Republic Financial Holdings Limited

2018
Annual Report

2018
Annual Report

Making a difference

To provide hope for those in need and empowerment for those who are disenfranchised. To stay human and personal in our day to day service so that customers feel safe in our hands. To drive business with leading-edge technology. To stay the course and to thrive, no matter the economic climate. To change a life for the better. These are privileges we have earned on our journey of over 181 years and we will continue to do all that we can to make a positive difference in the lives of those we serve.

The Bank at a Glance

About Us

Republic Financial Holdings Limited (RFHL) is the registered owner of all of the banks in The Republic Group – Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Suriname) N.V., Republic Bank (Ghana) Limited, Republic Bank (Cayman) Limited, Republic Securities Limited, 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.

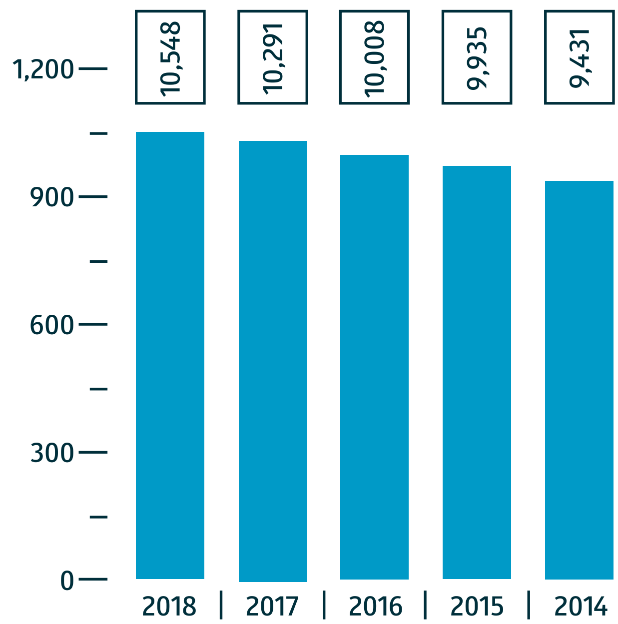
Our Mission

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.

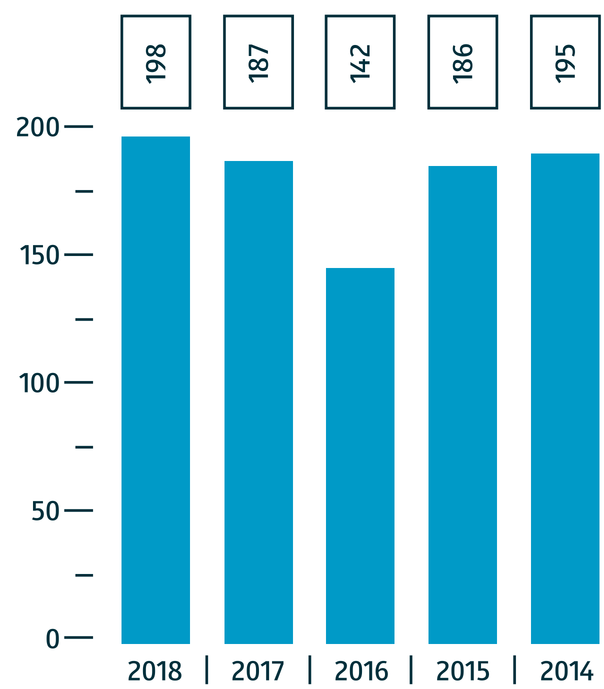
Core Values

Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

Total Assets ($Millions)



Profit After Tax ($Million)

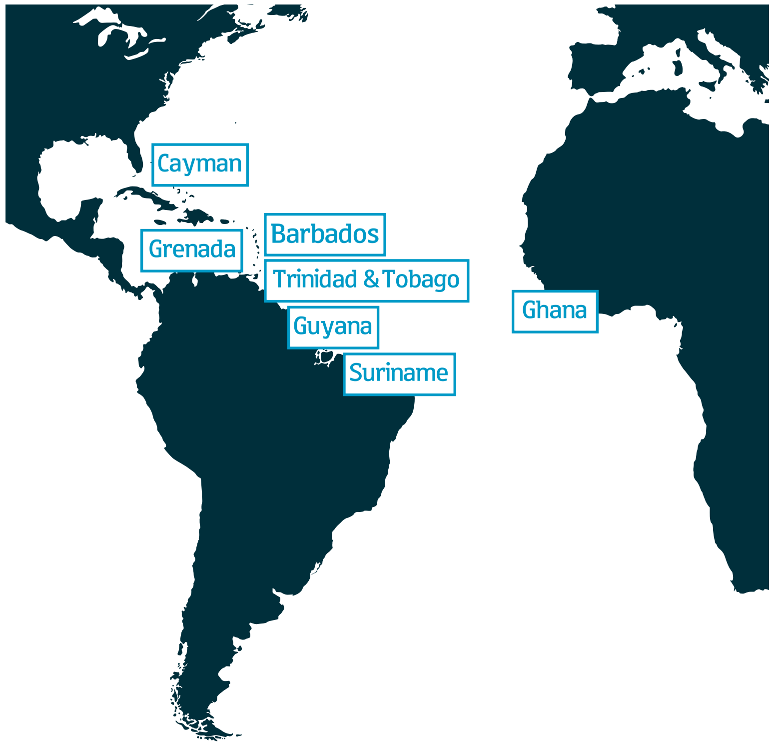


The Bank at a Glance

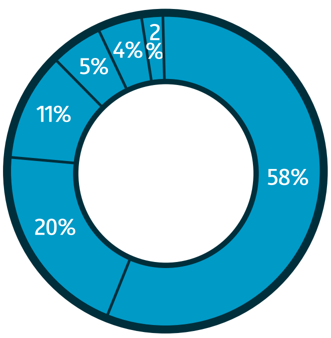
Network

Branches	117
ATMs	295
Employees	5,574

Operating Branches



Sources of Revenue



Advances 58%

Fees and Commissions 20%

Investment Securities 11%

Exchange Earnings 5%

Other Income 4%

Liquid Assets 2%

Shares 2017 – 2018

	2017	2018
Share Price	US$15.23	US$15.52
Earnings per Share	US$1.16	US$1.22
Dividend Yield	4.32%	4.24%
PE Ratio	13.1	12.7

Republic Bank

THE POWER TO MAKE A DIFFERENCE

Corporate Social Responsibility

Through our US$38 million social investment initiative, the Power to Make a Difference, we have formed powerful connections within the national communities of our territories with the aim of safeguarding the welfare and ensuring the sustainable success of these beautiful nations.

For the past 15 years, 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

Making the difference through Culture

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.

Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the Third 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 17, 2018 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, 2018 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, 2018.
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, 2018

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 19, 2018 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, 2018 will be payable on December 3, 2018 to shareholders at the close of business on November 19, 2018.

Republic Financial Holdings Limited

This is the Third 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 (Econ.) (Hons.), MSc (Econ.), ACIB*

Directors

Shazan Ali, *BSc (Mechanical Eng.) (Hons.)*
Ian Benjamin, *SC, MA, LL.M. (Cantab.) LL.M. (Syd.), BA (Law and Land Economy) (Hons.)*
Dawn Callender, *FCCA, CPA, MBA*
Terrence W. Farrell, *PhD, LL.B., LEC*
Alison Lewis, *MOM, BA (Econ. and Mgmt.)*
William P. Lucie-Smith, *MA (Oxon), FCA*
Russell Martineau, *CMT, SC, LL.M. (Lond.)*
Robert Riley, *CMT, BSc (Agri. Sc.), LL.B. (Hons.), LEC, 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, *LL.B. (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)

	2018	2017	2016	2015	2014
Total assets	**70,465,620**	68,751,070	66,859,543	66,001,576	59,371,516
Advances	**36,558,137**	35,322,639	34,292,693	33,007,998	27,095,407
Customers' deposits	**52,656,548**	50,402,800	49,631,274	49,711,582	43,770,760
Stated capital	**790,102**	780,950	765,950	739,125	704,871
Equity	**10,097,782**	10,146,005	9,542,695	9,410,609	8,746,323
Actual number of shares in issue	**162,537**	162,445	162,274	161,999	161,663
Weighted average number of shares – diluted	**162,076**	161,679	161,592	161,662	161,467
Profit after taxation and non-controlling interest	**1,322,850**	1,252,128	946,307	1,223,648	1,193,390
Dividends based on the results of the financial year	**715,148**	714,637	705,820	704,665	686,865
Dividends paid during the year	**714,861**	705,985	704,967	687,597	685,251
Dividend per share based on the results of the financial year	**$4.40**	$4.40	$4.35	$4.35	$4.25
Dividend per share paid during the year	**$4.40**	$4.35	$4.35	$4.25	$4.25
Earnings per share (basic)	**$8.17**	$7.75	$5.87	$7.59	$7.42
Return on average assets	**2.00%**	1.94%	1.42%	1.97%	2.10%
Return on average equity	**13.80%**	13.31%	10.49%	14.09%	14.33%

A Guide to the Group Financial Calendar

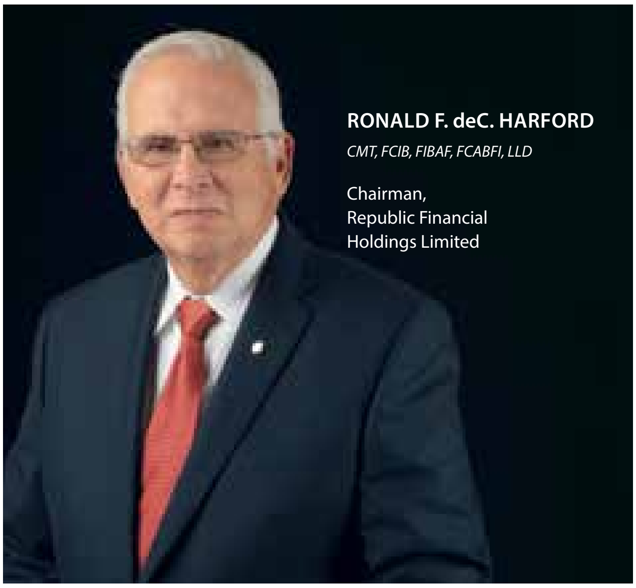
Dividend Payments	
Final dividend for year ended September 30, 2018	December 2018
Dividend for half year ending March 31, 2019	May 2019
Results	
Publication of results for first quarter to December 31, 2018	February 2019
Publication of results for half year to March 31, 2019	May 2019
Publication of results for third quarter to June 30, 2019	August 2019
Publication of results for year ending September 30, 2019	November 2019
Report and Accounts mailing	November 2019
Annual Meeting	December 2019

02
Board of Directors and Management

Making the difference through Volunteerism

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. 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.

Board of Directors



RONALD F. deC. HARFORD

CMT, FCIB, FIBAF, FCABFI, LLD

Chairman,
Republic Financial
Holdings Limited

NIGEL M. BAPTISTE

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

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

SHAZAN ALI

BSc (Mechanical Eng.) (Hons.)

Chairman and
Chief Executive Officer,
TOSL Engineering Limited

IAN BENJAMIN

MA, LL.M. (Cantab.) LL.M. (Syd.),
BA (Law and Land Economy) (Hons.)

Senior Counsel,
Head of Bethany Chambers

DAWN CALLENDER

FCCA, CPA, MBA

Consultant

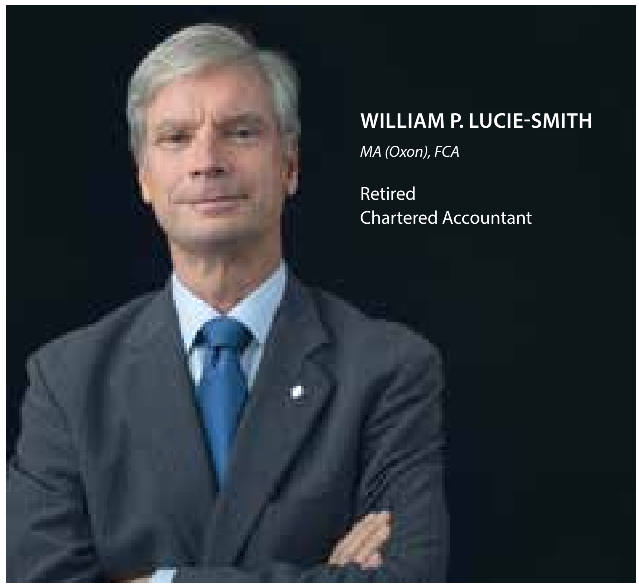
TERRENCE W. FARRELL

PhD, LL.B., LEC

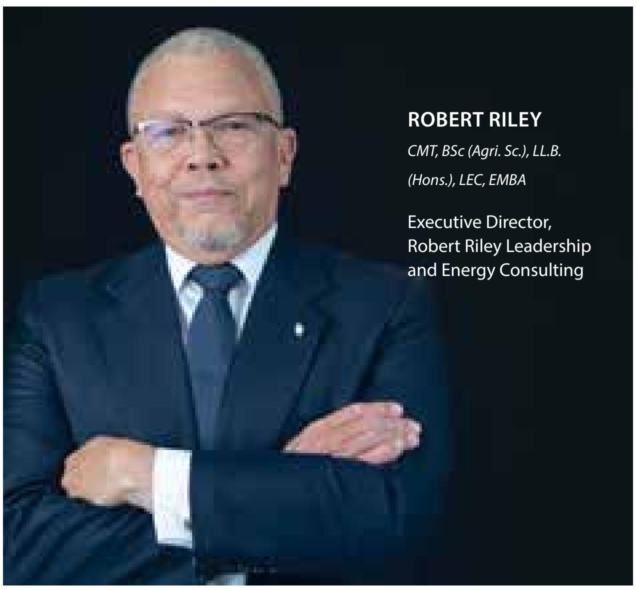
Consultant

Board of Directors

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

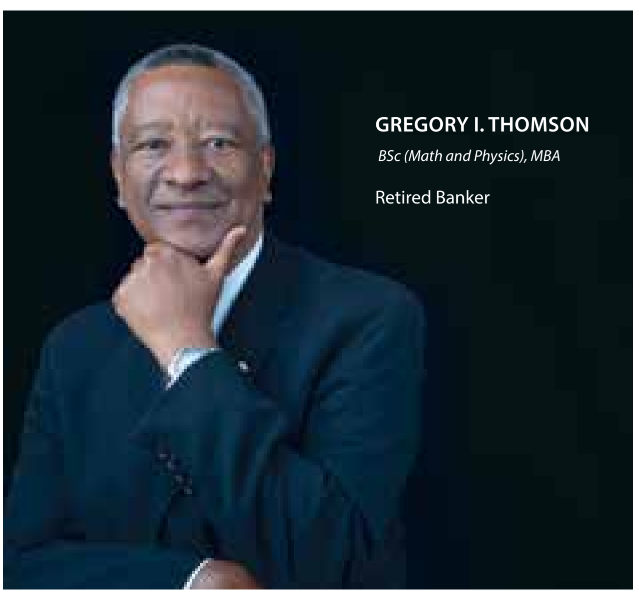


WILLIAM P. LUCIE-SMITH
MA (Oxon), FCA
Retired
Chartered Accountant



ROBERT RILEY
CMT, BSc (Agri. Sc.), LL.B. (Hons.), LEC, EMBA
Executive Director,
Robert Riley Leadership and Energy Consulting

KRISTINE THOMPSON
B.Comm, MBA
Chief Executive Officer,
Sunshine Snacks Limited
Director,
Yay! Entertainment Limited



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

Board of Directors

RONALD F. deC. HARFORD Age 73

CMT, FCIB, FIBAF, FCABFI, LLD

Chairman, Republic Financial Holdings Limited

Ronald F. deC. Harford, Chairman of Republic Financial Holdings Limited, is a career banker with more than 55 years of service to the Bank. He is the current Chairman of Republic Bank Limited. A past President of the Bankers Association of Trinidad and Tobago, the Trinidad and Tobago Red Cross Society, and a former Chairman of The University of the West Indies (UWI) Development and Endowment Fund, having served on the Board for more than two decades, Mr. Harford is also a former founding Director of the Trinidad and Tobago Debates Commission and a former Director of the Grenada Industrial Corporation.

In 2010, Mr. Harford was awarded the Chaconia Medal Gold by the Government of the Republic of Trinidad and Tobago for his meritorious contribution to banking and the business community. He was conferred an Honorary LL.D. by the University of the West Indies and inducted to the Trinidad and Tobago Chamber of Industry and Commerce's Business Hall of Fame, both in 2012. He is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago, and the Caribbean Association of Banking and Finance.

External Appointments

Mr. Harford is the Chairman of 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 and a Director of Caribbean Information and Credit Rating Services Limited.

NIGEL M. BAPTISTE Age 52

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

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

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

SHAZAN ALI Age 71

BSc (Mechanical Eng.) (Hons.)

Chairman and Chief Executive Officer,
TOSL Engineering Limited

Shazan Ali was appointed to 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 more than 3 decades developing TOSL Engineering into a world-class operation with interests in the wider Caribbean, the Guianas and Sub-Saharan Africa.

External Appointments

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

IAN BENJAMIN Age 55

MA, LL.M. (Cantab.) LL.M. (Syd.), BA (Law and Land Economy) (Hons.)

Senior Counsel, Head of Bethany Chambers

Ian L. Benjamin was appointed to the Republic Group Board of Directors in 2016. He is a career advocate attorney with more than 30 years' experience in practicing and teaching law in Trinidad and Tobago, the United Kingdom, and Australia and is the current Head of Bethany Chambers, Port of Spain, Trinidad.

A well-regarded practitioner in banking, financial regulation, company, insolvency, insurance, pension, and tax litigation, construction disputes, professional negligence, and constitutional motions, Mr. Benjamin served in the Office of the Attorney General of Trinidad and Tobago and has held several teaching posts at the University of the West Indies, Trinidad and Tobago, the University of Sydney, Australia, and Kingston Polytechnic, England.

A Certified Mediator and a member of Chartered Institute of Arbitrators, Mr. Benjamin holds an LL.M. (First Class Hons.) from the University of Sydney, Australia; an LL.M. (Upper Second Class Hons), and a B.A. (First

Board of Directors

Class Hons in Law; Upper Second class Hons. in Land Economy) from Girton College, University of Cambridge, England. He was admitted to the Bar of England and Wales (1988), Trinidad and Tobago (1989), Dominica (2008), Grenada (2013) and Anguilla (2016). He was appointed Senior Counsel in June 2018.

Mr. Benjamin has served as a frequent case note contributor to The Lawyer, and has published papers on Professional Negligence (1994); Consumer Protection (1995); Managing the Risk of Fraud: What Now for Caribbean Insurers (2007); and Adverse Possession (2010).

External Appointments

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

DAWN CALLENDER Age 61

FCCA, CPA, MBA

Consultant

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

External Appointments

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

TERRENCE W. FARRELL Age 65

PhD, LL.B., LEC

Consultant

Terrence W. Farrell was appointed to the Republic Group Board of Directors in 2008 and is a business development and strategy consultant and an Attorney-at-Law. Dr. Farrell is a former Deputy Governor of the Central Bank of Trinidad and Tobago and has held senior executive positions at Guardian Holdings Limited and One Caribbean Media Limited. He studied Economics at the University of the West Indies and the University of Toronto, where he later obtained his PhD in 1979. He holds an LL.B (London), 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 64

MOM, BA (Econ. and Mgmt.)

Consultant

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

External Appointments

Ms. Lewis is a Director at Niquan Energy (Trinidad) Limited and Niquan Energy LLC.

WILLIAM P. LUCIE-SMITH Age 67

MA (Oxon), FCA

Retired Chartered Accountant

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

External Appointments

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

Board of Directors

ROBERT RILEY Age 61

CMT, BSc (Agri. Sc.), LL.B. (Hons), LEC, EMBA

Executive Director,
Robert Riley Leadership and Energy Consulting

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

An Attorney-at-Law, admitted to the Supreme Court in 1987, Mr. Riley holds a Consortium Executive MBA from the Thunderbird American Graduate School of International Management; an LL.B (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.

KRISTINE THOMPSON Age 47

B. Comm., MBA

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

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

External Appointments

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

GREGORY I. THOMSON Age 66

BSc (Math and Physics), MBA

Retired Banker

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

External Appointments

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

Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2018.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Group's profit after taxation and non-controlling interest for the year ended September 30, 2018 amounted to $1.3 billion.

The Directors have declared a dividend of $3.15 per share for the year ended September 30, 2018. A half-year dividend of $1.25 per share was paid on June 1, 2018, making a total dividend on each share of $4.40. (2017: $4.40).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2018, 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	19,734	
Ian Benjamin	–	8,159
Dawn Callender	1,000	
Terrence W. Farrell	–	
Ronald F. deC. Harford	4,574	
Alison Lewis	–	
William P. Lucie-Smith	–	
Robert Riley	1,000	
Kristine Thompson	–	
Gregory I. Thomson	15,917	
Farid Antar	21,224	
Riah Dass-Mungal	6,270	
Kimberly Erriah-Ali	7,322	
Parasram Salickram	11,892	

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

10 LARGEST SHAREHOLDERS

Shareholder	Ordinary Shares	%
National Investment Fund Holding Company	42,475,362	26.13
Clico Trust Corporation Limited	40,072,299	24.66
National Insurance Board	29,944,942	18.42
Trintrust Limited	14,936,298	9.19
RBC Trust (Trinidad & Tobago) Limited	5,779,927	3.56
First Citizens Asset Management	3,360,733	2.07
Guardian Life of the Caribbean	2,630,568	1.62
Trinidad and Tobago Unit Trust Corporation	2,416,858	1.49
Central Bank of Trinidad & Tobago Pension Scheme	782,039	0.48
T Geddes Grant Ltd Pension Fund Plan	575,000	0.35

Directors' Report

DIRECTORS

In accordance with By-law No. 1, Paragraph 4.4, Ronald F. deC. Harford, Dawn Callender and Robert Riley 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. For Mr. Harford, his term will expire at the close of the second annual meeting following this appointment.

Mr. Ian Benjamin, SC was appointed a Director on February 1, 2018, to fill the casual vacancy created by the resignation of Mr. Russell Martineau, SC on January 31, 2018. In accordance with By-law No. 1, Paragraph 4.4.5, Mr. Benjamin, having been appointed since the last meeting, retires from the Board and, being eligible, offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

COMMUNITY INVOLVEMENT

The Power to Make A Difference

For the past 15 years, the Power to Make A Difference has evolved to become more than the narrative of the Republic Group commitment to supporting programmes that safeguard communities and help build societies. What stands today is a multilevel, multinational social investment programme; one that has become a household name in Trinidad and Tobago, Grenada, Barbados, Guyana, Suriname, and Ghana – within the very communities and the hearts of the people we serve and to whom we have pledged to do our part in support of greater self-sufficiency and sustainable development.

From programmes that support youth empowerment through literacy, education, culture, the arts and sport to those in support of poverty alleviation, senior citizen care, advancing the rights of those with disabilities, augmenting business communities, and promoting environmental preservation and staff volunteerism, the Power to Make A Difference is our pursuit of the greater good. It continues to challenge the Group to seek out new avenues and opportunities to catalyse meaningful social change.

The financial year 2017/2018 saw greater synergy of the Group's effort through partnerships with the Trinidad and Tobago Cancer Society and Leading for Literacy Now (Trinidad and Tobago); the Proactive Nation Builders and the Anglican High School Past Pupils Association (Grenada), sponsorships of the Republic Bank RightStart Speech contest and the Grand Kadooment Day Parade (Barbados), Women Across Differences and the 3rd Annual Light It Blue Autism Walk (Guyana); the National Foundation for Blind and Visually Impaired Persons in Suriname (NSBS) (Suriname), and the National Partnership for Children's Trust (NPCT) (Ghana) leading the way.

Every partnership formed along that path represents a new hope for the future; a better tomorrow and the chance for each of us, across the Group and within the community, to reinforce our commitment to seeing people succeed and societies prosper.

As we look back on the past 15 years, we commemorate the relationships built and sustained, we commit to the ones we have formed in this financial year, and we look ahead with a renewed sense of purpose and the responsibility that comes with using the Power to Make A Difference.

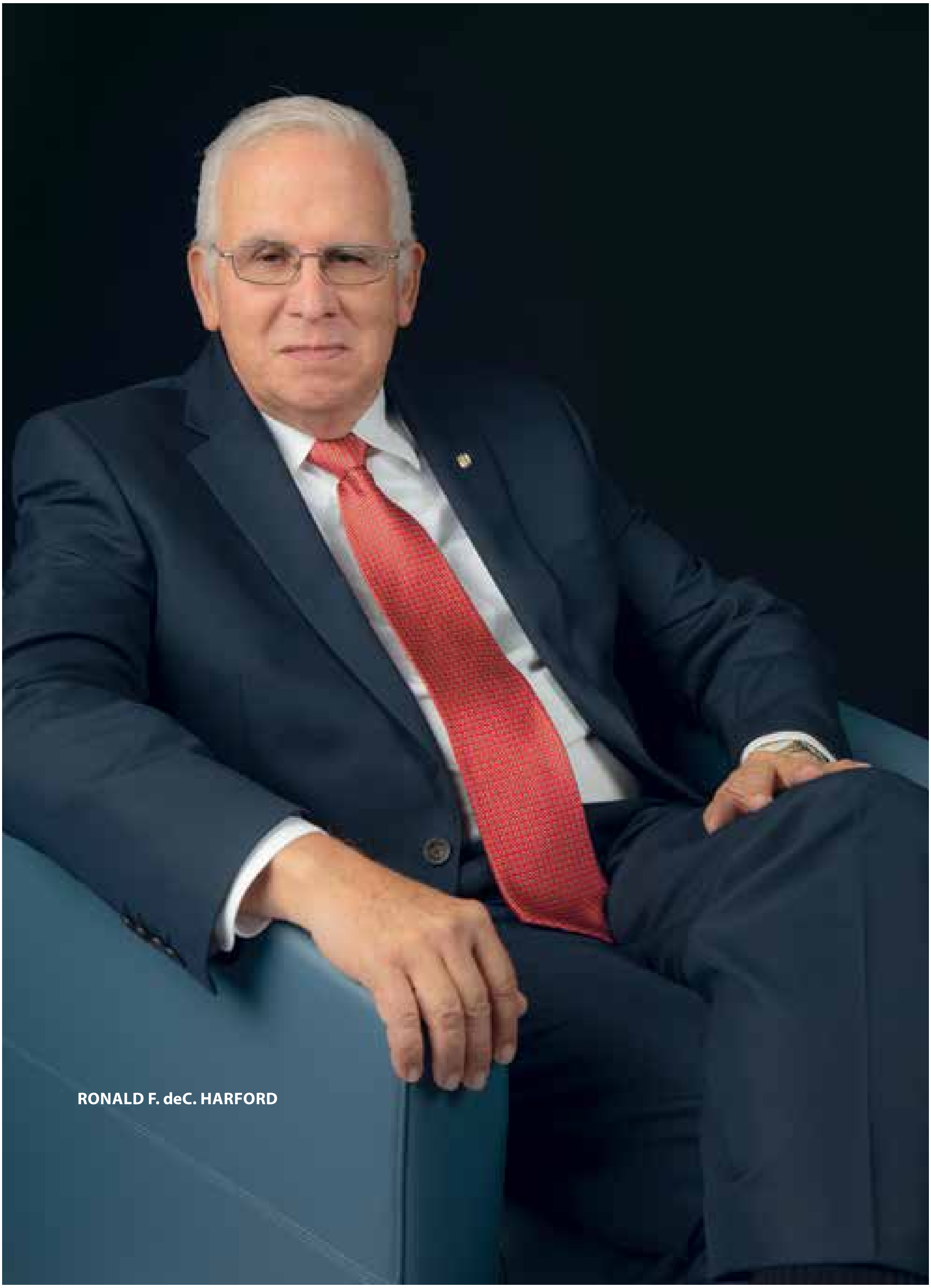
AUDITORS

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

By order of the Board

Kimberly Erriah-Ali
Corporate Secretary

Chairman's Review



RONALD F. deC. HARFORD

Chairman's Review

RESULTS

Republic Financial Holdings Limited (RFHL) and its subsidiaries recorded profit attributable to equity holders of the parent of $1.32 billion for the year ended September 30, 2018, an increase of $70.7 million or 5.6% over the profit of $1.25 billion reported in the previous financial year. A full discussion of the Group's financial performance can be found in the President's Discussion and Analysis contained on pages 24 to 36 of this report.

The Board of Directors has declared a final dividend of $3.15 (2017: $3.15), which brings the total dividend to $715.1 million or $4.40 (2017: $4.40) per share for the fiscal year. This final dividend will be paid on December 3, 2018 to all shareholders of record on November 19, 2018.

INVESTMENTS

Republic Bank (Ghana) Limited

As part of ongoing financial sector reform in Ghana, the Bank of Ghana mandated that the paid-up capital of all commercial banks must be increased to a minimum of GH¢400 million (approximately US$91 million) by December 31, 2018. Republic Bank (Ghana) Limited achieved this new threshold through two rights issues in December 2017 and August 2018 respectively. RFHL's subscription for its entitlement in these rights issues, as well as for any extra shares not picked up by minority shareholders costing US$47.3 million, resulted in the purchase of an additional 397.1 million shares. This increased RFHL's ownership interest in Republic Bank (Ghana) Limited from 57.11% to 66.54%.

Cayman National Corporation Limited

In September 2018, Republic Bank Trinidad and Tobago (Barbados) Limited, a wholly owned subsidiary of RFHL, made an offer to acquire a minimum of 51% and up to 74.99% of the ordinary shares of Cayman National Corporation Limited, the parent company of Cayman National Bank Limited, at a cost not to exceed US$198 million. As at November 7, 2018, 81.37% of shareholders accepted the offer. The acquisition is now subject to all necessary government and regulatory approvals.

GOVERNMENT OF BARBADOS DEBT

The Government of Barbados (GOB) has substantially completed the restructuring of its local debt, including Treasury Bills, and is in the process of issuing new instruments. The new instruments were valued in line with accepted valuation methodology.

REGULATION AND COMPLIANCE

IFRS 9

The RFHL Group adopted International Financial Reporting Standard No. 9 (Financial Instruments) on June 30, 2018, effective October 1, 2017. This standard introduced changes to the classification and measurement of financial instruments by replacing the incurred loss approach for provisions under IAS 39 with a forward-looking expected credit loss (ECL) approach based on probabilities of default. As a result, provisions are now made for all financial instruments from the date of acquisition and over the entire life of the instrument, and not just at the time of impairment.

Following the adoption of the standard, the Group charged through opening equity, $865 million in expected credit losses (ECLs) for loans and investments, of which $658.4 million was accounted for in Republic Bank (Barbados) Limited (RBBL). The increase in ECL in RBBL was mainly as a result of the Government of Barbados restructuring its local currency obligations.

Basel II and III

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

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

THE GLOBAL ECONOMY

The global economy is projected to grow by 3.7% in 2018. This projection was revised downward by 0.2% from the International Monetary Fund's (IMF) projection in its April 2018 World Economic Outlook due to (a) unexpected events that suppressed activity early on in some major economies, (b) the negative effects of the trade war between the United States (US) and China and (c) a weaker outlook for some key developing economies. Though this year's projected growth rate is identical to that achieved in 2017, major economies such as Japan, the United Kingdom (UK), Canada, Germany, France, Italy and Spain are all expected to record significantly lower growth in 2018 compared to 2017.

Despite a forecast of lower growth for China, the projected growth for emerging market and developing economies this year is forecast to mirror the 2017 rate of 4.7%, as most of the other members of this group are expected to register solid increases.

THE REGIONAL ECONOMY

The performance gap that existed between tourism-dependent and commodity-exporting countries in recent years has evaporated. In its October Regional Economic Outlook, the IMF forecast 2018 GDP growth of 1.4% for both tourism-dependent countries and commodity exporters. While this rate is a decent improvement for the tourism-

Chairman's Review

dependent countries over the 2017 growth rate of 1.1%, for commodity exporters it represents a significant reversal of the 1.3% contraction registered last year.

TRINIDAD AND TOBAGO

According to the Central Statistical Office (CSO), the Trinidad and Tobago economy suffered an economic contraction of 1.9% in 2017 and is projected to expand by just under 2% in 2018. Energy sector growth in the fourth quarter of 2017 was mainly attributed to improved natural gas output and this trend continued in the first eight months of 2018, with output increasing by 11.9% year-on-year. This had a positive impact on the petrochemical industry, as methanol and LNG production increased by 5.2% and 21.7% respectively.

Government's fiscal operations improved with an increase in revenue stemming from higher receipts from royalties on oil and gas, the introduction of the 35% tax on banks, and enhanced collections of taxes from oil companies and value-added tax (VAT). Proceeds from the sale of bonds by the National Investment Fund (NIF) Holding Company and equity profits from the Central Bank also contributed positively to government revenue. In addition to higher revenue, a reduction in government expenditure contributed to an improvement in the fiscal deficit from $13,531.4 million (8.9% of GDP) in fiscal 2017 to $6,261.6 million (3.9% of GDP). Debt as a percentage of GDP stood at 60.9% at the end of fiscal 2018, compared to 62.1% in the previous fiscal, as the increase in overall economic growth outweighed the rise in the nation's debt stock.

BARBADOS

Reduced economic growth, insufficient fiscal consolidation, and rapidly falling reserves characterised the Barbadian economy in 2017. Growth of just 0.1% was recorded, with a fiscal balance of negative 4.5% of GDP and a debt to GDP ratio of 155%.

The economy is estimated to have contracted by 0.6% in the first half of 2018 as, despite a 3.4% increase in tourist arrivals, output from the sector was pulled down by the trend of declining length of stay. In June 2018, the Mottley administration presented an interim budget designed to reduce Barbados' fiscal deficit to 1.4% of GDP for the 2018/19 fiscal year (April-March), down from 4% of GDP in 2017/18, as part of a four year adjustment plan. The budget also introduced the Barbados Economic Recovery and Transformation programme (BERT). Having already been downgraded by Standard & Poor's (S&P) in June 2018, Barbados' issue level rating was later lowered from 'CC' to 'D'. Barbados completed the renegotiation of its BBD debt with domestic creditors in October 2018.

At the end of September 2018, the International Monetary Fund (IMF) announced its approval of an Extended Fund Facility (EFF) which will give Barbados access to about US$290 million over the next four years. Under the agreement, the Government will receive US$49 million in assistance immediately, with the remainder becoming available upon successful completion of seven semiannual reviews. The IMF programme and the successful execution of a debt restructuring strategy (currently being finalised) should increase confidence going forward.

GHANA

The year ended on an encouraging note for Ghana, with improvement in a number of indicators. Driven mainly by significant improvement in the oil and gas sector, Ghana's economy grew by an estimated 8.5% in 2017. Average inflation for the year fell from 17.5% to 12.4% and the fiscal balance improved to negative 6% of GDP. The currency was relatively stable, with the cedi depreciating by 4.9% against the US dollar in 2017, compared to 9.7% in 2016.

Inflation remained relatively low, with the year-on-year rate falling from 10% in June 2018 to 9.6% in July 2018 before edging up to 9.9% in August 2018. The fiscal balance for the period January to June 2018 is estimated to be within the overall budgeted projection of -2.8% of GDP. Ghana's total public debt decreased from 67.4% of GDP (GH¢137.5 billion) in July 2017 to 65.9% of GDP (GH¢159.4 billion) at the end of July 2018.

In September 2018, Standard & Poor's raised its long-term foreign and local currency sovereign credit ratings on Ghana to 'B' from 'B-' with a stable outlook. The country's short-term foreign and local currency sovereign credit ratings were affirmed at 'B'. This should lead to a reduction in Ghana's sovereign risk premium, reduce the cost of borrowing and minimise rollover risks. Ghana is expected to enjoy relatively stable macroeconomic conditions.

GRENADA

The construction, tourism and education sectors were the main contributors to economic growth in 2017. Tourism sector growth continued to show positive signs during the first seven months of 2018 as stop-over tourist arrivals grew by 9.8%. The cruise sector saw significant growth with a 26.8% increase in cruise passengers for the period. Healthy construction sector activity was aided by tourism-related projects like the Silversands Resort and the Kimpton Kawana Bay Hotel which are scheduled to open in November 2018 and October 2019 respectively. While these construction projects provided a decent boost to employment levels, Grenada's unemployment rate is still high at 23.6% in 2017. The Government continued to implement sound fiscal management and revenue was boosted by healthy economic activity and improved tax administration, while the implementation of fiscal rules and other government policies aided in the reduction of current spending. The successful completion of the final phase of

Chairman's Review

bond restructuring has aided in the reduction of the nation's public debt to 70.8% of GDP by the end of 2017. Healthy economic growth is projected for 2018 and the IMF and the Eastern Caribbean Central Bank (ECCB) have forecasted growth of 3.6% and 3.9% respectively.

GUYANA

Guyana's economy grew by 2.1% in 2017, down from 3.4% in 2016, due to lower-than-expected mining output and weak performance in the sugar sector. The economy expanded by 4.5% in the first half of 2018, higher than the 2.5% growth for the same 2017 period. This strong figure was largely due to increases in the output of livestock, forestry, bauxite and other mining in addition the activities of construction, wholesale and retail, trade and other services, as well as to favourable commodity prices. Growth was curbed however, because of declines in the output of sugar (-31%) rice (-3.8%) and gold, due in part to excessive rain. The inflation rate was 0.9%, primarily due to moderate increases in food and fuel prices. At the end of June 2018, Guyana's stock of public debt amounted to US$1,637.2 million, similar to the 2017 half-year position. The Guyana dollar (mid-rate) depreciated to G$208.50 to 1 US$ compared to G$206.50 to 1 US$ a year earlier. The latest report of the IMF suggests that the pressures on correspondent banking relationships have stabilised. However, the country's long term economic prospects will be significantly enhanced when petroleum production begins in 2020. In the first phase of production, oil output is projected to reach 120,000 barrels per day. However, as the sector's productive capacity develops in successive phases, industry experts believe that Guyana could be producing around 800,000 barrels per day within the next 10 years. In August 2018, ExxonMobil announced its ninth oil discovery in Guyana. Public debt is projected to rise before declining with the onset of oil production.

SURINAME

After two consecutive years of contraction, Suriname's economy returned to growth in 2017, expanding by 1.7%. Economic activity was sustained in the first half of 2018 and healthy growth for imports was reflective of higher aggregate demand. Increased export earnings from gold mining was the main impetus for growth in fiscal 2018 and, as a result, the foreign reserves position improved to US$540.7 million in September 2018 from US$403.9 million a year earlier. The Government made some headway in lowering the fiscal deficit from 9.4% of GDP in 2016 to 7.4% of GDP in 2017. Successive years of fiscal deficits have increased the nation's debt burden, which was estimated to be around 71.8% of GDP in 2017, compared to 46.6% of GDP in the previous year. Most of this comprises external debt largely related to financing of the 2016 fiscal deficit and borrowing by the state-owned oil company, Staatsolie. Inflation continued to moderate, falling to 6.2% in August 2018 from 16.2% in August 2017.

OUTLOOK

Over the next year, two of the world's leading economic regions are likely to face contrasting fortunes. With the uncertainty around the outcome of 'Brexit' negotiations, in six months, both the UK and Europe, which are already experiencing lower levels of growth, will have to contend with what promises to be a contentious and disorganised 'Brexit' event. On the other hand, though the fading impetus provided by the tax cuts and the impact of the trade war with China will dampen growth somewhat, the US economy is still likely to significantly outperform its allies across the Atlantic. As a result of these developments, the US dollar is likely to remain strong compared to other major currencies. Consequently, gold prices are likely to remain depressed and the prevailing global environment could see downward pressure on oil prices.

While we expect some challenges ahead for the Barbados economy, the economic outlook for all other territories where RFHL has a presence, are projected to be on an upward trend. Our diversification strategy, combined with our robust credit policies, solid capital levels and asset base, should allow for the performance achieved in 2018 to continue into the new fiscal.

I wish to thank Mr. Russell Martineau, who retired from the RFHL Board on January 31, 2018 after more than 18 years of dedicated service. I also extend a warm welcome to Mr. Ian Benjamin, who joined the Board on February 1, 2018.

I thank my fellow directors, committed staff and faithful customers for their dedication over the past year and look forward to their continued support in the future.

President's Discussion and Analysis

President's Discussion and Analysis

INTRODUCTION

Republic Financial Holdings Limited (RFHL) recorded profit attributable to equity holders of the parent of $1.32 billion for the year ended September 30, 2018, an increase of $70.7 million or 5.6% over the profit of $1.25 billion reported in the prior year.

As indicated in the table below, this increase was driven mainly by growth of $187 million in net interest income and by $75 million in other income. The Group's operations in Cayman Islands and the Eastern Caribbean were the major contributors to the increase in profitability, generating an increase of $55 million, followed by a $21 million increase in Trinidad and Tobago, and increases of $15 million and $10 million in Suriname and in Ghana respectively.

In Barbados, increased provisions resulting from the impact of the Government of Barbados default and subsequent restructuring of its local debt have resulted in a $22 million decrease in its profits after tax.

NET PROFIT

All figures are in $ millions

	2018	2017	Change	% Change
Profitability				
Net interest income	**3,415**	3,228	187	5.8%
Other income	**1,536**	1,461	75	5.1%
Share of profits of associated companies	**8**	6	2	33.3%
Less:				
- Operating expenses	**2,596**	2,625	(29)	-1.1%
- Employee benefits pension and medical contribution	**139**	111	28	25.2%
- Credit loss expense on financial assets	**302**	159	143	89.9%
Profit before taxation	**1,922**	1,801	121	6.7%
Less Taxation	**527**	484	43	8.9%
Profit after taxation	**1,395**	1,317	78	5.9%
Less Non-controlling interests	**72**	65	7	10.8%
Profit attributable to equity holders of the parent	**1,323**	**1,252**	**71**	**5.6%**
Trinidad and Tobago	**872**	851	21	2.5%
Barbados	**148**	170	(22)	-12.9%
Guyana	**52**	45	7	15.5%
Cayman/Eastern Caribbean	**194**	139	55	39.6%
Suriname	**31**	16	15	93.8%
Ghana	**32**	22	10	45.5%
Eliminations	**(7)**	10	(17)	-170.1%
Total	**1,323**	**1,252**	**71**	**5.6%**

Based on these results, the Board of Directors has declared a final dividend of $3.15 per share for the year ended September 30, 2018. Combined with the interim dividend of $1.25 per share, total dividend for the year is $4.40 per share, the same as that declared for 2017. At a share price of $103.69 as at September 30, 2018, this results in a dividend yield of 4.24% on an RFHL share.

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 174 of this report. All amounts are stated in Trinidad and Tobago dollars.

President's Discussion and Analysis

IFRS 9

Introduction

The RFHL Group early-adopted International Financial Reporting Standard No. 9 (Financial Instruments) effective October 1, 2017. This standard replaced the Group's previous provisioning methodology under IAS 39 where provisions were made only at the time that the loss is actually incurred. IFRS 9 now requires provisions to be made using an expected credit loss approach, which requires an estimation of impairment for future credit losses based on probabilities of default and assessment of loss given default. These expected credit losses must also be calculated from the date of origination and over the entire term of a financial instrument and will therefore include an estimate of impairment for the performing portfolio of financial instruments.

Classification

IFRS 9 also entails new classification criteria for financial instruments based on two assessments which must be performed by the entity to determine the extent to which contractual cash flows consist mainly of principal and interest (the test for 'solely payments of principal and interest' or 'SPPI') and an assessment of the manner in which the organisation manages its financial assets (the 'Business Model Assessment'). Based on the results of these tests, RFHL will now categorise its financial instruments as follows:

- Loans and advances - Amortised Cost
- Debt Security Investments - Amortised Cost
- Equity securities and mutual funds – Fair Value through Profit or Loss (FVPL)

Staging

IFRS 9 also requires the Group's financial instruments to be categorised into three stages based on the credit quality of the facility as follows:

- **Stage 1 –** Instruments that are performing in accordance with the contractual terms and conditions. These instruments display no deterioration in credit risk profile since initial recognition. This stage is comparable with inherent risk under previous IAS 39.
- **Stage 2 –** Instruments that display significant deterioration in credit risk profile since initial recognition, but have not yet defaulted.
- **Stage 3 –** Instruments that are credit impaired and that have defaulted. This stage includes the same facilities that were classified as non-performing facilities under the previous IAS 39.

Summary

The assessment of the Group's financial assets resulted in expected credit losses being recorded for three categories of financial assets across the Group – Treasury Bills, Loans and advances, and Debt security investments measured at amortised cost. Using the assessment methodology adopted by the Group, these financial assets were individually assessed and categorised into three stages as illustrated in the table overleaf.

The table will also indicate that the adoption of IFRS 9 resulted in expected credit losses of $1.706 billion as at October 1, 2017, an increase of $865 million, of which $658.4 million relates to Republic Bank (Barbados) Limited, over the $841 million in impairment losses previously booked under IAS 39.

This increase in provisions, net of the reversal of unrealised reserves in equity and deferred tax previously recognised under IAS 39, resulted in a net deduction of $739.5 million from opening equity as at October 1, 2017 in accordance with the standard. (Further details on the full impact of adoption of IFRS 9 can be found in Note 2.3 *'Changes in accounting policies – New accounting policies/improvements adopted – IFRS 9 Financial Instruments, Transition disclosures'* contained on pages 91 to 96 of this report.)

President's Discussion and Analysis

EXPECTED CREDIT LOSSES - OCTOBER 1, 2017

All figures are in $ millions

	Gross Portfolio Exposure – October 1, 2017 Stage 1	Stage 2	Stage 3	Total	Prov'n Under IFRS 9	Prov'n Under IAS 39	Increase in Prov'n
Treasury Bills	3,471	1,754	–	5,225	**484**	–	**484**
Loans and advances	28,891	5,781	1,595	36,267	**1,002**	802	**200**
Debt instruments measured at amortised cost	10,411	1,359	129	11,899	**220**	39	**181**
Total	**42,773**	**8,894**	**1,724**	**53,390**	**1,706**	**841**	**865**

IFRS 9 further requires that any subsequent changes in expected credit losses subsequent to the initial adoption on October 1, 2017 be accounted for through the Consolidated Statement of Income in the ensuing financial years. The total credit loss expense of $302 million reflected in the Consolidated Statement of Income for the year ended September 30, 2018 therefore represents all movement in ECLs over the period October 1, 2017 to September 30, 2018.

Government of Barbados

In June 2018, with the Barbadian economy facing mounting pressures on several fronts, the new Barbados Labour Party administration, led by Ms. Mia Mottley, turned to the International Monetary Fund (IMF) for support. Ms. Mottley also announced that the Government of Barbados (GOB) would suspend payments due to domestic and external creditors and ask domestic creditor to roll over principal maturity until an agreement on debt restructuring is reached. Since then, the GOB has been working with local creditor groups to restructure the defaulted debt into new instruments. The debt restructure exercise has been substantially completed and the Group accepted the terms of the new instruments.

The decision by the GOB to restructure Treasury Bills represented an unprecedented move, particularly since the extent of Treasury Bills holdings was the result of regulatory requirements. As part of the overall agreement with the GOB, several safeguards were negotiated to protect the liquidity and capital of the subsidiary in Barbados.

At September 30, 2018, the Group's commercial banking subsidiary in Barbados has made a total provision of TT$727 million (opening as per IFRS 9 plus current year) for its exposure to the GOB.

President's Discussion and Analysis

NET INTEREST INCOME AND NET INTEREST MARGINS

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Interest Income	**3,881**	3,797	84	2.2%
Less Interest Expense	**466**	569	(103)	-17.9%
Net Interest Income	**3,415**	**3,228**	**187**	**5.8%**
Trinidad and Tobago	**2,134**	2,017	117	5.8%
Barbados	**471**	456	15	3.3%
Guyana	**231**	221	10	4.5%
Cayman/Eastern Caribbean	**234**	209	25	11.9%
Suriname	**99**	93	6	6.5%
Ghana	**246**	232	14	6.0%
Total	**3,415**	**3,228**	**187**	**5.8%**
Average Total Assets	**69,608**	**67,876**	**1,732**	**2.6%**
Net interest margin	**4.91%**	**4.76%**		

The Group earned Net interest income of $3.4 billion for year ended September 30, 2018, an increase of $187 million or 5.8% over the prior year. Average total assets increased by $1.7 billion or 2.6% in the fiscal, resulting in net interest margin moving from 4.76% in 2017 to 4.91% in 2018.

- In Trinidad and Tobago (T&T), net interest income increased by $117 million, being the net effect of a $77 million increase in interest income and a $40 million decline in interest expenses. The increase in interest income was generated primarily from the $522 million (2.2%) increase in the loan portfolio, which contributed $84 million increase in interest income. Higher yields saw investment income rising by $8 million despite a decline in the portfolio by $638 million or 9.5%. These increases were slightly negated by a $15 million decline in income from liquid assets as the stock of liquid assets declined by $512 million or 5.2%.

  The $1 billion bond, which was issued by Republic Bank Limited in 2008 at an interest rate of 8.55%, matured in February 2018, resulting in the $40 million decrease in interest expense.

- In Barbados, net interest income increased by $15 million, the net result of a $21 million increase in interest income and a $6 million increase in interest expense. The $21 million increase in interest income was generated by a $10 million increase in interest income from investments, mainly due to growth in the investment-grade portfolio of US$ investments held in the Barbados offshore subsidiary combined with a $7 million increase in income on loans in the commercial bank resulting from increased yields on that portfolio. Interest income on liquid assets also increased by $4 million, resulting from increased yields on Treasury Bills prior to their restructuring.

  The $6 million increase in interest expense emanated from an increase in the portfolio of fund-raising instruments.

- The Cayman/Eastern Caribbean region enjoyed growth of $24 million in net interest income, mainly due to increased interest income from loans and discounted paper following growth of $144 million (7%) in those portfolios combined with a $196 million (9%) increase in the investments portfolio.

- In Ghana, the $14 million increase in net interest income resulted from a $44 million decrease in interest income, offset by a $58 million decrease in interest expense.

President's Discussion and Analysis

Despite a $210 million (17%) growth in the loan portfolio, declining interest rates in Ghana resulted in a $61 million or 21% decrease in interest income from loans. Increased funds received from Ghana's two rights issues during the year, however, resulted in a $123 million (13%) growth in the investment portfolio which generated an additional $22 million in interest income.

The climate of reduced interest rates also impacted interest expense on customer deposits. While this portfolio enjoyed growth of $39 million (2%), the reduced rates resulted in a $55 million decrease in interest expense.

OTHER INCOME

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Fees and commission income	**1,064**	1,013	51	5.0%
Net exchange trading income	**291**	262	29	11.1%
Gains from disposal of investments	**6**	9	(3)	-33.3%
Other operating income	**175**	177	(2)	-1.1%
Total Other Income	**1,536**	**1,461**	**75**	**5.1%**
Trinidad and Tobago	**1,001**	977	24	2.5%
Barbados	**150**	135	15	11.1%
Guyana	**114**	90	24	26.7%
Cayman/Eastern Caribbean	**89**	71	18	25.4%
Suriname	**45**	73	(29)	-39.7%
Ghana	**144**	125	19	15.2%
Less Inter-company eliminations	**7**	11	(4)	-36.4%
Total	**1,536**	**1,461**	**75**	**5.1%**

Other Income increased by $75 million, from $1.461 billion in 2017 to $1.536 billion in 2018. All territories increased with the exception of Suriname, where income declined by $29 million.

In Trinidad and Tobago, the increase of $24 million is the net effect of the following:

- A $16 million increase in fees and commissions, being the net effect of primarily a $22 million increase in commissions on Trustee services, a $4 million increase in fees for customer account services, offset by a $6 million decline in commissions on credit card services and a $4 million decline in commissions and fees on loans.
- Exchange earnings increased by $24 million, of which $19 million resulted from trading gains from increased trading volumes in US dollars and other currencies.
- Loan recoveries decreased by $7 million as two previously written-off loans for which recoveries were received over the past few years were repaid in full during the previous financial year.
- Other miscellaneous income decreased by $7 million mainly due to reduced amounts written back to income for stale-dated cheques and expired balances on Visa Travel Money (VTM) cards in the current year.

Other income in Barbados increased by $15 million due to increased trustee business and fee income, while the $24 million increase in Guyana was generated mainly from increased volumes and spreads on Foreign Exchange trades and increased volumes in transactions for Foreign Business and Deposit accounts.

President's Discussion and Analysis

Increased income in the Cayman/Eastern Caribbean region was largely driven by increased premiums from the captive insurance business as the range of coverage products offered by that subsidiary continues to increase.

The $29 million decline in Suriname is due to the fact that 2017 numbers included 14 months' worth of transactions for that subsidiary. As such, the income earned in 2018 is not comparable to that earned in 2017.

The increased income in Ghana was generated from an increase in the volume of international trade business, increased volumes of remittances and a general increase in the rate of fees and commissions on banking services.

TOTAL OPERATING EXPENSES

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Staff Costs	**1,180**	1,164	16	1.4%
General administrative expenses	**922**	945	(23)	-2.4%
Property related expenses	**118**	146	(28)	-19.2%
Depreciation	**199**	189	10	5.3%
Advertising and public relations	**88**	84	4	4.8%
Other	**89**	97	(8)	-8.2%
Total operating expenses	**2,596**	**2,625**	**(29)**	**-1.1%**
Trinidad and Tobago	**1,604**	1,541	63	4.1%
Barbados	**349**	358	(9)	-2.5%
Guyana	**161**	151	10	6.6%
Cayman/Eastern Caribbean	**122**	123	(1)	-0.8%
Suriname	**85**	121	(36)	-29.8%
Ghana	**268**	329	(61)	-18.5%
Inter-company eliminations	**7**	2	5	250.0%
Total operating expenses	**2,596**	**2,625**	**(29)**	**-1.1%**

Total operating expenses for the year ended September 30, 2018, at $2.596 billion, decreased by $29 million or 1% from the prior year. This decrease is, however, due to the net effect of increases and decreases in several areas as follows:

- In Suriname, the total decline of $36 million in operating expenses stemmed from the fact that 2017 numbers included 14 months' worth of transactions for that subsidiary. Balances for both years are therefore not comparable.
- The $16 million increase in staff costs is the net effect of increases in Trinidad and Tobago, Barbados, and Grenada, which resulted in a total increase of $30 million in those areas, offset by a decline of $14 million in Suriname due to one-off salary costs included in 2017.
- General administrative expenses decreased by $23 million or 2% due to the net effect of the following across the Group:
    - In Trinidad and Tobago, total administrative expenses increased by $21 million due to increased costs for software license fees, losses on written-off assets, professional fees and legal fees.
    - In Barbados, these costs increased by $8 million due to increased credit card expenses and increased professional fees related to the bank's share of consultancy costs for the Government of Barbados debt restructuring exercise.
    - In Ghana, administrative expenses decreased by $41 million due to non-recurring expenses which were incurred in 2017.
- Property related expenses decreased by $28 million, $13 million of which originated in Trinidad and Tobago due to lower than anticipated property taxes. The other $15 million of the decrease relates to one-off costs incurred in Ghana in 2017 on the sale of real estate properties.

President's Discussion and Analysis

CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Treasury Bills	**14**	–	14	100.0%
Loans and advances	**245**	159	86	54.1%
Debt instruments measured at amortised cost	**43**	–	43	100.0%
Total	**302**	**159**	**143**	**89.9%**

For the year ended September 30, 2018, the Group incurred total credit loss expense on financial assets of $302 million, an increase of $143 million or 90% over the amount incurred in the prior financial year.

Of the increase, $86 million represents ECLs on Loans and Advances, followed by $43 million in ECLs for Debt security instruments measured at amortised cost, and $14 million in ECLs for Treasury Bills issued by the Government of Barbados.

LOAN IMPAIRMENT EXPENSE

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Retail Lending	**101**	92	9	9.8%
Corporate and Commercial Lending	**113**	44	69	156.8%
Mortgages	**31**	23	8	34.8%
	245	**159**	**86**	**54.1%**
Trinidad and Tobago	**106**	102	4	3.9%
Barbados	**74**	16	58	362.5%
Guyana	**25**	22	3	13.6%
Cayman/Eastern Caribbean	**(3)**	11	(14)	-127.3%
Suriname	**3**	11	(8)	-72.7%
Ghana	**40**	(3)	43	1433.3%
Total	**245**	**159**	**86**	**54.1%**

Loan impairment expense for the year ended September 30, 2018 totalled $245 million, an increase of $86 million or 54.1% over the previous year, mainly due to increased provisions in the corporate and commercial sector.

The $58 million increase in provisions in Barbados was a direct result of the continued economic decline in that country and default by the Government of Barbados (GOB), resulting in increased provisions in both retail loans and corporate loans (which include GOB debt).

While credit conditions are generally improving in Ghana, the increased provisions emanated from two large loans in the Corporate and Commercial portfolio.

President's Discussion and Analysis

CREDIT LOSS EXPENSE ON DEBT SECURITY INSTRUMENTS MEASURED AT AMORTISED COST

All figures are stated in TT$ millions

	2018
Barbados	**34**
Guyana	**4**
Ghana	**6**
Total	**43**

Credit loss expense on debt security instruments measured at amortised cost for the year ended September 30, 2018 totalled $43 million. Barbados incurred $34 million or 79% of this total cost, resulting from the default and restructure of Investment securities issued by the Government of Barbados (GOB).

REVIEW OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Total assets	**70,466**	68,751	1,715	2.5%
Liquid assets	**16,482**	16,712	(230)	-1.4%
Investments	**12,479**	12,057	422	3.5%
Advances	**36,558**	35,323	1,235	3.5%
Deferred tax assets	**591**	288	303	105.2%
Total deposits and other funding instruments	**57,375**	54,624	2,751	5.0%
Total equity	**10,098**	10,146	(48)	-0.5%

Total assets

At September 30, 2018, the Group's total assets stood at $70.5 billion, an increase of $1.7 billion or 2.5% over the asset base of 2017. This overall growth is the net effect of a $1.2 billion growth in advances, $422 million increase in investments, $303 million increase in deferred tax assets and a $230 million decline in liquid assets.

Liquid assets and investments

The decline in liquid assets is the net effect of total declines of $976 million emanating from three territories, offset by a total increase of $745 million in the remaining territories. The declines occurred in Trinidad and Tobago ($511 million), Barbados ($405 million) and Ghana ($60 million). In Trinidad and Tobago and Ghana, these declines are reflective of tightened liquidity conditions in those economies. In Barbados, the decline is largely due to the provisions made for Treasury Bills as a result of the default and subsequent restructure of Government of Barbados exposure, including Treasury Bills.

The liquid asset portfolios, however, increased in Suriname ($367 million), Guyana ($256 million) and the Cayman/Eastern Caribbean region ($123 million).

The increase in investments is also the net effect of a decreased portfolio in Trinidad and Tobago ($638 million decline), offset by increased portfolios in all other territories – Guyana $285 million, Suriname $201 million, Cayman/EC $196 million, Ghana $123 million, and Barbados $255 million.

President's Discussion and Analysis

Deferred tax assets

The adoption of IFRS 9 across the Group resulted in a total increase in provisions for financial assets of $865 million at October 1, 2017. This increase emanated from Stage 1 and 2 financial assets which are performing financial assets. As such, the provisions for these assets are considered to be general provisions that are not deductible for Corporation tax, thereby resulting in a difference between the tax base and the accounting base for the Group's portfolio of financial assets for which a deferred tax asset of $234 million was created as at October 1, 2017.

Deposits and other funding instruments

Deposits and other funding instruments, the Group's main source of liquidity, increased by $2.7 billion or 5% over the prior year. With the exception of Ghana, where this portfolio declined by $100 million, all other territories experienced increases, with $1.5 billion of the growth (4% growth) emanating from Trinidad and Tobago, $806 million (20% growth) from Guyana, $297 million (11% growth) from Suriname, $191 million (3% growth) from Barbados, and $42 million (1% growth) from the Cayman/EC region.

Total equity

Total equity at September 30, 2018 remained unchanged from the prior year at $10.1 billion as increased profitability in the current period was offset by increased provisions on the adoption of IFRS 9, which were deducted directly from opening equity in accordance with the standard. Despite this, the Group Capital adequacy ratio remains robust at 24.67% at September 30, 2018, underscoring the Group's ability to maintain adequate capital levels in the event of shocks.

LOANS AND ADVANCES

All figures are stated in TT$ millions

	2018	2017	Change	% Change
Retail Lending	**6,580**	6,155	426	6.9%
Corporate and Commercial Lending	**13,877**	14,935	(1,058)	-7.1%
Mortgages	**16,101**	14,233	1,868	13.1%
	36,558	**35,323**	**1,235**	**3.5%**
Trinidad and Tobago	**24,649**	24,011	638	2.7%
Barbados	**5,014**	5,010	4	0.1%
Guyana	**2,337**	1,963	373	19.0%
Cayman/Eastern Caribbean	**2,102**	1,958	144	7.4%
Suriname	**1,019**	1,154	(135)	-11.7%
Ghana	**1,437**	1,227	210	17.1%
Total	**36,558**	**35,323**	**1,235**	**3.5%**

Loans and advances increased by $1.2 billion or 3.5%, from $35.3 billion in 2017 to $36.5 billion in 2018. This overall growth represents the net effect of $1.9 billion or 13.1% growth in mortgages and a $426 million or 6.9% growth in retail loans, offset by a $1.1 billion or 7.1% decline in commercial and corporate loans.

In Trinidad and Tobago, total loans increased by $638 million or 2.7%, reflective of growth of $1.4 billion (16%) in mortgages and of $317 million in retail loans (6.6%) offset by declines in corporate and commercial loans of $1.1 billion, mainly due to the repayment of one large corporate facility during the 2018 financial year.

President's Discussion and Analysis

In Barbados, while the mortgage portfolio increased by $234 million (7.4%) and retail loans by $33 million (3.6%), this growth was offset by the impact of the default and subsequent restructure on Government of Barbados debt, which resulted in a decline of $271 million (28.1%) in commercial and corporate loans.

While the repayment of a large government facility in Suriname resulted in the $135 million decline in total loans, the other territories enjoyed growth mainly in the corporate sector, with $246 million being generated in Guyana (24.3% increase), $141 million (16%) in Ghana and $78 million (7.7%) in the Cayman/EC region.

NET LOANS DETAILED BY TERRITORY

All figures are stated in TT$ millions

	T'dad and T'go	B'dos	Guyana	Cayman East Car.	Suriname	Ghana	Total 2018	Total 2017
Performing loans	24,732	4,821	2,245	2,093	980	1,293	**36,164**	34,671
Non-performing loans (NPLs)	445	503	132	61	91	376	**1,608**	1,595
Gross loans	25,177	5,324	2,377	2,154	1,071	1,669	**37,772**	36,266
Allowance for ECL losses	(401)	(304)	(27)	(45)	(48)	(226)	**(1,050)**	(802)
Unearned loan origination fees	(128)	(6)	(14)	(6)	(4)	(7)	**(164)**	(142)
Net loans	**24,648**	**5,014**	**2,336**	**2,102**	**1,019**	**1,436**	**36,558**	**35,322**
Allowances for ECL								
Stage 1	89	53	10	23	14	28	**218**	130
Stage 2	25	32	1	2	3	6	**68**	–
Stage 3	286	219	16	21	30	191	**764**	672
Total ECL	**400**	**304**	**27**	**46**	**47**	**225**	**1,050**	**802**
Non-performing Loans to Gross Loans	1.8%	9.4%	5.6%	2.8%	8.5%	22.5%	**4.3%**	4.4%
Stage 3 ECLs as a % of NPLs	64.3%	43.5%	12.3%	34.6%	33.3%	50.9%	**47.5%**	42.1%
Total ECL as a % of Gross loans	1.6%	5.7%	1.1%	2.1%	4.5%	13.5%	**2.8%**	2.2%

As at September 30, 2018, the non-performing loans (NPLs) to gross loans ratio for the Group stands at 4.3%, a minimal decline compared to the 4.4% reported in 2017. Trinidad and Tobago continues to maintain the lowest level of NPLs across the Group, with an NPL ratio of 1.8% as at September 30, 2018, unchanged from 2017.

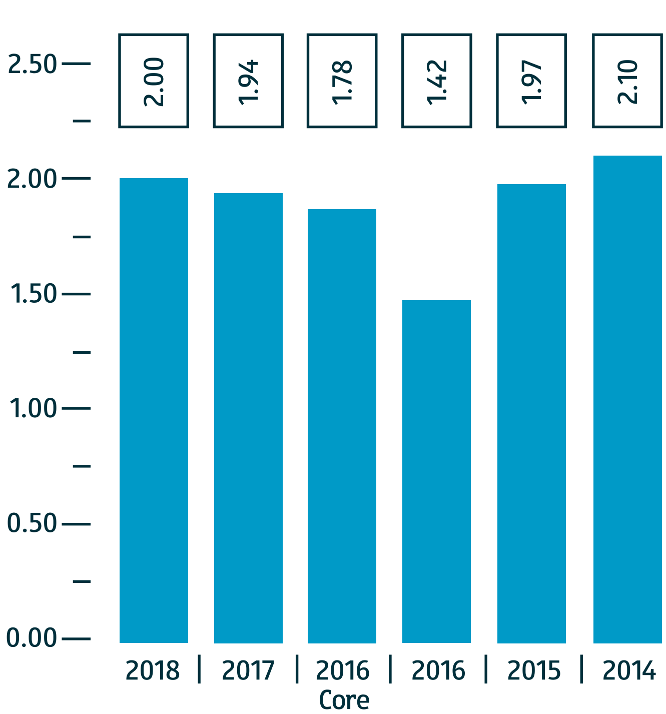
The Group maintains a provision coverage of 47.5% for its non-performing facilities as at September 2018, up from 42.1% in September 2017, with Trinidad and Tobago and Ghana maintaining coverage ratios in excess of 50%.

Including expected credit losses for the Group's performing portfolio designated as Stage 1 and Stage 2 under IFRS 9, the Group maintains total provisions of $1.05 billion, which represents 2.8% of gross loans, up from 2.2% in 2017.

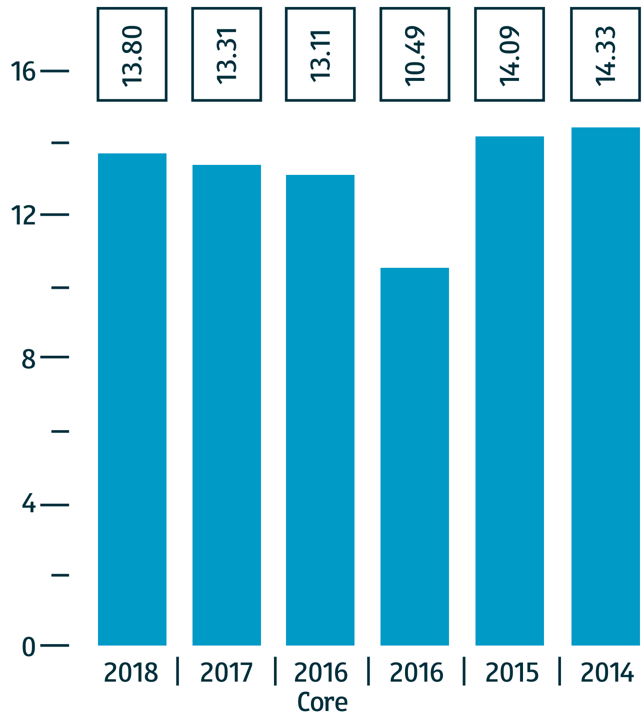
President's Discussion and Analysis

PERFORMANCE RATIOS

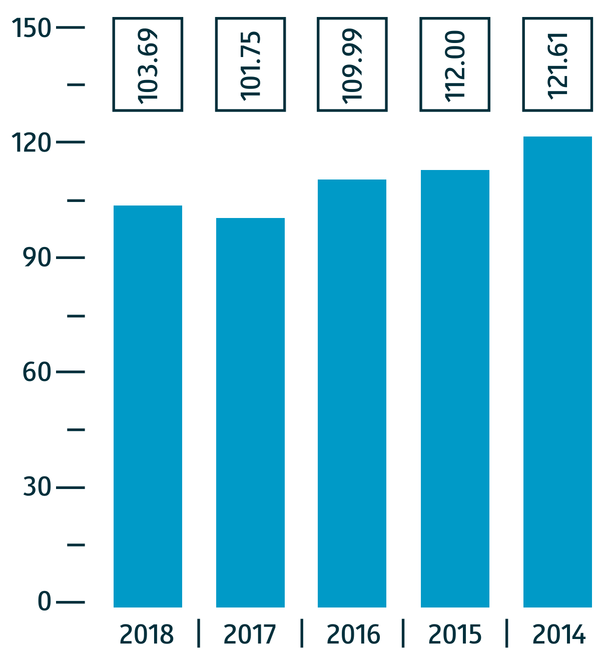
Return on Assets (%)



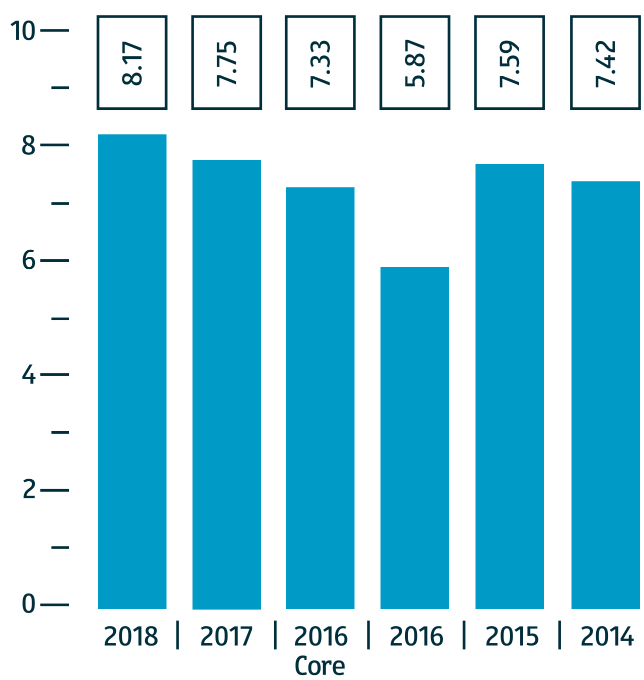
Return on Equity (%)



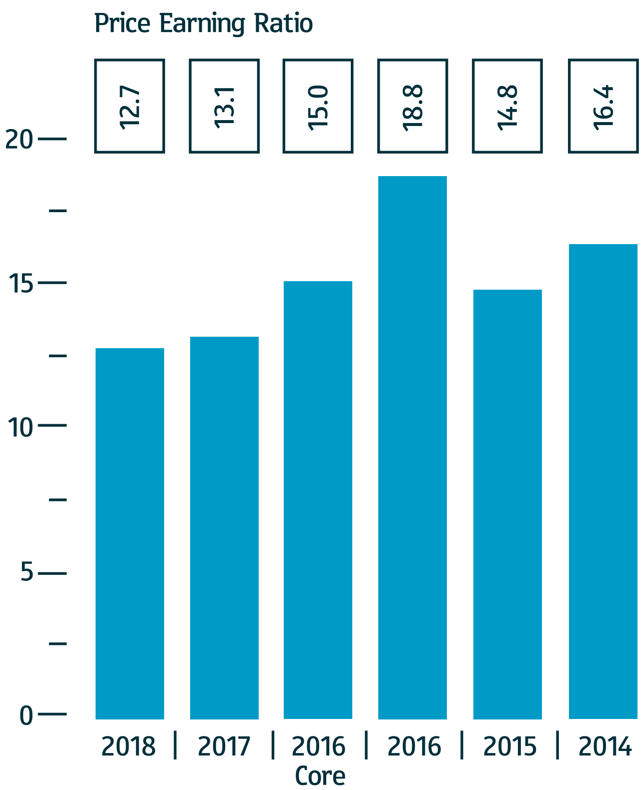
Share Price ($)

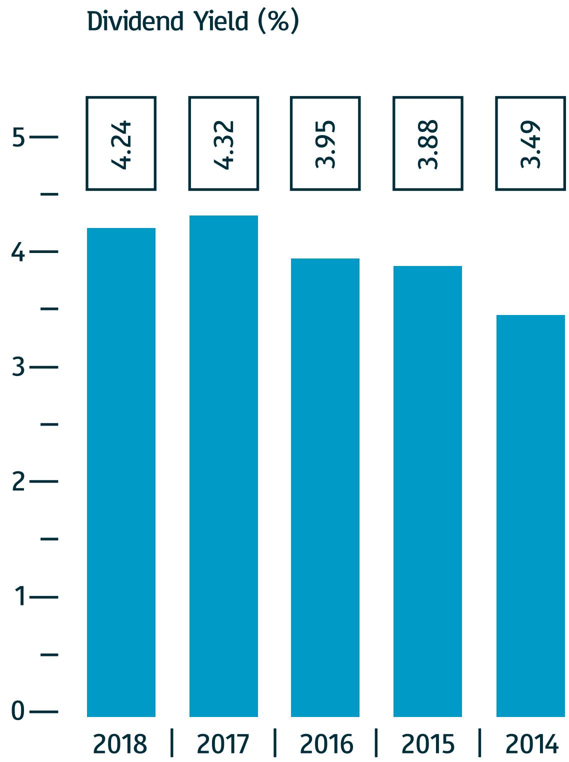


Earnings per Share ($)



President's Discussion and Analysis





The increased profitability in 2018 is reflected in the improvement in most key ratios in 2018, with the Return on Average Assets (ROA) ratio increasing from 1.94% in 2017 to 2.0% in 2018, and the Return on Average Equity (ROE) ratio increasing from 13.31% in 2017 to 13.80% in 2018.

Earnings per Share (EPS) also increased, from $7.75 in 2017 to $8.17 in 2018, a total increase of $0.42 per share or 5.42%. Combined with a closing share price of $103.69 as at September 30, 2018, which increased by $1.94 or 1.91% over the past year, the price/earnings (P/E) ratio declined from 13.1 times in 2017 to 12.7 times in 2018.

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, in line with the prior year. Assessed against RFHL's closing share price of $103.69, this represents a dividend yield to shareholders of 4.24%.

CAPITAL STRUCTURE

CAPITAL ADEQUACY RATIO (UNDER BASEL I)

	2018	2017
Republic Bank Limited	**18.06%**	20.13%
Republic Bank (Cayman) Limited	**22.80%**	26.18%
Republic Bank (Grenada) Limited	**14.85%**	14.57%
Republic Bank (Guyana) Limited	**19.30%**	25.20%
Republic Bank (Barbados) Limited	**13.51%**	16.21%
Republic Bank (Suriname) N.V.	**12.11%**	11.42%
Republic Bank (Ghana) Limited	**34.49%**	15.98%
Atlantic Financial Limited	**49.15%**	42.72%

President's Discussion and Analysis

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

All companies within the Group have capital ratios well in excess of the regulatory requirement and the Group continues to maintain a strong capital base, reflected in a Group capital adequacy ratio of 24.67%, as at September 30, 2018, well in excess of the 8% minimum requirement under Basel I.

In Trinidad and Tobago, the Basel II implementation exercise is currently in the parallel reporting phase, which has recently been extended by a further six months to end in March 2019. Under the more stringent capital requirements for Basel II, all subsidiaries have reported ratios in excess of the new 10% minimum requirement as well as the 12% requirement being considered for systemically important financial institutions.

OUTLOOK

The Group's focus remains on building resiliency into its operations and earnings capacity. To this end, the Group is implementing a common IT platform across all of its Caribbean subsidiaries. To date, Suriname and Cayman have been converted with work on Guyana, Grenada and Barbados underway. This will enable the Group to offer our Caribbean clients a broader range of experiences and facilitate the introduction of a shared support services infrastructure for improved efficiency. Extension of the programme to Ghana will follow. Diversification of income sources is also being actively pursued and the Group is awaiting regulatory approval of our bid for a majority shareholding in Cayman National Corporation, a US$2 billion financial Group based in the Cayman Islands with annual earnings in the vicinity of US$30 million.

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

Making the difference through Education

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, partnerships with several organisations in this shared pursuit presented opportunities to align efforts in the hopes of challenging future leaders to succeed.

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 130 ABMs in 82 locations. The Bank is also the nation's largest credit card operator.

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Website: www.republictt.com

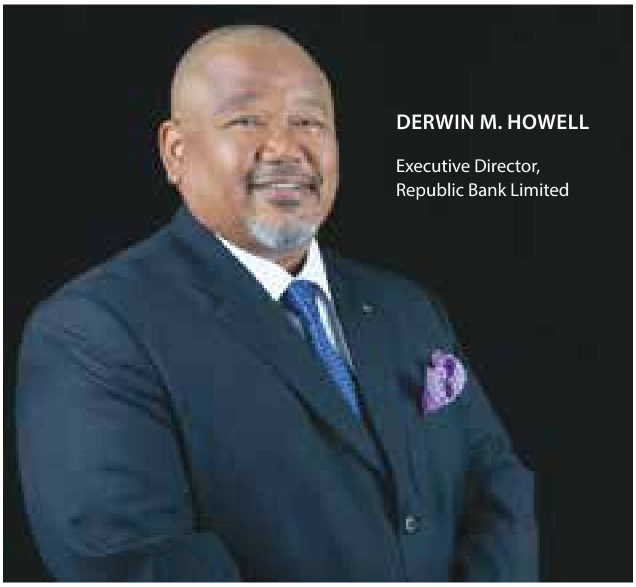
NIGEL M. BAPTISTE

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

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

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

Republic Bank Limited Executive Directors



Republic Bank Limited Executive Management

FARID ANTAR

General Manager,
Group Enterprise
Risk Management

RIAH DASS-MUNGAL

General Manager,
Internal Audit

KIMBERLY ERRIAH-ALI

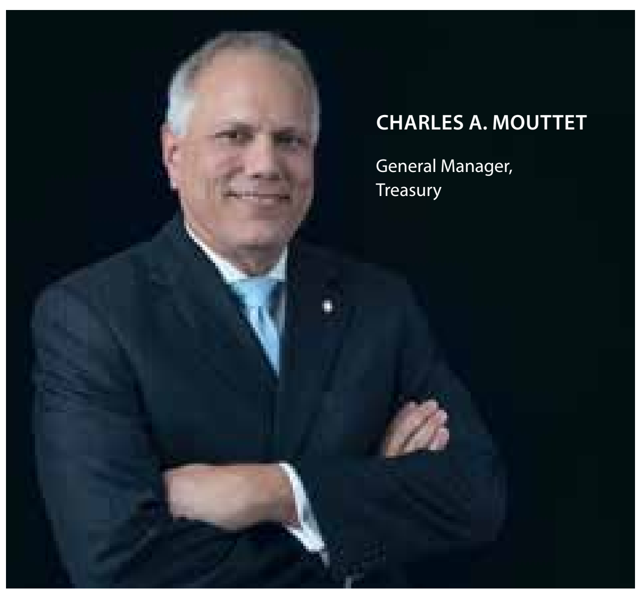
Group General Counsel/
Corporate Secretary

ANNA-MARÍA GARCÍA-BROOKS

General Manager,
Group Human Resources

HILTON HYLAND

General Manager,
Commercial and
Retail Banking



CHARLES A. MOUTTET

General Manager,
Treasury

Republic Bank Limited Executive Management

MICHELLE PALMER-KEIZER

General Manager,
Group Marketing
and Communications

MARLON PERSAD

General Manager,
IT Consolidation

VIJAI RAGOONANAN

General Manager,
Risk Management

ALDRIN RAMGOOLAM

General Manager,
Information
Technology
Management

DENYSE RAMNARINE

General Manager,
Electronic Channels
and Payments

DAVID ROBINSON

General Manager,
Wealth Management

Republic Bank Limited Executive Management

PARASRAM SALICKRAM

General Manager,
Planning and Financial
Control

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.

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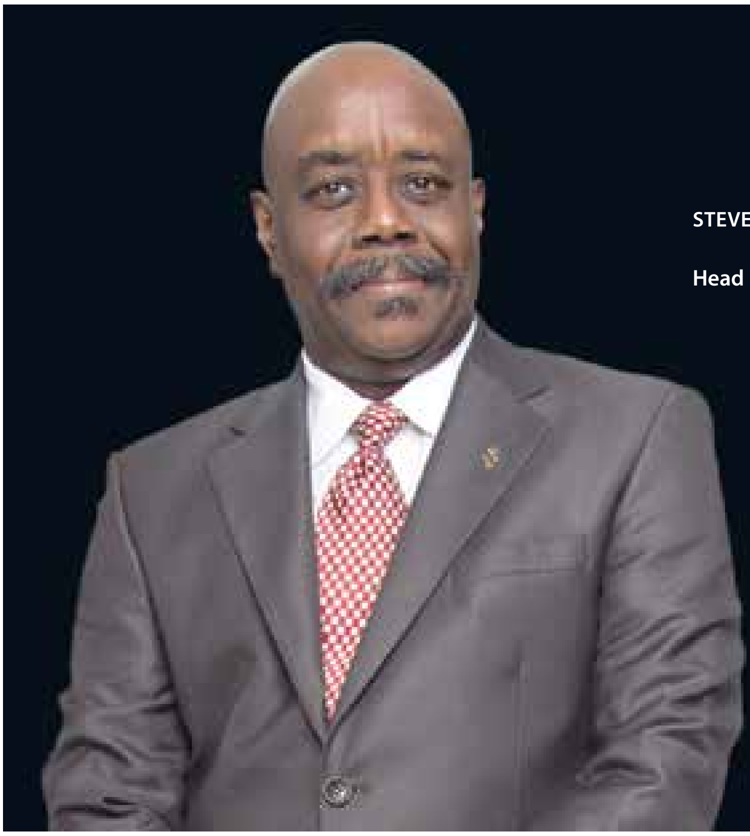
Website: www.rsltt.com

CARLA KELSHALL
BSc (Mathematics and Econ.)(Hons.), CFA
Manager, Republic Securities Limited

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

Republic Wealth Management



STEVE ROBERTS

Head

Republic Bank's Trust and Asset Management Division (TRAM), which was established in 1938, was disaggregated on July 1, 2014. The investment advisory 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.

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Email: email@republictt.com
Website: www.republictt.com

STEVE ROBERTS

BSc (Mgmt. Studies)

Head, Republic Wealth Management

Steve Roberts, Head, Republic Wealth Management Limited, is a career banker with significant asset management and trust management expertise having served in a variety of senior leadership investment management positions within the Bank. He was appointed to his current position in July 2014 with the formation of Republic Wealth Management Limited. Mr. Roberts holds a BSc in Industrial Management from the University of the West Indies, St. Augustine.

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, registered office and company management services, 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.

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Cayman Islands
Tel: (345) 949-7844
Fax: (345) 949-2795

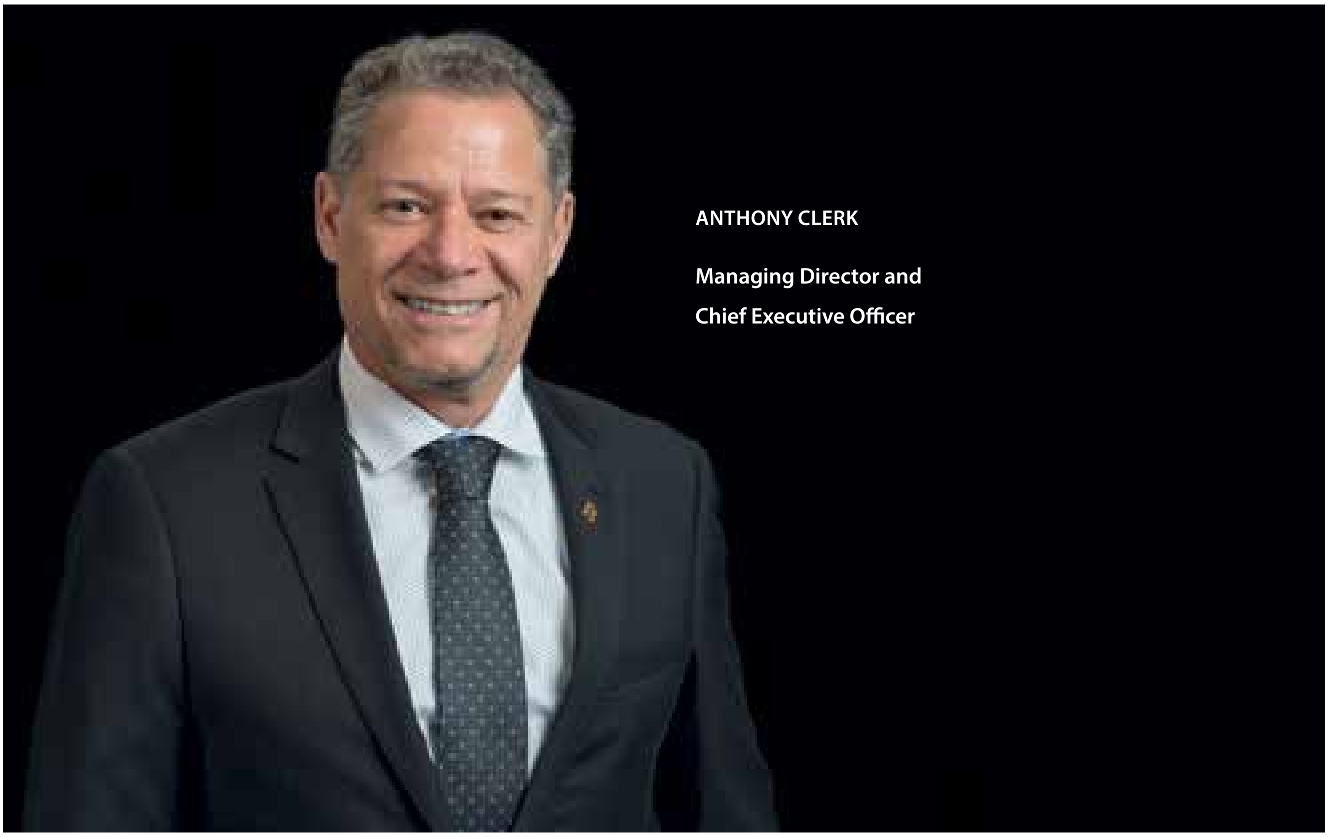
RAVI MYKOO

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

Country Manager, Republic Bank (Cayman) Limited

Ravi Mykoo, Country Manager of Republic Bank (Cayman) Limited, has served the Bank in various leadership roles as both an analyst and manager for more than a decade. He is a Chartered Financial Analyst and a graduate of the University of the West Indies with a BSc. (First Class Hons.) in Economics and Management. Mr. Mykoo holds 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.

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Website: www.republicbarbados.com

ANTHONY CLERK
Dip. (Business Mgmt.), AIBAF, EMBA
Managing Director and Chief Executive Officer,
Republic Bank (Barbados) Limited

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

Mr. Clerk holds an Executive 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 National Enterprises Limited.

Republic Bank (Barbados) Limited Executive Management

NAOMI DE ALLIE

General Manager,
Corporate and
Commercial Credit

HAMANT LALLA

Corporate Controller

SUSAN TORRY

General Manager,
Operations

SHARON ZEPHIRIN

General Manager,
Retail Banking

Republic Bank (Grenada) Limited

KEITH A. JOHNSON

Managing Director

Incorporated on October 12, 1979, Republic Bank (Grenada) Limited is considered as one of the leading banks in Grenada with the widest network of branches (6). The Bank boasts its outstanding corporate social responsibility initiatives, which contribute to the general enhancement of Grenada; having won the prestigious Eastern Caribbean Central Bank's Best Corporate Citizen Award held among the commercial Banks operating in the Eastern Caribbean Currency Union 8 times in the 20-year history of the award.

In 2008, Republic Bank (Grenada) Limited became the first Grenadian corporation to list its shares on the Eastern Caribbean Securities Exchange. As at September 30, 2018, the Bank's equity base stood at US$42.263 million and asset base at US$352.606 million.

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Swift: NCBGGDGD
E-mail: info@republicgrenada.com
Website: www.republicgrenada.com

KEITH A. JOHNSON

BSc (Accountancy), EMBA, AICB

Managing Director, Republic Bank (Grenada) Limited

Keith A. Johnson was appointed Managing Director of Republic Bank (Grenada) Limited in 2009. He started his banking career in Guyana in 1976 and has served in various leadership roles in the Bank's Guyana operations. Mr. Johnson holds an 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.

Republic Bank (Grenada) Limited Executive Management

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 to maintaining a philosophy of social investment in Guyana.

Registered Office
Promenade Court, 155-156 New Market Street,
North Cummingsburg,
Georgetown, Guyana
Tel: (592) 223- 7938-49
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Swift: RBGL GYGG
E-mail: email@republicguyana.com
Website: www.republicguyana.com

RICHARD S. SAMMY

BSc (Mgmt. Studies) (Hons.) MBA

Managing Director, Republic Bank (Guyana) Limited

Richard S. Sammy was appointed Managing Director, Republic Bank (Guyana) Limited in 2015. A distinguished banker with significant regional experience in risk management, corporate and investment banking, Mr. Sammy previously served as the Regional Manager, Corporate Business Centre-South, and as Regional Manager, Investment Banking Division at Republic Bank Limited, Trinidad. 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.

Republic Bank (Guyana) Limited Executive Management

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$482 million as at 30 September 2018. In terms of asset size, it is the third largest bank in Suriname.

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Kerkplein 1, Paramaribo
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Tel: (597) 471555
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Swift: RBNKSRPA
Email: email@republicbanksr.com
Website: www.republicbanksr.com

SEAN HUSAIN

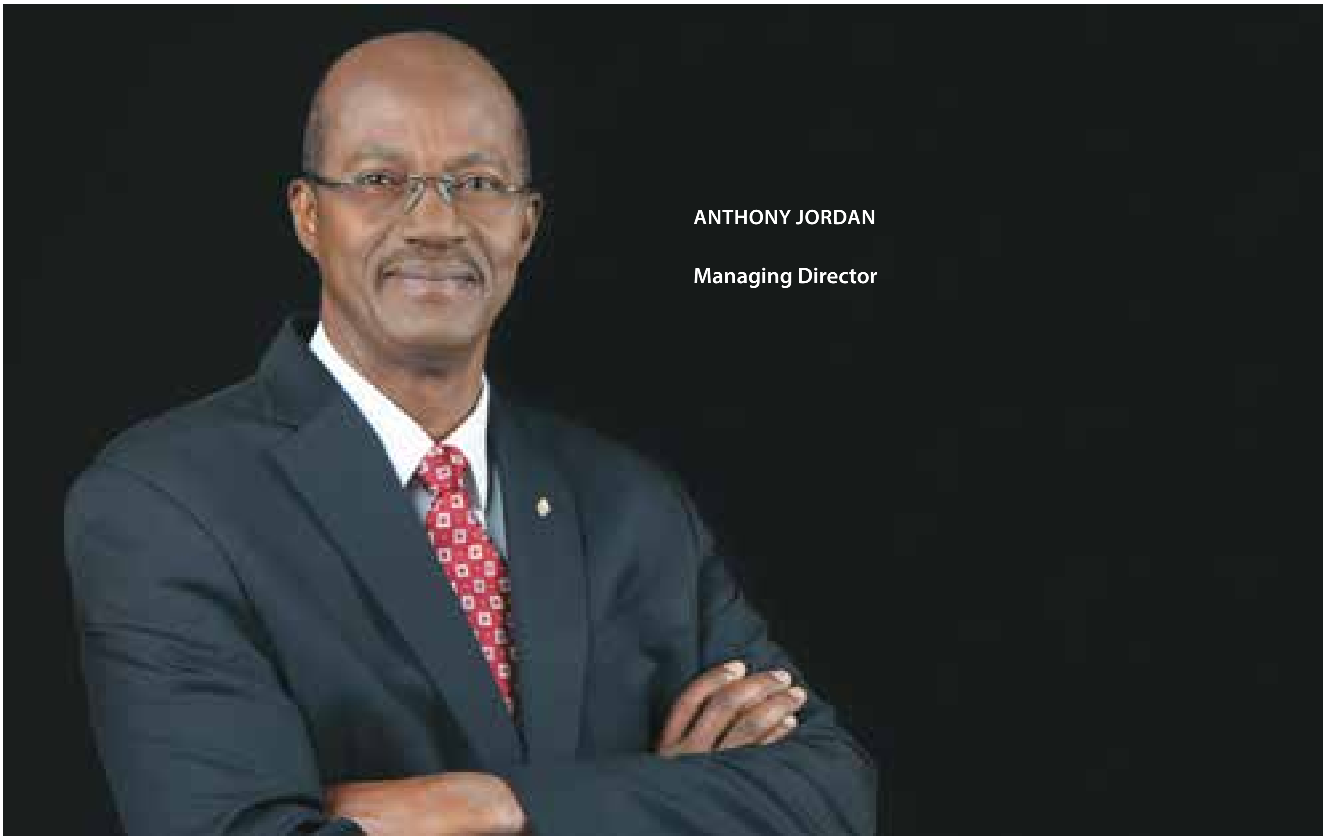
BSc (Econ) (Hons), MSc (Credit)

Managing Director, Republic Bank (Suriname) N.V.

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

Republic Bank (Suriname) N.V. Executive Management

Republic 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. HFC Bank (Ghana) was successfully rebranded to Republic Bank (Ghana) Limited in April 2018, following approval by the Bank of Ghana and the Security and Exchange Commission (SEC).

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'Ebankese'
#35 Sixth Avenue, North Ridge
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Ghana
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Fax: (233) 302 242095
Swift: HFCAGHAC
Email: email@republicghana.com
Website: www.republicghana.com

ANTHONY JORDAN
EMBA, BSc (Mgmt.), ACIB
Managing Director, Republic Bank (Ghana) Limited

Anthony Jordan, Managing Director of Republic Bank (Ghana) Limited (RBGH) is a career banking professional with more than 30 years of experience in Corporate Finance, Trade Finance, Investment Banking and Risk Management. Mr. Jordan holds an MBA 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).

Mr. Jordan serves as a Director for Republic Investments Limited, HFC Venture Capital Fund, Republic Boafo Limited, HFC Realty Company Limited, RBGH and UG – HFC.

Republic Bank (Ghana) Limited Executive Management

BEATRIX AMA AMOAH

Company Secretary

KALAWATEE BICKRAMSINGH

General Manager, Risk Management

BENJAMIN DZOBOKU

General Manager, Finance and Strategy

PAULA BALDWIN

General Manager, Retail Banking

CHARLES AGYEMAN BONSU

General Manager, Technology and Business Systems Support

PETER LARBI-YEBOA

General Manager, Republic Investment Services

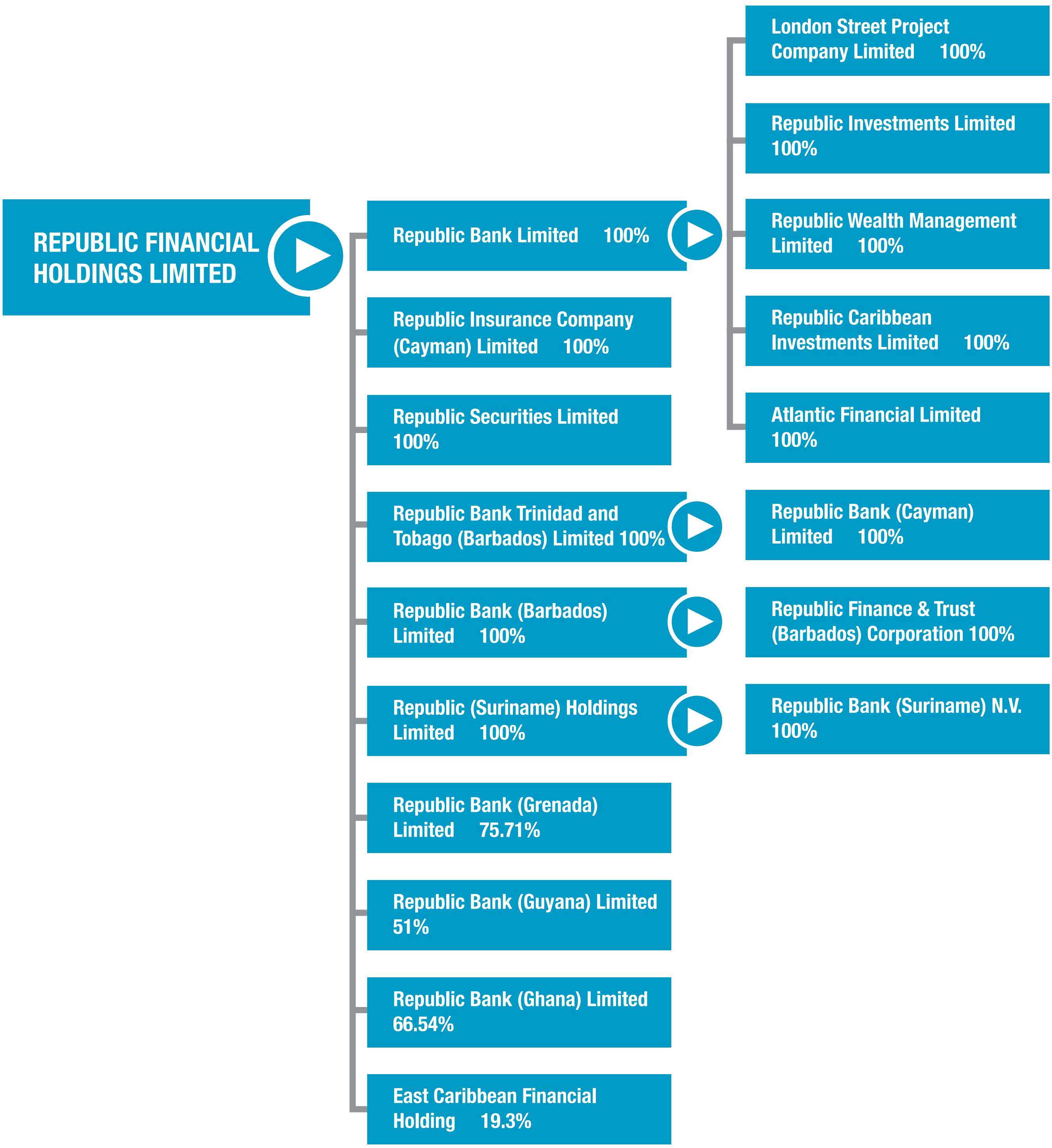
Statement of Corporate Governance Practices

INTRODUCTION

On December 16, 2015, Republic Financial Holdings Limited was established in order to facilitate the restructuring of the Republic Group. This restructuring 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 i.e. Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Ghana) Limited (formerly HFC Bank (Ghana), Republic Bank (Suriname) N.V., 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



Statement of Corporate Governance Practices

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

OBJECTIVES

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

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

RESPONSIBILITIES

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

Principles

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

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

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

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

Statement of Corporate Governance Practices

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.

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

Statement of Corporate Governance Practices

Boards and their Managing Directors. Matters not specifically delegated are reserved to the Board.

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

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

DIRECTOR TENURE

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

Republic Financial Holdings Limited scheduled eight (8) meetings within the period October 2017 to September 2018:-

Board **5 Meetings**
Special Board **3 Meeting**

Directors	Attendance	Eligible to Attend
Shazan Ali	8	8
Nigel M. Baptiste	7	8
Ian Benjamin *(appointed 1st February 2018)*	4	5
Dawn Callender	8	8
Terrence W. Farrell	8	8
Ronald F. deC. Harford	7	8
Alison Lewis	8	8
William P. Lucie-Smith	7	8
Russell Martineau *(retired 31st January 2018)*	3	3
Robert Riley	7	8
Kristine Thompson	5	8
Gregory I. Thomson	8	8

AUDIT COMMITTEE

This Committee meets quarterly to review the Group's financial statements, the system of internal control throughout the Group, management of financial risks, the Group audit process, the Group's process for monitoring compliance with laws and regulations, and its own code of business. Four (4) meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
Chairman	
William P. Lucie-Smith	4
Members	
Dawn Callender	4
Ronald F. deC. Harford	3
Robert Riley	4
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
Chairman	
Terrence W. Farrell	4
Members	
Nigel M. Baptiste	4
Dawn Callender	4
William Lucie-Smith	4
Gregory I. Thomson	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.

Statement of Corporate Governance Practices

Directors	Attendance
Chairman	
Ronald F. deC. Harford	1
Members	
Shazan Ali	1
Ian Benjamin	1
Terrence W. Farrell	1
Kristine Thompson	1

At this Annual Meeting, Ronald F. deC Harford, Dawn Callender and Robert Riley 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. For Mr. Harford, his term to expire at the close of the second annual meeting following this appointment. The Board recommends that all the nominees be re-elected. Mr. Ian Benjamin, SC, having been appointed since the last meeting, retires from the Board and, being eligible, offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

DIRECTOR TRAINING AND EVALUATION

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

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

In early May 2018, the Board participated in a retreat at which they were exposed to various seminars conducted by world renowned experts on topics including Corporate Governance, Information Technology Disruption, Anti-Money Laundering and Financial Regulation.

Following the director self-evaluation completed in early 2017, the Board proposes to conduct an independent evaluation of the Board and subsidiary Boards during the course of the next fiscal year. This independent evaluation shall include reviews of the various terms of reference, charters and guides, as well as independent interviews with each director and a director self-evaluation.

ENTERPRISE RISK MANAGEMENT

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

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

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

INTERNAL AUDIT

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

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.

Statement of Corporate Governance Practices

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, 2018

04
Corporate Social Responsibility

Making the difference to the Differently Able

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 through respect and equality.

ABOVE

Shaping the next generation of leaders with the Cotton Tree Foundation Homework Centre in Trinidad and Tobago

RIGHT

Saving lives at the Annual Diabetes drive in commemoration of World Diabetes Day in Barbados

The Power to Make A Difference

5 YEARS OF TEAMWORK BUILDING STRONGER COMMUNITIES

The promise of the Power to Make A Difference is its time-tested ability to unite many across boundaries of space and cultures in the pursuit of building stronger, more sustainable communities.

Since its inception in 2003, that promise has consistently gained momentum as a growing social investment movement, taking the shape of a significant investment of resources in a diverse array of development programmes that challenge young minds and bodies, give hope to and empower thousands of special needs people, preserve and promote cultural traditions, and embolden hundreds of staff volunteers to add immeasurable value through personal sacrifice.

This is the narrative of the Power to Make A Difference. It is an ongoing journey to unlock the potential of the people we serve. For 15 years, it has brought the Republic Group closer with dedicated advocates and leaders to protect and develop diverse communities and markets that we proudly call home. It is a journey as storied as Republic's 181 years of service. And it is an extension of the Bank's commitment to do good by doing better – doing better in the service of others; doing good by pledging our support to noble causes.

Working with the community, a way forward has been charted; a road less travelled. A path defined by unforgettable experiences, challenges, and triumphs, it serves well as a reminder of the past and hope for the future.

We believe that the way forward is as clear and as bright as the path already travelled. Through one partnership, one commitment, and one goal at a time, the Power to Make A Difference grows stronger; building momentum and giving hope in the defense of one of our most basic human promises to be each other's keepers.

THE FOUNDATION (Phase I)

"The Republic Group believes that all of our Caribbean citizens deserve a better quality of life and we owe it to them to harness the power that we possess to make a positive difference in their lives. The voiceless should not silenced behind statistics. The helpless must not be bogged down by apathy and an unwillingness to assist. The destitute cannot be swept to the wayside because of greed and selfishness. These are our people and we must do something to alleviate their condition."

– Ronald F. deC. Harford

The differently able child who now has a wheelchair; the dyslexic student who can learn alongside his or her peers; the young footballer who has received a football scholarship; the senior citizen who now has a comfortable place to sleep – their smiles, their well-being, their successes – these are the reasons the Power to Make A Difference exists.

Starting out from the Make a Difference Fund that began in 1998 in Trinidad and Tobago, the Power to Make A Difference would quickly set to carry out and carry on the Bank's ambitions of teaming up with advocacy groups to empower young achievers and protect the rights and needs of the elderly.

From those beginnings, the Power to Make A Difference was born in 2003 with sights set on supporting programmes based on poverty alleviation, social development, and youth development through education, sport, culture and the arts. For a period of 5 years at a time, several partnerships were formed with a diverse array of NGOs and CBOs whose projects and initiatives showed the most promise in building successful societies.

Centred on four pillars – **The Power to Care, The Power to Help, The Power to Learn,** and **The Power to Succeed** – the Bank welcomed new and familiar partners to the fold.

It was during these initial stages that partnerships were forged with Marion House, the Salvation Army, the St. Vincent De Paul Society and Bridge of Hope through the Power to Help; with the Trinidad and Tobago Cancer Society through the Power to Care; with the Cotton Tree Foundation, the Butler Institute for Learning and Literacy, and the Loveuntil Foundation through the Power to Learn; and with the University of the West Indies through the Power to Succeed.

During this time, several long-time sponsored youth empowerment initiatives like the Republic Bank Trinidad and Tobago Junior Golf Open, the Republic Bank Chaguaramas Junior Golf Clinics, the Republic Bank Cup Youth Football Camps and Tournaments and the Republic Bank Laventille Netball and Basketball Leagues gained greater renown within the society to the benefit of more than 50,000 young achievers.

That same focus was further expanded and developed outside of sport to include the Republic Bank RightStart Pan Minors Music Literacy Programme; sponsorship of the Republic Bank Junior Parade of the Bands; the Republic Bank Love Movement Youth Outreach; the Sanatan Dharma Maha Sabha's (SDMS) children's cultural festival, Baal Vikaas Vihaar; sponsorship of the University of the West Indies' World of Work (WOW) programme; the Annual Republic Bank Agricultural Science Competition and the Republic Bank Primary and Secondary Schools' Refurbishment programmes.

The foundation having been firmly set, the focus then turned outward as the Group continued its evolution as a truly Caribbean organisation; one intent on making good on the promise of building successful, sustainable societies, not just locally but across borders.

ABOVE
Passing the baton of excellence at the Republic Bank Youth Athletics Festival in Ghana

RIGHT
Championing the rights of those with special needs in partnership with the Step by Step School for Autistic Children in Guyana

The Power to Make A Difference

BUILDING A FOLLOWING **(Phase II)**

"We are privileged to be able to make a difference in the lives of the people we serve and the communities in which they live. We have entered an age that supersedes corporate social responsibility. We have to be conscientious in our strategy, planning, and overall effect on society. But this is not a one person or one corporate entity task. We must come together to achieve the maximum effect."

– David Dulal-Whiteway

In the second phase of the Power to Make A Difference, the momentum built up over the first five years carried over to drive this next chapter. As the Group grew, its identity changed. With the official rebranding of Republic Bank (Grenada) Limited, Republic Bank (Guyana) Limited and Republic Bank (Barbados) Limited, the focus on social development broadened to include ways of engaging and empowering those various diverse communities, particularly the more vulnerable and those on the fringes of society.

Across the region, those team members had already been doing their part in the pursuit of sustainable development. Not surprisingly, as the Group's footprint spread, so too did its heart in reaching out to even more members of society and the Power to Make A Difference quickly took root in the fertile soil already being cultivated for years.

Flagship youth development programmes the Republic Bank RightStart Football Tournament and the Republic Bank RightStart Pan Minors Music Literacy Scholarship Programme were well-received in Grenada and Guyana respectively; giving thousands of young achievers alternative means for self-development and the impetus to realise their tremendous athletic and musical potential that abounds within.

However, the thrust was always on doing more, on finding ways in which to leverage local knowledge with regional reach.

During the second phase, the Group honed in on doing more in the fields of healthcare and championing the rights of the differently able. It was then that strategic partnerships brought even greater alignment between what the Group had sought to accomplish. Collaborations with 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 several children access to life-saving kidney transplants added significant momentum to the cause.

In advocating the rights of those with special needs, the Group realised that, far too often, people with physical and learning disabilities had less access to education, personal and professional development and a better quality of life. In seeking to mitigate the stigma attached to persons with disabilities, an all-out effort was made to empower those with special needs through close collaboration with their biggest advocates. Guided by the belief in drawing closer in solidarity, the drive to promote a culture of fellowship and inclusion quickly led to finding new allies and new pursuits.

Key to that belief was the commitment to promote a message of respect and equality and to become more vocal in adding the Group's part to the discourse of raising awareness, understanding, tolerance and acceptance, not just within society but also within our Republic family. The Group focussed on the provision of physical facilities for differently able persons, as well as training opportunities for them to assist in their adaptation and in raising the general education and awareness of their special needs. Some of the projects under this phase included collaboration with the National Centre for Persons with Disabilities (NCPD); Persons Associated with Visual Impairment (P.A.V.I.); Eshe's Learning Centre; DRETCHI Speech and Language Training; Immortelle Children's Centre for Special Education; the Autistic Society of Trinidad and Tobago, the L.I.F.E. Centre (School for Autistic Children), and the Dyslexia Association.

The relationships forged along this leg of the journey would prove instrumental in future collaborations with similar advocacy groups like the Rapidfire Kidz Foundation, Horses Helping Humans, the UN World Down Syndrome Family Network, National Foundation for Blind and Visually Impaired Persons in Suriname (NSBS), the Step by Step Foundation and the School for Autistic Children (Guyana), the Dorothy Hopkin Centre for the Disabled, the Rotary Club of Grenada East - Vosh Eye Care Programme, and the Grenada National Council for Disabled.

Bit by bit, each partnership during this phase signalled the Group's resolve to engage diverse communities in the pursuit of sustainable development through inclusion across various levels; further adding to the narrative of responsible social investment through a dynamic mix of investment, advocacy and teamwork.

A FOUNDATION OF ENTERPRISE **(Phase III)**

"There is no quick fix, no amount of money invested, no one NGO, Government or corporate partner working in tandem that can solve our societal issues. But that doesn't mean that we shouldn't try. And this is what drives the Power to Make A Difference – the understanding that while circumstances may not be favourable, nor may they ever truly be, that shouldn't stop one from trying. Because THAT is the power to make a difference. Making the effort despite the challenge."

– Nigel M. Baptiste

ABOVE
Building communities as staff volunteers upgrade the Shri Krishna school in Suriname

RIGHT
Promoting youth development through culture with the Republic Bank Angel Harps Steel Orchestra in Grenada

The Power to Make A Difference

The journey that started more than a decade ago continued to define the Group as a responsible corporate citizen in every market called home. In the third phase, the Group's identity was one that extended to comprise neighbours in the Caribbean, South America, and Africa. The Republic Bank Group was now Republic Financial Holdings Limited; the Power to Make A Difference, a household name across many borders.

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

During this phase, work began with the Trinidad and Tobago Commission for UNESCO on their Leading for Literacy Now! programme, 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, to name a few.

In Barbados, the Republic Bank RightStart Speech contest continued to show tremendous promise in using the power of debate as a means of empowering young achievers; and in Suriname, the BIBLIONEF, a book-providing agency, provided 7,500 new books to thousands of school children in the pursuit of encouraging them to read more and discover worlds of imagination.

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.

New markets also meant new ways of combining the pillars; of teasing out new and effective platforms through which young achievers could be challenged to push and develop their bodies, minds and spirits even further.

So while the spotlight shone on development through literacy, the Group never steered away from the fundamentals of its youth empowerment mission, leading to new collaborations with the swimming club, Neptunes through their Learn to Swim Programme, which afforded 250 underprivileged children in coastal Suriname an opportunity to learn how to swim and about water safety instruction.

In Grenada, collaboration with the Anglican High School Past Pupils Association in Grenada led to the construction of a sports and recreational facility that young achievers could use.

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 achievers.

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

In Grenada, the Proactive Nation Builders (PNB), challenged more than 200 young achievers in the parish of St. David to lead more purpose-driven lifestyles as part of their groundbreaking 'NIMBY' ("Not In My Back Yard") programme. Similarly, more than 100 parents and teachers learned how to better communicate with their children 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 teenaged mothers face in their personal, educational, and professional development.

LENDING A HAND, GIVING HOPE

"We always knew that we could not support every cause that came to us – but we could and would support those that addressed urgent needs and were consistent with the guidelines that we identified. And we would not just support them financially. Rather, we would throw our energies and our full weight behind them so that they could have the impact that they sought, so that could help the people whom they need to." **– Anna-María García-Brooks**

Staff volunteerism, a hallmark of the Group's sustained social investment drive, continued to play a pivotal role in ensuring the ongoing success of the Power to Make A Difference from the programme's inception.

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".

Encouraged to give of their time and energy to assist individuals and groups in need, staff volunteers added invaluable sweat equity to cause like the United Way Day of Caring, flood relief efforts of the Trinidad and Tobago Red Cross Society, construction of homes with Habitat for Humanity Trinidad and Tobago, creating the Lady Hochoy Home mural

The Power to Make A Difference

depicting the Rights of the Child, repainting of the Joshua Home for Boys, mentoring of teenaged girls from Sophia House, and supplying monthly groceries and other items to needy families.

Across the region, volunteerism drives varied from partnerships with the 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.

THE POWER OF ONE SERVING MANY;
THE POWER OF MANY SERVING OTHERS

"It is a movement that defines who we are as an organisation and draws us closer to organisations like yours; ready, willing, and able to work with the community, not just for our sakes, but for the sake of the entire nation. Ultimately, it is a challenge to every man, woman, and child in our beautiful nation to fight apathy and dare to be inspired and not mired. In time, what we all are doing may become a legacy. And as building legacies go, the only thing left to it, is to do it. So, by God's Grace, let's continue to keep doing it." **– Michelle Palmer-Keizer**

In celebrating 15 years of the Power to Make A Difference, we are grateful for being part of a remarkable journey of sacrifice, accomplishment, and discovery. As we look back, we look ahead; humbled by the successes, yet encouraged by opportunities to achieve even more. Above all, we are continually inspired by the alliances we have made and the stories of the people whose lives have been changed for the better. Without question, the next phase promises even greater chances to build on the foundation we have set together.

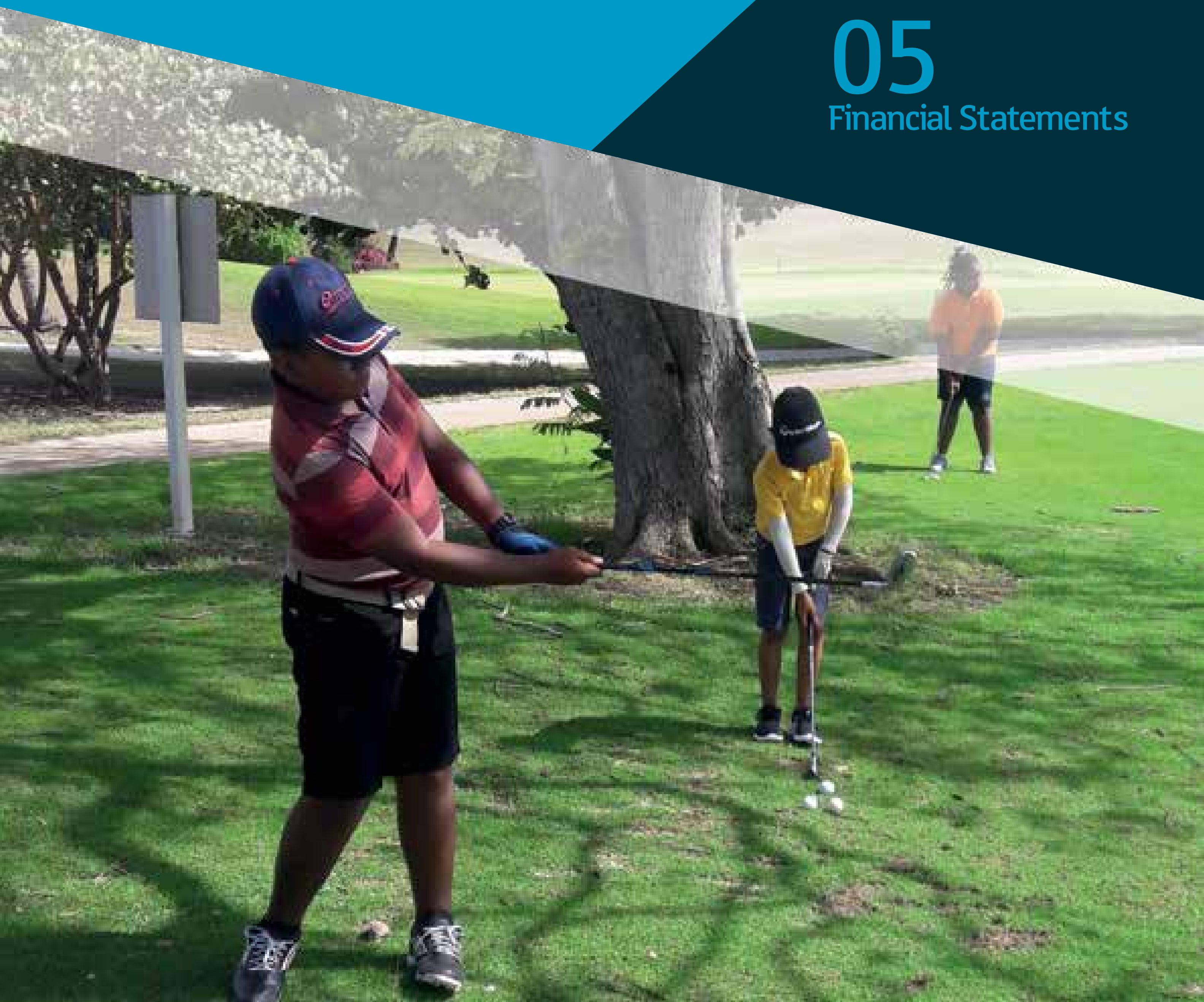
Our path forward, much like the path behind, has been met with challenges and victories, each making us stronger in its own way. In looking toward the future, we stand fast and true to our belief that each individual has the ability to make a lasting contribution to the overall good of the nation.

Guided by this belief, we recommit to the Power to Make A Difference, even more focussed on those we serve locally and regionally, and excited by the possibilities that abound whereby we can demonstrate the Power of One serving Many and the Power of Many serving Others.

Making the difference through Sport

The focus on sport as means of self-development and impetus for the realisation of the tremendous athletic potential that abounds within. 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.

05 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

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, 2018, 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, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Allowance for Expected Credit Losses (ECL)	
Refer to Notes 2.3 and 21.2. The Group early adopted IFRS 9 Financial Instruments which has changed the accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all advances and other financial assets not held at fair value through profit or loss (FVPL), together with loan commitments and financial guarantee contracts. Advances (loans) and other financial assets held at amortised cost comprise 93.2% of the Group's total assets. The estimation of ECLs on financial assets is inherently uncertain and is subject to significant judgment. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying overlays to these outputs, which adjusts the ECLs.	We assessed and tested the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and evaluated its compliance with the requirements of IFRS 9. We assessed the ECL impact separately for the Group's consolidated financial position as at October 1, 2017 as well as at September 30, 2018. We reviewed the completeness and accuracy of data from underlying systems through to the models used to determine the ECLs. We considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures At Default (EADs) against asset subledgers and amortisation schedules. Where PDs and LGDs were based on assigned global credit ratings, we independently tested to the source data. We tested the aging of the portfolios and performed an independent assessment for a sample of commercial facilities to assess the accuracy and timely assignment of risk ratings in compliance with management's policy, both of which are inputs in the staging of the portfolios. We concluded on the accuracy of the staging applied against the methodologies, and assessed the reasonableness of all assumptions and overlays used to determine whether the Group appropriately reflected additional risks where identified.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter

Allowance for Expected Credit Losses (ECL) (continued)

Key areas of judgment included: - the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models; - the application of assumptions where there was limited or incomplete data; - the identification of exposures with a significant deterioration in credit quality; - assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security; and - the need to apply overlays, the quantification of which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model. These factors, individually and collectively, result in a higher judgmental risk and thus are considered a significant matter in the context of the consolidated financial statements.	We also ensured that the definition of a significant deterioration in credit risk and staging adopted by the Group was in compliance with IFRS 9. For ECLs calculated on an individual basis, we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default. We utilised our EY valuation specialists to assess the appropriateness of the models and assumptions used by the Group, including model build and approval, ongoing monitoring/validation, model governance and its mathematical accuracy. In particular, with respect to the Group's exposure to the Government of Barbados, we refer to Note 34 which describes the Group's acceptance of the Government of Barbados Debt Exchange offer. We reviewed the accounting treatment for the offer, including the estimation of the ECLs which were based on the cash flows of the new instruments, present valued at estimated market yields post restructure. Finally we assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
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, consistent with the requirements of IAS 36.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

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

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

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

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

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

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

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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)

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, 2018

Consolidated Statement of Financial Position

As at September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2018	2017
ASSETS			
Cash and cash equivalents		**816,620**	803,686
Statutory deposits with Central Banks		**6,688,554**	5,517,607
Due from banks		**4,538,274**	5,166,205
Treasury Bills		**4,438,251**	5,224,816
Advances	4	**36,558,137**	35,322,639
Investment securities	5	**12,478,559**	12,056,865
Investment interest receivable		**155,439**	108,822
Investment in associated companies	6	**83,350**	79,139
Premises and equipment	7	**2,481,421**	2,350,322
Intangible assets	8	**393,966**	405,449
Pension assets	9	**821,672**	968,751
Deferred tax assets	10(a)	**591,206**	287,763
Taxation recoverable		**52,204**	73,598
Other assets	11	**367,967**	385,408
TOTAL ASSETS		**70,465,620**	**68,751,070**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**180,818**	343,700
Customers' current, savings and deposit accounts	12	**52,656,548**	50,402,800
Other fund raising instruments	13	**4,718,537**	4,221,180
Debt securities in issue	14	**293,888**	1,105,478
Pension liability	9	**77,206**	87,376
Provision for post-retirement medical benefits	9	**520,324**	474,691
Taxation payable		**177,839**	218,454
Deferred tax liabilities	10(b)	**331,769**	432,536
Accrued interest payable		**87,020**	105,051
Other liabilities	15	**1,323,889**	1,213,799
TOTAL LIABILITIES		**60,367,838**	**58,605,065**

Consolidated Statement of Financial Position

As at September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2018	2017
EQUITY			
Stated capital	16	**790,102**	780,950
Statutory reserves		**1,277,372**	1,243,151
Other reserves	17	**(45,599)**	881,832
Retained earnings		**7,466,323**	6,779,447
Attributable to equity holders of the parent		**9,488,198**	9,685,380
Non-controlling interests		**609,584**	460,625
TOTAL EQUITY		**10,097,782**	**10,146,005**
TOTAL LIABILITIES AND EQUITY		**70,465,620**	**68,751,070**

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

These consolidated financial statements were approved by the Board of Directors on November 8, 2018 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, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

	Notes	2018	2017
Interest income	18(a)	**3,880,506**	3,796,975
Interest expense	18(b)	**(465,485)**	(568,842)
Net interest income		**3,415,021**	3,228,133
Other income	18(c)	**1,535,604**	1,461,376
		4,950,625	4,689,509
Operating expenses	18(d)	**(2,734,672)**	(2,736,433)
Share of profit of associated companies	6	**7,567**	6,444
Operating profit		**2,223,520**	1,959,520
Credit loss expense on financial assets	19	**(301,532)**	(158,689)
Net profit before taxation		**1,921,988**	1,800,831
Taxation expense	20	**(527,075)**	(483,742)
Net profit after taxation		**1,394,913**	**1,317,089**
Attributable to:			
Equity holders of the parent		**1,322,850**	1,252,128
Non-controlling interests		**72,063**	64,961
		1,394,913	**1,317,089**
Earnings per share (expressed in $ per share)			
Basic		**$8.17**	$7.75
Diluted		**$8.16**	$7.74
Weighted average number of shares ('000)			
Basic	16	**161,980**	161,540
Diluted	16	**162,076**	161,679

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2018	2017
Net profit after taxation	**1,394,913**	1,317,089
Other comprehensive income:		
Other comprehensive income that will be reclassified to the consolidated statement of income in subsequent periods:		
Gain on available-for-sale investments	**–**	13,042
Income tax related to above	**–**	(10,603)
Translation adjustments	**(58,092)**	10,751
Total items that will be reclassified to the consolidated statement of income in subsequent periods	**(58,092)**	13,190
Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:		
Remeasurement losses on defined benefit plans	**(107,222)**	(45,190)
Income tax related to above	**40,700**	(3,403)
Total items that will not be reclassified to the consolidated statement of income in subsequent periods	**(66,522)**	(48,593)
Other comprehensive loss for the year, net of tax	**(124,614)**	**(35,403)**
Total comprehensive income for the year, net of tax	**1,270,299**	**1,281,686**
Attributable to:		
Equity holders of the parent	**1,213,357**	1,221,382
Non-controlling interests	**56,942**	60,304
	1,270,299	**1,281,686**

Consolidated Statement of Changes in Equity

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 17)	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at September 30, 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 interests	–	–	–	271	271	748	1,019
Dividends (Note 29)	–	–	–	(705,985)	(705,985)	–	(705,985)
Dividends paid to non-controlling interests	–	–	–	–	–	(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 Changes in Equity *(continued)*

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 17)	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at October 1, 2017 as previously reported	**780,950**	**1,243,151**	**881,832**	**6,779,447**	**9,685,380**	**460,625**	**10,146,005**
Net impact of adopting IFRS 9 (Note 2.3)	–	–	(911,537)	182,776	(728,761)	(10,753)	(739,514)
Restated opening balance under IFRS 9	**780,950**	**1,243,151**	**(29,705)**	**6,962,223**	**8,956,619**	**449,872**	**9,406,491**
Total comprehensive income for the year	–	–	(42,953)	1,256,310	1,213,357	56,942	1,270,299
Issue of shares	7,762	–	–	–	7,762	–	7,762
Share-based payment	1,390	–	–	–	1,390	–	1,390
Shares purchased for profit sharing scheme	–	–	(32,141)	–	(32,141)	–	(32,141)
Allocation of shares	–	–	59,200	–	59,200	–	59,200
Transfer to statutory reserves	–	34,221	–	(34,221)	–	–	–
Non-controlling interests' share of rights issue	–	–	–	(1,332)	(1,332)	121,389	120,057
Dividends (Note 29)	–	–	–	(714,861)	(714,861)	–	(714,861)
Dividends paid to non-controlling interests	–	–	–	–	–	(19,178)	(19,178)
Share issuance costs	–	–	–	(8,494)	(8,494)	–	(8,494)
Other	–	–	–	6,698	6,698	559	7,257
Balance at September 30, 2018	**790,102**	**1,277,372**	**(45,599)**	**7,466,323**	**9,488,198**	**609,584**	**10,097,782**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2018	2017
Operating activities			
Net profit before taxation		**1,921,988**	1,800,831
Adjustments for:			
Depreciation	7	**199,220**	188,959
Credit loss expense on financial assets	19	**301,532**	158,689
Investment securities impairment expense	18(d)	**1,681**	12,260
Amortisation of intangibles	8(b)	**11,483**	11,483
Translation difference		**46,384**	(19,149)
(Gain)/loss on sale of premises and equipment		**(7,464)**	4,297
Realised (gain)/loss on investment securities		**(1,353)**	407
Share of net profit of associated companies	6	**(7,567)**	(6,444)
Stock option expense	16	**1,390**	725
Increase in employee benefits		**77,749**	58,398
Increase in advances		**(1,547,368)**	(1,330,470)
Increase in customers' deposits and other fund raising instruments		**2,751,105**	1,149,061
(Increase)/decrease in statutory deposits with Central Banks		**(1,170,947)**	270,102
(Increase)/decrease in other assets and investment interest receivable		**(24,863)**	48,694
Decrease in other liabilities and accrued interest payable		**(49,748)**	(12,237)
Taxes paid, net of refund		**(663,616)**	(468,884)
Cash provided by operating activities		**1,839,606**	**1,866,722**
Investing activities			
Purchase of investment securities		**(14,979,444)**	(7,929,920)
Redemption of investment securities		**12,667,979**	6,382,303
Non-controlling interests' share of rights issue		**122,744**	–
Acquisition of additional interest in a subsidiary	33	**(2,686)**	(720)
Dividends from associated companies	6	**3,353**	2,826
Additions to premises and equipment	7	**(353,830)**	(417,597)
Proceeds from sale of premises and equipment		**13,420**	22,130
Cash used in investing activities		**(2,528,464)**	**(1,940,978)**

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

Consolidated Statement of Cash Flows *(continued)*

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2018	2017
Financing activities			
(Decrease)/increase in balances due to other banks		**(162,882)**	176,219
Repayment of debt securities		**(811,590)**	(43,314)
Proceeds from share issue	16	**7,762**	14,275
Shares purchased for profit sharing scheme	17	**(32,141)**	(17,837)
Allocation of shares to profit sharing plan	17	**59,200**	45,662
Dividends paid to shareholders of the parent	29	**(714,861)**	(705,985)
Dividends paid to non-controlling shareholders of the subsidiaries		**(19,178)**	(19,279)
Cash used in financing activities		**(1,673,690)**	**(550,259)**
Net decrease in cash and cash equivalents		**(2,362,548)**	(624,515)
Net foreign exchange difference		**(22,853)**	41,782
Cash and cash equivalents at beginning of year		**10,214,402**	10,797,135
Cash and cash equivalents at end of year		**7,829,001**	**10,214,402**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**816,620**	803,686
Due from banks		**4,538,274**	5,166,205
Treasury Bills - original maturities of three months or less		**2,134,424**	3,870,764
Bankers' acceptances - original maturities of three months or less		**339,683**	373,747
		7,829,001	**10,214,402**
Supplemental information:			
Interest received during the year		**3,845,962**	3,740,319
Interest paid during the year		**(483,515)**	(568,468)
Dividends received	18(c)	**686**	1,693

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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 32 while associated 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 under IAS 39 before October 1, 2017 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 Republic Bank (Ghana) Limited which used twelve months to August 31, 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, have exposure or rights to the variable returns and the ability to use its power to affect the returns of the investee, generally accompanying a shareholding of more than 50% of the voting rights.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

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

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

2.3 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, 2017, except for the adoption of new standards and interpretations below.

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

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

IFRS 12 Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from January 1, 2017 and must be applied retrospectively. The adoption and amendment to this standard had no impact on the Group.

New and amended standards and interpretations

The Group early adopted IFRS 9 – Financial Instruments and IFRS 7R – Financial instruments: Disclosures Revised in the third quarter of 2018 with effect from October 1, 2017, in advance of the effective date required by the International Accounting Standards Board (IASB). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for annual periods on or after January 1, 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of October 1, 2017 and are disclosed in this Note.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New and amended standards and interpretations *(continued)*

IFRS 9 Financial Instruments *(continued)*

Changes to classification and measurement (continued)

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available-for-sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost (AC)
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39.

The Group's classification of its financial assets and liabilities is explained in Notes 2.6c (iii) and 2.6d. The quantitative impact of applying IFRS 9 as at October 1, 2017, is disclosed in the transition disclosures in this Note.

Changes to impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Group's impairment methodology are disclosed in Note 2.6g. The quantitative impact of applying IFRS 9 as at October 1, 2017, is disclosed in this Note.

IFRS 7R Financial Instruments: Disclosures Revised

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures Revised was updated and the Group has adopted it, together with IFRS 9, for the year beginning October 1, 2017. Changes include transition disclosures as shown in this Note.

Reconciliations from opening to closing ECL allowances are presented in Notes 4d and 5e.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the consolidated statement of financial position and retained earnings, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New and amended standards and interpretations *(continued)*

IFRS 9 Financial Instruments *(continued)*

Transition disclosures (continued)

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of October 1, 2017, is as follows:

	IAS 39 measurement	Reclassification	Remeasurement		IFRS 9	
	Amount		ECL	Other	Amount	Category [4]
Financial assets						
Cash and cash equivalents	803,686	–	–	–	803,686	AC
Statutory deposits with Central Banks	5,517,607	–	–	–	5,517,607	AC
Due from banks	5,166,205	–	–	–	5,166,205	AC
Treasury Bills	5,224,816	–	(484,227)	–	4,740,589	AC
Investment interest receivable	108,822	–	–	–	108,822	AC
Advances – L&R[4]	35,322,639	–	(199,723)	–	35,122,916	AC
Debt instruments – amortised cost[4]	–	–	–	–	–	
From investment securities – AFS [1]	–	11,098,600	(181,198)	(129,037)	10,788,365	
From investment securities – HTM [2]	–	890,293	–	–	890,293	
	–	**11,988,893**	**(181,198)**	**(129,037)**	**11,678,658**	**AC**
Investment securities – AFS[4]	11,133,523	–	–	–	11,133,523	
To debt instruments – amortised cost [1]	–	(11,098,600)	–	–	(11,098,600)	
To equity instruments – FVPL [3]	–	(34,923)	–	–	(34,923)	
	11,133,523	**(11,133,523)**	**–**	**–**	**–**	
Investment securities – HTM[4]	890,293	–	–	–	890,293	
To debt instruments – amortised cost [2]	–	(890,293)	–	–	(890,293)	
	890,293	**(890,293)**	**–**	**–**	**–**	
Financial assets at FVPL[4]	33,049	–	–	–	33,049	
From investment securities – AFS [3]	–	34,923	–	–	34,923	
	33,049	**34,923**	**–**	**–**	**67,972**	**FVPL**
Total Financial Assets	**64,200,640**	**–**	**(865,148)**	**(129,037)**	**63,206,455**	
Non-financial assets						
Deferred tax assets	287,763	–	–	223,118	510,881	
Total Adjusted Assets	**64,488,403**	**–**	**(865,148)**	**94,081**	**63,717,336**	

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New and amended standards and interpretations *(continued)*

IFRS 9 Financial Instruments *(continued)*

Transition disclosures (continued)

	IAS 39 measurement Amount	Reclassification	Remeasurement ECL	Remeasurement Other	IFRS 9 Amount	IFRS 9 Category [4]
Financial liabilities						
Due to banks	343,700	–	–	–	343,700	AC
Customers' current, savings and deposit accounts	50,402,800	–	–	–	50,402,800	AC
Other fund raising instruments	4,221,180	–	–	–	4,221,180	AC
Debt securities in issue	1,105,478	–	–	–	1,105,478	AC
Accrued interest payable	105,051	–	–	–	105,051	AC
Total Financial Liabilities	**56,178,209**	**–**	**–**	**–**	**56,178,209**	
Non-financial liabilities						
Deferred tax liabilities	432,536	–	–	(29,390)	403,146	
Total Adjusted Liabilities	**56,610,745**	**–**	**–**	**(29,390)**	**56,581,355**	

1

As of October 1, 2017, the Group has re-classified a portion of its previous AFS portfolio as debt instruments at amortised cost. These instruments met the solely payments of principal and interest (SPPI) criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell. The fair value of these instruments that the Group still held at September 30, 2018 was $12.4 billion. Their change in fair value over 2018, which would have been recorded in OCI had these instruments continued to be revalued through OCI, would have been $2 million.

2

As of October 1, 2017, the Group did not have any debt instruments that did not meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

3

The Group has elected the option to irrevocably designate some if its previous AFS equity instruments as equity instruments at FVPL since the portfolio is small and there would be minimal differences when accounting for these at FVOCI.

4

IAS 39 categories include Loans and receivables (L&R), Available-for-sale (AFS), Held-to-maturity (HTM) and Fair Value through profit or loss (FVPL). IFRS 9 categories include Amortised cost (AC) and Fair Value through profit or loss (FVPL).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New and amended standards and interpretations *(continued)*

IFRS 9 Financial Instruments *(continued)*

Transition disclosures (continued)

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	Stated Capital and Statutory Reserves	Other Reserves (Note 17)	Retained Earnings	Non-controlling interests	Total
Closing balance under IAS 39 (September 30, 2017)	2,024,101	881,832	6,779,447	460,625	10,146,005
Translation adjustment	–	97	8,127	–	8,224
Reclassification of investment securities from available-for-sale to amortised cost net of deferred taxation	–	(106,018)	–	–	(106,018)
Transfer of General contingency reserves to Retained earnings	–	(802,199)	802,199	–	–
Reclassification of investment securities from available-for-sale to FVPL	–	(3,417)	3,417	–	–
Initial recognition of IFRS 9 ECLs	–	–	(854,395)	(10,753)	(865,148)
Deferred tax in relation to ECL adjustments	–	–	223,428	–	223,428
Opening balance under IFRS 9 (October 1, 2017)	**2,024,101**	**(29,705)**	**6,962,223**	**449,872**	**9,406,491**

The following table reconciles the aggregate opening financial asset impairments under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances for financial assets under IFRS 9. Further details are disclosed in Notes 4d and 5e.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

New and amended standards and interpretations *(continued)*

IFRS 9 Financial Instruments *(continued)*

Transition disclosures (continued)

	Financial asset impairment under IAS 39 at September 30, 2017	Remeasure-ment	ECLs under IFRS 9 at October 1, 2017
Impairment allowance for:			
Loans and receivables per IAS 39/ financial assets at amortised cost under IFRS 9	802,167	199,723	1,001,890
Treasury Bills per IAS 39/ under IFRS 9	–	484,227	484,227
Available-for-sale debt investment securities per IAS 39/ Debt instruments at amortised cost under IFRS 9	39,052	181,198	220,250
	841,219	865,148	1,706,367
Financial guarantees	–	–	–
Letters of credit for customers	–	–	–
Other commitments	–	–	–
	–	–	–
	841,219	**865,148**	**1,706,367**

2.4 Standards in issue not yet effective

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

IFRS 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 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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 15 Revenue from Contracts with Customers (effective January 1, 2018) *(continued)*

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

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

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

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

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

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).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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 16 Leases (effective January 1, 2019) *(continued)*

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.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective January 1, 2019)

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

IAS 28 Investments in Associates and Joint Ventures - Amendments to IAS 28 (effective January 1, 2019)

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

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

Entities must apply the amendments retrospectively, with certain exceptions.

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, 2018:

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

2.6 Summary of significant accounting policies

a Cash and cash equivalents

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

b Statutory deposits with Central Banks

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

b Statutory deposits with Central Banks *(continued)*

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

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 – initial recognition

i Date of recognition

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

ii Initial measurement of financial instruments

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

iii Measurement categories of financial assets and liabilities

From October 1, 2017, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

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

Before October 1, 2017, the Group classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost), as explained in Notes 2.6d (i), 2.6d (v) and 2.6d (vi).

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

d Financial assets and liabilities

Under IFRS 9 (Policy applicable from October 1, 2017)

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

Before October 1, 2017, Due from banks, Treasury Bills, Advances to customers and Investment securities included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Group intended to sell immediately or in the near term
- That the Group, upon initial recognition, designated as at FVPL or as available-for-sale
- For which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

d Financial assets and liabilities *(continued)*

Under IFRS 9 (Policy applicable from October 1, 2017) *(continued)*

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

From October 1, 2017, the Group only measures Due from banks, Treasury Bills, Advances to customers and Investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

The SPPI test

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

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

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or FVOCI without recycling.

Business model assessment

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

d Financial assets and liabilities *(continued)*

Under IFRS 9 (Policy applicable from October 1, 2017) *(continued)*

ii Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis, or
- The assets (until September 30, 2017 under IAS 39) are part of a group of financial assets under IAS 39, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

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

iii Undrawn loan commitments

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

iv Debt securities and other fund raising instruments

Financial liabilities issued by the Group that are designated at FVPL, are classified as liabilities under Debt securities in issue and Other fund raising instruments, where the substance of the contractual arrangement results in the Group having an obligation to deliver cash to satisfy the obligation. These are initially recognised at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Under IAS 39 (Policy applicable before October 1, 2017)

v Available-for-sale financial investments

Available-for-sale financial 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

d Financial assets and liabilities *(continued)*

Under IAS 39 (Policy applicable before October 1, 2017) *(continued)*

vi Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in interest and similar income in the consolidated statement of income. The losses arising from impairment of such investments are recognised in the consolidated statement of income within credit loss expense.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

e Reclassification of financial assets and liabilities

From October 1, 2017, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2018, except on the initial adoption of IFRS 9 as required. On adoption, the Group classified its financial assets and liabilities in accordance with its existing business models.

f Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

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

Derecognition other than for substantial modification *(continued)*

Financial assets (continued)

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

Financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

g Impairment of financial assets (Policy applicable from October 1, 2017)

i Overview of the ECL principles

As described in Note 2.3 New and amended standards and interpretations, the adoption of IFRS 9 has fundamentally changed the Group's financial assets impairment methodologies by replacing the incurred loss approach under IAS 39 with a forward-looking ECL approach. From October 1, 2017, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

Based on the above process, the Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1

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

Stage 2

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

Stage 3

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

g Impairment of financial assets (Policy applicable from October 1, 2017) *(continued)*

ii The calculation of ECLs

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

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

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

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

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

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

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

Stage 2

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

g Impairment of financial assets (Policy applicable from October 1, 2017) *(continued)*

ii The calculation of ECLs *(continued)*

Stage 3

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

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

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

iii Credit cards, overdrafts and other revolving facilities

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

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

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

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

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

v Financial guarantees, letters of credit and undrawn loan commitments

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

g Impairment of financial assets (Policy applicable from October 1, 2017) *(continued)*

vi Forward looking information

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

- Currency rates
- GDP growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

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

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

h Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

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

i Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is for a repossessed asset to be sold.

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

j Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

k Impairment of financial assets (Policy applicable before October 1, 2017)

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.

l Investment in associates

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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 Investment in associates *(continued)*

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.

m 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.

n 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 consolidated statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

n Premises and equipment *(continued)*

The depreciation rates used are as follows:

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

o 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.

p 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.

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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

p Business combinations and goodwill *(continued)*

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.

q 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

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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

q Employee benefits *(continued)*

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).

r Taxation

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

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

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

s 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's deposit liabilities should not exceed 20 times the sum of its' stated capital and statutory reserves.

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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

s Statutory reserves *(continued)*

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

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

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

t 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, 2018 totalled $35.5 billion (2017: $33.3 billion).

u 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.

v 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 consolidated statement of financial position date and all resulting exchange differences are recognised in the consolidated statement of comprehensive income. All revenue and expenditure transactions are translated at an average rate.

w 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

w Intangible assets *(continued)*

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

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

x 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.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income and expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

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

Interest income and expense

The Group calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets.

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

Fee and commission income

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

x Revenue recognition *(continued)*

Dividends

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

y Fair value

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i In the principal market for the asset or liability, or

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

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

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

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

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

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

Level 3

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

y Fair value *(continued)*

Level 3 *(continued)*

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

Where the Group's 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 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 is based on a current yield curve appropriate for the remaining term to maturity.

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

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.

z 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

aa 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 30b of these consolidated financial statements.

ab Equity reserves

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

- Stated capital – Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group.
- Translation reserves – used to record exchange differences arising from the translation of the net investment in foreign operations.
- Unallocated shares – used to record the unallocated portion of shares purchased for the staff profit sharing scheme. Such shares are presented in the notes to the consolidated financial statements and are stated at cost.
- General contingency reserves/Other reserves – prior to October 1, 2017, the General contingency reserve was used as an appropriation of retained earnings for the difference between specific provisions and non-performing advances. From October 1, 2017, the balance on this reserve was transferred to Other reserves and represent regulatory reserve requirements for certain subsidiaries in the Group.
- Net unrealised gains – prior to October 1, 2017, net unrealised gains comprised changes in fair value of available-for-sale investments.
- Other statutory reserves that qualify for treatment as equity are discussed in Note 2.6s.

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 23)

Estimates and assumptions

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

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

Estimates and assumptions *(continued)*

Impairment losses on financial assets (Policy applicable under IFRS 9)

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

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

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

Impairment losses and investment valuation (Policy applicable under IAS 39)

Under IAS 39, financial assets are determined 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.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Inherent provisions on advances (Note 4(f))

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.

Other assumptions

Pension asset/liability (Note 9)

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

Goodwill (Note 8(a))

The Group's consolidated financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2018 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

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

Estimates and assumptions *(continued)*

Other assumptions *(continued)*

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.

4 ADVANCES

a Advances

September 30, 2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Performing advances	5,608,180	10,057,315	15,723,834	3,625,987	1,103,966	36,119,282
Non-performing advances	179,907	657,136	614,313	109,169	48,120	1,608,645
	5,788,087	10,714,451	16,338,147	3,735,156	1,152,086	37,727,927
Unearned interest/finance charge	(56,996)	(41,620)	–	–	–	(98,616)
Accrued interest	7,786	86,842	37,743	10,694	–	143,065
	5,738,877	10,759,673	16,375,890	3,745,850	1,152,086	37,772,376
Allowance for ECLs – Note 4d	(165,334)	(480,861)	(219,579)	(103,350)	(80,746)	(1,049,870)
	5,573,543	10,278,812	16,156,311	3,642,500	1,071,340	36,722,506
Unearned loan origination fees	(54,685)	(43,981)	(65,703)	–	–	(164,369)
Net advances	**5,518,858**	**10,234,831**	**16,090,608**	**3,642,500**	**1,071,340**	**36,558,137**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

a Advances *(continued)*

October 1, 2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Performing advances	4,902,530	11,658,659	13,982,219	3,011,660	1,055,831	34,610,899
Non-performing advances	162,379	687,234	599,222	108,283	38,038	1,595,156
	5,064,909	12,345,893	14,581,441	3,119,943	1,093,869	36,206,055
Unearned interest/finance charge	(49,807)	(44,772)	–	–	–	(94,579)
Accrued interest	8,740	99,234	35,992	11,173	–	155,139
	5,023,842	12,400,355	14,617,433	3,131,116	1,093,869	36,266,615
Allowance for ECLs – Note 4d	(141,522)	(468,628)	(235,676)	(80,363)	(75,701)	(1,001,890)
	4,882,320	11,931,727	14,381,757	3,050,753	1,018,168	35,264,725
Unearned loan origination fees	(45,467)	(39,627)	(56,715)	–	–	(141,809)
Net advances	**4,836,853**	**11,892,100**	**14,325,042**	**3,050,753**	**1,018,168**	**35,122,916**

	2018	2017
b Net investment in leased assets included in net advances		
Gross investment	**189,127**	209,547
Unearned finance charge	**(22,604)**	(29,231)
Net investment in leased assets	**166,523**	**180,316**
c Maturity profile of net investment in leased assets		
Within one year	**11,029**	6,825
One to five years	**124,775**	51,181
Over five years	**30,719**	122,310
	166,523	**180,316**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

d Impairment allowance for advances to customers

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

September 30, 2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Gross Loans	5,738,877	10,759,673	16,375,890	3,745,850	1,152,086	37,772,376
Stage 1: 12 Month ECL	(56,761)	(51,217)	(58,229)	(25,327)	(26,071)	(217,605)
Stage 2: Lifetime ECL	(2,981)	(32,035)	(14,543)	(5,355)	(13,270)	(68,184)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(105,592)	(397,609)	(146,807)	(72,668)	(41,405)	(764,081)
	5,573,543	**10,278,812**	**16,156,311**	**3,642,500**	**1,071,340**	**36,722,506**

October 1, 2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Gross Loans	5,023,842	12,400,355	14,617,433	3,131,116	1,093,869	36,266,615
Stage 1: 12 Month ECL	(53,084)	(58,326)	(55,105)	(23,398)	(25,496)	(215,409)
Stage 2: Lifetime ECL	(2,277)	(53,840)	(15,968)	(4,872)	(15,330)	(92,287)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(86,161)	(356,462)	(164,603)	(52,093)	(34,875)	(694,194)
	4,882,320	**11,931,727**	**14,381,757**	**3,050,753**	**1,018,168**	**35,264,725**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2017 under IFRS 9	53,084	58,326	55,105	23,398	25,496	215,409
Translation adjustments	(681)	(861)	(244)	(1,397)	(2)	(3,185)
ECL on new instruments issued during the year	22,577	20,902	4,791	–	–	48,270
Other Credit Loss movements, repayments etc.	(18,219)	(27,150)	(1,423)	3,326	577	(42,889)
At September 30, 2018	**56,761**	**51,217**	**58,229**	**25,327**	**26,071**	**217,605**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

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

	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2017 under IFRS 9	2,277	53,840	15,968	4,872	15,330	92,287
Translation adjustments	(28)	(376)	(628)	(1)	(1)	(1,034)
ECL on new instruments issued during the year	1,142	5,249	2,134	–	–	8,525
Other Credit Loss movements, repayments etc.	(410)	(26,678)	(2,931)	484	(2,059)	(31,594)
At September 30, 2018	**2,981**	**32,035**	**14,543**	**5,355**	**13,270**	**68,184**
Stage 3: Credit Impaired Financial Assets - Lifetime ECL						
ECL allowance as at October 1, 2017 under IFRS 9	86,161	356,462	164,603	52,093	34,875	694,194
Translation adjustments	(2,455)	(16,719)	(4,679)	(4,387)	(2)	(28,242)
Charge-offs and write-offs	(56,576)	(49,169)	(41,445)	(4,659)	(12,375)	(164,224)
Credit Loss Expense	104,378	177,825	36,546	33,281	27,378	379,408
Recoveries	(25,916)	(70,790)	(8,218)	(3,660)	(8,471)	(117,055)
At September 30, 2018	**105,592**	**397,609**	**146,807**	**72,668**	**41,405**	**764,081**
Total	**165,334**	**480,861**	**219,579**	**103,350**	**80,746**	**1,049,870**

Of the Total ECL of $1,050 million, 13% was on a collective basis and 87% was on an individual basis.

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

e Restructured / Modified Loans

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

f Advances to customers as at September 30, 2017

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 charge	(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	(165,688)	(464,545)	(171,934)	(802,167)
	6,195,667	15,723,378	13,545,403	35,464,448
Unearned loan origination fees	(45,467)	(39,627)	(56,715)	(141,809)
Net advances	**6,150,200**	**15,683,751**	**13,488,688**	**35,322,639**

An analysis of the allowance for impairment losses under IAS 39 for loans and advances, by class, for the year to September 30, 2017 is as follows:

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**
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**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

5 INVESTMENT SECURITIES

		2018	2017
a	**Available-for-sale**		
	Government securities	–	4,838,798
	State-owned company securities	–	1,483,426
	Corporate bonds/debentures	–	4,268,628
	Bankers' acceptances	–	507,747
	Equities and mutual funds	–	34,924
		–	**11,133,523**
b	**Held to maturity**		
	Government securities	–	115,441
	State-owned company securities	–	738,446
	Corporate bonds/debentures	–	21,659
	Fixed deposits and venture capital funds	–	14,747
		–	**890,293**
c	**Designated at fair value through profit or loss**		
	Equities and mutual funds	**79,259**	33,049
		79,259	**33,049**
d	**Debt instruments at amortised cost**		
	Government securities	**4,949,748**	–
	State-owned company securities	**2,734,117**	–
	Corporate bonds/debentures	**4,238,771**	–
	Bankers' acceptances	**460,907**	–
	Fixed deposits and venture capital funds	**15,757**	–
		12,399,300	**–**
	Total investment securities	**12,478,559**	**12,056,865**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

5 INVESTMENT SECURITIES *(continued)*

e Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

September 30, 2018	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired Financial Assets –Lifetime ECL	Total
Gross exposure	10,891,593	1,299,599	465,724	12,656,916
ECL	(6,630)	(37,456)	(213,530)	(257,616)
Net exposure	**10,884,963**	**1,262,143**	**252,194**	**12,399,300**

October 1, 2017	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired Financial Assets –Lifetime ECL	Total
Gross exposure	10,410,807	1,359,204	128,897	11,898,908
ECL	(5,065)	(176,133)	(39,052)	(220,250)
Net exposure	**10,405,742**	**1,183,071**	**89,845**	**11,678,658**
ECL allowance as at October 1, 2017 under IFRS 9	5,065	176,133	39,052	220,250
Translation adjustments	(6)	362	(5,879)	(5,523)
ECL on new instruments issued during the year	1,624	528	–	2,152
Other Credit Loss movements, repayments and maturities	(53)	(139,567)	180,357	40,737
At September 30, 2018	**6,630**	**37,456**	**213,530**	**257,616**

f Designated at fair value through profit or loss

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

6 INVESTMENT IN ASSOCIATED COMPANIES

	2018	2017
Balance at beginning of year	**79,139**	75,491
Share of profit	**7,567**	6,444
Dividends received	**(3,353)**	(2,826)
Exchange adjustments	**(3)**	30
Balance at end of year	**83,350**	**79,139**

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:

	2018	2017
Total assets	**5,537,920**	5,382,197
Total liabilities	**4,985,280**	4,943,327
Net assets/equity	**552,639**	438,870
Group's share of associates' net assets	**83,350**	79,139
Profit for the period	**143,908**	88,862
Group's share of profit of associated companies after tax for the period	**7,567**	6,444
Dividends received during the year	**3,353**	2,826

7 PREMISES AND EQUIPMENT

2018	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	502,908	1,542,844	220,130	1,898,859	4,164,741
Exchange and other adjustments	(1,350)	(1,281)	(7,806)	(8,855)	(19,292)
Additions at cost	236,835	15,062	12,290	89,643	353,830
Disposal of assets	–	(2,206)	(8,051)	(111,529)	(121,786)
Transfer of assets	(456,293)	357,918	–	98,375	–
	282,100	**1,912,337**	**216,563**	**1,966,493**	**4,377,493**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

7 PREMISES AND EQUIPMENT *(continued)*

2018	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Accumulated depreciation					
At beginning of year	–	217,145	113,309	1,483,965	1,814,419
Exchange and other adjustments	–	17,339	(603)	(29,418)	(12,682)
Charge for the year	–	24,028	14,015	161,177	199,220
Disposal of assets	–	(406)	(10,243)	(94,236)	(104,885)
	–	**258,106**	**116,478**	**1,521,488**	**1,896,072**
Net book value	**282,100**	**1,654,231**	**100,085**	**445,005**	**2,481,421**

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**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

7 PREMISES AND EQUIPMENT *(continued)*

Capital commitments

	2018	2017
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	**120,901**	329,020
Other capital expenditure authorised by the Directors but not yet contracted for	**46,970**	30,357

8 INTANGIBLE ASSETS

		2018	2017
a	Goodwill	**393,009**	393,009
b	Core deposits	**957**	12,440
		393,966	**405,449**

		2018	2017
a	**Goodwill**		
	Goodwill on acquisition brought forward	**393,009**	393,009
	Goodwill written off during the year	**–**	–
		393,009	**393,009**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited and Republic 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:

	Republic 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	125	144	32	92	393
Basis for recoverable amount	Value-in-use	Value-in-use	Value-in-use	Value-in-use	
Discount rate	16%	15%	9%	15%	
Cash flow projection term	10 yrs	10 yrs	10yrs	5 yrs	
Terminal Growth rate	3.5%	2.0%	2.8%	2.0%	

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

8 INTANGIBLE ASSETS *(continued)*

b Core deposits

	2018	2017
Cost		
At beginning and end of year	**40,189**	**40,189**
Accumulated amortisation		
At beginning of year	**27,749**	16,266
Amortisation	**11,483**	11,483
	39,232	**27,749**
Net book value	**957**	**12,440**

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

9 EMPLOYEE BENEFITS

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

	Defined benefit pension plans			
	Pension assets		Pension liabilities	
	2018	2017	2018	2017
Present value of defined benefit obligation	**(3,168,372)**	(2,934,444)	**(271,567)**	(366,774)
Fair value of plan assets	**4,002,045**	3,913,740	**287,446**	348,594
Surplus/(deficit)	**833,673**	979,296	**15,879**	(18,180)
Effect of asset ceiling	**(12,001)**	(10,545)	**(93,085)**	(69,196)
Asset/(liability) recognised in the consolidated statement of financial position	**821,672**	**968,751**	**(77,206)**	**(87,376)**

	Post-retirement medical benefits	
	2018	2017
Present value of defined benefit obligation	**(520,324)**	(474,691)
Fair value of plan assets	**–**	–
Liability recognised in the consolidated statement of financial position	**(520,324)**	**(474,691)**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

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	
	2018	2017	2018	2017
Opening defined benefit obligation	**3,301,218**	3,150,413	**474,691**	430,929
Exchange adjustments	**1,615**	6,413	**(73)**	430
Current service cost	**124,826**	124,730	**26,439**	21,374
Interest cost	**189,389**	182,203	**25,939**	23,496
Members' contributions	**1,934**	1,412	**–**	–
Past service cost	**7,418**	3,546	**–**	(11,815)
Remeasurements:				
- Experience adjustments	**(1,154)**	(21,200)	**2,515**	22,047
- Actuarial losses from change in demographic assumptions	**(55,371)**	(26,165)	**(1,169)**	(1,755)
- Actuarial losses from change in financial assumptions	**(405)**	(863)	**(354)**	(1,634)
Benefits paid	**(129,531)**	(119,271)	**(1,645)**	(2,677)
Premiums paid by the Group	**–**	–	**(6,019)**	(5,704)
Closing defined benefit obligation	**3,439,939**	**3,301,218**	**520,324**	**474,691**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Defined benefit obligation at prior year end	**881,375**	943,491	**474,691**	430,929
Exchange adjustments	**(301)**	(2,635)	**(76)**	433
Opening defined benefit obligation	**881,074**	940,856	**474,615**	431,362
Net pension cost	**(86,781)**	(78,491)	**52,378**	33,055
Remeasurements recognised in other comprehensive income	**(106,227)**	(26,535)	**995**	18,655
Contributions / Premiums	**56,400**	45,545	**(7,664)**	(8,381)
Closing pension asset	**744,466**	**881,375**	**520,324**	**474,691**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

d Liability profile

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

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	45% to100%	70% to 84%
- Deferred members	2% to 8%	N/A
- Pensioners	19% to 48%	16% to 40%

The weighted duration of the defined benefit obligation ranged from 11.9 to 24.8 years.

28% to 38% of the defined benefit obligation for active members was conditional on future salary increases.

98% 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 2018	2017
Opening fair value of plan assets	**4,262,334**	4,104,413
Exchange adjustments	**1,305**	3,785
Interest income	**217,256**	211,276
Return on plan assets, excluding interest income	**(118,250)**	17,079
Contributions by employer	**56,418**	45,545
Members' contributions	**1,934**	1,412
Benefits paid	**(129,531)**	(119,271)
Expense allowance	**(1,975)**	(1,905)
Closing fair value of plan assets	**4,289,491**	**4,262,334**
Actual return on plan assets	**122,859**	**196,571**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

f Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		% Allocation	
	2018	2017	2018	2017
Equity securities	**1,935,734**	1,815,823	**45.24%**	42.73%
Debt securities	**1,940,285**	1,907,419	**45.34%**	44.88%
Property	**11,716**	13,760	**0.27%**	0.32%
Mortgages	**6,193**	6,382	**0.14%**	0.15%
Money market instruments/cash	**385,068**	506,274	**9.01%**	11.92%
Total fair value of plan assets	**4,278,996**	**4,249,658**	**100.0%**	**100.0%**

As at September 30, 2018, plan assets of $10.5 million for one of the Group's subsidiaries are held by an insurance company. These assets are not separately identifiable and the 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	
	2018	2017	2018	2017
Current service cost	**124,826**	124,730	**26,439**	21,374
Interest on defined benefit obligation	**(47,438)**	(47,577)	**25,939**	23,496
Past service cost	**7,418**	3,546	**–**	(11,815)
Administration expenses	**1,975**	(2,208)	**–**	–
Total included in staff costs	**86,781**	**78,491**	**52,378**	**33,055**

h Remeasurements recognised in other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Experience losses	**(105,351)**	(27,077)	**(995)**	(18,655)
Effect of asset ceiling	**(876)**	542	**–**	–
Total included in other comprehensive income	**(106,227)**	**(26,535)**	**(995)**	**(18,655)**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

i Summary of principal actuarial assumptions as at September 30

	2018 %	2017 %
Discount rate	**4.30 - 8.50**	4.20 - 7.75
Rate of salary increase	**3.50 - 10.53**	4.00 - 10.50
Pension increases	**0.00 - 3.00**	0.00 - 3.00
Medical cost trend rates	**3.00 - 7.00**	3.00 - 7.00
NIS ceiling rates	**3.00 - 5.00**	3.00 - 5.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2018 are as follows:

	Defined benefit pension plans 2018	2017
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	**14.6 to 24.7**	14.6 to 24.6
- Female	**18.4 to 26.9**	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 36.2
- Female	**18.4 to 42.1**	18.4 to 42.1

j Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2018 would have changed as a result of a change in the assumptions used.

	Defined benefit pension plans		Post-retirement medical benefits	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
- Discount rate	(440,832)	568,062	(92,673)	125,610
- Future salary increases	221,317	(189,367)	371	(322)
- Future pension cost increases	258,865	(258,285)	–	–
- Medical cost increases	–	–	122,324	(91,755)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2018 by $73.08 million and the post-retirement medical benefit by $18.15 million.

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

k Funding

The Group meets the entire cost of funding the defined benefit pension plans. The funding requirements are based on regular actuarial valuations of the Plans which are made every three years. The assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $35 million to the pension plans in the 2019 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 $12.6 million to the medical plan in the 2019 financial year.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

	Opening Balance 2017	Impact of IFRS9 (Note 2.3)	Exchange and other adjustments	Credit/(Charge) Consolidated statement of income	Credit/(Charge) OCI	Closing Balance 2018
Post-retirement medical benefits	181,517	–	32	5,218	8,983	**195,750**
Leased assets	3,375	–	–	(1,701)	–	**1,674**
Unrealised reserve	1,771	(559)	(1,212)	–	–	**–**
Unearned loan origination fees	45,156	–	193	4,755	–	**50,104**
Premises and equipment	–	–	123	7,477	–	**7,600**
Provisions	44,621	223,677	273	57,090	–	**325,661**
Other	11,323	–	(2,905)	1,999	–	**10,417**
	287,763	**223,118**	**(3,496)**	**74,838**	**8,983**	**591,206**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

b Deferred tax liabilities

				Charge/(Credit)		
	Opening Balance 2017	Impact of IFRS9 (Note 2.3)	Exchange and other adjustments	Consolidated statement of income	OCI	Closing Balance 2018
Pension asset	339,392	–	(30)	(19,726)	(31,717)	**287,919**
Leased assets	25,020	–	–	(5,137)	–	**19,883**
Premises and equipment	38,919	–	–	(14,801)	–	**24,118**
Unrealised reserve	28,175	(29,385)	1,210	–	–	**–**
Other	1,030	(5)	(1,173)	(3)	–	**(151)**
	432,536	**(29,390)**	**7**	**(39,667)**	**(31,717)**	**331,769**
Net credit to consolidated statement of income (Note 20)				**114,505**		

11 OTHER ASSETS

	2018	2017
Accounts receivable and prepayments	**260,911**	271,550
Project financing reimbursables	**2,235**	2,080
Deferred commission and fees	**8,430**	7,466
Other	**96,391**	104,312
	367,967	**385,408**

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2018	2017
State	**4,771,612**	4,712,318
Corporate and commercial	**13,687,503**	13,305,499
Personal	**30,333,451**	29,347,394
Other financial institutions	**3,560,846**	2,777,740
Other	**303,136**	259,849
	52,656,548	**50,402,800**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

13 OTHER FUND RAISING INSTRUMENTS

At September 30, 2018, investment securities held to secure other fund raising instruments of the Group amounted to $4.3 billion (2017: $3.2 billion).

Concentration of other fund raising instruments

	2018	2017
State	**2,330,276**	2,351,969
Corporate and commercial	–	22,418
Personal	**753,394**	630,841
Other financial institutions	**1,508,239**	1,031,201
Other	**126,628**	184,751
	4,718,537	**4,221,180**

14 DEBT SECURITIES IN ISSUE

	2018	2017
Unsecured		
a Fixed rate bonds	–	800,800
b Floating rate bonds	**82,824**	78,056
	82,824	**878,856**
Secured		
a Floating rate bonds	**210,558**	221,262
b Fixed rate bonds	–	4,963
c Mortgage pass-through certificates	**506**	397
	211,064	**226,622**
Total debt securities in issue	**293,888**	**1,105,478**

Unsecured obligations

a In 2017, the fixed rate bonds included a Trinidad and Tobago dollar subordinated bond issued by Republic Bank Limited at a fixed rate of interest of 8.55% per annum. This bond matured in February 2018.

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

Secured obligations

a For Republic Bank Limited, the floating rate bonds are denominated in Trinidad and Tobago dollars at floating rates linked to an average of all banks prime lending rate and are unconditional secured obligations of the Bank. There is a pledged 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 that equal to the bonds issued as collateral security for the bond holders. Other floating rate bonds are also denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

14 DEBT SECURITIES IN ISSUE *(continued)*

Secured obligations *(continued)*

b The fixed rate bond in 2017 was denominated in Trinidad and Tobago dollars and secured by property and equipment under leased assets. This bond matured in 2018.

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

15 OTHER LIABILITIES

	2018	2017
Accounts payable and accruals	**1,109,139**	961,275
Deferred income	**1,132**	10,709
Other	**213,618**	241,815
	1,323,889	**1,213,799**

16 STATED CAPITAL

Authorised

An unlimited number of shares of no par value

	Number of ordinary shares 2018 '000	Number of ordinary shares 2017 '000	2018 $'000	2017 $'000
Issued and fully paid				
At beginning of year	**161,672**	161,276	**780,950**	765,950
Shares issued/proceeds from shares issued	**91**	171	**7,762**	14,275
Shares purchased for profit sharing scheme	**(313)**	(163)	**–**	–
Share-based payment	**–**	–	**1,390**	725
Allocation of shares	**526**	388	**–**	–
At end of year	**161,976**	**161,672**	**790,102**	**780,950**

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

	2018	2017
Weighted average number of ordinary shares	**161,980**	161,540
Effect of dilutive stock options	**96**	139
Weighted average number of ordinary shares adjusted for the effect of dilution	**162,076**	**161,679**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

17 OTHER RESERVES

	Translation reserves	Unallocated shares	General contingency reserves/Other reserves	Net unrealised gains	Total
Balance at October 1, 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**
Translation adjustments	(30,060)	–	27,906	2,250	97
Reclassification of debt securities from available-for-sale to amortised cost	–	–	–	(106,018)	(106,018)
Transfer of General contingency reserves to Retained earnings	–	–	(802,199)	–	(802,199)
Reclassification of investment securities from available-for-sale to FVPL	–	–	–	(3,417)	(3,417)
Opening balance under IFRS 9 (October 1, 2017)	37,334	(86,223)	19,183	–	(29,705)
Translation adjustments	(42,953)	–	–	–	(42,953)
Shares purchased for profit sharing scheme	–	(32,141)	–	–	(32,141)
Allocation of shares	–	59,200	–	–	59,200
Balance at September 30, 2018	**(5,619)**	**(59,164)**	**19,183**	**–**	**(45,599)**

General contingency reserves / Other reserves

Prior to the adoption of IFRS 9, a General contingency reserve was created as a voluntary appropriation of retained earnings for the difference between the specific provision and non-performing advances. With the adoption of IFRS 9 and the enhanced provisioning levels, the Group has opted to reduce the level of General contingency reserves held and has included the transfer of a portion of these reserves to retained earnings in the consolidated statement of changes in equity, under 'Net impact of adopting IFRS 9'. The remaining balance was transferred to Other reserves and represents the regulatory reserve requirements for certain subsidiaries in the Group.

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Financial Holdings Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2018, shares costing $59.2 million (2017: $86.2 million) remain unallocated from the profit sharing scheme. Refer to Note 28a.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

17 OTHER RESERVES *(continued)*

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

	Number of ordinary shares 2018 000's	2017 000's
Balance brought forward	**773**	998
Add shares purchased	**313**	163
Allocation of shares	**(526)**	(388)
Balance carried forward	**560**	**773**

18 OPERATING PROFIT

		2018	2017
a	**Interest income**		
	Advances	**3,137,834**	3,080,593
	Investment securities	**613,201**	551,933
	Liquid assets	**129,471**	164,449
		3,880,506	**3,796,975**
b	**Interest expense**		
	Customers' current, savings and deposit accounts	**321,930**	375,935
	Other fund raising instruments and debt securities in issue	**125,614**	161,390
	Other interest bearing liabilities	**17,941**	31,517
		465,485	**568,842**
c	**Other income**		
	Fees and commission from trust and other fiduciary activities	**280,725**	295,986
	Other fees and commission income	**783,256**	717,307
	Net exchange trading income	**291,208**	261,611
	Dividends	**686**	1,693
	Net gains from investments at fair value through profit or loss	**92**	125
	Net gains on derecognition of financial instruments	**6,297**	8,949
	Other operating income	**173,340**	175,705
		1,535,604	**1,461,376**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

18 OPERATING PROFIT *(continued)*

d Operating expenses

	2018	2017
Staff costs	**1,046,870**	1,037,771
Staff profit sharing - Note 28a	**132,739**	125,872
Employee benefits pension and medical contribution - Note 9g	**139,159**	111,546
General administrative expenses	**922,108**	944,602
Operating lease payments	**65,773**	61,894
Property related expenses	**117,639**	145,970
Depreciation expense - Note 7	**199,220**	188,959
Advertising and public relations expenses	**87,512**	84,232
Intangible amortisation expense	**11,482**	11,482
Investment impairment expense	**1,681**	12,260
Directors' fees	**10,489**	11,845
	2,734,672	**2,736,433**

e Non-cancellable operating lease commitments

	2018	2017
Within one year	**36,620**	36,930
One to five years	**93,291**	89,651
Over five years	**7,956**	19,391
	137,867	**145,972**

19 CREDIT LOSS EXPENSE

	2018	2017
Advances (Note 4d)	**244,665**	158,689
Debt instruments measured at amortised cost (Note 5e)	**42,889**	–
Treasury Bills	**13,978**	–
	301,532	**158,689**

20 TAXATION EXPENSE

	2018	2017
Corporation tax	**641,580**	535,294
Deferred tax	**(114,505)**	(51,552)
	527,075	**483,742**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

20 TAXATION EXPENSE *(continued)*

Reconciliation between taxation expense and net profit before taxation

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

	2018	2017
Net profit before taxation	**1,921,988**	1,800,831
Tax at applicable statutory tax rates	**601,057**	529,658
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(28,686)**	(34,576)
Non-deductible expenses	**79,241**	39,273
Allowable deductions	**(92,129)**	(51,552)
Change in tax rates	**(33,259)**	168
Provision for other taxes	**851**	771
	527,075	**483,742**

The Group has tax losses in one (2017: two) of its subsidiaries amounting to $37.8 million (2017: $104.7 million). No deferred tax asset has been recognised for the tax losses on this subsidiary in the consolidated financial statements since it is not anticipated that there will be sufficient future taxable profits to offset these losses.

21 RISK MANAGEMENT

21.1 General

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

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

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

The Board of Directors has ultimate responsibility for the management of risk within the Group. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.1 General *(continued)*

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

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

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

21.2 Credit risk

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

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

21.2.1 Analysis of risk concentration

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

	Gross maximum exposure	
	2018	2017
Statutory deposits with Central Banks	**6,688,554**	5,517,607
Due from banks	**4,538,274**	5,166,205
Treasury Bills	**4,438,251**	5,224,816
Advances	**36,558,137**	35,322,639
Investment securities	**12,399,300**	11,974,145
Investment interest receivable	**155,439**	108,822
Total	**64,777,955**	**63,314,234**
Undrawn commitments	**6,653,735**	6,078,901
Acceptances	**995,932**	1,081,292
Guarantees and indemnities	**268,598**	227,111
Letters of credit	**264,721**	229,362
Total	**8,182,986**	**7,616,666**
Total credit risk exposure	**72,960,941**	**70,930,900**

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

a Industry sectors

The following table shows the risk concentration by industry for the components of the consolidated statement of financial position. Additional disclosures for credit quality and the maximum exposure for credit risk per categories based on the Group's internal credit rating system and year-end stage classification are further disclosed in Notes 4d and 5e.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.1 Analysis of risk concentration *(continued)*

a Industry sectors *(continued)*

	2018	2017
Government and Central Government Bodies	**18,324,613**	21,288,403
Financial sector	**9,902,188**	9,461,456
Energy and mining	**1,388,718**	1,664,237
Agriculture	**339,738**	302,337
Electricity and water	**1,478,323**	407,356
Transport, storage and communication	**896,364**	963,729
Distribution	**5,273,842**	4,541,774
Real estate	**3,752,496**	3,836,913
Manufacturing	**2,560,448**	2,277,527
Construction	**2,470,373**	1,967,375
Hotel and restaurant	**1,599,929**	1,737,362
Personal	**18,635,534**	16,894,212
Other services	**6,338,375**	5,588,219
	72,960,941	**70,930,900**

Credit exposure with state-owned bodies have been categorised according to the service offered by the organisation rather than within 'Government and Central Government Bodies'.

b Geographical sectors

The Group's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of its counterparties:

	2018	2017
Trinidad and Tobago	**42,851,255**	41,775,897
Barbados	**8,375,874**	9,082,530
Eastern Caribbean	**1,624,815**	1,713,010
Guyana	**5,660,964**	4,587,187
United States	**3,891,170**	5,031,568
Europe	**2,109,303**	1,354,843
Suriname	**2,049,802**	1,168,790
Ghana	**2,843,917**	2,601,602
Other Countries	**3,553,841**	3,615,473
	72,960,941	**70,930,900**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.2 Impairment assessment (Policy applicable from October 1, 2017)

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines. The Group's impairment assessment and measurement approach is set out below.

21.2.3 Default and recovery

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once recovered depends on the updated credit grade at the time of recovery.

21.2.4 The Group's internal rating and PD estimation process

Commercial and corporate lending and mortgages

The Group has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A vintage approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends and historical default rates, management applied judgmental overlays based on expectations. As previously mentioned, LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on an individual level including estimating the present value of future cash flows. EAD equals the loan balance outstanding plus accrued interest.

Retail lending and mortgages

Product types were selected as cohort for PD analyses for retail lending and retail mortgages. A vintage approach was applied looking at the number of defaults by segment over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends, management applied judgmental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

Overdrafts and credit cards

Many corporate customers are extended overdraft facilities and the PDs developed for the Corporate portfolio were therefore applied. LGDs for the corporate portfolio were also utilised for overdrafts. EADs were developed based on historical trends in utilisation of overdraft limits. ECL percentages for the retail portfolio were utilised for retail overdrafts. PDs for the credit card portfolio were developed using default percentages over a period of time. EADs were developed based on historical trends in utilisation of credit card limits and LGD percentage estimates were developed based on historical loss trends for a sample of credit card non-performing facilities.

Management judgmentally applied overlays as required as there was no noted correlation between macroeconomic trends and historical default rates.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.4 The Group's internal rating and PD estimation process *(continued)*

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

Treasury Bills and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short term funds placed with Central Banks and correspondent banks and the Group therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to be zero, with the exception of the Group's exposure to the Government of Barbados. See Note 34.

Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. As a result, the Group considers the risk of default to be very low and the ECLs on these instruments were determined to be zero.

21.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 21.2.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Notes to the Consolidated Financial Statements

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21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.6g (i) dependant on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The commercial and corporate lending and overdraft portfolio
- The mortgage portfolio
- The retail lending portfolio
- The credit card portfolio

Asset classes where the Group calculates ECL on a collective basis include:

- The retail overdraft portfolio
- Subsidiaries with small, homogeneous retail portfolios
- Past due not yet relegated credit facilities

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows:

	2018	2017
Advances		
Stage 1	**76%**	80%
Stage 2	**19%**	16%
Stage 3	**5%**	4%
	100.0%	**100.0%**

Notes to the Consolidated Financial Statements

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21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

September 30, 2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1						
Gross loans	5,136,442	6,405,521	14,198,489	2,225,639	916,431	28,882,522
ECL	(56,761)	(51,217)	(58,229)	(25,327)	(26,071)	(217,605)
	5,079,681	**6,354,304**	**14,140,260**	**2,200,312**	**890,360**	**28,664,917**
ECL as a % of Gross loans	1.1%	0.8%	0.4%	1.1%	2.8%	0.8%

October 1, 2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1						
Gross loans	4,543,879	9,007,002	12,478,381	2,052,294	809,343	28,890,899
ECL	(53,084)	(58,326)	(55,105)	(23,398)	(25,496)	(215,409)
	4,490,795	**8,948,676**	**12,423,276**	**2,028,896**	**783,847**	**28,675,490**
ECL as a % of Gross loans	1.2%	0.6%	0.4%	1.1%	3.2%	0.7%

The ECLs of Stage 1 remained stable from 2017 to 2018.

September 30, 2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2						
Gross loans	422,528	3,697,018	1,563,088	1,411,041	187,536	7,281,211
ECL	(2,981)	(32,035)	(14,543)	(5,355)	(13,270)	(68,184)
	419,547	**3,664,983**	**1,548,545**	**1,405,686**	**174,266**	**7,213,027**
ECL as a % of Gross loans	0.7%	0.9%	0.9%	0.4%	7.1%	0.9%

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

October 1, 2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2						
Gross loans	317,585	2,706,119	1,539,830	970,538	246,487	5,780,559
ECL	(2,277)	(53,840)	(15,968)	(4,872)	(15,330)	(92,287)
	315,308	**2,652,279**	**1,523,862**	**965,666**	**231,157**	**5,688,272**
ECL as a % of Gross loans	0.7%	2.0%	1.0%	0.5%	6.2%	1.6%

The decrease in ECLs of Stage 2 portfolios was driven by a restructure of the Government of Barbados debt instruments which were reclassified to Stage 3 in 2018, mitigated by a 25% increase in the gross size of the portfolio in other territories.

September 30, 2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 3						
Gross loans	179,907	657,134	614,313	109,169	48,120	1,608,643
ECL	(105,592)	(397,609)	(146,807)	(72,668)	(41,405)	(764,081)
	74,315	**259,525**	**467,506**	**36,501**	**6,715**	**844,562**
ECL as a % of Gross loans	58.7%	60.5%	23.9%	66.6%	86.0%	47.5%

October 1, 2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 3						
Gross loans	162,379	687,235	599,222	108,283	38,038	1,595,157
ECL	(86,161)	(356,462)	(164,603)	(52,093)	(34,875)	(694,194)
	76,218	**330,773**	**434,619**	**56,190**	**3,163**	**900,963**
ECL as a % of Gross loans	53.1%	51.9%	27.5%	48.1%	91.7%	43.5%

The increase in ECLs of Stage 3 portfolios was driven by a 1% increase in the gross size of the portfolio, movements between stages as a result of increases in credit risk and variations in the underlying security arrangements.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

Investment securities

	2018	2017
Stage 1	**86.1%**	87.5%
Stage 2	**10.3%**	11.4%
Stage 3	**3.7%**	1.1%
	100.0%	**100.0%**

September 30, 2018	Stage 1	Stage 2	Stage 3	Total
Gross balance	10,891,593	1,299,599	465,724	12,656,916
ECL	(6,630)	(37,456)	(213,530)	(257,616)
	10,884,963	**1,262,143**	**252,194**	**12,399,300**
ECL as a % of Gross investments	0.1%	2.9%	45.8%	2.0%

October 1, 2017	Stage 1	Stage 2	Stage 3	Total
Gross balance	10,410,807	1,359,204	128,897	11,898,908
ECL	(5,065)	(176,133)	(39,052)	(220,250)
	10,405,742	**1,183,071**	**89,845**	**11,678,658**
ECL as a % of Gross investments	0.0%	13.0%	30.3%	1.9%

The increase in ECLs was driven by a 7% increase in the gross size of the portfolio.

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.

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For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.3 Liquidity risk *(continued)*

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.

21.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at September 30 based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position. Refer to Note 27 for a maturity analysis of assets and liabilities.

Financial liabilities - on consolidated statement of financial position

2018	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Customers' current, savings and deposit accounts	44,228,228	8,026,259	424,894	–	52,679,381
Other fund raising instruments	–	4,589,376	344,599	166,540	5,100,515
Debt securities in issue	–	167,156	49,907	96,745	313,808
Due to banks	27,711	243,516	–	–	271,227
Other liabilities	368,562	221,230	12,684	–	602,476
Total undiscounted financial liabilities	**44,624,501**	**13,247,537**	**832,084**	**263,285**	**58,967,407**

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**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

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

2018	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Acceptances	178,448	558,861	258,453	170	995,932
Guarantees and indemnities	41,799	180,041	14,425	32,333	268,598
Letters of credit	188,452	76,269	–	–	264,721
Total	**408,699**	**815,171**	**272,878**	**32,503**	**1,529,251**

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**

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

21.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

21.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group has an Asset/Liability Committee which reviews on a monthly basis the non-credit and non-operational risk for the Parent and each subsidiary. Asset and Liability management is a vital part of the risk management process of the Group. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Group, including interest rate, foreign exchange, liquidity and market risks.

The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor and country. The Group is committed to refining and defining these tools to be in line with international best practice.

The table over leaf 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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. Prior to October 1, 2017, 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			
	Change in basis points	2018 Increase	2018 Decrease	2017 Increase	2017 Decrease
TT$ Instruments	+/- 50	**51,372**	**(51,372)**	47,422	(47,422)
US$ Instruments	+/- 50	**5,379**	**(5,379)**	5,896	(5,896)
BDS$ Instruments	+/- 50	**21,545**	**(21,545)**	4,594	(4,594)
GHS Instruments	+/- 300	**9,041**	**(9,041)**	2,538	(2,538)
Other Currency Instruments	+/- 50	**148**	**(148)**	343	(343)

		Impact on equity			
	Change in basis points	2018 Increase	2018 Decrease	2017 Increase	2017 Decrease
TT$ Instruments	+/- 50	–	–	(62,064)	52,664
US$ Instruments	+/- 50	–	–	(216,160)	217,591
EC$ Instruments	+/- 25	–	–	(118)	120
BDS$ Instruments	+/- 50	–	–	(8,720)	9,040
Other Currency Instruments	+/- 50	–	–	(101)	83

21.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments and overseas subsidiaries and associates. The Group's policy is to match the initial net foreign currency investment with funding in the same currency. The Group also monitors its foreign currency position for both overnight and intra-day transactions.

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets and related funding of overseas subsidiaries and associates, from the respective local currency to 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.

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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*

21.4 Market risk *(continued)*

21.4.2 Currency risk *(continued)*

2018	TTD	USD	BDS	GHS	Other	Total
Financial assets						
Cash and cash equivalents	374,868	39,637	100,829	99,040	202,246	816,620
Statutory deposits with Central Banks	4,989,936	4,570	640,403	142,593	911,052	6,688,554
Due from banks	166,372	2,169,293	13,054	171,452	2,018,103	4,538,274
Treasury Bills	1,949,234	166,316	1,080,038	15,784	1,226,879	4,438,251
Advances	20,582,207	5,910,812	5,014,398	932,169	4,118,551	36,558,137
Investment securities	5,295,838	5,678,571	236,147	893,950	374,053	12,478,559
Investment interest receivable	60,571	46,201	10,002	28,478	10,187	155,439
Total financial assets	**33,419,026**	**14,015,400**	**7,094,871**	**2,283,466**	**8,861,071**	**65,673,834**
Financial liabilities						
Due to banks	131,479	10,495	14,339	–	24,505	180,818
Customers' current, savings and deposit accounts	25,974,973	9,778,250	6,583,489	1,575,840	8,743,996	52,656,548
Other fund raising instruments	3,662,374	570,384	176,255	309,524	–	4,718,537
Debt securities in issue	211,064	79,172	–	3,652	–	293,888
Interest payable	27,588	18,928	2,427	33,323	4,754	87,020
Total financial liabilities	**30,007,478**	**10,457,229**	**6,776,510**	**1,922,339**	**8,773,255**	**57,936,811**
Net currency risk exposure		**3,558,171**	**318,361**	**361,127**	**87,816**	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**35,582**	**3,184**	**10,834**	**878**	

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. 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)*

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
Advances	20,145,889	5,634,594	5,010,476	784,889	3,746,791	35,322,639
Investment securities	5,538,595	4,891,974	431,215	897,685	297,396	12,056,865
Investment interest receivable	43,229	46,159	2,411	12,344	4,679	108,822
Total financial assets	**33,000,385**	**13,539,881**	**7,634,118**	**2,179,573**	**7,846,683**	**64,200,640**
Financial liabilities						
Due to banks	174,353	70,669	12,002	64,264	22,412	343,700
Customers' current, savings and deposit accounts	25,379,134	9,642,863	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	3,173	105,051
Total financial liabilities	**29,292,560**	**10,607,882**	**6,476,558**	**2,099,693**	**7,701,516**	**56,178,209**
Net currency risk exposure		**2,931,999**	**1,157,560**	**79,880**	**145,167**	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**29,320**	**11,576**	**2,396**	**1,452**	

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.

Notes to the Consolidated Financial Statements

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22 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates.

	2018	2017
Advances, investments and other assets		
Directors and key management personnel	**21,180**	20,357
Other related parties	**290,618**	265,278
	311,798	**285,635**
Deposits and other liabilities		
Directors and key management personnel	**89,601**	85,588
Other related parties	**353,497**	373,987
	443,098	**459,575**
Interest and other income		
Directors and key management personnel	**790**	1,097
Other related parties	**29,398**	35,261
	30,188	**36,358**
Interest and other expense		
Directors and key management personnel	**11,603**	12,469
Other related parties	**18,121**	19,520
	29,724	**31,989**

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

	2018	2017
Key management compensation		
Short-term benefits	**37,086**	37,873
Post-employment benefits	**11,798**	4,474
Share-based payment	**1,390**	1,992
	50,274	**44,339**

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23 CAPITAL MANAGEMENT

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity decreased by $48.2 million to $10.1 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, the Group with their existing strong capital base, will meet the new requirements.

Capital adequacy ratio

	2018	2017
Republic Bank Limited	**18.06%**	20.13%
Republic Bank (Cayman) Limited	**22.80%**	26.18%
Republic Bank (Grenada) Limited	**14.85%**	14.57%
Republic Bank (Guyana) Limited	**19.30%**	25.20%
Republic Bank (Barbados) Limited	**13.51%**	16.21%
Republic Bank (Suriname) N.V.	**12.11%**	11.42%
Republic Bank (Ghana) Limited	**34.49%**	15.98%
Atlantic Financial Limited	**49.15%**	42.72%

At September 30, 2018, RBL and each of RFHL's banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

Notes to the Consolidated Financial Statements

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24 FAIR VALUE

24.1 Carrying values and fair values

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

2018	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	9,793,145	9,793,145	–
Advances	36,558,137	34,599,194	(1,958,943)
Investment securities	12,478,559	12,489,673	11,114
Investment interest receivable	155,439	155,439	–
Other financial assets	260,911	260,911	–
Financial liabilities			
Customers' current, savings and deposit accounts	52,656,548	52,665,157	(8,609)
Borrowings and other fund raising instruments	4,899,355	4,899,355	–
Debt securities in issue	293,888	294,388	(500)
Accrued interest payable	87,020	86,389	631
Other financial liabilities	1,109,139	1,109,139	–
Total unrecognised change in unrealised fair value			**(1,956,307)**

2017	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	11,194,707	11,194,707	–
Advances	35,322,639	34,279,124	(1,043,515)
Investment securities	12,056,865	12,056,865	–
Investment interest receivable	108,822	108,822	–
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)**

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For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

24 FAIR VALUE *(continued)*

24.2 Fair value and fair value hierarchies

24.2.1 Determination of fair value and fair value hierarchies

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

2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	16,969	46,404	14,990	78,363
Financial assets for which fair value is disclosed				
Advances	–	–	34,599,194	34,599,194
Investment securities	5,210,142	6,944,908	256,260	12,411,310
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	52,665,157	52,665,157
Debt securities in issue	–	294,388	–	294,388

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	–	–	34,279,124	34,279,124
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

24.2.2 Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2018, are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	**4.0% - 28.2%**
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	**0.0% - 9%**

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24 FAIR VALUE *(continued)*

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

24.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2018, no assets were transferred between Level 1 and Level 2.

24.2.4 Reconciliation of movements in Level 3 financial assets 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	8,759	6,231	–	14,990
	8,759	**6,231**	**–**	**14,990**

25 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2018	2017
Republic Bank (Ghana) Limited	Ghana	**33.46%**	42.89%
Republic Bank (Guyana) Limited	Guyana	**49.00%**	49.00%
Accumulated balances of material non-controlling interests:			
Republic Bank (Ghana) Limited		**210,210**	102,755
Republic Bank (Guyana) Limited		**328,738**	290,995
Profit allocated to material non-controlling interests:			
Republic Bank (Ghana) Limited		**17,295**	17,886
Republic Bank (Guyana) Limited		**50,063**	43,349

The summarised financial information of these subsidiaries is provided in Note 26 (i) of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

26 SEGMENTAL INFORMATION

The Group is organised into two main business segments: retail and commercial banking and merchant banking. The Group's primary reporting format comprises geographical segments, reflecting its management structure and the secondary segment is by class of business. The following is an analysis by respective segments:

i By geographic segment

2018	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
Interest income	2,336,027	500,657	249,086	413,541	440,520	(59,325)	3,880,506
Interest expense	(201,536)	(29,705)	(18,582)	(80,481)	(194,506)	59,325	(465,485)
Net interest income	2,134,491	470,952	230,504	333,060	246,014	–	3,415,021
Other income	2,025,184	204,975	113,681	133,565	144,190	(1,085,991)	1,535,604
Share of profits of associates	7,297	–	–	270	–	–	7,567
Operating income	4,166,972	675,927	344,185	466,895	390,204	(1,085,991)	4,958,192
Other operating expenses	(1,720,889)	(360,182)	(163,254)	(215,559)	(268,077)	(6,711)	(2,734,672)
Operating profit	2,446,083	315,745	180,931	251,336	122,127	(1,092,702)	2,223,520
Credit loss expense on financial assets	(106,350)	(122,338)	(28,864)	1,875	(45,855)	–	(301,532)
Net profit before taxation	**2,339,733**	**193,407**	**152,067**	**253,211**	**76,272**	**(1,092,702)**	**1,921,988**
Taxation	(436,194)	9,566	(49,897)	(23,636)	(26,914)	–	(527,075)
Net profit after taxation	**1,903,539**	**202,973**	**102,170**	**229,575**	**49,358**	**(1,092,702)**	**1,394,913**
Investment in associated companies	82,142	–	–	1,208	–	–	83,350
Total assets	53,403,956	9,632,726	5,634,141	9,962,005	3,174,490	(11,341,698)	70,465,620
Total liabilities	41,171,514	8,717,775	4,958,626	7,526,587	2,532,702	(4,539,366)	60,367,838
Depreciation	114,267	27,749	16,674	20,064	19,188	1,278	199,220
Capital expenditure on premises and equipment	284,674	21,858	10,892	23,636	12,770	–	353,830
Cash flow from operating activities	1,203,218	487,322	434,205	930,782	(53,827)	(1,162,094)	1,839,606
Cash flow from investing activities	(76,872)	(2,069,373)	(59,930)	(507,310)	(257,561)	442,582	(2,528,464)
Cash flow from financing activities	(2,410,733)	(210,556)	(41,739)	(56,412)	351,877	693,873	(1,673,690)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

26 SEGMENTAL INFORMATION *(continued)*

i By geographic segment *(continued)*

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**
Investment in associated companies	78,199	–	–	940	–	–	79,139
Total assets	52,134,998	9,467,593	4,723,213	9,229,613	2,946,385	(9,750,732)	68,751,070
Total liabilities	40,144,202	7,956,580	4,132,096	6,915,236	2,701,050	(3,244,099)	58,605,065
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)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

26 SEGMENTAL INFORMATION *(continued)*

ii By class of business

2018	Retail and commercial banking	Merchant banking	Eliminations	Total
Interest income	3,528,907	410,924	(59,325)	3,880,506
Interest expense	(405,435)	(119,375)	59,325	(465,485)
Net interest income	3,123,472	291,549	–	3,415,021
Other income	2,419,130	202,465	(1,085,991)	1,535,604
Share of profit of associates	7,567	–	–	7,567
Operating income	5,550,169	494,014	(1,085,991)	4,958,192
Other operating expenses	(2,684,693)	(43,268)	(6,711)	(2,734,672)
Operating profit	2,865,476	450,746	(1,092,702)	2,223,520
Credit loss expense on financial assets	(310,284)	8,752	–	(301,532)
Net profit before taxation	**2,555,192**	**459,498**	**(1,092,702)**	**1,921,988**
Taxation	(472,224)	(54,851)	–	(527,075)
Net profit after taxation	**2,082,968**	**404,647**	**(1,092,702)**	**1,394,913**
Investment in associated companies	83,350	–	–	83,350
Total assets	70,253,072	11,554,246	(11,341,698)	70,465,620
Total liabilities	55,673,304	9,233,900	(4,539,366)	60,367,838
Depreciation	196,585	1,357	1,278	199,220
Capital expenditure on premises and equipment	343,856	9,974	–	353,830
Cash flow from operating activities	(407,013)	3,408,713	(1,162,094)	1,839,606
Cash flow from investing activities	(1,626,107)	(1,344,939)	442,582	(2,528,464)
Cash flow from financing activities	(1,445,855)	(921,708)	693,873	(1,673,690)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

26 SEGMENTAL INFORMATION *(continued)*

ii By class of business *(continued)*

2017	Retail and commercial banking	Merchant banking	Eliminations	Total
Interest income	3,480,251	365,006	(48,282)	3,796,975
Interest expense	(523,790)	(93,334)	48,282	(568,842)
Net interest income	2,956,461	271,672	–	3,228,133
Other income	2,350,109	160,770	(1,049,503)	1,461,376
Share of profit of associates	6,444	–	–	6,444
Operating income	5,313,014	432,442	(1,049,503)	4,695,953
Investment impairment expense	(12,260)	–	–	(12,260)
Other operating expenses	(2,689,807)	(47,903)	13,537	(2,724,173)
Operating profit	2,610,947	384,539	(1,035,966)	1,959,520
Loan impairment expense, net of recoveries	(152,649)	(6,040)	–	(158,689)
Net profit before taxation	**2,458,298**	**378,499**	**(1,035,966)**	**1,800,831**
Taxation	(426,449)	(57,293)	–	(483,742)
Net profit after taxation	**2,031,849**	**321,206**	**(1,035,966)**	**1,317,089**
Investment in associated companies	79,139	–	–	79,139
Total assets	69,532,379	8,969,423	(9,750,732)	68,751,070
Total liabilities	55,164,830	6,684,334	(3,244,099)	58,605,065
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)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the discounted assets and liabilities of the Group based on the remaining period at September 30 to the contractual maturity date. See Note 21.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2018	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	816,620	–	816,620
Statutory deposits with Central Banks	6,688,554	–	6,688,554
Due from banks	4,538,274	–	4,538,274
Treasury Bills	4,438,251	–	4,438,251
Advances	9,533,010	27,025,127	36,558,137
Investment securities	2,812,651	9,665,908	12,478,559
Investment interest receivable	135,624	19,815	155,439
Investment in associated companies	–	83,350	83,350
Premises and equipment	2,462	2,478,959	2,481,421
Intangible assets	–	393,966	393,966
Pension assets	–	821,672	821,672
Deferred tax assets	–	591,206	591,206
Taxation recoverable	–	52,204	52,204
Other assets	362,375	5,592	367,967
	29,327,821	**41,137,799**	**70,465,620**
LIABILITIES			
Due to banks	180,818	–	180,818
Customers' current, savings and deposit accounts	52,612,073	44,475	52,656,548
Other fund raising instruments	4,718,537	–	4,718,537
Debt securities in issue	150,000	143,888	293,888
Pension liability	–	77,206	77,206
Provision for post-retirement medical benefits	–	520,324	520,324
Taxation payable	177,839	–	177,839
Deferred tax liabilities	–	331,769	331,769
Accrued interest payable	86,693	327	87,020
Other liabilities	1,283,928	39,961	1,323,889
	59,209,888	**1,157,950**	**60,367,838**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

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

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
Advances	9,802,411	25,520,228	35,322,639
Investment securities	2,374,905	9,681,960	12,056,865
Investment interest receivable	108,822	–	108,822
Investment in associated companies	–	79,139	79,139
Premises and equipment	–	2,350,322	2,350,322
Intangible assets	–	405,449	405,449
Pension assets	–	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
	29,350,551	**39,400,519**	**68,751,070**
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
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	952,902	260,897	1,213,799
	56,719,362	**1,885,703**	**58,605,065**

28 EQUITY COMPENSATION BENEFITS

a Profit sharing scheme

It is estimated that approximately $115 million (2017: $107.9 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 $133 million (2017: $126 million). Refer to Note 18d. During the 2018 financial year, $32.1 million in advances were made by Republic Bank Limited for purchase of shares to the staff profit sharing scheme (2017: $17.8 million).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

28 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 ten years.

The option price shall be RFHL's share price at the beginning of the performance period during which the option is earned. The price is calculated as the average closing share price on all trading days during the calendar month, prior to the beginning of the performance period. The process of assessment, calculation of options and approval by the Board of Directors takes place in the first quarter following the end of the financial year.

The movement in outstanding options is outlined below:

	Weighted average exercise price		Number of shares	
	2018	2017	2018	2017
At the beginning of the year	**$102.64**	$100.91	**1,791,923**	1,952,038
Granted	**$110.00**	$112.05	**380,253**	10,878
Forfeited	**$84.91**	–	**(27,705)**	–
Exercised	**$84.97**	$83.49	**(91,294)**	(170,993)
At end of year	**$102.64**	**$102.64**	**2,053,177**	**1,791,923**
Exercisable at end of year	**$101.43**	**$95.83**	**1,526,339**	**1,203,570**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

28 EQUITY COMPENSATION BENEFITS *(continued)*

b Stock option plan *(continued)*

Expiry date	Exercise price	2018	2017
15-Dec-18	$78.78	**10,952**	21,539
20-Dec-19	$90.19	**49,244**	68,622
20-Dec-20	$86.75	**68,942**	76,349
20-Dec-21	$80.00	**56,885**	56,885
20-Dec-22	$101.80	**11,876**	11,876
13-Dec-23	$85.94	**61,101**	69,151
8-Dec-24	$72.99	**102,079**	133,810
14-Dec-25	$92.67	**186,840**	228,686
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**	10,878
12-Dec-30	$110.00	**380,253**	–
		2,053,177	**1,791,923**

As at September 30, 2018, 1,505,258 (2017: 1,125,005) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share.

The fair value of the stock options have been determined using a binomial option-pricing model. The assumptions used in the calculation of the fair value are as follows:

Grant date	December 20, 2017 to March 2, 2018
Number granted	380,253
Exercise price	$110.00
Share price at grant date	$100.00 to $101.51
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	$3.82 to $4.26

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 $84.97. For options outstanding at September 30, 2018, 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 $1.390 million (2017: $1.992 million).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

29 DIVIDENDS PAID AND PROPOSED

	2018	2017
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2017: $3.15 (2016: $3.10)	**511,703**	503,050
Interim dividend for 2018: $1.25 (2017: $1.25)	**203,158**	202,935
Total dividends paid	**714,861**	**705,985**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2018: $3.15 (2017: $3.15)	**511,990**	**511,703**

30 CONTINGENT LIABILITIES

a Litigation

As at September 30, 2018, 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.

	2018	2017
b Customers' liability under acceptances, guarantees, indemnities and letters of credit		
Acceptances	**995,932**	1,081,292
Guarantees and indemnities	**268,598**	227,111
Letters of credit	**264,721**	229,362
	1,529,251	**1,537,765**
c Sectoral information		
State	**145,369**	142,867
Corporate and commercial	**1,314,865**	1,306,813
Personal	**26,688**	29,104
Other financial institutions	**28,114**	41,440
Other	**14,215**	17,541
	1,529,251	**1,537,765**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

30 CONTINGENT LIABILITIES *(continued)*

d Pledged assets

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

	Carrying amount		Related liability	
	2018	2017	2018	2017
Financial assets	**3,879,562**	**3,162,775**	**3,949,755**	**2,861,491**

The assets pledged by the Group relate to a pool of securities held for the purpose of providing collateral for the counterparty. Individual securities within the pool may be sold by the Group once the total value of the pool exceeds the value of the liability. In the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

31 STRUCTURED ENTITIES

The Group sponsors several structured entities which are not consolidated as the Group is not deemed to be in control of those entities. The Group considers itself to be sponsor of a structured entity when it facilitates the establishment of the structured entity. The Group may hold an interest in some of these entities but does not provide any financial support to these entities.

These structured entities include Mutual Funds and Retirement Benefit Plans which are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2018, the Group earned $25.9 million (2017: $16.0 million) in management fees from the retirement plans and $91.1 million (2017: $87.3 million) from the mutual funds.

The Group holds an interest of $28.2 million (2017: $26.9 million) in sponsored funds as at September 30, 2018. 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, 2018.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

32 SUBSIDIARY COMPANIES

Name of Company	Country of incorporation	% equity interest
Republic Bank (Barbados) Limited *Commercial Bank*	Barbados	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
Republic Bank (Ghana) Limited *Commercial Bank*	Ghana	66.54%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	75.71%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Republic (Suriname) Holding 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%

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($'000) except where otherwise stated

32 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Country of incorporation	% equity interest
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%

33 BUSINESS COMBINATIONS

Acquisition of additional interest in Republic Bank (Ghana) Limited and Republic Bank (Grenada) Limited

Over the period November 2017 to August 2018, the Group acquired an additional 9.43% interest in the voting shares of Republic Bank (Ghana) Limited, increasing its ownership interest to 66.54%. This acquisition was through increased shareholding via a rights issue and other acquisitions. Cash consideration of $2.4 million was paid to the non-controlling shareholders of Republic Bank (Ghana) Limited. The non-controlling shareholders of Republic Bank (Ghana) Limited contributed $122.7 million to this rights issue.

In October 2017, the Group acquired an additional 0.16% interest in the voting shares of Republic Bank (Grenada) Limited, increasing its ownership interest to 75.71%. Cash consideration of $0.3 million was paid to the non-controlling shareholders.

The following is a schedule of additional interest acquired in the subsidiaries:

	Republic Bank (Ghana) Limited	Republic Bank (Grenada) Limited	Total
Cash consideration paid	2,385	302	2,687
Carrying value of the additional interest	(926)	(429)	(1,355)
Difference recognised in retained earnings	**1,459**	**(127)**	**1,332**
Carrying value of the additional interest	(926)	(429)	(1,355)
Additional interest acquired by non-controlling interest through rights issue	122,744	–	122,744
	121,818	**(429)**	**121,389**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Trinidad and Tobago dollars ($’000) except where otherwise stated

34 EVENTS AFTER THE REPORTING PERIOD

Cayman National Corporation Limited

In September 2018, Republic Bank Trinidad and Tobago (Barbados) Limited, a wholly owned subsidiary of RFHL, made an offer to acquire a minimum of 51% and up to 74.99% of the ordinary shares of Cayman National Corporation Limited, the parent company of Cayman National Bank Limited, at a cost of between US$134 million to US$198 million. As at November 7, 2018, 81.37% of shareholders accepted the offer. The consummation of the acquisition of the shares is subject to all necessary government and regulatory approvals.

Government of Barbados

On September 7, 2018, the Government of Barbados (GoB) announced the launch of a Debt Exchange offer open to holders of Barbados dollar denominated debt issued by the GoB and certain state-owned enterprises (SOEs) as part of its Comprehensive Debt Restructuring program. The exchange offer applied to institutions holding Treasury Bills, Treasury notes, Debentures, Loans and Bonds issued or owed by the GoB, as well as Loans and Bonds issued or owed by certain SOEs.

On October 9, 2018, the Group accepted the Government of Barbados Debt Exchange offer. The terms of the Exchange Instruments are significantly different due to extended maturities and lower interest rates. Consequently, the financial assets existing at the consolidated statement of financial positon date in the existing portfolios, will be subsequently derecognised and new financial instruments recognised in the consolidated statement of financial position.

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