664,237**	1,663,986
Agriculture	**302,337**	300,844
Electricity and water	**407,356**	485,652
Transport, storage and communication	**963,729**	644,140
Distribution	**4,541,774**	4,869,925
Real estate	**3,836,913**	3,155,974
Manufacturing	**2,277,527**	2,113,988
Construction	**1,967,375**	2,204,606
Hotel and restaurant	**1,737,362**	1,891,120
Personal	**16,894,212**	16,364,418
Other services	**5,588,219**	5,215,107
	71,072,709	**69,026,784**

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'.

21.2.3 Credit quality per category of financial assets

The Group has determined that credit risk exposure arises from the following consolidated statement of financial position lines:

- Treasury Bills and Statutory deposits with Central Banks
- Balances due from banks
- Advances
- Investment securities

Treasury Bills and Statutory deposits with Central Banks

These funds are placed with Central Banks in the countries where the Group is engaged in the full range of banking and financial activities and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

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21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.3 Credit quality per category of financial assets *(continued)*

Balances due from banks

The credit quality of balances due from other banks is assessed by the Group according to the level of creditworthiness of the institution in relation to other institutions in the region. The credit quality of these balances has been analysed into the following categories:

Superior: These institutions have been accorded the highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extremely strong.

Desirable: These institutions have been accorded the second-highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is very strong.

Acceptable: These institutions have been accorded the third-highest rating, indicating that the institution's capacity to meet its financial commitment is adequate.

The table below illustrates the credit quality for balances due from banks as at September 30:

	Superior	Desirable	Acceptable	Total
2017	**1,467,059**	**3,527,273**	**171,873**	**5,166,205**
2016	2,673,633	2,487,087	180,014	5,340,734

Advances – Commercial and Corporate

The credit quality of commercial and corporate advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of management, the track record and level of supervision required for existing facilities of the company, the financial and leverage position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates, and the competitive advantage held by that company in the market. The overall level of risk thus assessed is assigned a credit score which indicates the overall quality of the Commercial/Corporate borrowing account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.3 Credit quality per category of financial assets *(continued)*

Advances – Commercial and Corporate (continued)

Superior: These counterparties have strong financial position. Facilities are well secured and business has proven track record.

Desirable: These counterparties have good financial position. Facilities are reasonably secured and underlying business is performing well.

Acceptable: These counterparties are of average risk with a fair financial position. Business may be new or industry may be subject to more volatility and facilities typically have lower levels of security.

Sub-standard: Past due or individually impaired.

The table below illustrates the credit quality of commercial and corporate advances as at September 30:

	Superior	Desirable	Acceptable	Sub-standard	Total
2017	**436,810**	**2,699,930**	**11,962,086**	**624,552**	**15,723,378**
2016	365,749	2,375,785	11,914,350	883,138	15,539,022

The following is an aging of facilities classed as sub-standard:

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2017	**71,906**	**48,186**	**38,035**	**64,689**	**401,736**	**624,552**
2016	110,119	84,076	79,072	23,362	586,509	883,138

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21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.3 Credit quality per category of financial assets *(continued)*

Advances – Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the related assets for which these loans were granted to fund. The following is an aging analysis of these facilities:

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2017	**17,570,594**	**909,465**	**209,175**	**216,283**	**314,050**	**521,503**	**19,741,070**
2016	15,113,175	2,481,520	212,197	138,541	350,653	457,585	18,753,671

Investment securities

The debt securities within the Group's investment security portfolio are exposed to credit risk. The credit quality of each individual security is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt. The level of credit risk thus assessed and associated with the security is assigned a risk premium. These premiums are defined as follows:

Superior: Government and Government Guaranteed securities, securities secured by a Letter of Comfort from the Government and securities placed with institutions that have been accorded the highest rating by an international rating agency. These securities are considered risk free.

Desirable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements and Government and Government Guaranteed securities where the country has been recently downgraded by an international rating agency. Issuing institution has good financial strength and reputation.

Acceptable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured during the financial year.

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.3 Credit quality per category of financial assets *(continued)*

Investment securities (continued)

The table below illustrates the credit quality of debt security investments as at September 30:

Available-for-sale

	Superior	Desirable	Acceptable	Sub-standard	Total
2017	**8,503,309**	**2,003,990**	**510,936**	**80,364**	**11,098,599**
2016	7,209,120	1,812,011	754,379	31,000	9,806,510

Held to maturity

	Superior	Desirable	Acceptable	Sub-standard	Total
2017	853,887	21,659	–	–	875,546
2016	–	375,810	–	–	375,810

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 focusses 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 Asset/Liability Committee (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.

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21 RISK MANAGEMENT *(continued)*

21.3 Liquidity risk *(continued)*

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 26 for a maturity analysis of assets and liabilities.

Financial liabilities – on consolidated statement of financial position

2017	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Customers' current, savings and deposit accounts	41,782,897	8,378,196	327,481	–	**50,488,574**
Other fund raising instruments	–	4,057,552	125,661	94,820	**4,278,033**
Debt securities in issue	–	869,806	209,232	96,799	**1,175,837**
Due to banks	26,066	1,367,768	–	–	**1,393,834**
Other liabilities	406,234	198,567	–	6,159	**610,960**
Total undiscounted financial liabilities	**42,215,197**	**14,871,889**	**662,374**	**197,778**	**57,947,238**
2016					
Customers' current, savings and deposit accounts	42,082,957	7,907,820	184,356	–	50,175,133
Other fund raising instruments	–	3,453,904	346,781	104,873	3,905,558
Debt securities in issue	–	132,471	1,105,751	134,800	1,373,022
Due to banks	85,739	88,501	–	–	174,240
Other liabilities	502,019	196,133	–	–	698,152
Total undiscounted financial liabilities	**42,670,715**	**11,778,829**	**1,636,888**	**239,673**	**56,326,105**

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

2017	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Acceptances	214,501	657,932	208,233	626	**1,081,292**
Guarantees and indemnities	38,038	140,277	16,191	32,605	**227,111**
Letters of credit	151,864	77,498	–	–	**229,362**
Total	**404,403**	**875,707**	**224,424**	**33,231**	**1,537,765**
2016					
Acceptances	359,646	400,081	289,949	927	1,050,603
Guarantees and indemnities	42,980	171,570	37,631	24,933	277,114
Letters of credit	126,263	105,124	–	–	231,387
Total	**528,889**	**676,775**	**327,580**	**25,860**	**1,559,104**

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 following table 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.

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

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. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table:

		Impact on net profit			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	**47,422**	**(47,422)**	45,601	(45,601)
US$ Instruments	+/- 50	**5,896**	**(5,896)**	5,668	(5,668)
BDS$ Instruments	+/- 50	**4,594**	**(4,594)**	7,057	(7,057)
GHS Instruments	+/- 300	**2,538**	**(2,538)**	5,597	(5,597)
Other Currency Instruments	+/- 50	**343**	**(343)**	308	(308)

		Impact on equity			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	**(62,064)**	**52,664**	(55,329)	58,663
US$ Instruments	+/- 50	**(216,160)**	**217,591**	(31,455)	32,136
EC$ Instruments	+/- 25	**(118)**	**120**	(150)	151
BDS$ Instruments	+/- 50	**(8,720)**	**9,040**	(9,585)	10,650
Other Currency Instruments	+/- 50	**(101)**	**83**	(110)	107

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 retranslation of the net assets and related funding of overseas subsidiaries and associates from the respective local currency to TT dollars. 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.

21 RISK MANAGEMENT *(continued)*

21.4 Market risk *(continued)*

21.4.2 Currency risk *(continued)*

The principal currencies of the Group's subsidiary and associated company investments are TTD, USD, GYD, XCD, BDS, Ghana Cedi (GHS) and Suriname SRD.

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 Trinidad and Tobago dollar with all other variables held constant.

2017	TTD	USD	BDS	GHS	Other	Total
Financial assets						
Cash and cash equivalents	368,861	62,496	91,917	105,981	174,431	**803,686**
Statutory deposits with Central Banks	4,265,188	10,675	296,785	209,929	735,030	**5,517,607**
Due from banks	644,740	2,893,983	47,405	45,606	1,534,471	**5,166,205**
Treasury Bills	1,993,883	–	1,753,909	123,139	1,353,885	**5,224,816**
Investment interest receivable	43,229	46,159	2,411	12,344	4,679	**108,822**
Advances	20,262,707	5,634,594	5,018,424	784,889	3,763,834	**35,464,448**
Investment securities	5,538,595	4,891,974	431,215	897,685	297,396	**12,056,865**
Total financial assets	**33,117,203**	**13,539,881**	**7,642,066**	**2,179,573**	**7,863,726**	**64,342,449**
Financial liabilities						
Due to banks	174,353	70,669	12,002	64,264	22,412	**343,700**
Customers' current, savings and deposit accounts	25,732,180	9,289,817	6,213,946	1,490,926	7,675,931	**50,402,800**
Other fund raising instruments	2,678,480	872,093	248,222	422,385	–	**4,221,180**
Debt securities in issue	1,027,421	7,179	–	70,878	–	**1,105,478**
Interest payable	33,172	15,078	2,388	51,240	3,174	**105,051**
Total financial liabilities	**29,645,606**	**10,254,836**	**6,476,558**	**2,099,693**	**7,701,517**	**56,178,209**
Net currency risk exposure		**3,285,045**	**1,165,508**	**79,880**	**162,209**	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**32,850**	**11,655**	**2,396**	**1,622**	

For the year ended September 30, 2017. 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)*

	TTD	USD	BDS	GHS	Other	Total
2016						
Financial assets						
Cash and cash equivalents	359,822	61,660	96,830	69,071	206,320	**793,703**
Statutory deposits with Central Banks	4,265,042	–	661,330	171,086	690,251	**5,787,709**
Due from banks	1,264,401	2,333,573	11,767	141,183	1,589,810	**5,340,734**
Treasury Bills	2,782,962	–	1,633,400	–	1,469,781	**5,886,143**
Investment interest receivable	44,142	34,308	2,428	11,928	2,729	**95,535**
Advances	19,620,214	4,948,836	4,730,935	1,593,771	3,398,937	**34,292,693**
Investment securities	5,205,892	4,084,608	471,725	424,403	78,419	**10,265,047**
Total financial assets	**33,542,475**	**11,462,985**	**7,608,415**	**2,411,442**	**7,436,247**	**62,461,564**
Financial liabilities						
Due to banks	–	93,063	9,206	35,768	29,444	**167,481**
Customers' current, savings and deposit accounts	24,962,190	9,012,864	6,117,686	2,100,767	7,437,767	**49,631,274**
Other fund raising instruments	3,234,203	174,684	332,589	102,170	–	**3,843,646**
Debt securities in issue	1,041,580	–	–	107,212	–	**1,148,792**
Interest payable	37,408	9,090	4,709	50,581	2,888	**104,676**
Total financial liabilities	**29,275,381**	**9,289,701**	**6,464,190**	**2,396,498**	**7,470,099**	**54,895,869**
Net currency risk exposure		**2,173,284**	**1,144,225**	**14,944**	**(33,852)**	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**21,733**	**11,442**	**448**	**(339)**	

21 RISK MANAGEMENT *(continued)*

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.

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.

22 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 $603.3 million to $10.15 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, Republic Bank Limited (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, RFHL and RBL, with their existing strong capital base, will meet the new requirements.

Capital adequacy ratio

	2017	2016
Republic Bank Limited	**20.13%**	21.18%
Republic Bank (Cayman) Limited	**26.18%**	26.72%
Republic Bank (Grenada) Limited	**14.57%**	15.50%
Republic Bank (Guyana) Limited	**25.20%**	22.38%
Republic Bank (Barbados) Limited	**16.21%**	16.48%
Republic Bank (Suriname) N.V.	**11.42%**	9.40%
HFC Bank (Ghana) Limited	**15.98%**	12.08%
Atlantic Financial Limited	**42.72%**	50.80%

At September 30, 2017, the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

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23 FAIR VALUE

23.1 Carrying values and fair values

The following table summarises the carrying amounts and the fair values of the Group's financial assets and liabilities:

2017	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	11,194,707	11,194,707	–
Investment interest receivable	108,822	108,822	–
Advances	35,464,448	34,420,933	(1,043,515)
Investment securities	12,056,865	12,056,865	–
Other financial assets	271,550	271,550	–
Financial liabilities			
Customers' current, savings and deposit accounts	50,402,800	50,404,131	(1,331)
Borrowings and other fund raising instruments	4,564,880	4,564,880	–
Debt securities in issue	1,105,478	1,125,518	(20,040)
Accrued interest payable	105,051	105,051	–
Other financial liabilities	961,275	961,275	–
Total unrecognised change in unrealised fair value			**(1,064,886)**

2016	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	12,020,580	12,020,580	–
Investment interest receivable	95,535	95,535	–
Advances	34,292,693	33,441,973	(850,720)
Investment securities	10,265,047	10,265,047	–
Other financial assets	259,634	259,634	–
Financial liabilities			
Customers' current, savings and deposit accounts	49,631,274	49,630,366	908
Borrowings and other fund raising instruments	4,011,127	4,011,127	–
Debt securities in issue	1,148,792	1,210,049	(61,257)
Accrued interest payable	104,676	104,676	–
Other financial liabilities	1,019,789	1,019,789	–
Total unrecognised change in unrealised fair value			**(911,069)**

23 FAIR VALUE *(continued)*

23.2 Fair value and fair value hierarchies

23.2.1 Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities:

2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	4,340,951	7,707,155	8,759	**12,056,865**
Financial assets for which fair value is disclosed				
Advances	–	–	34,420,933	**34,420,933**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	50,404,131	**50,404,131**
Debt securities in issue	–	1,125,518	–	**1,125,518**

2016	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	3,351,302	6,904,994	8,751	**10,265,047**
Financial assets for which fair value is disclosed				
Advances	–	–	33,441,973	**33,441,973**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	49,630,366	**49,630,366**
Debt securities in issue	–	1,010,158	199,891	**1,210,049**

23 FAIR VALUE *(continued)*

23.2 Fair value and fair value hierarchies *(continued)*

23.2.2 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, 2017, are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	3.0% - 35.2%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.0% - 16%

23.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2017, no assets were transferred between Level 1 and Level 2.

23.2.4 Reconciliation of movements in Level 3 investment securities measured at fair value

	Balance at beginning of year	Additions	Disposals /Transfers to Level 2	Balance at end of year
Financial assets designated at fair value through profit or loss	69	11	(3)	77
Investments securities – available-for-sale	8,682	–	–	8,682
	8,751	**11**	**(3)**	**8,759**

24 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	2017	2016
HFC Bank (Ghana) Limited	Ghana	**42.89%**	42.89%
Republic Bank (Guyana) Limited	Guyana	**49.00%**	49.00%
Accumulated balances of material non-controlling interest:			
HFC Bank (Ghana) Limited		**102,755**	91,086
Republic Bank (Guyana) Limited		**290,995**	265,164
Profit/(loss) allocated to material non-controlling interest:			
HFC Bank (Ghana) Limited		**17,886**	(50,039)
Republic Bank (Guyana) Limited		**43,349**	41,594

The summarised financial information of these subsidiaries is provided in Note 25 (i) of these consolidated financial statements.

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25 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

2017	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
Interest income	2,258,590	480,305	240,035	381,168	485,159	(48,282)	**3,796,975**
Interest expense	(242,079)	(24,566)	(18,571)	(79,242)	(252,666)	48,282	**(568,842)**
Net interest income	2,016,511	455,739	221,464	301,926	232,493	–	**3,228,133**
Other income	1,993,930	157,195	90,318	144,581	124,855	(1,049,503)	**1,461,376**
Share of profits of associates	6,373	–	–	71	–	–	**6,444**
Operating income	4,016,814	612,934	311,782	446,578	357,348	(1,049,503)	**4,695,953**
Investment impairment expense	–	(13,482)	–	1,222	–	–	**(12,260)**
Other operating expenses	(1,641,630)	(358,501)	(153,364)	(255,225)	(328,990)	13,537	**(2,724,173)**
	–						
Operating profit	2,375,184	240,951	158,418	192,575	28,358	(1,035,966)	**1,959,520**
Loan impairment expense, net of recoveries	(101,895)	(15,744)	(21,827)	(22,084)	2,861	–	**(158,689)**
Net profit before taxation	**2,273,289**	**225,207**	**136,591**	**170,491**	**31,219**	**(1,035,966)**	1,800,831
Taxation	(399,237)	(33,022)	(48,123)	(12,485)	9,125	–	**(483,742)**
Net profit after taxation	**1,874,052**	**192,185**	**88,468**	**158,006**	**40,344**	**(1,035,966)**	1,317,089

25 SEGMENTAL INFORMATION *(continued)*

i By geographic segment *(continued)*

2017	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
Investment in associated companies	78,199	–	–	940	–	–	**79,139**
Total assets	52,252,060	9,475,542	4,733,894	9,235,730	2,946,385	(9,750,732)	**68,892,879**
Total liabilities	40,261,263	7,964,529	4,142,778	6,921,353	2,701,050	(3,244,099)	**58,746,874**
Depreciation	107,760	28,285	14,528	15,546	21,562	1,278	**188,959**
Capital expenditure on premises and equipment	303,670	17,834	32,170	37,645	26,278	–	**417,597**
Cash flow from operating activities	1,709,009	387,087	(190,436)	358,856	669,160	(1,066,954)	**1,866,722**
Cash flow from investing activities	(1,003,506)	(34,835)	155,961	(567,718)	(563,141)	72,261	**(1,940,978)**
Cash flow from financing activities	(1,317,241)	(187,402)	(40,382)	(9,769)	12,673	991,862	**(550,259)**

For the year ended September 30, 2017. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

25 **SEGMENTAL INFORMATION** *(continued)*

i By geographic segment *(continued)*

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
2016							
Interest income	2,117,656	465,714	232,696	329,685	503,753	(38,938)	**3,610,566**
Interest expense	(216,194)	(38,378)	(18,949)	(65,320)	(253,516)	38,938	**(553,419)**
Net interest income	1,901,462	427,336	213,747	264,365	250,237	–	**3,057,147**
Other income	1,397,829	141,977	81,141	121,657	105,886	(434,749)	**1,413,741**
Share of (loss)/profits of associates	(1,661)	–	–	616	–	–	**(1,045)**
Operating income	3,297,630	569,313	294,888	386,638	356,123	(434,749)	**4,469,843**
Investment impairment expense	(61,841)	–	–	(3,666)	–	–	**(65,507)**
Other operating expenses	(1,613,015)	(333,285)	(136,410)	(235,802)	(294,814)	65,793	**(2,547,533)**
Operating profit	1,622,774	236,028	158,478	147,170	61,309	(368,956)	**1,856,803**
Goodwill impairment expense	(107,309)	–	–	–	–	–	**(107,309)**
Loan impairment expense, net of recoveries	(139,463)	(42,030)	(24,699)	(37,685)	(168,745)	–	**(412,622)**
Net profit before taxation	**1,376,002**	**193,998**	**133,779**	**109,485**	**(107,436)**	**(368,956)**	1,336,872
Taxation	(307,617)	(25,147)	(48,893)	(1,690)	(10,412)	–	**(393,759)**
Net profit after taxation	**1,068,385**	**168,851**	**84,886**	**107,795**	**(117,848)**	**(368,956)**	943,113

25 **SEGMENTAL INFORMATION** *(continued)*

i By geographic segment *(continued)*

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
2016							
Investment in associated companies	74,653	–	–	838	–	–	**75,491**
Total assets	50,455,735	9,453,132	4,865,530	8,213,823	2,723,546	(8,852,223)	**66,859,543**
Total liabilities	38,848,413	7,917,525	4,328,955	6,190,711	2,496,722	(2,465,478)	**57,316,848**
Depreciation	91,837	25,835	12,000	13,524	20,897	1,534	**165,627**
Capital expenditure on premises and equipment	300,400	23,290	45,664	33,168	36,234	–	**438,756**
Cash flow from operating activities	(362,992)	677,417	143,317	954,766	228,262	(295,416)	**1,345,354**
Cash flow from investing activities	(1,373,752)	(332,163)	(160,749)	(331,604)	(291,341)	(9,653)	**(2,499,262)**
Cash flow from financing activities	(1,258,691)	(57,113)	(41,446)	(34,975)	(18,528)	253,851	**(1,156,902)**

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25 SEGMENTAL INFORMATION *(continued)*

ii By class of business

2017	Retail and commercial banking	Merchant banking	Eliminations	Total
Interest income	3,480,252	365,006	(48,283)	**3,796,975**
Interest expense	(523,791)	(93,334)	48,283	**(568,842)**
Net interest income	2,956,461	271,672	–	**3,228,133**
Other income	2,350,110	160,770	(1,049,504)	**1,461,376**
Share of profit of associates	6,444	–	–	**6,444**
Operating income	5,313,015	432,442	(1,049,504)	**4,695,953**
Investment impairment expense	(12,260)	–	–	**(12,260)**
Other operating expenses	(2,689,806)	(47,903)	13,536	**(2,724,173)**
Operating profit	2,610,949	384,539	(1,035,968)	**1,959,520**
Loan impairment expense, net of recoveries	(152,649)	(6,040)	–	**(158,689)**
Net profit before taxation	**2,458,300**	**378,499**	**(1,035,968)**	**1,800,831**
Taxation	(426,449)	(57,293)	–	**(483,742)**
Net profit after taxation	**2,031,851**	**321,206**	**(1,035,968)**	**1,317,089**
Investment in associated companies	79,139	–	–	**79,139**
Total assets	69,674,188	8,969,423	(9,750,732)	**68,892,879**
Total liabilities	55,306,639	6,684,334	(3,244,099)	**58,746,874**
Depreciation	187,121	560	1,278	**188,959**
Capital expenditure on premises and equipment	416,584	1,013	–	**417,597**
Cash flow from operating activities	2,227,341	706,335	(1,066,954)	**1,866,722**
Cash flow from investing activities	(1,800,887)	(212,352)	72,261	**(1,940,978)**
Cash flow from financing activities	(623,508)	(918,613)	991,862	**(550,259)**

25 SEGMENTAL INFORMATION *(continued)*

ii By class of business

2016	Retail and commercial banking	Merchant banking	Eliminations	Total
Interest income	3,352,525	296,979	(38,938)	**3,610,566**
Interest expense	(516,842)	(75,515)	38,938	**(553,419)**
Net interest income	2,835,683	221,464	–	**3,057,147**
Other income	1,719,192	129,298	(434,749)	**1,413,741**
Share of loss of associates	(1,045)	–	–	**(1,045)**
Operating income	4,553,830	350,762	(434,749)	**4,469,843**
Investment impairment expense	(65,507)	–	–	**(65,507)**
Other operating expenses	(2,568,986)	(44,340)	65,793	**(2,547,533)**
Operating profit	1,919,337	306,422	(368,956)	**1,856,803**
Goodwill impairment expense	(107,309)	–	–	**(107,309)**
Loan impairment expense, net of recoveries	(396,391)	(16,231)	–	**(412,622)**
Net profit before taxation	**1,415,637**	**290,191**	**(368,956)**	**1,336,872**
Taxation	(349,740)	(44,019)	–	**(393,759)**
Net profit after taxation	**1,065,897**	**246,172**	**(368,956)**	**943,113**
Investment in associated companies	75,491	–	–	**75,491**
Total assets	66,973,580	8,738,186	(8,852,223)	**66,859,543**
Total liabilities	53,129,955	6,652,371	(2,465,478)	**57,316,848**
Depreciation	163,502	591	1,534	**165,627**
Capital expenditure on premises and equipment	388,490	50,266	–	**438,756**
Cash flow from operating activities	267,486	1,373,284	(295,416)	**1,345,354**
Cash flow from investing activities	6,302,823	(8,792,432)	(9,653)	**(2,499,262)**
Cash flow from financing activities	(218,254)	(1,192,499)	253,851	**(1,156,902)**

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26 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.

2017	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	803,686	–	**803,686**
Statutory deposits with Central Banks	5,517,607	–	**5,517,607**
Due from banks	5,166,205	–	**5,166,205**
Treasury Bills	5,224,816	–	**5,224,816**
Investment interest receivable	108,822	–	**108,822**
Advances	9,944,220	25,520,228	**35,464,448**
Investment securities	2,374,905	9,681,960	**12,056,865**
Investment in associated companies	–	79,139	**79,139**
Premises and equipment	–	2,350,322	**2,350,322**
Intangible assets	–	405,449	**405,449**
Net pension asset	–	968,751	**968,751**
Deferred tax assets	–	287,763	**287,763**
Taxation recoverable	–	73,598	**73,598**
Other assets	352,099	33,309	**385,408**
	29,492,360	**39,400,519**	**68,892,879**
LIABILITIES			
Due to banks	343,700	–	**343,700**
Customers' current, savings and deposit accounts	50,077,451	325,349	**50,402,800**
Other fund raising instruments	4,221,180	–	**4,221,180**
Debt securities in issue	800,624	304,854	**1,105,478**
Net pension liability	–	87,376	**87,376**
Provision for post-retirement medical benefits	–	474,691	**474,691**
Taxation payable	218,454	–	**218,454**
Deferred tax liabilities	–	432,536	**432,536**
Accrued interest payable	105,051	–	**105,051**
Other liabilities	1,094,711	260,897	**1,355,608**
	56,861,171	**1,885,703**	**58,746,874**

26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

2016	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	793,703	–	**793,703**
Statutory deposits with Central Banks	5,787,709	–	**5,787,709**
Due from banks	5,340,734	–	**5,340,734**
Treasury Bills	5,886,143	–	**5,886,143**
Investment interest receivable	95,535	–	**95,535**
Advances	10,419,928	23,872,765	**34,292,693**
Investment securities	2,198,826	8,066,221	**10,265,047**
Investment in associated companies	–	75,491	**75,491**
Premises and equipment	–	2,188,528	**2,188,528**
Intangible assets	–	416,931	**416,931**
Net pension asset	–	1,010,851	**1,010,851**
Deferred tax assets	–	211,868	**211,868**
Taxation recoverable	219	82,601	**82,820**
Other assets	383,768	27,722	**411,490**
	30,906,565	**35,952,978**	**66,859,543**
LIABILITIES			
Due to banks	167,481	–	**167,481**
Customers' current, savings and deposit accounts	49,449,444	181,830	**49,631,274**
Other fund raising instruments	3,601,167	242,479	**3,843,646**
Debt securities in issue	–	1,148,792	**1,148,792**
Net pension liability	–	67,360	**67,360**
Provision for post-retirement medical benefits	–	430,929	**430,929**
Taxation payable	160,274	–	**160,274**
Deferred tax liabilities	–	394,194	**394,194**
Accrued interest payable	104,676	–	**104,676**
Other liabilities	1,120,427	247,795	**1,368,222**
	54,603,469	**2,713,379**	**57,316,848**

27 EQUITY COMPENSATION BENEFITS

a Profit sharing scheme

It is estimated that approximately $107.9 million (2016: $89.5 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 $126 million (2016: $82 million). Refer to Note 18. During the 2017 financial year, $17.8 million in advances were made by Republic Bank Limited for purchase of shares to the staff profit sharing scheme (2016: $78 million).

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27 EQUITY COMPENSATION BENEFITS *(continued)*

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.

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 10 years.

The option price shall be RFHL 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:

	2017	2016	2017	2016
	Weighted average exercise price		**Number of shares**	
At the beginning of the year	**$100.91**	$93.39	**1,952,038**	1,811,265
Granted	**$112.05**	$121.74	**10,878**	415,912
Exercised	**$83.49**	$82.87	**(170,993)**	(275,139)
At end of year	**$102.64**	**$100.91**	**1,791,923**	**1,952,038**
Exercisable at end of year	**$95.83**	**$89.85**	**1,203,570**	**1,022,954**

27 EQUITY COMPENSATION BENEFITS *(continued)*

b Stock option plan *(continued)*

Expiry date	Exercise price	2017	2016
15-Dec-18	$78.78	**21,539**	31,841
20-Dec-19	$90.19	**68,622**	88,127
20-Dec-20	$86.75	**76,349**	104,156
20-Dec-21	$80.00	**56,885**	94,324
20-Dec-22	$101.80	**11,876**	11,876
13-Dec-23	$85.94	**69,151**	89,551
8-Dec-24	$72.99	**133,810**	164,363
14-Dec-25	$92.67	**228,686**	253,673
14-Dec-26	$104.41	**342,415**	342,415
11-Dec-27	$110.03	**355,800**	355,800
11-Dec-28	$121.74	**415,912**	415,912
9-Dec-29	$112.05	**10,878**	–
		1,791,923	**1,952,038**

As at September 30, 2017, 1,125,005 (2016: 415,912) 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 has been determined using a binomial option-pricing model. The assumptions used in the calculation of the fair value are as follows:

Grant date	December 21, 2016
Number granted	10,878
Exercise price	$112.05
Share price at grant date	$108.44
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	$5.99

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 $83.49. For options outstanding at September 30, 2017, the exercise price ranged from $72.99 to $121.74 and the weighted average remaining contractual life was 8.2 years.

The total expense for the share option plan was $1.992 million (2016: $3.951 million).

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28 DIVIDENDS PAID AND PROPOSED

	2017	2016
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: $3.10 (2015: $3.10)	**503,050**	502,195
First dividend for 2017: $1.25 (2016: $1.25)	**202,935**	202,770
Total dividends paid	**705,985**	**704,965**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2017: $3.15 (2016: $3.10)	**511,703**	**503,050**

29 CONTINGENT LIABILITIES

a **Litigation**

As at September 30, 2017, 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**

	2017	2016
Acceptances	**1,081,292**	1,050,603
Guarantees and indemnities	**227,111**	277,114
Letters of credit	**229,362**	231,387
	1,537,765	**1,559,104**

c **Sectoral information**

	2017	2016
State	**142,867**	233,463
Corporate and commercial	**1,306,813**	1,242,660
Personal	**29,104**	39,736
Other financial institutions	**41,440**	43,195
Other	**17,541**	50
	1,537,765	**1,559,104**

29 CONTINGENT LIABILITIES *(continued)*

d **Pledged assets**

The table below illustrates the distribution of pledged assets in the Group's consolidated statement of financial position:

	2017	2016	2017	2016
	Carrying amount		**Related liability**	
Financial investments - available-for-sale	**3,162,775**	**3,776,434**	**2,861,491**	**3,725,755**

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.

30 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%
HFC Bank (Ghana) Limited *Commercial Bank*	Ghana	57.11%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	75.55%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%

30 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Country of incorporation	% equity interest
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Republic Suriname Holdings Limited *Investment Company*	St. Lucia	100.00%
Republic Bank (Suriname) N.V. *Commercial Bank*	Suriname	100.00%
Republic Bank Limited *Commercial Bank*	Trinidad and Tobago	100.00%
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%

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, 2017, the Group earned $16.0 million (2016: $8.8 million) in management fees from the retirement plans and $87.3 million (2016: $63.8 million) from the mutual funds.

The Group holds an interest of $26.9 million (2016: $21.0 million) in sponsored funds as at September 30, 2017. 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, 2017.

32 BUSINESS COMBINATIONS

Acquisition of additional interest in Republic Bank (Grenada) Limited

Over the period October 2016 to March 2017, the Group acquired an additional 1.43% interest in the voting shares of Republic Bank (Grenada) Limited, increasing its ownership interest to 75.55%. This acquisition was through increased shareholding via a rights issue and other acquisitions. Cash consideration of $0.72 million was paid to the non-controlling shareholders. The following is a schedule of additional interest acquired in Republic Bank (Grenada) Limited:

	$000's
Cash consideration paid	720
Carrying value of the additional interest in Republic Bank (Grenada) Limited	(991)
Difference recognised in retained earnings	**(271)**
Carrying value of additional interest acquired	(991)
Additional interest acquired through rights issue	1,739
	748

Acquisition of additional interest in Republic Bank (Suriname) N.V.

In June 2017, $46.8 million was injected into Republic Bank Suriname N.V.

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