Annual Report **2020**

Republic Financial Holdings Limited

While we were at home being safe,
the entire world around us looked different.
For us, it was a time of change as well.
We had to adapt to our transformed lives.
We found new ways to work, to learn, to be together. We found a new perspective on ourselves, our neighbours, our country and the world.

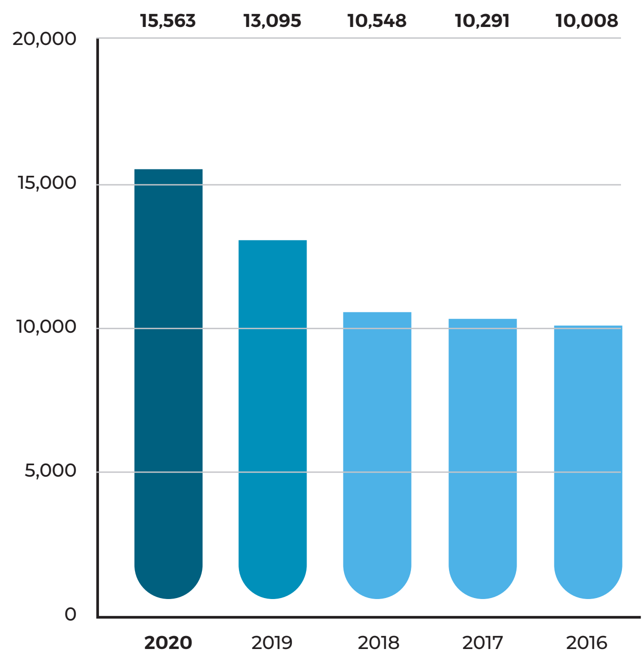
As a Group, we affirmed the hope that
we could maintain the lives we built.
So we found solutions to serve the unique needs of this time. We found ways to support our customers' financing, made our services more available digitally, changed our in-branch approach to be socially distant yet fully committed. Every step of the way and across all our territories, we kept a positive outlook. For we fully believe and wanted all our communities to keep believing that a great future is and always will be ours.

The Group at a Glance

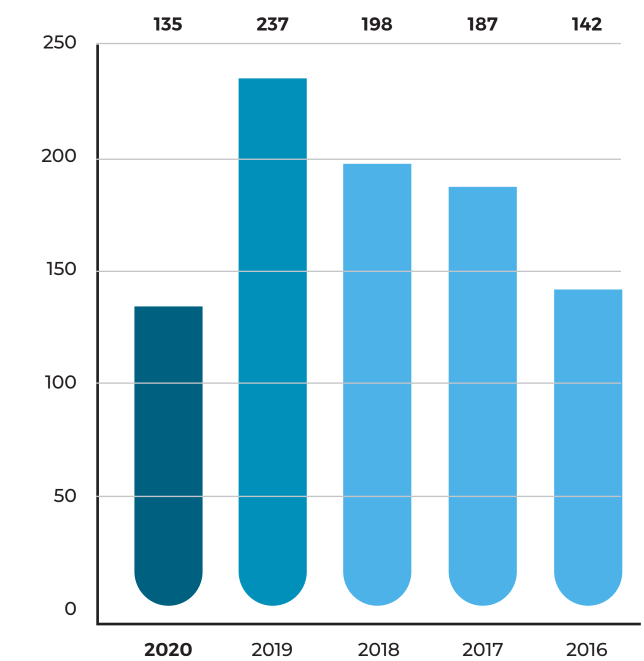
About Us

Republic Financial Holdings Limited (RFHL) is the registered owner of all of the Banks in the Republic Group – Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Suriname) N.V., Republic Bank (Ghana) Limited, Republic Bank (BVI) Limited, Republic Bank (Cayman) Limited, Cayman National Corporation, Republic Bank (EC) Limited, Republic Bank (Anguilla) Limited, Republic Bank (St. Maarten) N.V., 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 Republic Group; ultimately leading to greater value for our shareholders and clients while enabling greater strategic focus and diversification.

Total Assets ($US Million)



Profit After Tax and NCI ($US Million)



Operating Countries

Share Price ($US)

2020 **21.19**

2019 **18.23**

Dividend Yield (%)

2020 **1.90**

2019 **3.69**

EPS ($US)

2020 **0.83**

2019 **1.46**

PE Ratio

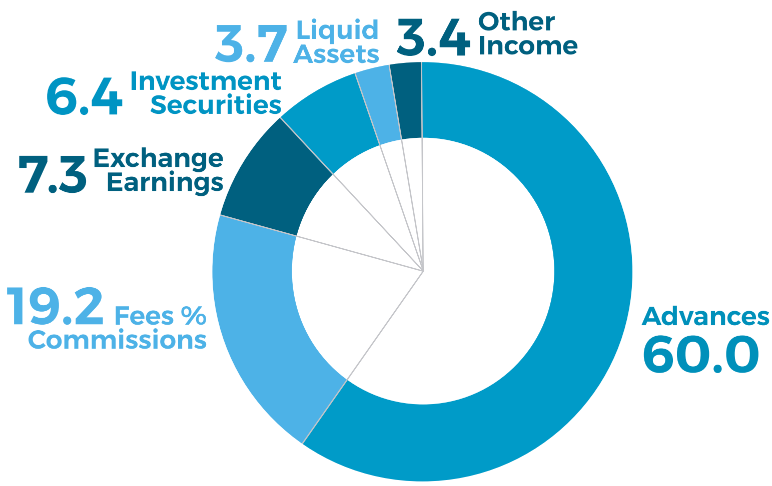
2020 **25.5**

2019 **12.5**

Network

6,216	126	344
employees	branches	ATMs

Sources of Revenue



Republic Bank

THE POWER TO MAKE A DIFFERENCE

Corporate Social Responsibility

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

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

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finding the perfect **balance**

we adjusted our branch footprint and services in the best interest of our clients and staff, but our staff remained operational to better serve you.

CORPORATE INFORMATION

Notice of **Meeting**

Virtual Annual Meeting

NOTICE is hereby given that the Fifth Annual Meeting of Republic Financial Holdings Limited will be held virtually and streamed live to all Shareholders from 2nd Floor Conference Room, Republic House, 9-17 Park Street, Port of Spain on December 14, 2020, at 9:30 a.m. for the following purposes:

1 Special business – To confirm the amendments of the By-laws to facilitate the convening of a virtual Annual Meeting and voting at such meeting as follows:

THAT paragraph 13 of By-law No. 1 of Republic Financial Holdings Limited be amended by inserting the following new paragraph 13.11:

"13.11 Remote Communication Shareholders' meetings:

13.11.1 Remote Communication means any electronic communication including conference, telephone, video conference, the Internet or any other method of communication available by which shareholders not physically present in the same location may simultaneously listen to and/or interact with each other and members of the Board of Directors.

13.11.2 The Board of Directors may, in its sole discretion, determine that at a special meeting of shareholders or any Annual Meeting of shareholders, shareholders may attend and participate by means of Remote Communication held at a designated place. As to any meeting where attendance and participation by Remote Communication authorised by the Board of Directors in its sole discretion and subject to such guidelines and procedures as the Board of Directors may adopt for any meeting, shareholders not physically present at such meeting of the shareholders shall be entitled to: (i) participate in any meeting of the shareholders; and (ii) be deemed present in person and vote at such meeting of the shareholders provided that (A) the Company shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of Remote Communication is a shareholder or proxy holder, (B) the Company shall implement reasonable measures to provide shareholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings substantially concurrently or simultaneously with such proceedings, and (C) if any shareholder or proxy holder votes at the meeting by means of Remote Communication, a record of such vote shall be maintained by the Company and shall be valid and carry the same effect as a vote by show of hands or by ballot (as the case may be)".

2 To receive the Audited Financial Statements of Republic Financial Holdings Limited, for the year ended September 30, 2020, and the Reports of the Directors and Auditors thereon.

3 To take note of the Dividends paid for the 12-month period ended September 30, 2020.

4 To elect Directors.

5 To re-appoint the Auditors, Ernst & Young, and to authorise the Directors to fix their remuneration.

6 Any other business.

By order of the Board

Kimberly Erriah-Ali
Group General Counsel/Corporate Secretary

November 6, 2020

Notes

This year, out of an abundance of caution, to proactively address the unprecedented public health impact of the global Novel Coronavirus (COVID-19) pandemic and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, we will hold a virtual meeting, which will be conducted via live webcast. All shareholders will have an opportunity to participate in the meeting online regardless of their geographic location. Shareholders will not be able to attend the meeting in person.

Attendance at the Meeting

All shareholders will have an opportunity to participate in the meeting online regardless of their geographic location. Shareholders will not be able to attend the meeting in person. Shareholders can participate online using their computer or device.

Registered shareholders and duly appointed proxyholders who participate in the meeting online will be able to listen to the virtual meeting, ask questions and vote, all in real time, provided they are connected to the Internet and properly follow the following steps:

1 Shareholders are required to register during the period November 10, 2020 to December 11, 2020.
2 To register, shareholders must visit **www.rfhl.com** and click on the web banner 'Fifth Annual Meeting of Shareholders'.
3 Select 'Register to Attend Meeting' which will then prompt the validation process.
4 Shareholders would be required to provide their full name, address, date of birth, valid identification number and email address.
5 Shareholders will receive an email with a username and password login credentials that will facilitate access to the Meeting on December 14, 2020.

Shareholders attending the Meeting must be confirmed as a shareholder on record as at November 18, 2020.

Persons Entitled to Notice

In accordance with Section 110 (2) of the Companies Act Chap. 81:01, the Directors of the Company have fixed November 18, 2020, 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 joining the Meeting instead of their proxies and voting. In the event of a poll, their proxy votes lodged with the Registrar will be excluded.

Voting

To vote on Resolutions, a pop-up screen will appear stating the resolution number. Simply click (press for touch screens) on the button next to the word 'For' or 'Against' depending on your vote.

Please select carefully as you cannot change your vote or vote more than once when your vote is sent. To be able to vote, you must download the Zoom app. on your computer or device before the event.

Dividend

A final dividend $2.10 declared for the financial year ended September 30, 2020 will be payable on December 1, 2020, to shareholders at the close of business on November 18, 2020.

Republic Financial Holdings Limited

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

Vincent Pereira, *BSc (Chem.), MBA, Dip. (Petroleum Eng.)*

President and Chief Executive Officer

Nigel M. Baptiste, *BSc (Hons.) (Econ.), MSc (Econ.), ACIB*

Directors

Shazan Ali, *BSc (Hons.) (Mechanical Eng.)*
Ian Benjamin, *MA, LLM (Cantab.), LLM (Syd.)*
Dawn Callender, *FCCA, MBA*
Terrence W. Farrell, *PhD, LLB, LEC*
Peter R. Inglefield, *CA*
Alison Lewis, *MOM, BA (Econ. and Mgmt.)*
S. Ronnie Mohammed, *MBA, Cert. Business Admin., Cert. Family Business Mgmt.*
Robert Riley, *CMT, BSc (Agri. Sc.), LLB (Hons.), LEC, EMBA*
Waltnel Sosa, *MBA, BA (Math. and Comp. Sc.)*
Kristine Thompson, *B.Comm., MBA*
Gregory I. Thomson, *BSc (Math. and Physics), MBA*

Senior Officers

Chief Internal Auditor *(until September 27, 2020)*

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

Chief Internal Auditor *(effective as at September 28, 2020)*

Wendy Anne Bosse, *BSc (Hons.) (Mgmt. Studies), AICB*

Chief Financial Officer

Marsha Mc Leod-Marshall, *FCCA, CA, MSc (Dist.)(Int'l Fin.)*

Group General Counsel/Corporate Secretary

Kimberly Erriah-Ali, *LLB (Hons.), LEC, MBA, ACAMS*

Chief Risk Officer

Parasram Salickram, *FCCA, ACMA, CGMA, CA, CFA, FRM*

Registered Offices

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

Group Head Office

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

Registrar

Trinidad and Tobago Central Depository Limited

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

Attorneys-at-Law

Pollonais, Blanc, de la Bastide & Jacelon

Pembroke Court
17-19 Pembroke Street, Port of Spain
Trinidad and Tobago, West Indies

J.D. Sellier & Company

129-131 Abercromby Street, Port of Spain
Trinidad and Tobago, West Indies

Hobsons Attorneys at Law

Sagicor Centre
21-25 Independence Avenue, San Fernando
Trinidad and Tobago, West Indies

Auditors

Ernst & Young Trinidad and Tobago

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

Consolidated **Financial Summary**

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

	2020	2019	2018	2017	2016
Total assets	**104,276,614**	87,483,888	70,465,620	68,751,070	66,859,543
Advances	**53,300,181**	44,630,109	36,558,137	35,322,639	34,292,693
Customers' deposits	**81,847,168**	65,023,102	52,656,548	50,402,800	49,631,274
Stated capital	**862,115**	803,064	790,102	780,950	765,950
Equity	**11,342,473**	11,231,760	10,097,782	10,146,005	9,542,695
Actual number of shares in issue ('000)	**163,147**	162,648	162,537	162,445	162,274
Weighted average number of shares – diluted ('000)	**163,107**	162,430	162,076	161,679	161,592
Profit after taxation and non-controlling interest	**904,056**	1,581,124	1,322,850	1,252,128	946,307
Dividends based on the results of the financial year	**439,063**	732,204	715,148	714,637	705,820
Dividends paid during the year	**626,387**	715,589	714,861	705,985	704,967
Dividend per share based on the results of the financial year ($)	**2.70**	4.50	4.40	4.40	4.35
Dividend per share paid during the year ($)	**3.85**	4.50	4.40	4.35	4.35
Earnings per share (basic) ($)	**5.57**	9.75	8.17	7.75	5.87
Return on average assets (%)	**1.05**	2.17	2.00	1.94	1.42
Return on average equity (%)	**8.78**	16.01	13.80	13.31	10.49

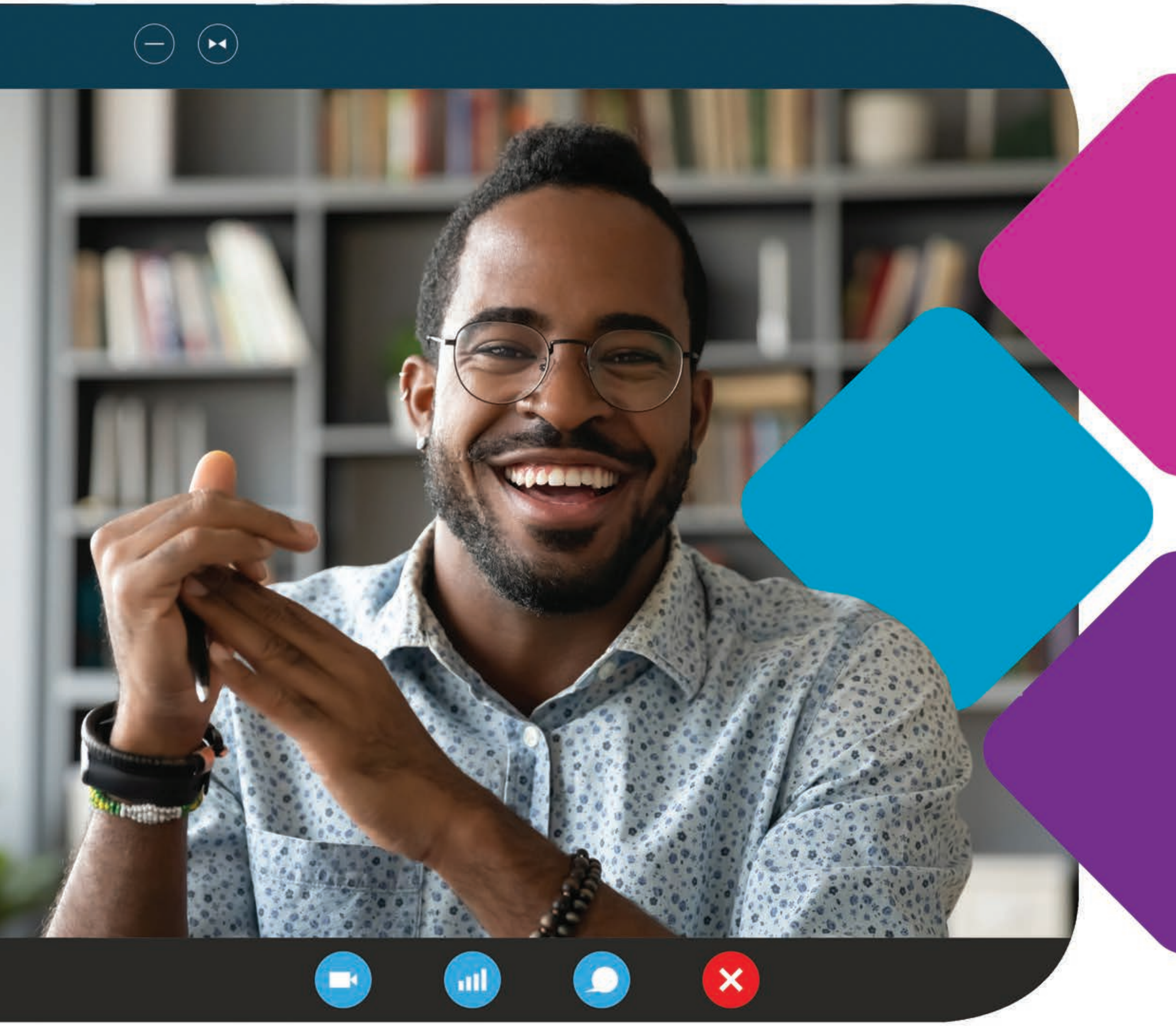
Group **Financial Calendar**

Dividend Payments

Final dividend for year ended September 30, 2020	December 2020
Dividend for half-year ending March 31, 2021	May 2021

Results

Publication of results for first quarter to December 31, 2020	February 2021
Publication of results for half-year to March 31, 2021	May 2021
Publication of results for third quarter to June 30, 2021	August 2021
Publication of results for year ending September 30, 2021	November 2021
Report and accounts mailing	November 2021
Annual Meeting	December 2021



networking
at a touch of a button

we introduced contactless personal services and appointments, and conducted virtual interviews, and communicated via phones, email and instant messaging services.

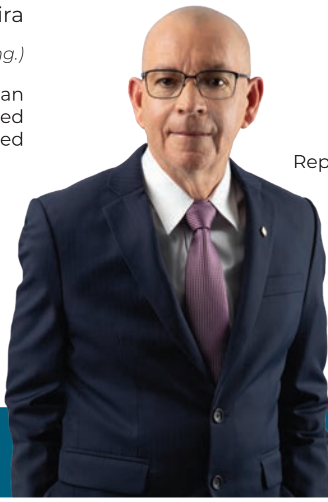
BOARD OF DIRECTORS AND EXECUTIVES

Board of Directors

Vincent Pereira

BSc (Chem.), MBA, Dip. (Petroleum Eng.)

Chairman
Republic Financial Holdings Limited
Republic Bank Limited



Vincent Pereira

Nigel M. Baptiste

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

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

Nigel M. Baptiste

Shazan Ali

BSc (Hons.) (Mechanical Eng.)

Executive Director
Chief Executive Officer Emeritus
TOSL Engineering Limited

Shazan Ali

Ian Benjamin

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

Senior Counsel and Head
Bethany Chamber

Ian Benjamin

Dawn Callender

FCCA, MBA

Consultant

Dawn Callender

Terrence W. Farrell

PhD, LLB, LEC

Consultant

Terrence W. Farrell

Peter R. Inglefield

CA

Chartered Accountant

Peter R. Inglefield

Alison Lewis

MOM, BA (Econ. and Mgmt.)

Consultant

Alison Lewis

S. Ronnie Mohammed

MBA, Cert. Business Admin., Cert. Family Business Mgmt.

Group Executive Director
Nutrimix Feeds Limited

S. Ronnie Mohammed

Robert Riley

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

Executive Director
Robert Riley Leadership and Energy Consulting

Robert Riley

Waltnel Sosa

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

Consultant

Waltnel Sosa

Kristine Thompson

B.Comm., MBA

Chief Executive Officer
Cabot Saint Lucia
Director
Yay! Entertainment Limited

Kristine Thompson

Board of Directors

Gregory I. Thomson

BSc (Math. and Physics), MBA

Retired Banker

Gregory I. Thomson

Vincent Pereira

Age 65

BSc (Chem.), MBA, Dip. (Petroleum Eng.)

Chairman, Republic Financial Holdings Limited
Chairman, Republic Bank Limited

Vincent Pereira was appointed Chairman of Republic Financial Holdings Limited and Republic Bank Limited in 2020. He joined the Republic Group in July 2019 as a member of the Board of Republic Bank Limited. He is the current President of BHP Trinidad and Tobago – an upstream oil and gas producer in Trinidad and Tobago – and has more than 35 years of energy sector experience, having worked in Trinidad and Tobago and the United States.

In his present role at BHP Trinidad and Tobago, which he has held since 2005, Mr. Pereira leads the firm's safe and reliable operations, working toward ensuring the long term value enabled growth and development of BHP's business in Trinidad and Tobago.

Under Mr. Pereira's watch, the company has successfully executed two additional major offshore upstream development projects, and pioneered the exploration efforts in the frontier Deepwater basins offshore Trinidad and Tobago. BHP Trinidad and Tobago continues to make significant progress in the seamless transition from an oil-focussed entity to a substantial gas producer and supplier. Apart from ensuring the safe and reliable underlying performance of the business, a key area of focus remains on leading and maintaining the external stakeholder engagements required to ensure the long-run viability of BHP in Trinidad and Tobago.

Mr. Pereira is a Petroleum Engineer and holds a Master of Business Administration from Houston Baptist University.

External Appointments

Mr. Pereira is a Member of the Society of Petroleum Engineers and a Board member of the Energy Chamber of Trinidad and Tobago. He is the current Deputy Chairman of United Way Trinidad and Tobago.

Nigel M. Baptiste

Age 54

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

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

Nigel M. Baptiste, President and Chief Executive Officer and Managing Director, Republic Bank 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 Financial Holdings Limited, Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Ghana) Limited, Cayman National Corporation and other subsidiaries within the Republic Group. He holds a Bachelor of Science with Honours and a Master of Science in Economics from the University of the West Indies (UWI), is a graduate of the Harvard Business School Advanced Management Programme, holds a Diploma with distinction from the ABA Stonier Graduate School of Banking (USA), and is a member of the Chartered Institute of Bankers (England).

Shazan Ali

Age 73

BSc (Hons.) (Mechanical Eng.)

Executive Director and Chief Executive Officer Emeritus
TOSL Engineering Limited

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

Mr. Ali is also a Director of Republic Bank Limited and Republic Bank (Suriname) N.V.

Board of Directors

Ian Benjamin

Age 57

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

Senior Counsel, Head of Bethany Chambers

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

External Appointments

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

Dawn Callender

Age 63

FCCA, MBA

Consultant

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

External Appointments

Ms. Callender serves on the Boards of the Airport Authority of Trinidad and Tobago, and Regulated Industries Commission.

Terrence W. Farrell

Age 67

PhD, LL.B., LEC

Consultant

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

External Appointments

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

Peter R. Inglefield

Age 68

CA

Chartered Accountant

Peter R. Inglefield was appointed to the Republic Group Board of Directors in 2020, prior he served as a member of the Republic Bank Limited Board since 2015. He has served as Tax Partner and Managing Partner at PricewaterhouseCoopers, having joined the firm in 1976. Mr. Inglefield is a Chartered Accountant and is a past member of the Institute of Chartered Accountants in Trinidad and Tobago. He has extensive experience in the field of taxation and accounting, locally and regionally, with special emphasis on Petroleum Taxation, including advising foreign investors on structuring local operations; issues relating to cross border transactions, tax treaty considerations; and withholding tax matters.

External Appointments

Mr. Inglefield is a Director of the Trinidad and Tobago Stock Exchange, IRP Fire & Safety Limited and Catholic Media Services Limited.

Alison Lewis

Age 66

MOM, BA (Econ. and Mgmt.)

Consultant

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

External Appointments

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

S. Ronnie Mohammed

Age 41

MBA, Cert. Business Admin., Cert. Family Business Mgmt.

Group Executive Director, Nutrimix Feeds Limited

S. Ronnie Mohammed was appointed to the Republic Group Board of Directors in 2019. He is the Group Executive Director of Nutrimix Feeds Limited and brings to bear significant agricultural and manufacturing sector expertise having served for more than two decades in Senior Management/Executive roles in corporate management, financial and credit risk management, corporate strategic and business planning, implementation, research and marketing.

External Appointments

Mr. Mohammed serves on a number of boards in Trinidad and Tobago. He is currently the Chairman of Caribbean Airlines Limited as well as the Chairman of the Estate Management and Business Development Company Limited. He is a member of the Private Sector Implementation Committee under the Office of the Prime Minister of the Government of the Republic of Trinidad and Tobago (GORTT) and a Director of several regional Trade and Business associations.

Robert Riley

Age 63

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

Executive Director

Robert Riley Leadership and Energy Consulting

Robert Riley was appointed to the Board of Directors of the Republic Group in 2016. Over a professional career that spans more than three decades, Mr. Riley has served in a variety of executive management and senior legal positions, including Head of Safety and Operations Risk, Safety Risk Leadership and Culture, BP PLC, London, Chairman and Chief Executive Officer, BP Trinidad and Tobago; Vice President, Legal and Government Affairs, Amoco and BP/

Board of Directors

Amoco; and General Counsel and Corporate Secretary, BWIA. He has also served on the Boards of Amoco Trinidad and Tobago LLC and other Amoco entities, Titan Methanol; BP Trinidad and Tobago, Atlantic LNG, The Bank of Nova Scotia, Trinidad and Tobago Limited, the University of Trinidad and Tobago (UTT), Caribbean Airlines Limited, and Sequis LLC (Internet Software Company).

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

Waltnel Sosa

Age 43

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

Consultant

Waltnel Sosa was appointed to the Board of Directors of the Republic Group in 2018. An Independent Advisor with close to two decades of experience at the senior level in Financial Analysis, Strategic and Corporate Planning, Business Development and Investment Banking. Mr. Sosa has served in several positions with financial institutions based in Trinidad and Tobago and the United States of America.

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

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

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

Kristine Thompson

Age 49

B. Comm., MBA

Chief Executive Officer, Cabot Saint Lucia
Director, Yay! Entertainment Limited

Kristine Thompson was appointed to the Board of Directors of the Republic Group in 2011. She is the Chief Executive Officer of Cabot Saint Lucia, a golf resort and real estate community project currently under development by Cabot, its Canadian Parent. Prior to this, she was the Chief Executive Officer of Sunshine Snacks Limited, a member of the Associated Brands Industries Limited (ABIL) Group. She also co-founded and developed the Chuck E. Cheese's family entertainment franchise in Trinidad. Kristine was a former Vice President, Business Development at the Guardian Holding Group (GHL) during a period of prolific M&A activity. She also founded a private equity energy fund while at GHL, and transitioned to leading the spun-off fund, where she amassed extensive experience in greenfield project development. Her early career was spent in management consulting at the Boston Consulting Group (BCG) where she advised Fortune 500 companies with stints at BCG's Toronto, New York, Buenos Aires, and Melbourne offices. Mrs. Thompson holds a Bachelor of Commerce degree from Queen's University in Canada and a Master of Business Administration from the Harvard Business School.

External Appointments

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

Gregory I. Thomson

Age 68

BSc (Math and Physics), MBA

Retired Banker

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

External Appointments

Mr. Thomson is currently on the Board of Directors of One Caribbean Media Limited and is Chairman of the Board of Caribbean Information and Rating Services Limited.

Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2020.

Financial results and dividends

The Directors report that the Group's profit after taxation and non-controlling interest for the year ended September 30, 2020, amounted to $904.1 million.

The Directors have declared a dividend of $2.10 per share for the year ended September 30, 2020. A half-year dividend of $0.60 per share was paid on June 5, 2020, making a total dividend on each share of $2.70 (2019: $4.50).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2020, together with their connected parties and our 10 largest shareholders.

Directors and Senior Officers

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	11,212	
Nigel M. Baptiste	23,142	
Ian Benjamin	Nil	8,159
Dawn Callender	1,000	
Terrence Farrell	Nil	
Alison Lewis	Nil	
William P. Lucie-Smith *(up till 19/9/2020)*	Nil	
Peter Inglefield *(from 20/9/2020)*	Nil	14
Shameer Ronnie Mohammed	Nil	
Vincent Pereira	Nil	27,222
Robert Riley	Nil	
Waltnel Sosa	Nil	
Kristine Thompson	Nil	
Gregory I. Thomson	346	
Riah Dass-Mungal *(up till 27/9/2020)*	8,852	
Wendy Bosse *(from 28/9/2020)*	13,876	
Kimberly Erriah-Ali	10,305	
Marsha Mc Leod-Marshall	3,635	
Parasram Salickram	15,282	

10 Largest Shareholders

	Name	Shareholding	Connected Party Shareholding
1	National Investment Fund Holding Company	42,475,362	26.09
2	Clico Trust Corporation Limited	40,072,299	24.62
3	National Insurance Board	29,944,942	18.40
4	Trintrust Limited	10,128,019	6.18
5	RBC Trust (Trinidad & Tobago) Limited	5,618,808	3.46
6	First Citizens Asset Management	3,672,354	2.24
7	Guardian Life of the Caribbean	2,625,568	1.61
8	Trinidad and Tobago Unit Trust Corporation	2,495,418	1.53
9	Central Bank of Trinidad and Tobago – Pension Scheme	782,039	0.48
10	T. Geddes Grant Ltd Pension Fund Plan	517,135	0.32

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.

Directors

In accordance with By-law No. 1, Paragraph 4.4, Alison Lewis, Gregory I. Thomson and Terrence Farrell retire from the Board by rotation and, being eligible, offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment. For Dr. Farrell, his term will expire at the close of the second annual meeting following this appointment.

Mr. Vincent Pereira was appointed a Director and Chairman of Republic Financial Holdings Limited on July 6, 2020, to fill the vacancy created by the retirement of Mr. Ronald F. deC. Harford on December 31, 2019. In accordance with By-law No. 1, 4.4.5, Mr. Pereira, 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.

Mr. Peter Inglefield was appointed a Director on September 20, 2020, to fill the casual vacancy created by the retirement of Mr. William Lucie-Smith on September 19, 2020. In accordance with By-law No. 1, 4.4.5, Mr. Inglefield, 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

The 2019/2020 phase of the Power to Make A Difference programme presented unique opportunities for the Republic Group to stay the course as it formed strong alliances and explored new avenues to invest significantly in the pursuit of sustainable development and greater social inclusion. As the Group welcomed new markets in the Eastern Caribbean and neighbouring islands into the Republic family, the COVID-19 pandemic unfolded, irrevocably shifting socio-economic paradigms and severely disrupting millions of lives and livelihoods. The Group, in turn, would rally alongside governments, communities, Non-Governmental Organisation (NGOs), and individuals across markets to support relief initiatives to help those most affected get back on their feet as quickly as possible.

Directors' Report

Always focussed on working with long-time allies and building new partnerships, the Group continued to explore ways of supporting programmes that promote youth empowerment through education, literacy, arts and culture, and sport; advocate the rights of the differently able and socially marginalised; assist the vulnerable and at-risk; preserve and protect social, cultural, and physical environments; and motivate True Blue team members to volunteer in the service of others.

While the pandemic severely impacted the ways that many of these programmes would be staged, if at all, the Group adapted its social investment approach for the financial year 2019/2020 and the 'new normal'; continually guided by the Power to Help, the Power to Care, the Power to Learn, and the Power to Succeed.

Across the region, the Group pledged its support to a variety of programmes like the Heroes Foundation, Zum Zum Children's Museum, and the Princess Elizabeth Home for Handicapped Children (Trinidad and Tobago); the Grenada School for the Deaf and the National Learn to Swim Week (Grenada); as well as the Sustainable Development Movement Conference and Business Model Competition (Eastern Caribbean).

In addition, the Group maintained its support of the Sick Kids Foundation and Transplant Links (Barbados); the Republic Bank University of Guyana Scholarship Programme and the Republic Bank Mashramani Panorama Competition (Guyana); the Central Caribbean Marine Institute for the Young Environmental Leadership Course and the International College of the Cayman Islands (Cayman Islands); and the Berase AME Zion Basic School and the Komla Dumor Foundation (Ghana).

With every relief project, every effort to safeguard the health and wellbeing of communities, and every initiative designed to help build successful societies, the Power to Make A Difference grows stronger; heartened by the stories of perseverance and success and emboldened by the belief that the greatest strength we have as a people lies in our togetherness and the shared pursuit of a brighter, more sustainable and inclusive tomorrow for all.

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

RFHL continues to be responsive to the evolving needs of our customers and clients, providing safe working conditions for our employees and supporting the communities we serve

Results

Republic Financial Holdings Limited (RFHL) and its subsidiaries recorded profit attributable to equity holders of the Parent of $904.1 million for the year ended September 30, 2020, a decrease of $677.1 million or 42.8% compared to the profit of $1.58 billion reported in the previous financial year.

These results are creditable despite reflecting the negative impact of the Novel Coronavirus (COVID-19), mainly resulting in decreased economic activity, lower margins due to reduced interest rates, waiver of fees and commissions, increased credit provisions to cover potential future losses on the loan and investments portfolio, and impairment of the remaining Goodwill held in our Barbados subsidiary.

A full discussion of the Group's financial performance can be found in the President's Discussion and Analysis contained on pages 30 to 42 of this report.

Vincent Pereira

Chairman's Review

The Board of Directors has declared a final dividend of $2.10 (2019: $3.25), which brings the total dividend to $439.8 million or $2.70 (2019: $4.50) per share for the fiscal year. This represents a decrease of 40% in total dividend payment, reflective of the decrease in profitability in the current fiscal year. The combination of this dividend with the increase in the share price of $20.20 during the year, equates to a total shareholder return for the year of 18.5%. The Group's capital adequacy ratios across all territories and at the Parent level remain quite robust.

The final dividend will be paid on December 1, 2020, to all shareholders of record on November 18, 2020.

Acquisitions

Acquisition of Scotiabank's operations in the British Virgin Islands

On June 1, 2020, RFHL completed the acquisition of Scotiabank's operations in the British Virgin Islands (BVI). This acquisition added 53 team members to the Group's staff complement, $3.2 billion to our asset base, and $25 million to net profit after tax for the four-month period of our ownership in this financial year.

Regulation and compliance

Basel II and III

In Trinidad and Tobago, Phase I of the Basel II/III capital adequacy framework was promulgated with effect from May 14, 2020. Though the implementation of Phase II has been postponed to January 2022, due to the potential negative impact of COVID-19 on the capital adequacy levels throughout the financial system. RFHL and its subsidiaries continue to remain adequately capitalised under the revised capital adequacy requirements.

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

The global economy

According to the IMF, the global economy is projected to contract by 4.4% in 2020 and rebound to 5.2% in 2021. However, this recovery is dependent on the future course of the pandemic. In 2020, many advanced economies have generally been able to alleviate the social burdens of the COVID-19 virus through larger direct spending and expansive monetary policies. Except for China, most emerging economies required additional help from creditors and donors through debt restructuring and grants. In the third quarter of 2020, China's return to growth was stronger than expected, but the ascent of most economies will be slow and uneven, with the majority experiencing damage to supply potential, while others will record higher sovereign debt levels which may lead to downgrades from international credit rating agencies.

Conversely, the low interest rate environment will reduce debt service payments for some nations and encourage increased debt refinancing in the short to medium term. Progress on treatments and vaccines will influence public sentiment and confidence during the first half of 2021 with consequential effects for economic activity.

The regional economy

In 2020, tourism-dependent economies in the Caribbean faced challenges due to restrictions on international travel caused by the pandemic. Although some countries relaxed their COVID-19 restrictions gradually, there was no significant acceleration in economic activity. The fear of contagion among the global population continued to weigh heavily on travel decisions. Major increases in unemployment, lower foreign exchange earnings, and fiscal accounts deterioration are some of the challenges confronting regional states.

In mitigating the adverse socioeconomic effects of the COVID-19 pandemic, many governments implemented economic recovery and stimulus packages despite fiscal limitations. Some sought the support of multilateral agencies like the International Monetary Fund (IMF) and the Inter-American Development Bank (IADB). Regional commodity-exporters were also affected, as global supply chains were restricted and commodity prices, except for gold, plummeted.

BARBADOS

Anecdotal evidence suggests that the country's tourism sector began 2020 positively. However, as the coronavirus epidemic grew into a pandemic, several potential tourists cancelled their travel plans and flights from key source markets ceased by mid-March. The impact on unemployment was both immediate and significant. From an average of 624 for January and February, unemployment claims jumped to 7,793 in March and skyrocketed to over 20,000 in April. Challenging conditions intensified into the second quarter, with significant contractions in tourism, construction, distribution, transportation and storage, and other business services sectors. Preliminary data suggests that over 30% of the unemployment claims were related to hotels and restaurants, but there were substantial job losses in other tourism-related industries, including real estate. Wholesale and retail activities are estimated to have fallen by 26% during the April to June period as consumer demand weakened and the opportunities to spend were restricted by social distancing requirements and reduced business hours. Preliminary data indicates that economic activity fell by 27% in the second quarter, resulting in an almost 15% economic contraction over the first half of 2020. Output in the tourism sector declined by more than 50% over the first half of the year, with long-stay visitor arrivals declining by an estimated 54% and cruise passengers by 34%. Domestic economic activity has largely resumed, and Barbados reopened its borders to international travel on July 12. Nonetheless, the broad-based losses suffered in the first half of the year were significant and recovery will be challenging. The IMF forecasts that Barbados' economy will contract by 11.6% in 2020 but rebound with growth above 7% in 2021.

BRITISH VIRGIN ISLANDS

In February 2020, the European Union (EU) removed the British Virgin Islands (BV) from its grey list. As a result, the territory is now recognised as a fully compliant jurisdiction for tax purposes. The tourism sector flourished in the first two months of 2020, with a 21% increase in long-stay arrivals. However, tourism activity contracted for the March to September period due to the slowdown in global travel caused by the pandemic. At the end of May, the Government implemented a US$62.9 million COVID-19 Economic Stimulus Response Plan, which allocated funds to jobless residents, struggling businesses, hotels and taxi operators.

After closing its borders in March, the government began a phased reopening in May, and later that month, the nation was declared 'COVID-19 free'. However, coronavirus cases began to spike by the end of August with 26 active cases. This number then climbed to 63 by September 11. Nevertheless, the territory remains cautiously optimistic and plans to reopen its borders to visitors on December 1, 2020. The current administration has committed to working with the tourism sector to ensure their readiness for business by that time, with the Government indicating that technology will be front and centre of its health and safety protocols in the future. The slowdown in the domestic economy and the reduced tourism activity have resulted in the delay of some construction projects, but the Government is preparing to proceed with its airport project, which is expected to cost between US$7 million and US$9.4 million. The repaving of the runway at the Taddy Bay International Airport on Virgin Gorda augurs well for the tourism sector as it will facilitate larger planes, which means more visitors to the BVI. The Government is ambitiously and optimistically expecting to complete this project by the end of 2020.

CAYMAN ISLANDS

The latest information from the Caribbean Tourism Organisation (CTO) revealed that long-stay arrivals increased by 8.5% for the first two months of 2020, but tourism activity declined sharply during the March to September period at the height of the pandemic-related shutdowns. Overall, the jurisdiction expects to record an economic contraction for the fiscal 2020 period. According to public finance officials, a deficit of CI$173 million (equivalent to 4.9% of Gross Domestic Product (GDP)) is projected for 2020. Government cash reserves could fall to approximately CI$188.17 million by year-end from CI$559 million as of June 2020. Nevertheless, the Cayman Islands was successful in battling the COVID-19 and ensuring the safety of its citizens during the year. As of October 13, 2020, the Cayman Islands had recorded only three cases during a 14-day period (between September 4 – 17). With this seemingly positive handle on the virus, the Government allowed a soft reopening of its borders in October 2020, which should begin the recovery of the domestic economy.

EASTERN CARIBBEAN

After a relatively successful 2019, the tourism-based economies of the Eastern Caribbean were severely impacted by the halt in travel caused by the COVID-19 crisis. As a result of the cessation of cruise ship activity, the lockdown of local and international borders and the cancellation of most

Chairman's Review

flight schedules, the countries experienced contractions in long-stay visitor arrivals ranging from 58.4% to 67.7% during the first half of 2020. Cruise ship arrivals also plunged during this period. While most countries encouraged domestic staycations to minimise the loss of international visitors, its impact was minimal and the COVID-19 crisis resulted in marked increases in unemployment, lower tax revenues and increased fiscal deficits across the Eastern Caribbean. There were some signs of increased activity as borders began to gradually re-open, but economic recovery is expected to be protracted.

Although the economic impact was significant, all countries of the Eastern Caribbean must be commended for their management of the health crisis which resulted in world leading statistics from a health management perspective. Grenada, for example, recorded only 24 cases and zero deaths as at October 13, 2020.

To assist in meeting the societal needs during the immediate crisis period, many of the countries were able to access emergency support from the international lending agencies. Dominica, Grenada, Saint Lucia, and St. Vincent and the Grenadines secured IMF support to help finance their COVID-19 measures aimed at reducing the social impact of the increased unemployment in the tourism and related sectors. Many of these countries also sought to stimulate economic activity through public sector led infrastructure projects – such as the upgrade of the international airport in Saint Lucia – and encouraging increased private sector investment in its tourism plant – such as the purchase by Sandals of the Buccament Bay Resort in St. Vincent.

Going forward, the main challenge for these economies will be maintaining the social support required during any economic recovery period in the face of rising Debt/GDP ratios. The IMF projects that Grenada will register its first fiscal deficit in years. The fund also expects an economic contraction of 9.2% and Debt/GDP to climb to 69%. The Economic Commission for Latin America and the Caribbean (ECLAC) expects the St. Kitts and Nevis economy to contract by 11.5% and the St. Vincent and the Grenadines economy to contract by 7.8% in 2020.

GHANA

Commodity prices saw mixed fortunes in the first half of 2020, with declines in cocoa and crude oil prices partially offset by higher gold prices. During the COVID-19 period, plummeting demand led to a 37.5% drop in crude oil prices, while cocoa prices declined by 7.7% due to low demand for the bean. On the other hand, gold prices surged by 17.1% due to global monetary policy easing, geopolitical risks, and the global economic slowdown triggered by the pandemic. In the first half of 2020, total exports contracted by 8.4% Year-on-Year (y-o-y) to US$7.49 billion as crude oil exports fell by 37.9%, gold export receipts increased by 6.9% and the value of cocoa exports rose by 8.7%. The services sector did not escape unscathed as the tourism and hospitality industry lost US$ 171 million from March to June this year. Nonetheless, Ghana's economy expanded by 4.9% in the first quarter. In February, the Monetary Policy Rate (MPR) was reduced by 150 Basis Points (BPs) from 16% to 14.50%. This action, along with the ensuing improved liquidity conditions in the banking sector, resulted in the interbank rate declining from 15.2% in December 2019, to 13.8% in June 2020. Headline inflation was low at the start of the year at 7.8% (y-o-y) for each of the first three months, but picked up as a measure of panic buying pushed the rate up to 10.6% in April and 11.3% in May before it decreased marginally to 11.2% in June. As a result, average prices were 9.4% higher in the first half of 2020 than the first half of 2019. The cedi performed relatively well, depreciating by just 2.5% against the US dollar from January to July 23, compared to 8.3% for the same 2019 period. On September 11, Standard and Poor's lowered Ghana's credit rating from B to B- with a stable outlook. However, the authorities got encouraging news the following week when it was determined that Ghana's economy contracted by a better-than-expected 3.2% in the second quarter. This news, along with increased economic activity in the third quarter, suggests that 2020 growth could come in higher than the Government's earlier forecast of 0.9%.

GUYANA

2020 saw Guyana officially joining the ranks of the energy producers, with the start-up of oil production proceeding smoothly. Things were more subdued in the gold sub-sector, however, as Guyana Goldfields reported gold production of 28,100 ounces in the first quarter of 2020, a 23% drop from the 36,000 ounces produced in quarter one

2019. Ongoing uncertainty and the COVID-19 restrictions contributed to a 4.9% contraction in the non-oil sector in the second quarter. The petroleum sector, on the other hand, expanded by 45.6%. Over the first half of 2020, the industry recorded crude oil production of 12,349,835 barrels, with an average output per day ranging between 65,000 and 75,000 barrels. However, this performance was 38-46% lower than the 120,000 barrels per day target production level during the review period. Over the same period, the total gold declaration increased by 2.1% to 299,955 ounces. This rise in output was due to increased declarations by small and medium scale miners by 26.5% due to a sharp increase in export prices by 22.4%. This offset the 35.6% combined decrease in output from the two large foreign gold mining companies.

Political uncertainty ended on August 2 with the swearing in of the People's Progressive Party – Civic (PPP/C) as Guyana's new Government. With no budget having been presented for 2020, the new administration presented an emergency budget on September 9 focussed on two overriding priorities – bringing the spread of COVID-19 under control and opening up of the economy. In its October World Economic Outlook, the IMF is projecting that Guyana will experience 26.2% growth in real GDP in 2020; 8.1% growth in 2021; 30% in 2022 and 22.3% in 2023.

ST. MAARTEN

In early 2020, political stability improved as a coalition government was quickly formed after the general election on January 9, 2020. For most of 2020, the tourism sector faced challenges due to the slowdown in global travel caused by the COVID-19 pandemic. Long-stay arrivals contracted by 62.1% (y-o-y) during the first seven months of the year. The cruise sector also witnessed a 60.4% decline in cruise passengers for the same period. As the tourism sector is the primary driver of economic growth for St. Maarten, real GDP is now projected to contract by 24.5% in 2020. Government policy measures, such as payroll support to businesses, prevented mass unemployment. While the current administration worked hard to minimise the pandemic's economic and social impact, substantial pressure was placed on public finance. As a result, the government expects a decline in its liquidity by the end of October 2020 and hopes to secure a second tranche of liquidity support to help manage this shortage. In July, the country began the phased reopening of its borders and welcomed Canadian and European tourists. On August 1, 2020, St. Maarten officially opened to visitors from the United States (US). Now the tourism sector is set to receive a boost in November, when JetBlue plans to add flights to St. Maarten out of Newark Liberty International Airport in New Jersey. Still, the marked slowdown in global travel during the March to September period would have been enough to cause an economic contraction for 2020.

SURINAME

The volatility in oil prices and the collapse of tourism from subsequent border closures depressed the country's foreign exchange receipts. In late March, the Government introduced currency controls, permitting the exchange of US dollars and Euros only at official exchange houses and at the official exchange rates of SRD7.45 to US$1. It also mandated that all goods and services be priced only in Surinamese dollars and importers required special licenses from the Government to access foreign currency at the official rate. While the official rate of exchange held steady at SRD7.52 to US$1 during the first seven months of the year, the domestic currency's value was much lower on the parallel market and trended down in the second quarter. As a result of this, inflation spiralled to 35.2% in June from 17.6% in March 2020. Immediately after taking office at the end of June, the new Government instituted an economic recovery plan involving review of its debt profile and revaluation of the currency. On September 22, the Government devalued the Surinamese dollar by almost 90% against the US dollar with the rate now at SRD14.15 to US$1.

To address some of the fiscal imbalance, the Government removed the subsidy on fuel with plans to reduce/remove all remaining state subsidies over time. These developments have resulted in mounting tension in the country with the trade union movement and some business organisations calling on the Government to immediately reverse the fuel increase, with strikes being threatened. The Economist Intelligence Unit, EIU-UK, had earlier estimated that Suriname's economy would contract by 8% in 2020. Following notable oil discoveries in January and April, in July, Apache Corporation declared what it described as a "giant find" at its Kwaskwasi-1 well. Given these developments, exploration activity in Suriname is set to pick up in the near-term.

Chairman's Review

TRINIDAD AND TOBAGO

Trinidad and Tobago's GDP output fell by 5.9% in the first half of 2020, comprising a 1.9% contraction in the first quarter and 10% contraction in the second. The energy sector contracted by 3.7% and 8.3% in the first and second quarters, respectively, while the non-energy sector registered marginal growth of 0.4% in the first quarter before shrinking by 9.1% in the second. The trade and repairs sector declined by 2.6% in the first quarter and a massive 23.7% in the second as the full impact of the COVID-19 restrictions materialised. This contraction was characterised by declines in all of the sector's sub-components, namely, wholesale and retail trade, motor vehicle sales and repairs, and the distribution of natural gas and petroleum products and was borne out by a 77% drop in new vehicle sales in the second quarter of 2020 compared to the same 2019 period. The closure of international borders and restrictions on intra-island travel devastated the domestic tourism sector and consequently resulted in a 6.6% contraction in the transport and storage sector in the first quarter, which swelled to a 35.9% contraction in the April to June quarter. Similarly, the accommodation and food services sector contracted by 4.2% in the first quarter and a much larger 20.3% in the second quarter, reflecting the restrictions placed on restaurants, hotels, and guest houses during the period. The manufacturing sector contracted by 1.5% and 5.8% in the first and second quarters, respectively, with reduced economic activity in all its sub-sectors.

Trinidad and Tobago (T&T) was one of several regional states to hold elections during the COVID-19 pandemic. The incumbent People's National Movement retained control of the Government in the August 10 election. Reduced revenue, together with large, COVID-19 driven expenditure, led to a significant deterioration in the Government's fiscal position, with a fiscal deficit of $16.8 billion (11% of GDP) estimated for 2020. As a result, debt also increased and is now equivalent to almost 81% of GDP. The economy is expected to contract by 6.8% in 2020. On October 5, the Government presented its 2020-2021 Budget partly geared to addressing shortcomings and deficiencies exposed by the pandemic, as well as correcting some structural inadequacies.

Outlook

While the COVID-19 pandemic has been contained in some countries, the global economy continues to be traumatised by its ongoing effects. In many countries, second and third waves have triggered increased restrictions and/or partial lockdowns, with at least eight European states announcing a raft of restrictions on October 13. These developments halt tentative recoveries that would have been just starting and, in many cases, will reverse any gains and push the prospects of a stronger, more permanent recovery further into the future. Over the next 12 months, larger economies will likely continue to see major industries operating significantly below capacity due either to safety restrictions, reduced demand, or a combination of the two. Major service sector industries such as tourism, entertainment and dining will likely operate with the three-fold challenges of capacity/service limits, the prospect of being shut down altogether, and trying to woo and reassure sceptical customers. Work from home arrangements will continue well into 2021.

Although Caribbean countries have generally done better than many larger countries at curbing the spread of the virus, the restrictive measures taken have been just as economically devastating, particularly because of their weaker fiscal positions at the onset of the pandemic. Domestic economic activity has resumed in all regional countries, with many also having reopened their borders and by extension their tourism sectors to international visitors. However, in this 'new normal' those who can, continue to work from home, schoolchildren are being tutored online and those who are employed, are giving more priority to needs versus wants when it comes to the nature and duration of their shopping. Industries driven by international demand such as tourism, may not fare particularly well at this time either, as while there is pent up demand for travel and vacation, the safety threshold criteria implemented by several host countries as well as safety concerns held by many prospective travellers are likely to result in relatively low numbers of visitors to the Caribbean. The commodity-exporting countries are unlikely to fare much better as lower levels of economic activity globally have led to weak prices for most commodities, with gold being the notable exception. In an environment where both the domestic and internationally connected industries are operating at lower levels, unemployment in regional states will likely increase steadily over the next year as companies will be forced to adjust to lower demand.

I wish to extend a warm welcome to Mr. Peter R. Inglefield who was appointed to the Republic Financial Holdings Limited (RFHL) Board of Directors on September 20, 2020, after stepping down from the Republic Bank Limited (RBL) Board of Directors, which he joined in 2015. Peter is a chartered accountant with a distinguished career, having served as a Tax Partner and a Managing Partner at PricewaterhouseCoopers since 1976. He is a past member of the Institute of Chartered Accountants of Trinidad and Tobago and a past Fellow of the Institute of Chartered Accountants of England and Wales. I also wish to express gratitude to Mr. William P. Lucie-Smith who retired from the RFHL Board of Directors on September 19, 2020, after 15 years of distinguished service to the organisation and to my predecessor Chairman, Ronald F. deC Harford who retired from the Board on December 31, 2019.

I thank my fellow directors, dedicated staff, and loyal customers for their commitment over this past challenging year. RFHL continues to be responsive to the evolving needs of our customers and clients, providing safe working conditions for our employees and supporting the communities we serve.

President's Discussion and Analysis

The Group progressed with its strategy of acquisition and geographic diversification of income sources, with the acquisition of the Scotiabank's banking operations in St. Maarten and the Eastern Caribbean

Introduction

Republic Financial Holdings Limited (RFHL) recorded profit attributable to equity holders of the Parent of $904 million for the year ended September 30, 2020, a decline of $677.1 million or 42.8% below the profit of $1.58 billion reported in the prior year. These results reflect the financial impact of the Novel Coronavirus (COVID-19) pandemic on the Group, mainly resulting from decreased economic activity, narrower margins due to reduced lending interest rates, waiver of fees and commissions and the setting aside of additional credit provisions to cover potential future losses.

Two significant one-off items, the net impact of which was an increase of $83.5 million, were included in the profits of the prior year. Excluding the impact of these items, the Group's profit attributable to equity holders of the Parent declined by $593.6 million or 39.6%.

Based on these results, the Board of Directors has declared a final dividend of $2.10 per share for the year ended September 30, 2020. When combined with the interim dividend of $0.60 per share, this brings the total dividend for the year to $2.70 per share, a decrease of $1.80 compared to the amount declared for 2019. At a share price of $142.00 as at September 30, 2020, this results in a dividend yield of 1.90% on an RFHL share.

Nigel M. Baptiste

Net Profit

All figures are stated in TT$ millions

	2020	2019	Change	% Change
Profitability				
Net interest income	**3,995**	3,814	181	4.7
Other income	**1,705**	1,594	111	7.0
Write-back of post retirement medical benefit provision (PRMB)	**-**	424	(424)	(100.0)
Share of profits of associated companies	**5**	6	(1)	(16.7)
Less:				
– Operating expenses	**3,514**	2,835	(679)	(24.0)
– Employee benefits pension and medical contribution	**109**	106	(3)	(2.8)
– Credit loss expense on financial assets	**621**	226	(395)	(174.7)
Profit before taxation	**1,461**	2,671	(1,210)	(45.3)
Reversal of deferred tax on write-back of PRMB	**-**	148	148	100.0
Reversal of deferred tax on Barbados change in tax rates	**-**	192	192	100.0
Less Taxation	**458**	615	157	25.5
Profit after taxation	**1,003**	1,716	(713)	(41.6)
Less Non-controlling interest	**99**	135	36	26.7
Profit attributable to equity holders of the Parent	**904**	**1,581**	**(677)**	**(42.8)**
Trinidad and Tobago – Core	**311**	851	(540)	(63.5)
Barbados – Core	**131**	194	(63)	(32.5)
Guyana	**60**	66	(6)	(9.1)
Cayman Islands	**114**	169	(55)	(32.5)
Eastern Caribbean	**152**	113	39	34.5
Suriname	**71**	40	31	77.5
Ghana	**40**	64	(24)	(37.5)
British Virgin Islands	**25**	–	25	100.0
One-off items *	**-**	84	(84)	(100.0)
Total	**904**	**1,581**	**(677)**	**(42.8)**

* Net one-off items are made up of:

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

The following is a detailed discussion and analysis of the financial results of RFHL and its subsidiaries. This should be read in conjunction with the audited consolidated financial statements, contained on pages 85 to 198 of this report. All amounts are stated in Trinidad and Tobago dollars.

President's Discussion and Analysis

On November 1, 2019, through the newly-formed Republic Bank (EC) Limited (RBEC), the Group acquired Scotiabank's banking operations in St. Maarten and the Eastern Caribbean (Anguilla, Dominica, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines) while the Group's subsidiary Republic Bank (Grenada) Limited acquired Scotiabank's banking operations in Grenada. Scotiabank's operations in the British Virgin Islands (BVI) were acquired on June 1, 2020.

Throughout this analysis, the impact of these acquisitions was excluded as needed to allow for proper comparability to the previous financial year.

Net Interest Income and Net Interest Margins

All figures are stated in TT$ millions

	2020	2019	**Change**	**% Change**
Interest income	**4,821**	4,429	392	8.9
Less Interest expense	**826**	615	(211)	(34.3)
Net interest income	**3,995**	**3,814**	**181**	**4.7**
Trinidad and Tobago	**1,966**	2,176	(210)	(9.7)
Barbados	**405**	443	(38)	(8.6)
Guyana	**286**	272	14	5.1
Cayman Islands	**415**	328	87	26.5
Eastern Caribbean	**451**	161	290	180.1
Suriname	**140**	119	21	17.6
Ghana	**297**	315	(18)	(5.7)
British Virgin Islands	**35**	–	35	100.0
Total	**3,995**	**3,814**	**181**	**4.7**
Average total assets	**95,880**	**78,975**	**16,905**	**21.4**
Net interest margin	**4.17%**	**4.83%**		

The Group earned Net interest income of $4.0 billion for the year ended September 30, 2020, an increase of $181 million or 4.7% over the prior year. Excluding the operations of RBEC and BVI, which were not subsidiaries for 2019, there was a decline of $117.8 million or 3.1%.

Average total assets increased by $17 billion or 21.4% in the fiscal, with the net interest margin declining from 4.83% in 2019 to 4.17% in 2020.

- In Trinidad and Tobago (T&T), net interest income declined by $210 million, being a combination of a $110 million decrease in interest income and a $100 million increase in interest expenses. The decrease in interest income was generated primarily from a reduction in interest rates on advances, mainly as a result of a reduction in the prime lending rate driven by the Central Bank of Trinidad and Tobago's (CBTT's) reduction in the Repo rate by 150 bps in March 2020. The average yields on investments and liquid assets were also lower than the prior year.

The $100 million increase in interest expense stemmed from increased borrowing costs in Republic Bank Limited (RBL) and RFHL of US$150 million each, as well as interest costs on lease liabilities of $15.2 million, a new requirement on adoption of the new accounting standard for IFRS 16 – Leases in 2020.

- In Barbados, net interest income declined by $38 million, the net result of a $40.4 million decline in interest income and a $2.0 million decline in interest expense. The $40.4 million decline in interest income was the result of a decline of $13.4 million on advances, resulting from lower yields and lower average advances balances in Barbados, combined with a decline of $26.1 million in the investments portfolio. The decline in investment income was the result of lower yields on the investment portfolio balances on the Barbados Offshore bank due to the maturity of higher yielding investments.
- In Ghana, the $18 million decline in net interest income resulted mainly from the reduction in the lending rate in line with the 150 bps reduction in the Ghana Reference Rate (GRR) in March 2020.
- The Cayman Islands enjoyed growth of $87 million in net interest income, being the net effect of increased interest income of $83.8 million and a decline of $2.8 million in interest expense. This increase was the result of the inclusion of Cayman National Corporation (CNC) for 12 months in 2020 compared to seven months in 2019.
- There were also increases of $21 million in Suriname and $14 million in Guyana due to increased advances and investment security portfolio balances.

Other Income

All figures are stated in TT$ millions

	2020	2019	**Change**	**% Change**
Fees and commission income	**1,097**	1,075	22	2.0
Net exchange trading income	**413**	351	62	17.7
Gains from disposal of investments	**14**	10	4	40.0
Other operating income	**181**	158	23	14.6
Write-back of PRMB	**-**	424	(424)	(100.0)
Total other ncome	**1,705**	**2,018**	**(313)**	**(15.5)**
Trinidad and Tobago	**804**	907	(103)	(11.4)
Barbados	**125**	125	–	0.0
Guyana	**107**	118	(11)	(9.3)
Cayman Islands	**219**	199	20	10.1
Eastern Caribbean	**193**	49	144	293.9
Suriname	**119**	44	75	170.5
Ghana	**125**	152	(27)	(17.8)
British Virgin Islands	**13**	–	13	100.0
Write-back of PRMB	**-**	424	(424)	(100.0)
Total	**1,705**	**2,018**	**(313)**	**(15.5)**

Other Income decreased by $313 million, from $2.018 billion in 2019, to $1.705 billion in 2020. Excluding the impact of the write-back of the PRMB in 2019 and RBEC and BVI in 2020, the decline in this area was $19 million or 1.2%.

President's Discussion and Analysis

In Trinidad and Tobago, the decline of $103 million is the net effect of the following:

- A $56.4 million decrease in fees and commissions, reflecting the impact of reduced volumes and waived fees following the start of COVID-19. Net commissions on credit card services declined by $60 million, while commissions on Advances declined by $5.7 million and foreign trade income by $2.6 million. These declines were net of a $12 million increase in fees from advisory services offered by Republic Wealth Management Limited (formerly Republic Securities Limited).
- Exchange earnings declined by $47.9 million due to a reduction in available US dollars and other currencies for trade.
- Other income increased by $23 million, being the effect of refunds on insurance claims and settlement of a long outstanding court matter.

Total Operating Expenses

All figures are stated in TT$ millions

	2020	Less RBEC/ Grenada branches	Less BVI	2020 excluding acquisitions	2019	Change	% Change
Staff costs	**1,525**	(72)	(6)	**1,447**	1,392	(55)	(4.0)
General administrative expenses	**1,184**	(175)	(12)	**997**	882	(115)	(13.0)
Property related expenses	**176**	(15)	(1)	**160**	153	(7)	(4.6)
Depreciation	**333**	(17)	(1)	**315**	214	(101)	(47.2)
Advertising and public relations	**96**	(10)	–	**86**	89	3	3.4
Goodwill impairment expense	**143**	–	–	**143**	–	(143)	(100.0)
Other	**57**	(15)	–	**42**	105	63	60.0
Total operating expenses	**3,514**	**(304)**	**(20)**	**3,190**	**2,835**	**(355)**	**(12.5)**
Trinidad and Tobago	**1,755**	–	–	**1,755**	1,552	(203)	(13.1)
Barbados	**294**	–	–	**294**	300	6	2.0
Guyana	**200**	–	–	**200**	184	(16)	(8.7)
Cayman Islands	**474**	–	–	**474**	331	(143)	(43.2)
Eastern Caribbean	**397**	(304)	–	**93**	89	(4)	(4.5)
Suriname	**95**	–	–	**95**	86	(9)	(10.5)
Ghana	**279**	–	–	**279**	293	14	4.8
British Virgin Islands	**20**	–	(20)	**-**	–	–	0.0
Total operating expenses	**3,514**	**(304)**	**(20)**	**3,190**	**2,835**	**(355)**	**(12.5)**

The Group incurred total operating expenses of $3.5 billion for the year ended September 30, 2020. Excluding the combined cost of $324 million incurred by RBEC, the new branches in Grenada and BVI, this reflects an increase of $355 million or 12.5% over the prior year. This increase is due to the net effect of increases and decreases in several areas as follows:

- The $55 million increase in staff costs is the net effect of increases in CNC of $97.6 million due to seven months' worth of expenses being reflected for 2019 compared to a full year in 2020 and Barbados which increased by $13 million due to increased salary (settlement of wage negotiations) and ex-gratia payments for COVID-19, offset by a decline in Trinidad and Tobago by $58.5 million after capitalisation of Information Technology (IT) project related salaries, reduced profit share on lower profits and other expenses only occurring every two years.

- General administrative expenses increased by $115 million or 13% due to the net effect of the following across the Group:
  - In CNC, general administrative costs increased by $7 million due to the inclusion of 12 months' expense for 2020 compared to seven months in 2019
  - In Trinidad and Tobago, total administrative expenses increased by $86.9 million due to increased legal and professional fees for digitisation, strategic initiatives and software licenses.
  - In Guyana, these costs increased by $9.4 million, mainly due to the write-off of long outstanding receivables which were deemed to be unrecoverable.
  - In Ghana and Barbados, administrative expenses decreased by $2 million and $3 million respectively.
- Property-related expenses decreased by $7 million due to the adoption of the new accounting standard for Leases (IFRS 16) which requires the exclusion of lease rental expenses from the statement of income.
- Depreciation increased by $101 million, $86 million resulting from the adoption of IFRS 16, an increase in CNC of $12.2 million being the effect of seven months' expense for 2019 compared to a full year in 2020 and an increase in Trinidad and Tobago of $24.6 million, the impact of capitalisation of Computer Hardware and Software in Trinidad as the main IT centre of the Group.
- Exacerbated by the impact of COVID-19, the fragile economic outlook, increased risk profile and reduced profit projections for the commercial banking subsidiary in Barbados, resulted in the remaining Goodwill of $143 million in that territory being impaired.

Credit Loss Expense on Financial Assets

All figures are stated in TT$ million

	2020	2019	Change	% Change
Treasury Bills	–	1	1	100.0
Loans and advances	**534**	196	(338)	(172.4)
Debt instruments measured at amortised cost	**87**	29	(58)	(200.0)
Total	**621**	**226**	**(395)**	**(174.8)**

For the year ended September 30, 2020, the Group incurred total credit loss expense on financial assets of $621 million, an increase of $395 million or 174.8% when compared to the amount incurred in the prior financial year.

Of this increase, $338 million represents increased ECLs on loans and advances and a $58 million increase in ECLs for debt security instruments measured at amortised cost.

President's Discussion and Analysis

Credit Loss Expense – Loans and Advances

All figures are stated in TT$ million

	2020	2019	Change	% Change
Retail lending	**197**	119	(78)	(65.6)
Corporate and commercial lending	**304**	10	(294)	(2940.0)
Mortgages	**33**	67	34	50.8
	534	**196**	**(338)**	**(172.4)**
Trinidad and Tobago	**329**	103	(226)	(219.4)
Barbados	**41**	40	(1)	(2.5)
Guyana	**13**	10	(3)	(30.0)
Cayman Islands	**18**	(4)	(22)	(550.0)
Eastern Caribbean	**57**	–	(57)	(100.0)
Suriname	**20**	7	(13)	(185.7)
Ghana	**54**	40	(14)	(35.0)
British Virgin Islands	**2**	–	(2)	(100.0)
Total	**534**	**196**	**(338)**	**(172.4)**

Credit loss expense on loans and advances for the year ended September 30, 2020, totalled $534 million, an increase of $338 million or 172.4% compared to the previous year. This increase was the impact of increased risk, mainly due to the potential impact of COVID-19 in all territories across the Group.

$294 million or 87% of this increase emanated from the corporate and commercial lending portfolio, reflective of the increased risk profile of the vulnerable sectors to which the Group is exposed in its respective territories.

Credit Loss Expense on Debt Security Instruments Measured at Amortised Cost

All figures are stated in TT$ million

	2020	2019	Change	% Change
Trinidad and Tobago	**2**	–	(2)	(100.0)
Barbados	**45**	38	(7)	(18.4)
Guyana	**(1)**	(7)	(6)	(85.7)
Ghana	**(1)**	2	3	150.0
Suriname	**30**	–	(30)	(100.0)
Eastern Caribbean	**(1)**	(4)	(3)	(75.0)
Cayman Islands	**13**	–	(13)	(100.0)
Total	**87**	**29**	**(58)**	**(200.0)**

Credit loss expense on debt security instruments measured at amortised cost for the year ended September 30, 2020, totalled $87 million, an increase of $58 million or 200% when compared to the previous year. $12 million of this increase occurred in CNC and $30 million in Suriname due to a deterioration in the credit quality of the investment portfolios maintained by those subsidiaries.

Review of the Consolidated Statement of Financial Position

All figures are stated in TT$ millions

	2020	Less RBEC/ Grenada Branches	Less BVI	2020 excluding acquisitions	2019	Change	% Change
Total assets	**104,277**	(11,734)	(3,155)	**89,388**	87,484	1,904	2.2
Liquid assets	**26,974**	(3,648)	(819)	**22,507**	20,979	1,527	7.3
Investments	**17,536**	(451)	–	**17,084**	16,576	508	3.1
Advances	**53,300**	(6,432)	(1,881)	**44,986**	44,630	356	0.8
Deferred tax assets	**254**	(1)	–	**253**	180	73	40.5
Total deposits and other funding instruments	**87,346**	(9,716)	(2,628)	**75,002**	70,559	4,443	6.3
Total equity	**11,342**	(44)	(27)	**11,272**	11,232	40	0.4

Total assets

At September 30, 2020, the Group's total assets stood at $104.3 billion, an increase of $16.8 billion or 19.2% over the asset base of 2019. Excluding RBEC, the new Grenada branches and BVI, which added $14.9 billion to the Group's asset base, overall organic growth amounted to $1.9 billion or 2.2%, the effect of a $1.5 billion growth in liquid assets and $0.5 billion growth in investments.

Liquid assets

Excluding the new acquisitions, liquid assets increased by $1.5 billion, the combined effect of increases of $1.2 billion in T&T and $0.7 billion in Guyana, with decreases in the other territories. In T&T, the increase in liquid assets is reflective of increased system liquidity which was further exacerbated by the reduction in the reserve requirement by 3%, from 17% to 14%, in March 2020.

Deposits and other funding instruments

Excluding the new acquisitions, deposits and other funding instruments, the Group's main source of liquidity, increased by $4.4 billion or 6.3% over the prior year. $3.7 million of the growth emanated from T&T and $0.7 million from Guyana.

Total equity

Total equity at September 30, 2020, increased by $110 million or 1.1% from the prior year, the net effect of profits and dividend payments. The Group's Capital adequacy ratio remains robust at 11.87% (Basel II) at September 30, 2020, underscoring the Group's ability to maintain adequate capital levels in the event of shocks.

President's Discussion and Analysis

Loans and Advances

All figures are stated in TT$ million

	2020	2019	Change	% Change
Retail lending	**8,708**	7,439	1,269	17.1
Corporate and commercial lending	**16,246**	15,710	536	3.4
Mortgages	**28,346**	21,481	6,865	32.0
	53,300	**44,630**	**8,670**	**19.4**
Trinidad and Tobago	**26,006**	25,914	92	0.4
Barbados	**5,100**	5,092	8	0.2
Guyana	**2,742**	2,640	102	3.9
Cayman Islands	**6,654**	6,346	308	4.9
Eastern Caribbean	**8,188**	1,726	6,462	374.3
Suriname	**959**	1,241	(282)	(22.7)
Ghana	**1,770**	1,671	99	5.9
British Virgin Islands	**1,881**	–	1,881	100
Total	**53,300**	**44,630**	**8,670**	**19.4**

Loans and advances increased by $8.7 billion or 19.4%, from $44.6 billion in 2019 to $53.3 billion in 2020. This growth included the acquisition of the Scotiabank entities in RBEC and Grenada on November 1, 2019, and BVI on June 1, 2020, which added a combined $7.6 billion to the Group's loans and advances portfolio. Excluding these entities, loans and advances grew by $1.0 billion or 2.37%.

In Guyana, total loans increased by $102 million or 3.9%, reflective of growth in all sectors.

The growth in Cayman of $308 million was reflective of growth in the corporate and commercial and mortgages portfolio, offset by declines in the retail portfolio.

The $99 million or 5.9% growth in Ghana was generated by the retail portfolio which grew by $77 million and the corporate and commercial portfolio which grew by $20 million.

In T&T and Barbados, the performance of these portfolios is reflective of the slowdown in economic activity resulting from the impact of COVID-19.

Net Loans Detailed by Territory

All figures are stated in TT$ million

	Trinidad & Tobago	Barbados	Guyana	Cayman Islands	Eastern Caribbean	Suriname	Ghana	BVI	Total 2020	Total 2019
Performing loans	25,993	4,830	2,655	6,632	7,836	973	1,591	1,766	**52,276**	44,155
Non-performing loans (NPLs)	876	550	125	150	622	27	380	187	**2,916**	1,762
Gross loans	26,869	5,380	2,780	6,782	8,458	1,000	1,971	1,953	**55,192**	45,917
Allowance for ECLs	(745)	(273)	(26)	(95)	(264)	(39)	(190)	(72)	**(1,704)**	(1,088)
Unearned loan origination fees	(118)	(7)	(12)	(33)	(6)	(2)	(11)	–	**(189)**	(199)
Net loans	**26,006**	**5,100**	**2,742**	**6,654**	**8,188**	**959**	**1,770**	**1,881**	**53,300**	**44,630**
Allowances for ECL										
Stage 1	122	43	13	29	94	8	23	20	**352**	231
Stage 2	178	71	1	3	33	12	17	10	**325**	106
Stage 3	445	159	12	63	137	19	150	42	**1,027**	751
Total ECL	**745**	**273**	**26**	**95**	**264**	**39**	**190**	**72**	**1,704**	**1,088**
NPLs to Gross loans (%)	**3.3**	**10.2**	**4.5**	**2.2**	**7.4**	**2.7**	**19.3**	**9.6**	**5.3**	**3.8**
Stage 3 ECLs as a % of NPLs	**50.9**	**28.9**	**9.6**	**42.3**	**21.0**	**71.9**	**39.5**	**22.3**	**35.2**	**42.6**
Total ECLs as a % of Gross loans	**2.8**	**5.1**	**0.9**	**1.4**	**3.1**	**3.9**	**9.6**	**3.7**	**3.1**	**2.4**

As at September 30, 2020, the Non-Performing Loans (NPLs) to gross loans ratio for the Group stands at 5.3%, an increase of 1.5% over the 3.8% reported in 2019, reflective of the impact of COVID-19 on assumptions used in the determination of provisioning levels.

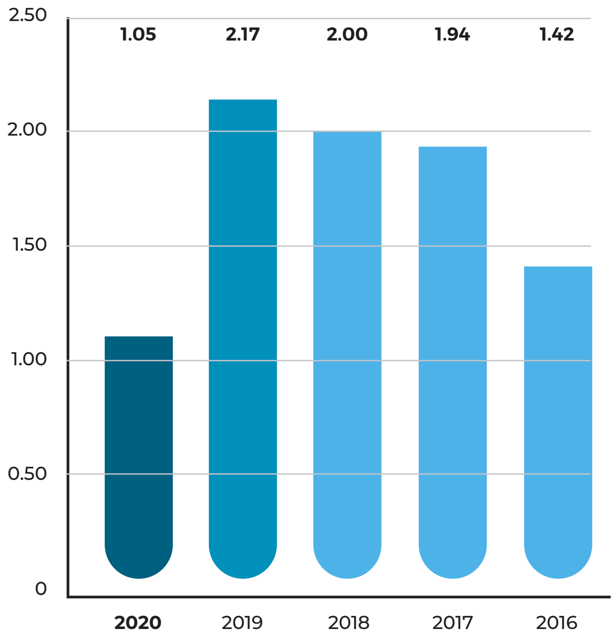
The Group recorded a provision coverage ratio of 35.2% for its non-performing (Stage 3) facilities as at September 2020, down from 42.6% in September 2019, with T&T and Suriname maintaining coverage ratios in excess of 50%.

Including Expected Credit Losses (ECLs) for the Group's performing portfolio designated as Stage 1 and Stage 2 under IFRS 9, the Group maintains total provisions of $1.7 billion, which represents 3.1% of gross loans, an increase from 2.4% in 2019.

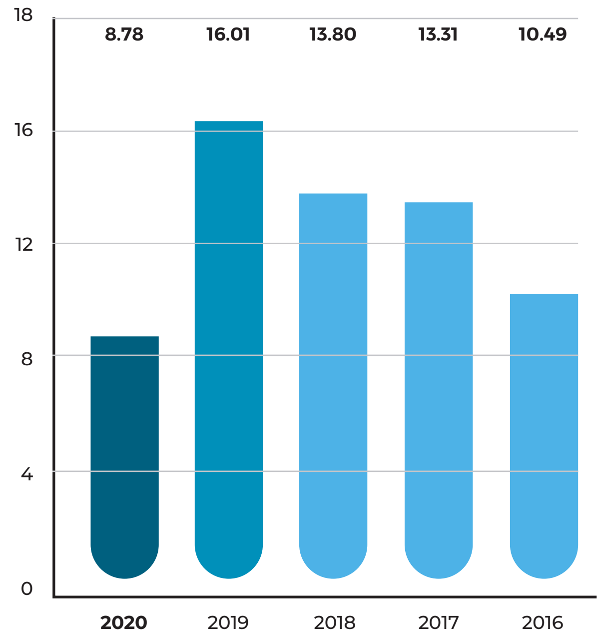
President's Discussion and Analysis

Performance Ratios

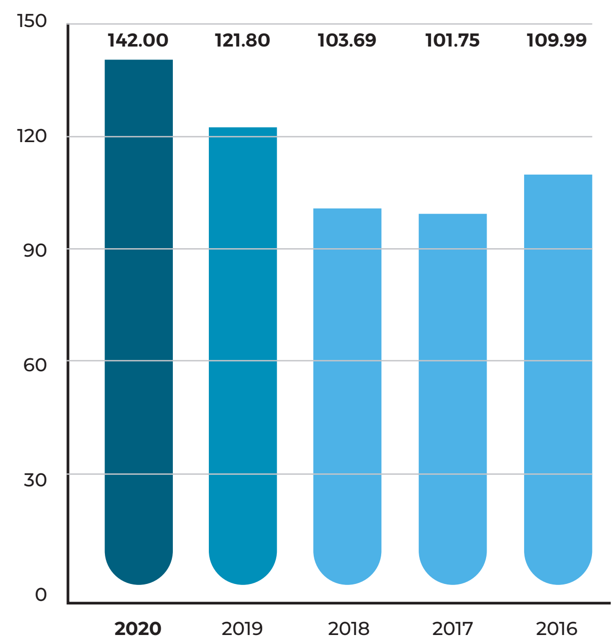
Return on Assets (%)



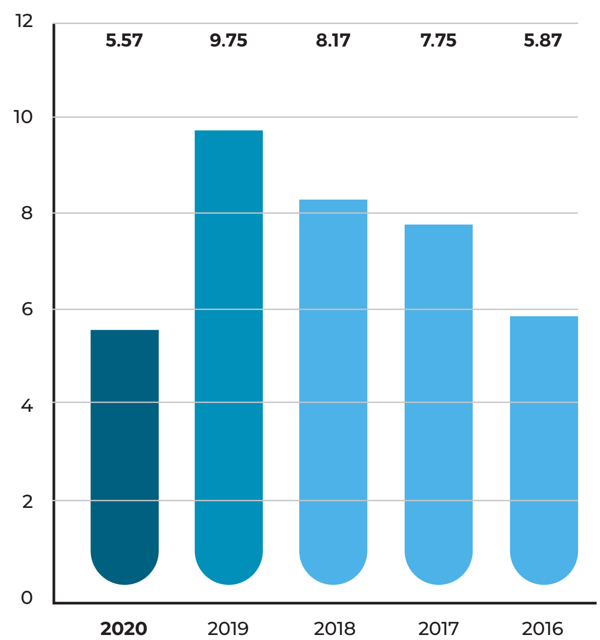
Return on Equity (%)



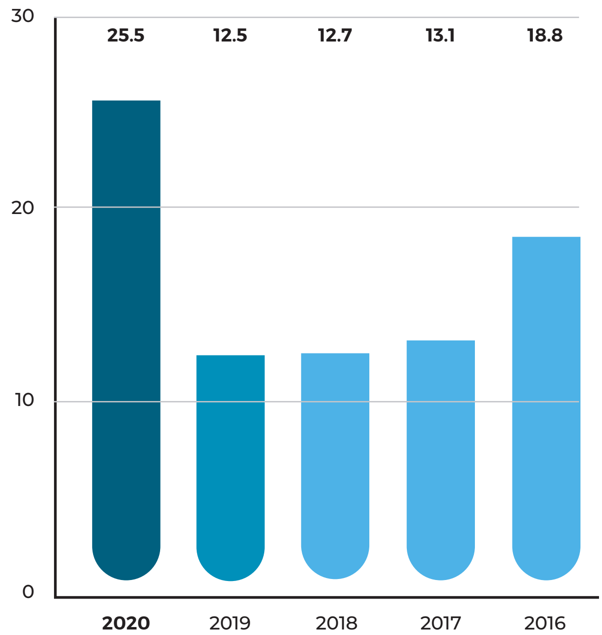
Share Price ($)



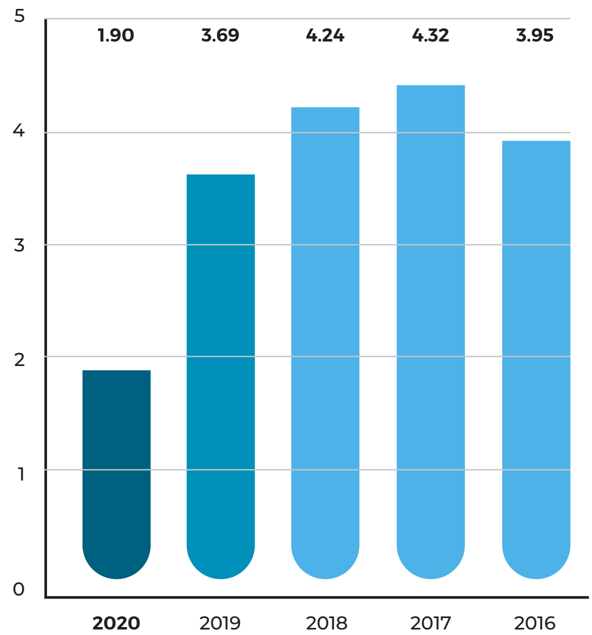
Earnings Per Share ($)



Price Earning Ratio (%)



Dividend Yield (%)



The decrease in profitability in 2020 is reflected in the decline in most key ratios in 2020, with the Return on Average Assets (ROA) ratio decreasing from 2.17% in 2019 to 1.05% in 2020, and the Return on Average Equity (ROE) ratio decreasing from 16.01% in 2019 to 8.78% in 2020.

Earnings per Share (EPS) also decreased, from $9.75 in 2019 to $5.58 in 2020, a total decline of $4.18 per share. Combined with a closing share price of $142.00 as at September 30, 2020, which increased by $20.20 or 16.58% over the past year, the Price/Earnings (P/E) ratio increased from 12.5 times in 2019 to 25.5 times in 2020.

Based on these results, the Group has declared a final dividend payment of $2.10, bringing the total dividend for the year to $2.70. Assessed against RFHL's closing share price of $142.00, this represents a dividend yield to shareholders of 1.90%.

Capital Structure

Capital adequacy ratio	2020 %	2019 %
Basel II		
Republic Financial Holdings Limited	**11.87**	N/A
Republic Bank Limited	**13.60**	N/A
Republic Bank (Cayman) Limited	**28.66**	32.00
Republic Bank (Ghana) Limited	**24.94**	28.22
Cayman National Bank	**23.60**	23.06
Republic Bank (Barbados) Limited	**16.38**	14.71

President's Discussion and Analysis

Capital Structure

Capital adequacy ratio	2020 %	2019 %
Basel I		
Republic Bank Limited	**N/A**	21.45
Republic Bank (Grenada) Limited	**16.24**	13.64
Republic Bank (Guyana) Limited	**23.79**	22.54
Republic Bank (Suriname) N.V.	**11.71**	15.20
Republic Bank (EC) Limited	**15.75**	–
Republic Bank (BVI) Limited	**19.00**	–

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. In T&T, the Basel II Regulations were promulgated in May 2020. Under these regulations, the risk-based capital guidelines require a minimum ratio of core capital (Tier I) to risk-weighted assets of 6%, with a minimum total qualifying capital (Tier II) ratio of 10%. Core (Tier I) capital mainly comprise shareholders' equity .

All companies within the Group maintain 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 11.87% as at September 2020, in excess of the 10% minimum requirement under Basel II.

Outlook

The Group progressed with its strategy of acquisition and geographic diversification of income sources with the acquisition of Scotiabank's banking operations in St. Maarten and the Eastern Caribbean (Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines) on November 1, 2019, under the umbrella of the new entity Republic Bank (EC) Limited and through Republic Bank (Grenada) Limited, and Scotiabank's operations in BVI on June 1, 2020.

The drive to improve efficiency through the implementation of a common IT platform across all Caribbean subsidiaries also continued over the past year. To date, conversion of the IT systems has been completed for subsidiaries in Suriname, Cayman Islands and Guyana, with work in the new territories, Grenada and Barbados currently underway and other subsidiaries to follow thereafter. Successful implementation of this common platform will enable the Group to offer our Caribbean clients a common experience and facilitate the introduction of a shared support services infrastructure for improved efficiency.

Over the next 12 months, the economies in which we operate will likely continue to be impacted by the COVID-19 pandemic. In most regional countries, domestic economic activity has resumed, with many reopening their borders and tourism sectors to international visitors. While commodity exporting countries may perform better at lower levels of economic activity, the tourism industry may not cope well at this time as safety concerns by potential travellers are likely to cause reduced visitors to the Caribbean. Unemployment levels will likely increase over the next year as companies will be forced to reduce staff. Growth projections for 2020 and 2021 may be uncertain.

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

expanding **market share**

we introduced several debt alleviation packages to ease your financial burden and to bring ease and assurance to our customers during these uncertain times.

GROUP'S SUBSIDIARIES

Republic Bank Limited

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

Republic Bank Limited is one of the largest and longest serving indigenous banking and financial services organisations in Trinidad and Tobago, offering a complete range of products and services to retail and commercial banking customers, corporate clients, and governments. The Bank's network spans 40 branches – the largest across the twin-island republic – includes the most extensive Automated Teller Machine (ATM) network with 133 ATMs in 84 locations and is currently the nation's largest credit card operator.

Managing Director

Nigel M. Baptiste

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

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

Nigel M. Baptiste

Executive Directors

Derwin M. Howell

BSc (Hons.) (Elec. Eng.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C.Eng.

Executive Director

Derwin M. Howell

Roopnarine Oumade Singh

BSc (Econ.), MSc (Econ.), MBA

Executive Director

Roopnarine Oumade Singh

Republic Bank Limited

Executive Management

Wendy Bosse

BSc (First Class Hons.) (Mgmt. Studies), AICB (Hons.)

General Manager
Internal Audit

Wendy Anne Bosse

Riah Dass-Mungal
(Designate)

BSc (Acct.), FCCA

General Manager
Group Human Resources

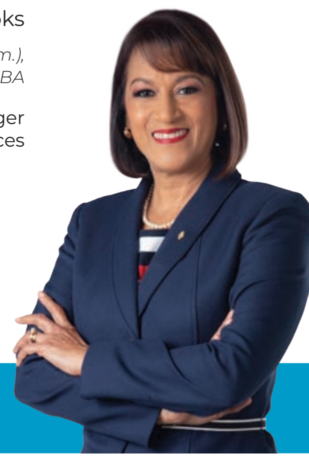
Riah Dass-Mungal

Kimberly Erriah-Ali

LLB (Hons.), LEC, MBA, ACAMS

Group General Counsel
and Corporate Secretary

Kimberly Erriah-Ali



Anna-María García-Brooks

Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), EMBA

General Manager
Group Human Resources

Anna-María García-Brooks

Marsha Mc Leod-Marshall

FCCA, CA, MSc (Dist.)(Int'l Fin.)

General Manager
Planning and
Financial Control

Marsha Mc Leod-Marshall

Marlon Persad

BSc (Computer Studies), MSc (Computer Science), EMBA (Dist.), CGEIT, AMLCA

General Manager
IT Consolidation

Marlon Persad

Aldrin Ramgoolam

Dip. (Business Mgmt.),
BSc (Computer Science), MBA

General Manager
Information Technology Management

Aldrin Ramgoolam

Baldath Ramkissoon

MSc (Dist.) (Fin.), MBA,
BSc (Hons.) (Mgmt.)

General Manager
Group Treasury

Baldath Ramkissoon

Denyse Ramnarine

BSc (Computer Science and Physics),
MSc (Telecom.), Dip. (Business Mgmt.),
P.Grad (Info Tech.), MBA

General Manager
Electronic Channels
and Payments

Denyse Ramnarine

David Robinson

BA (Econ.), EMBA, CFA

General Manager
Wealth Management

David Robinson

Parasram Salickram

FCCA, ACMA, CGMA, CA, CFA,
FRM

General Manager
Group Risk

Parasram Salickram

Richard Sammy

BSc (Hons.) (Mgmt. Studies), MBA

General Manager
Corporate and
Investment Banking

Richard Sammy

Republic Bank Limited

Executive Management

Carlene Seudat

BSc (Acct.), BSc (Business Mgmt.)

General Manager
Shared Services

Carlene Seudat

Robert Soverall

CFA, BSc (Hons.) (Actuarial Science)

General Manager
Creditor Protection

Robert Soverall

Karen Tom Yew

BSc (First Class Hons.)(Mgmt. Studies), Int'l MBA (First Class Hons.) (Fin.), LLB (Upper Second Class Hons.)

General Manager
Group Marketing and Communications

Karen Tom Yew

Michael Walcott

BA (Acct.)

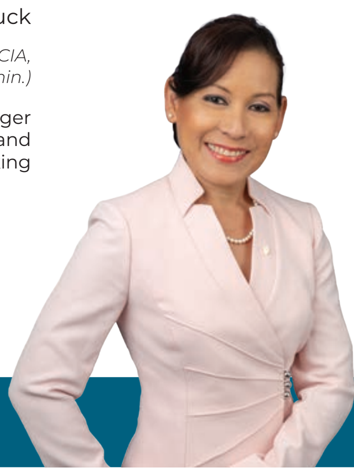
General Manager
Overseas Operations

Michael Walcott

Karen Yip Chuck

BSc (Hons.) (Econ.), ACIB, MBA, CIA, Dip. (Business Admin.)

General Manager
Commercial and Retail Banking



Karen Yip Chuck

Republic Wealth Management Limited

Registered Office

Ellerslie Plaza
#8 Rapsey Street
Maraval
Trinidad and Tobago
West Indies
Tel: (868) 623-0435
Fax: (868) 623-0441
Email: email@rfhl.com
Website: www.republictt.com

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

Republic Bank (Barbados) Limited

Registered Office

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

Republic Bank (Barbados) Limited is one of the longest serving banks in Barbados, having proudly served the nation for more than 40 years. Formerly Barbados National Bank Inc. (BNB), Republic Bank (Barbados) Limited operates one of the largest networks in the country and has a network that includes seven conveniently located branches and 27 ATMs. As a leading financial institution, the Bank offers an array of financial services such as personal and commercial lending, premium, corporate and investment banking, funds management, lease financing and merchant banking services.

Managing Director and Chief Executive Officer

Anthony Clerk

Dip. (Business Mgmt.), AIBAF, EMBA

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

Mr. Clerk holds an Executive Master of Business Administration and a Diploma in Business Management, both from the Arthur Lok Jack Global School of Business (UWI), 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.

Anthony Clerk

Executive Management

Naomi De Allie

BSc (Fin. Ser. Mgmt.),
MSc (Fin. Sect. Mgmt.), ACIB

General Manager
Credit and Enterprise Risk

Hamant Lalla

FCCA, MBA, Cert. IFRS

General Manager
Finance and Administration

Naomi De Allie **Hamant Lalla**

Sharon Zephirin

BSc (Acct.), EMBA

General Manager
Retail and Operations

Sharon Zephirin

Republic Bank (BVI) Limited

Registered Office

P.O. Box 434
Road Town
Tortola
British Virgin Islands
Tel: (284) 494-2526
Email: republicbank.bvi@rfhl.com
Website: www.republicbankbvi.com

Republic Bank (BVI) Limited offers customers a fully comprehensive suite of financial products and services through a network of one branch and six ATMs.

Managing Director

Marion Blyden

BBA (Fin. and Investments), MBA (Fin.)

Marion Blyden was appointed to the Board of Directors of Republic Bank (BVI) Limited Board in June 2020. Ms. Blyden is the current Managing Director, Republic Bank (BVI) Limited and is a career banker with considerable Finance, Business Continuity Management, Personal Financial Counselling and Lending, Operations Management, Project Management, Risk Management, and Business Development expertise built up over close to two decades.

Prior to her current position, Ms. Blyden served as the Managing Director of Scotiabank (British Virgin Islands) Limited. Before this, she served as the Chief Operations Officer at National Bank of the Virgin Islands Limited. She also served at CIBC FirstCaribbean International Bank Limited (British Virgin Islands) as Head of Retail, Small Business and Operations; Wealth Manager; and International Premier Manager.

Ms. Blyden holds a Bachelor of Business Administration (summa cum laude) with a dual concentration in Finance and Investments from Baruch College, City University of New York, and a Master of Business Administration, Finance Concentration from Wright State University, Ohio, USA. She also holds a Master's Certificate in Project Management and Monitoring and Measurement: Certification I from Laval University, IDEA International and H. Lavity Stoutt Community College (HLSCC) and is a Certified Continuity Manager from the National Institute for Business Continuity Management, New York, USA.

External Appointments

Ms. Blyden is a member of the Golden Key Honour Society, a Charter member of the Zonta Club of Tortola, and is a member/director of the Rotary Club Sunrise of Road Town.

Executive Management

Geraldeen Johnson

Dip. (Business Mgmt.), Dip.(Mgmt.) , CSI, MSc (Merit) (Business Mgmt.)

Manager
Commercial Banking

Geraldeen Johnson

Republic Bank (Cayman) Limited

Registered Office

3rd Floor
Citrus Grove
106 Goring Avenue
P.O. Box 2004
George Town, KY1-1104
Cayman Islands
Tel: (345) 949-7844
Fax: (345) 949-2795
Email: info@republiccayman.com
Website: www.republiccayman.com

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

Country Manager

Ravi Mykoo

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

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

Ravi Mykoo

Cayman National Corporation

Registered Office

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

Cayman National Corporation offers domestic and international clients expertise in a full range of integrated financial solutions, including retail, corporate and premier banking; investment management services, trust services, fund management and administration. Cayman National is a trusted financial services provider, headquartered in the Cayman Islands, with offices in the Isle of Man and Dubai.

Republic Bank Trinidad and Tobago (Barbados) Limited (RBTTBL), a wholly-owned subsidiary of Republic Financial Holdings Limited acquired a 74.99% shareholding in Cayman National Corporation (csx: CNC), a publicly traded entity on the Cayman Islands Stock Exchange.

President and Chief Executive Officer

Stuart Dack

ACIB, MBA

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

Stuart Dack

Republic Bank (EC) Limited

Registered Office

First Floor
Meridian Place
Choc Estate
Castries
Saint Lucia
West Indies
Tel: (758) 456-2300

Republic Bank (EC) Limited (RBEC) officially opened its doors as a wholly owned subsidiary of Republic Financial Holdings Limited on November 1, 2019. RBEC, a licensed bank in Saint Lucia, has branches in Dominica, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines. RBEC is also the sole shareholder of Republic Bank (St. Maarten) N.V. and Republic Bank (Anguilla) Limited. Across these territories, RBEC offers comprehensive banking services through 11 branches and 38 ATMs.

Managing Director

Michelle Palmer-Keizer

Adv. Dip. (Marketing Mgmt.), Dip. (Mgmt. Studies), MABE

Michelle Palmer-Keizer was appointed Managing Director, Republic Bank (EC) Limited, in 2019. She is a marketing executive with considerable expertise in credit card business, specialising in Research Development and Financial Product Management, and has a wealth of experience in product development, operational management and strategic management.

As a senior member of the Republic Group for more than three decades, Michelle most recently served as the General Manager, Group Marketing and Communications and led the Bank's digital and data transformation efforts to implement more diverse customer-centric banking services. Most notably, this includes integrating business intelligence, analytics, and various social media platforms as contemporary means of better engaging and serving customers.

She holds an Advanced Diploma in Marketing Management from the Association of Business Executives and a Diploma in Management Studies from the Arthur Lok Jack Global School of Business (UWI).

Ms. Palmer-Keizer is the former Board member of Vision on Mission, a non-governmental organisation that helps rehabilitate and reintegrate ex-prisoners and socially displaced persons. She is a full member of the Association of Business Executives, from which she received the World Prize for Quantitative Methods and is a past president of the Trinidad Hotels, Restaurant and Tourism Association (THRTA). Ms. Palmer-Keizer is also a Director of Republic Bank (Anguilla) Limited.

Michelle Palmer-Keizer

Executive Management

Janelle Bernard

LLB (Hons.), MBA, CAMS, IRMCert

General Manager
Legal Services/
Corporate Secretary

Janelle Bernard

Idris Fidela Haynes

CPA, CAMS-Audit, MBA (Fin.), BSc (Acct.)

General Manager
Corporate Services

Idris Fidela Haynes

Shawn Moses

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

General Manager
Retail and Business Banking

Shawn Moses

Republic Bank (Ghana) Limited

Registered Office

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

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

Managing Director

Farid Antar

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

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

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

Farid Antar

Executive Management

Beatrix Ama Amoah

LLB, BL, MBA

Company Secretary

Beatrix Ama Amoah

Benjamin Dzoboku

MBA (Fin. and Mgmt.), MPA, ICA, ACFE, FIFA, MIA, CIT

General Manager
Finance and Strategy

Benjamin Dzoboku

Bernard Gyebi

MBA, PG (Corp. Mgmt. and Fin.), BSc (Planning)

General Manager
Risk Management

Bernard Gyebi

Madeline Nettey

BSc (Math), MPhil (Fin.)

General Manager
Republic Investments Services

Madeline Nettey

Evelyn Osei-Tutu

CIB Intermediate paper
MA (Mktg. and Strategy)
BSc (Banking and Fin. with French)

General Manager
Republic Boafo Limited

Evelyn Osei-Tutu

Annette Wattie

Dip. (Business Mgmt.), Cert. (Project Mgmt.)

General Manager
Retail Banking

Annette Wattie

Republic Bank (Grenada) Limited

Registered Office

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

Republic Bank (Grenada) Limited is the largest bank in Grenada, with an asset base of $1.79 billion, and a network that includes eight branches and 18 ATMs. Having faithfully served Grenada for four decades, Republic Bank (Grenada) Limited has built a solid reputation as both a comprehensive financial services provider and an outstanding corporate social responsibility citizen through its Power to Make A Difference programme.

The Bank has won the Eastern Caribbean Central Bank (ECCB) Best Corporate Citizen Award nine times in the award's 21-year history.

Managing Director

Keith A. Johnson

BSc (Acct.), EMBA, AICB

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

Keith A. Johnson

Executive Management

Clifford D. Bailey

BSc (Computing and Info Systems), MSc (IT and Mgmt.), Cert. (Corp. Gov.)

General Manager
Operations

Kalawatee Bickramsingh

CPA, ICATT, MBA, Dip. (Fin. Mgmt.), Dip. (Business Programmes)

General Manager
Credit

Clifford D. Bailey

Kalawatee Bickramsingh

Republic Bank (Guyana) Limited

Registered Office

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

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

Managing Director

Amral F. Khan

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

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

Mr. Khan is a former President, Director, and Secretary of the Rotary Club of Arima, and a past member of the South Trinidad Rifle Association.

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

Amral Khan

Senior Management

Denise Hobbs

Dip. (Business Mgmt.),

General Manager
Operations

Denise Hobbs

Parbatie Khan

Dip (Business Mgmt.), MBA, ACIB

General Manager
Credit

Parbatie Khan

Republic Bank (Suriname) N.V.

Registered Office

Kerkplein 1
Paramaribo
Suriname
South America
Tel: (597) 471555
Fax: (597) 425709
Swift: RBNKSRPA
Email: email@republicbanksr.com
Website: www.republicbanksr.com

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

Acting Managing Director

Montague Mc Leod

Montague Mc Leod, Acting Managing Director, Republic Bank (Suriname) N.V., is the Director, Corporate Banking, and a career banker with significant expertise in the retail, wholesale, medical, transportation, and mining sectors. Mr. Mc Leod has lived and worked in the USA and Venezuela. He is also a member of the Board of Banking Network Suriname N.V. (BNETS).

Montague Mc Leod

Executive Management

Malti
Samson-Ramsundersingh

MSc (Econ.)

Acting Director
Corporate Banking

Shantie Ramoutar

MBA, ACIB

Director
Retail Banking

Malti Samson-Ramsundersingh

Shantie Ramoutar

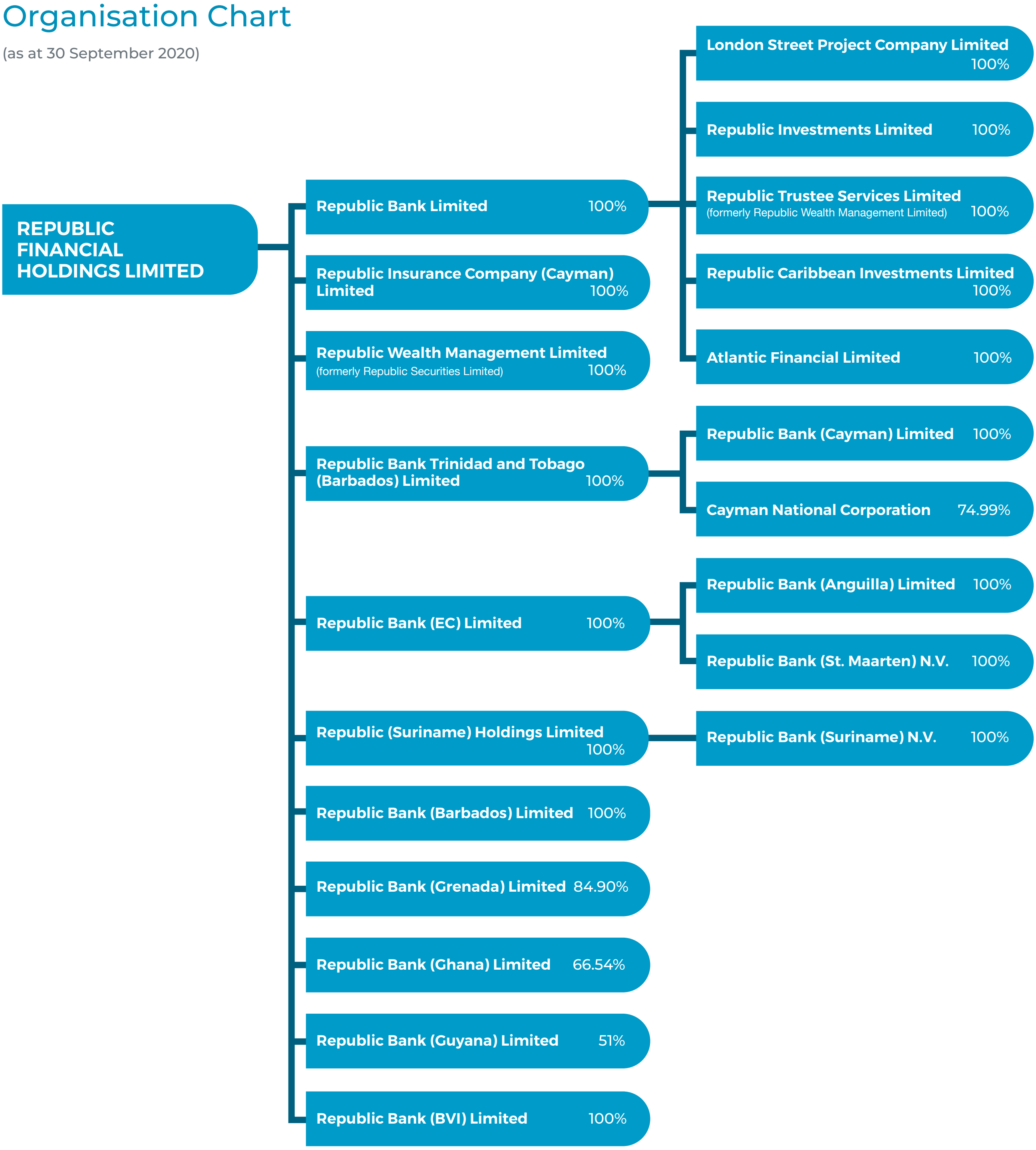
Statement of **Corporate Governance Practices**

Introduction

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

Republic Financial Holdings Organisation Chart

(as at 30 September 2020)



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

Statement of Corporate Governance Practices

- Establishing Values for the Group and approving of Codes of Conduct and Ethics

The Board is committed to engagement with all its stakeholders including its employees customers shareholders and societies in which we serve. The following guide the Board's approach to stakeholder engagement:

1 Inclusivity – We have regard not just to our shareholders but to all groups of stakeholders. This inclusivity takes into account the interdependencies between these groups and all the factors that affect our ability to create value over time. Our organisation is recognised as an integral part of society and therefore, a corporate citizen.

2 Transparency – We are committed to sharing information with all our stakeholders as permitted by law and our regulators.

3 Principles of Responsible Banking – We are committed to the Principles of Responsible Banking as initiated by the United Nations Environment Program Finance Initiative. This serves to promote responsible banking by encouraging banks to align their operations at the strategic, portfolio and transactional levels with prevailing social and environmental commitments as expressed in the Paris Climate Agreement and United Nations Sustainable Development Goals (SDG).

4 Engagement – We are committed to increased engagement with some or all of these parties on varying scales. Currently we engage with our employees via direct and frequent open communication, our shareholders and investors via annual meetings and the annual report and our regulators through open discussions and forums.

Provision is made for shareholders to have the opportunity to engage with the Group and participate effectively in Annual and Special Meetings through the provision of proxies. External Auditors and members of Senior Management and the Board are available at meetings with shareholders to respond to shareholder questions.

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

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

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

On September 21, 2020, Republic Financial Holdings Limited became a signatory to the United Nations Environment Programme Finance Initiative's (UNEPFI) Principles of Responsible Banking. These principles signify the Group's commitment to the United Nations Sustainable Development Goals and further deepen the Group's role in serving the societies in which the Group operates.

Composition

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

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

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

The Board considers certain core characteristics important in any nominee for Director. They must: (i) be individuals of the highest character and integrity, (ii) demonstrate a breadth and depth of management and/or leadership experience, preferably in a senior leadership role in a large or recognised organisation or governmental entity; (iii) possess financial literacy or other professional or business experience relevant to an understanding of the Group and its business; and (iv) have a demonstrated ability to think and act strategically and independently as well as be able 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.

In composing the Board, the aim is to include highly qualified and experienced individuals from diverse backgrounds, including but not limited to elements of diverse geographic backgrounds, race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, and religious beliefs.

The Board considers that the quality, skills and experience of its Directors enhance the Board's effectiveness, and the core set of skills and experience identified effectively provide the Group with appropriate leadership and guidance, necessary to address 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 board 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 meets at least quarterly, while Special Board Meetings shall be called as the need arises.

Independent advice

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

Delegated authority

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

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

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

Director tenure

A Non-Executive Director shall retire from the Board after serving for a maximum of 15 years or on becoming 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.

Statement of Corporate Governance Practices

Republic Financial Holdings Limited scheduled eight meetings within the period October 2019 to September 2020:-

Board – 6 Meetings

Special Board – 2 Meetings

Directors	Attendance	Eligible to Attend
Shazan Ali	8	8
Michal Andrews *(retired 16/12/2019)*	3	3
Nigel M. Baptiste	8	8
Ian Benjamin	8	8
Dawn Callender	8	8
Terrence Farrell	8	8
Ronald F. deC. Harford *(retired 31/12/2019)*	3	3
Peter Inglefield *(appointed 20/9/2020)*	N/A	N/A
Alison Lewis	8	8
William P. Lucie-Smith *(retired 19/9/2020)*	7	8
Shameer Ronnie Mohammed *(appointed 16/12/2019)*	5	5
Vincent Pereira *(appointed 6/7/2020)*	3	3
Robert Riley	6	8
Waltnel Sosa	8	8
Kristine Thompson	7	8
Gregory 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 meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
Chairman	
Peter Inglefield *(appointed 20/9/2020)*	N/A
Members	
William P. Lucie-Smith *(retired 19/9/2020)*	4
Michal Andrews *(retired 16/12/2019)*	1
Dawn Callender	4
Ronald F. deC. Harford *(retired 31/12/2019)*	1
Shameer Ronnie Mohammed *(appointed 6/5/2020)*	1
Robert Riley	4
Gregory Thomson	4

Enterprise risk committee

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

The Committee comprises:-

Directors	Attendance
Chairman	
Robert Riley	2
(wef 6/5/2020)	
Nigel M. Baptiste	3
Dawn Callender	4
Terrence Farrell	4
Peter Inglefield	N/A
(appointed 20/9/2020)	
William Lucie-Smith	4
(retired 19/9/2020)	
Vincent Pereira	1
(appointed 28/7/2020)	
Waltnel Sosa	3
Gregory Thomson	4

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. Eight meetings were held for the fiscal year.

The Committee comprises:-

Directors	Attendance
Chairman	
Terrence Farrell	7
(appointed 6/5/2020)	
Ronald F. deC. Harford	1
(retired 31/12/2019)	
Shazan Ali	8
Ian Benjamin	8
Vincent Pereira	4
(appointed 28/7/2020)	
Kristine Thompson	7
William Lucie-Smith	2
(Ag. Chair for Jan and Apr 2020)	

At this Annual Meeting, Alison Lewis, Gregory I. Thomson and Terrence Farrell retire from the Board by rotation and being eligible, offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment. For Dr. Farrell, his term will expire at the close of the second Annual Meeting following this appointment.

Mr. Vincent Pereira was appointed a Director and Chairman of Republic Financial Holdings Limited on July 6, 2020, to fill the vacancy created by the retirement of Mr. Ronald F. deC. Harford on December 31, 2019. In accordance with By-law No. 1, 4.4.5, Mr. Pereira, 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.

Mr. Peter Inglefield was appointed a Director on September 20, 2020 to fill the casual vacancy created by the retirement of Mr. William Lucie-Smith on September 19, 2020. In accordance with By-law No. 1, 4.4.5, Mr. Inglefield, 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.

The Board recommends that all the nominees be re-elected.

Statement of Corporate Governance Practices

Director training and evaluation

The international environment and legislative and regulatory demands remain 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.

Evaluations of the Board continue at a three-year interval.

In this fiscal year, the Board received its annual Anti-Money Laundering (AML) training, entitled AML, Anti-corruption Sanctions and Foreign Account Tax Compliance Act (FATCA) Compliance, conducted by the Florida International Bankers Association (FIBA). The Board also benefitted from insights from regional leaders in Energy, Caribbean Economies and Tourism amidst COVID-19. As customary, the Directors were also exposed to the annual Health and Safety Training in-house.

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.

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

Vincent Pereira
Chairman

September 30, 2020

investing
in everyone’s safety

we are proud to be a part of the human capacity for good, and of supporting noble initiatives by individuals and organisations through contributions and drives, in the midst of the crisis.

CORPORATE SOCIAL RESPONSIBILITY

The Power to **Make A Difference**

Standing With Communities We Serve

From its inception, the Power to Make A Difference programme has grown steadily as the driving force of how the Republic Group successfully partners with diverse communities in the Caribbean, South America and Ghana. The objectives of the programme are the creation of sustainable development, greater social inclusion and acceptance and the fostering of the inspiration to succeed in present and future generations.

We join the fight with various stakeholders to better safeguard the health and wellness of millions

COMMUNITY CARE

As the Group's regional footprint continued to grow, so too has our approach to corporate social responsibility. With new markets and communities in the Caribbean welcomed into the Republic family in 2020, it became increasingly apparent how their heartfelt and diverse stories of challenge and triumph would add to and define the Power to Make A Difference programme.

These stories have become part and parcel of a social investment initiative that has continued to serve nations for over a decade. They are further testimonies of the brave spirit within us all, that compels people from different walks of life to continuously work together as the best way of building successful communities.

Emboldened by the opportunities to achieve, and inspired by the work of our partners, the Republic Group stands by the communities it serves. They are the foundation of what the Power to Make A Difference has always been, and will always be based upon.

The Power To Unite COVID-19 Community Care Initiatives

When the Republic Group launched the latest phase of the Power to Make A Difference for 2019/2020, little did anyone know then of the challenges that awaited in the form of the COVID-19 global pandemic. Affected but undaunted, the Republic Group stayed the course, rallying with governments, communities, and individuals, and returning to the rudiments of the Power to Make A Difference programme namely our primary concern for the wellbeing of others, especially those in the greatest need.

In the face of this New Normal, the Power to Make A Difference programme remained resolute in the focus on supporting partners that promote youth empowerment through education, literacy, the arts and culture, and sport; advocate the rights of the differently able and socially marginalised; assist the vulnerable and at-risk; preserve and protect social, cultural, and physical environments, and augment the sense of urgency in the way of our teams volunteer in the service of others.

Guided by the pillars the **Power to Care**, the **Power to Help**, the **Power to Learn**, and the **Power to Succeed**, the Group further explored new ways of building its social responsibility capacity in an especially trying time. While the pandemic significantly impacted all of the programmes and partners that we have pledged our support to, it did not diminish that ongoing commitment and the decades-old promise to work together to achieve and to persevere.

This is the **Power to Unite**. With it, the Republic Group joined the fight with various stakeholders to better safeguard the health and wellness of millions.

Regional Impact

In **Trinidad and Tobago**, the Bank made several contributions in support of the COVID-19 relief efforts of organisations like the Living Water Community, the Foundation for the Enhancement and Enrichment of Life (FEEL), the Trinidad and Tobago Medical Association, the Eternal Light Community, the Children's Authority of Trinidad and Tobago, the Caribbean Respect Campaign and Regionally Community Development Programme (CRCRCDP), and United Way of Trinidad and Tobago.

Going a step further, through close collaboration with Republic Brand Ambassadors, Chennise Charles, Andrew Lewis, Nailah Blackman, Jereem Richards and Khalifa St. Fort, the Bank reached out directly to hundreds of young achievers and their families affected by the pandemic to give that peace of mind that comes from knowing that there are those ready, willing, and able to assist in times of need.

In **Trinidad and Tobago**, **Grenada**, **Suriname** and **Guyana**, the Bank partnered with respective Health Ministries to provide much needed medical supplies, ventilators, personal protective equipment and testing kits; supplementing nationwide efforts to help treat patients and promote wellbeing.

In the **Cayman Islands**, meals were provided for senior citizens across the islands as well as for the Sunrise Training Centre for persons with disabilities. Partnership with Literacy is For Everyone (LIFE) created opportunities, through the purchase of more than 1,200 laptops, for schoolchildren in need to expand their online education and learning capacities. The Bank also sponsored a 'COVID-19 Cayman National Mask Task Competition' as a fun and creative way to encourage the wider community to create reusable, environmentally-friendly masks and promote safer practices.

In June 2020, the Bank's partnership with the Organisation of Eastern Caribbean States (OECS) Commission on their 'OECS Link' had a positive impact on the lives of thousands in the region as they adjust to the New Normal. The programme featured public discussions on health and wellbeing, education, food security, and social safety nets.

During this time, the Bank partnered with a number of institutions on relief projects that included the donation of a ventilator to the St. Maarten Medical Center Foundation, an institution that serves patients in **St. Maarten**, Saba, St. Eustatius and other surrounding islands. Additionally, donations were made to the Respiratory Clinic at Gros Islet Polyclinic, the Holy Family Children's Home, the Villa St. Joseph Home for the Elderly, Vieux Fort Children's Home and the Comfort Bay Senior Citizens Home in Saint Lucia.

A similar approach was adopted with Our Lady of Guadeloupe Home for Girls, located in Cane End, **St. Vincent and the Grenadines**, who had suffered substantial loss following a fire and had to relocate. The Republic Bank EC team, in addition to replacing critical household items, also provided laptops so that the girls could continue online learning.

In **Anguilla**, the Bank partnered with the Red Cross to help supplement a nationwide effort to provide COVID-19 relief, while in **St. Kitts and Nevis** and **Dominica**, donations were made through similar relief and charitable organisations to assist hundreds of families.

In **Barbados**, contributions facilitated the purchase of much needed medical equipment and pharmaceuticals as well as helped support doctors and nurses from Cuba, brought in to assist local medical teams. The Bank also facilitated the provision of banking facilities for the Cuban medical workers.

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

CARE

In **Ghana**, the Bank undertook a number of community driven and humanitarian projects, including donations to the Ghana COVID-19 Private Sector Fund, the Kumasi South General Hospital, the Ghana Association of Bankers, and the purchase of ventilator machines for the Greater Accra Regional Hospital (Ridge).

Similarly, staff across the entire Ghana branch network made significant donations to health facilities including the Ga East Municipal Hospital, Cape Coast General Hospital, Effia Nkwanta Hospital, Holy Family Hospital, Swedru General Hospital and the Tamale Teaching Hospital. Donations were also made to Tema Polyclinic, Ashaiman Polyclinic and Sefwi Wiawso Municipal Hospital.

The Power To Care

The Princess Elizabeth Home for Handicapped Children, a longtime supporter and advocate for the rights of physically and mentally challenged children, has, over the course of six decades, become the standard in differently able care in **Trinidad and Tobago**. Through partnership with the Bank, the Home will reconfigure an existing building to accommodate a much-needed orthopaedic wing.

In **Guyana**, long time partnerships with the Step By Step School for Autistic Children and the adolescent mothers of Women Across Differences, continued to strengthen as the Bank maintained support of their respective youth educational and empowerment programmes.

In **Grenada**, the Bank provided financial support to the Grenada School for the Deaf, 'Spice Signs' initiative, which assisted with the production and delivery of 60 online sign language education sessions for hearing impaired students.

Staff at the Melville Branch helped build much-needed bedside feeding tables and large dining tables for the residents of the Richmond Home which provides care for homeless persons.

Similarly, the Bank assisted long-time ally, the Dorothy Hopkin Centre for the Disabled, with a much needed plumbing infrastructure upgrade that included the installation of new surface pipes, faucets and shower mixers. The upgrade also facilitated the proper disposal of water that tended to accumulate around the building during rainfall.

In observance of World Cleanup Day on September 19, 2020, staff across the branch network volunteered to assist the Home with a general cleanup of the premises. This drive included tiling of two staircases leading to the lower level of the Home, making it safer for the physically challenged residents to navigate, sewing of window drapes, cutting overgrown trees and hanging branches, removing debris and broken furniture, cleaning of storage facilities, repacking furniture and equipment, and power washing windows, walls, and eaves.

United by #RockYourSocks, in observance of World Down Syndrome Awareness Day, staff in Grenada purchased and wore t-shirts and the symbolic colourful, mismatched socks to once again raise awareness and support for those with Down Syndrome and their families.

The Power to Make A Difference

The Bank also maintained its annual commitment to 13 community-based organisations across the nation by providing financial donations to supplement their efforts to help the elderly, sick, at-risk youth, and the socially marginalised.

In **Ghana**, the Bank made significant contributions to the Ghana Medical Association 60th Anniversary Celebrations, the Ghana Blind Union, the Catholic Organisation for Social and Religious Advancement (COSRA), and the Ghana Heart Foundation.

Partnership with the Intercom Programming and Manufacturing Company (IPMC) to deliver food supplies to communities during the partial lockdown provided further agency to the Bank's efforts to reach out to and provide those in need with the basic requirements to which they might not have access otherwise.

In the **Cayman Islands,** sponsorship of the Alex Panton Foundation Support Group, a not-for-profit organisation dedicated to raising awareness of mental illnesses affecting children and young adults with a particular focus on anxiety and depression, created avenues for the Bank to support many in need.

The Power To Help

As the Bank continued to explore ways of empowering young achievers, collaboration with Zebapique Productions, a junior Carnival band that provides opportunities for at-risk youth in Port of Spain, **Trinidad**, created unique opportunities to promote friendship and goodwill in the community. Their Carnival 2020 presentation, 'Side by Side We Stand', was a group project that gave the children and their parents the chance to work together at the Mas camp to make the costumes. With a similar focus on community development, sponsorship of the 'We Say Y.E.S.' (Youth Entrepreneurship for Self-Empowerment) Organisation's programme to improve the outcomes of at-risk youth from Laventille and East Port of Spain empowered young achievers, ages 5 to 16 years old, through holistic development and entrepreneurial training.

Located on Pointe-a-Pierre Road, San Fernando, the Hope Centre, a home for disadvantaged children, is as much an iconic facility as it is a bastion of hope for the community. Working together with the Hope Centre to help preserve the building, through sponsorship of a refurbishment project, helped ensure that the Centre continues to stand out in the community in faithful service to those in need.

Barbados pursued partnerships with Transplant Links, Sick Kids Foundation, Jabez House and the Diabetes Association of Barbados, adding another successful chapter to the team's ongoing efforts to provide both means and opportunity for those seeking to improve their lives and livelihoods.

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

HELP

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

LEARN

In **Grenada**, united under the title '40 Acts of Kindness', various teams across the branch network volunteered their time, resources, and special skills to support relief programmes across the nation. The Bank also made significant contributions to the Queen Elizabeth Home in aid of their efforts to provide a home school programme, and to the Missionaries of Charity on their ongoing programme to provide food hampers and refuge to the vulnerable and socially marginalised in the nation.

In **Ghana**, continued sponsorship of the National Partnership for Children's Trust Awards provided the opportunity to build strong communities and encourage brilliant children in need to aspire through awarded scholarships.

The Power To Learn

Using the Power to Learn, in **Trinidad and Tobago**, the Bank maintained its support of the Heroes Foundation's flagship event, Heroes Convention 7, a groundbreaking youth empowerment initiative designed to encourage young achievers to choose positive life alternatives, through education and holistic learning, as the foundations for their growth and development. Similarly, partnership with the Zum Zum Children's Museum created another avenue through which young achievers could be empowered to learn more about their culture and consistently enliven their imaginations through creativity.

Partnership with the Caribbean Industrial Research Institute (CARIRI) and the Microsoft Innovation Centre (MIC) created the means to provide many young achievers from secondary schools around the country first-hand education on Coding, Information and Communications Technology (ICT) and Science, Technology, Engineering and Mathematics (STEM) fundamentals.

The Bank also collaborated with PENNACOOL.COM on their Values, Character and Citizenship Education (VCCE) programme to further instil strong ethics in students as caring, responsible citizens in an ever changing, and increasingly interdependent world. In addition to supporting existing ongoing school community projects, such as classroom painting and library refurbishment, the Bank also contributed to the development, digitisation, and promotion of VCCE content in primary schools.

In the **Cayman Islands**, partnership with the Central Caribbean Marine Institute for the Young Environmental Leadership Course provided students invaluable experience in the dive tourism and environmental/ conservation fields, as well as the encouragement to pursue such career paths. Additionally, ongoing contributions to the International College of Cayman Islands (ICCI) helped develop and expand the College's online classes platform. In further support of youth empowerment through education, the Bank sponsored three local public high school graduations of which 31 students received awards and cash prizes.

In **Ghana**, the Bank collaborated with the Berase AME Zion School, located within the KEEA District of Cape Coast in the Central Region, to construct a six-classroom block fully

The Power to Make A Difference

furnished with dual desks, refurbished Headmaster's office, teacher's common room, toilet facilities, sports changing room and a fully stocked library.

The Power To Succeed

In **Trinidad and Tobago**, continued collaboration with Republic Bank Ambassador Andrew Lewis on the Republic Bank Andrew Lewis Sailing Camp provided the opportunity for at least 50 young achievers to benefit from the training this year.

In 2020, Republic Brand Ambassador Andrew Lewis succeeded in his mission to fly the Trinidad and Tobago flag high at the Tokyo Olympics following his sterling performance at the Hempel World Cup Series in January, effectively qualifying him for a spot in the Games. While the Games were later postponed until 2021 because of the COVID-19 pandemic, there is every confidence, as Andrew and his team keep their hopes high and keep training, that he will perform with distinction, making the nation proud at next year's Olympics Games.

In **Grenada**, the Bank continued its support of the RightStart Cup Youth Football Tournament, which has, in its run of 16 consecutive years, maintained its status as the premier youth football tournament in the country. Similarly, the Bank continued to promote water safety awareness by staging its 6th Annual National Learn to Swim Week programme, where hundreds of local volunteer swim coaches, at 11 locations throughout Grenada, provided a week of basic water safety tips to close to 1,000 participants from six years old and up.

Through title sponsorship of the Barbados Adventure Race (BAR) Corporate Challenge, a local obstacle course race series set on the country's east coast, the Bank seized a golden opportunity to build staff morale and camaraderie through fun and engaging physical activities, working alongside partners to encourage fitness and healthier living within corporate **Barbados**. Restoration work at the St. Ambrose Primary School in Bridgetown gave the School's play area a new look and the students a little something extra to look forward to when they go back to class.

In the **Eastern Caribbean**, the Bank broke ground on a new initiative through collaboration with the Organisation of Eastern Caribbean States (OECS) on the Sustainable Development Movement Conference and Business Model Competition. The programme strengthened the business capacity of 30 high-growth potential entrepreneurs, connecting them with investors throughout the region, as they delivered a winning pitch in the 'Pitch Room' chaired by ABC's Shark Tank founder and celebrity, Daymond John.

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

SUCCEED

The Power to Make A Difference

In a spirit of cultural and community preservation, the Bank stayed the course in its sponsorship of the 12th Annual Republic Bank Mashramani Panorama Steel Band Competition in **Guyana**, providing musical inspiration and avenues for the empowerment of young achievers. The Bank also maintained sponsorship of the Promenade Gardens for an unprecedented 16 consecutive years.

Another mainstay of the Bank's investment in providing opportunities to succeed, the Republic Bank University of Guyana Scholarship programme afforded Ms. Kenita Shabiki Roberts, the 2019/2020 recipient, the means to pursue her undergraduate studies in Environmental Sciences at the University of Guyana, Turkeyen Campus.

In the **Cayman Islands**, the Bank sponsored the Parade of Lights, an annual Christmas event that brought the community together to enjoy the parade of festively lit boats on the Camana Bay Waterfront. In an effort to further stimulate economic activity, the Bank sponsored the 'Support Local, Shop Local' campaign which incentivised residents to purchase from local small businesses.

In **Ghana**, the Bank supported the Komla Dumor Foundation in celebration of Komla Dumor, the late journalist who worked for the BBC World News and was the main presenter of its programme 'Focus on Africa'. The Komla Dumor Foundation and its endowment fund, aim to sustains Mr. Dumor's legacy in international broadcasting and encourage others to follow suit.

Working Toward A Brighter Tomorrow

Despite the challenges presented by the pandemic, across all the markets we serve, at every level, that True Blue spirit continued to define the Power to Make A Difference. Even as the Group partnered with various organisations to help those in need, at the branch level, many teams rallied together to help even more members within their communities. Their efforts helped consolidate a wider push to work together to get as many back on their feet as completely and quickly as possible.

Looking at an unsure future, the Republic Group is assured of one thing. Whether we engage the community through new products and services, expand the value that we bring to stakeholders, or redefine the roles we play in building stronger communities, we will continue to work with our partners and stakeholders to safeguard lives and wellbeing and promote sustainable development. The Power to Make A Difference is our commitment to stand up for the people we serve and stand beside them in creating a brighter tomorrow – now more than ever.

simplifying life's **transactions**

we focussed on a digital banking onboarding process for retail and commercial customers through such services as interbank transfers, online and mobile services.

FINANCIAL STATEMENTS

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Statement of **Management Responsibilities**

Management is responsible for the following:

- Preparing and fairly presenting the accompanying 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, 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Nigel M. Baptiste
President and
Chief Executive Officer

Marsha McLeod-Marshall
Chief Financial Officer

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Republic Financial Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2020, 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, 2020 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 of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 (ECLs)	
Refer to Notes 2.6g, 4d, 5c, 20 and 22.2. IFRS 9: Financial Instruments requires the Group to record an allowance for Expected Credit Losses (ECLs) for all advances and other financial assets not held at fair value through profit and loss (FVPL), together with loan commitments and financial guarantee contracts. Advances (loans) and other financial assets held at amortised cost comprise 94% of the Group's total assets. The estimation of ECLs on financial assets is inherently uncertain and is subject to significant judgment. Furthermore, models used to determine credit impairments are complex and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying overlays to these outputs, which adjusts the ECLs.	We assessed and tested the modelling techniques and methodologies developed by the Group in order to estimate ECLs and evaluated its compliance with the requirements of IFRS 9. We reviewed the completeness and accuracy of data from underlying systems through to the models used to determine the ECLs. We considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures At Default (EADs) against asset subledgers and amortisation schedules. Where PDs and LGDs were based on assigned global credit ratings, we independently tested to the source data. We tested the aging of the portfolios and performed an independent assessment for a sample of commercial facilities to assess the accuracy and timely assignment of risk ratings in compliance with Management's policy, both of which are inputs in the staging of the portfolios. We concluded on the accuracy of the staging applied against the methodologies and assessed the reasonableness of all assumptions used to determine whether the Group appropriately reflected additional risks where identified. 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, particularly stemming from the loan moratoriums offered by the Group in response to the pandemic.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

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

Key Audit Matters (continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Allowance for Expected Credit Losses (ECLs) (continued)	
Key areas of judgment included: - the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models; - the application of assumptions where there was limited or incomplete data; - the identification of exposures with a significant deterioration in credit quality; - assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security; - 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, including the effects of the pandemic; and - additional credit risk that could stem from the impact of the pandemic, on the ability of the Group's customers/investors to meet their financial commitments. These factors, individually and collectively, result in a higher judgmental risk and thus are considered a key audit matter in the context of the consolidated financial statements.	Management's judgemental provisions applied on specific high-risk customers of the Group were reviewed in detail, in assessing the reasonableness of the resulting ECL overlay applied by Management on advances. For ECLs calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default. We utilised our EY valuation specialists to assess the appropriateness of the models and assumptions used by the Group, including monitoring/validation, model governance and its mathematical accuracy. Finally we assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRSs.

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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 Notes 9, 2.6n and 2.6o. The Group has goodwill of $990 million. Goodwill impairment assessment is very subjective as it requires the use of projected financial information and assumptions. As required by IAS 36: Impairment of Assets, management performs an annual impairment assessment on goodwill. Due to the potential distressed macroeconomic environment that could result from the current and future effects of the pandemic, Management opted to perform their analyses more frequently than annually, as well as for businesses acquired during the period. Management applied to its cash flow projections and terminal growth rate assumptions, a most-likely, middle-case and worst-case scenario based on current and expected future market conditions. The scenarios, including its underlying indicators, have been developed using a combination of publicly available data, internal forecasts and third-party information to form the most-likely baseline.	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. With the added estimation uncertainty brought on by the pandemic, we closely analysed Management's judgements used in its assessments, including longer-term assumptions, by applying sensitivity analyses to account for market volatility. The calculations were reassessed to factor in any negative impact from the pandemic on the discount rate and other performance factors, along with assessing the potential future impact on business. 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)

Key Audit Matters (continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Goodwill impairment assessment (continued)	
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.	

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 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.

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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)

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.

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.

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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)

- 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.

- 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, actions taken to eliminate threats or safeguards applied.

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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)

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 Adrienne D'Arcy.

EY

Port of Spain
TRINIDAD:
November 6, 2020

Consolidated Statement of **Financial Position**

As at September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2020	2019
ASSETS			
Cash on hand		**2,248,900**	1,742,788
Statutory deposits with Central Banks		**8,810,482**	7,200,336
Due from banks		**12,005,309**	8,751,576
Treasury Bills		**3,909,369**	3,284,410
Advances	4	**53,300,181**	44,630,109
Investment securities	5	**17,535,686**	16,576,059
Investment interest receivable		**185,577**	194,230
Investment in associated companies	6	**56,971**	52,600
Premises and equipment	7	**3,106,952**	2,874,572
Right-of-use assets	8 a	**602,856**	–
Intangible assets	9	**1,223,414**	872,913
Pension assets	10	**454,573**	630,325
Deferred tax assets	11 a	**253,928**	180,390
Taxation recoverable		**56,877**	58,020
Other assets	12	**525,539**	435,560
TOTAL ASSETS		**104,276,614**	**87,483,888**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**807,192**	1,396,171
Customers' current, savings and deposit accounts	13	**81,847,168**	65,023,102
Other fund raising instruments	14	**5,499,058**	5,536,089
Debt securities in issue	15	**2,024,390**	2,122,274
Lease liabilities	8 b	**593,418**	–
Pension liability	10	**42,644**	56,865
Provision for post-retirement medical benefits	10	**66,524**	68,746
Taxation payable		**95,175**	190,029
Deferred tax liabilities	11 b	**209,161**	258,149
Accrued interest payable		**108,927**	116,977
Other liabilities	16	**1,640,484**	1,483,726
TOTAL LIABILITIES		**92,934,141**	**76,252,128**

Consolidated Statement of Financial Position

As at September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2020	2019
EQUITY			
Stated capital	17	**862,115**	803,064
Statutory reserves		**1,544,858**	1,346,858
Other reserves	18	**(250,315)**	15,131
Retained earnings		**8,156,616**	8,103,694
Attributable to equity holders of the Parent		**10,313,274**	10,268,747
Non-controlling interests		**1,029,199**	963,013
TOTAL EQUITY		**11,342,473**	**11,231,760**
TOTAL LIABILITIES AND EQUITY		**104,276,614**	**87,483,888**

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

These consolidated financial statements were approved by the Board of Directors on November 6, 2020 and signed on its behalf by:

Vincent Pereira
Chairman

Nigel M. Baptiste
President and
Chief Executive Officer

Peter Inglefield
Director

Kimberly Erriah-Ali
Corporate Secretary

Consolidated Statement of **Income**

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

	Notes	2020	2019
Interest income	19 a	**4,820,801**	4,429,111
Interest expense	19 b	**(825,831)**	(614,750)
Net interest income		**3,994,970**	3,814,361
Other income	19 c	**1,705,250**	2,017,836
		5,700,220	5,832,197
Operating expenses	19 d	**(3,623,392)**	(2,941,806)
Share of profit of associated companies	6	**4,911**	5,980
Operating profit		**2,081,739**	2,896,371
Credit loss expense on financial assets	20	**(621,164)**	(226,176)
Net profit before taxation		**1,460,575**	2,670,195
Taxation expense	21	**(457,516)**	(954,542)
Net profit after taxation		**1,003,059**	**1,715,653**
Attributable to:			
Equity holders of the Parent		**904,056**	1,581,124
Non-controlling interests		**99,003**	134,529
		1,003,059	**1,715,653**
Earnings per share (expressed in $ per share)			
Basic		**5.57**	9.75
Diluted		**5.54**	9.73
Weighted average number of shares ('000)			
Basic	17	**162,443**	162,156
Diluted	17	**163,107**	162,430

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

Consolidated Statement of **Comprehensive Income**

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2020	2019
Net profit after taxation	**1,003,059**	**1,715,653**
Other comprehensive income:		
Other comprehensive loss (net of tax) that will be reclassified to the consolidated statement of income in subsequent periods:		
Translation adjustments	**(211,636)**	(54,678)
Total items that will be reclassified to the consolidated statement of income in subsequent periods	**(211,636)**	**(54,678)**
Other comprehensive loss (net of tax) that will not be reclassified to the consolidated statement of income in subsequent periods:		
Remeasurement losses on defined benefit plans	**(99,049)**	(80,887)
Income tax related to above	**34,109**	(5,861)
Total items that will not be reclassified to the consolidated statement of income in subsequent periods	**(64,940)**	**(86,748)**
Other comprehensive loss for the year, net of tax	**(276,576)**	**(141,426)**
Total comprehensive income for the year, net of tax	**726,483**	**1,574,227**
Attributable to:		
Equity holders of the Parent	**646,913**	1,451,151
Non-controlling interests	**79,570**	123,076
	726,483	**1,574,227**

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

Consolidated Statement of **Changes in Equity**

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 18)	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance at September 30, 2018	**790,102**	**1,277,372**	**(45,599)**	**7,466,323**	**9,488,198**	**609,584**	**10,097,782**
Total comprehensive (loss)/income for the year	–	–	(43,224)	1,494,375	1,451,151	123,076	**1,574,227**
Issue of shares	10,432	–	–	–	10,432	–	**10,432**
Share-based payment	2,530	–	–	–	2,530	–	**2,530**
Shares purchased for profit sharing scheme	–	–	(46,630)	–	(46,630)	–	**(46,630)**
Allocation of shares	–	–	59,153	–	59,153	–	**59,153**
Transfer to other reserves	–	–	91,431	(91,431)	–	–	**–**
Transfer to statutory reserves	–	69,486	–	(69,486)	–	–	**–**
Share of changes in equity	–	–	–	–	–	666	**666**
Acquisition of non-controlling interests	–	–	–	–	–	258,014	**258,014**
Dividends – Note 30	–	–	–	(715,264)	(715,264)	–	**(715,264)**
Dividends paid to non-controlling interests	–	–	–	–	–	(28,327)	**(28,327)**
Other	–	–	–	19,177	19,177	–	**19,177**
Balance at September 30, 2019	**803,064**	**1,346,858**	**15,131**	**8,103,694**	**10,268,747**	**963,013**	**11,231,760**

Consolidated Statement of Changes in Equity

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 18)	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance at September 30, 2019	**803,064**	**1,346,858**	**15,131**	**8,103,694**	**10,268,747**	**963,013**	**11,231,760**
Total comprehensive (loss)/income for the year	–	–	(192,205)	839,118	646,913	79,570	**726,483**
Issue of shares	50,506	–	–	–	50,506	–	**50,506**
Share-based payment	8,545	–	–	–	8,545	–	**8,545**
Shares purchased for profit sharing scheme	–	–	(92,075)	–	(92,075)	–	**(92,075)**
Allocation of shares	–	–	53,860	–	53,860	–	**53,860**
Transfer from other reserves	–	–	(35,026)	35,026	–	–	**–**
Transfer to statutory reserves	–	198,000	–	(198,000)	–	–	**–**
Non-controlling interests' share of rights issue	–	–	–	–	–	19,504	**19,504**
Share of changes in equity	–	–	–	–	–	(636)	**(636)**
Dividends – Note 30	–	–	–	(626,387)	(626,387)	–	**(626,387)**
Dividends paid to non-controlling interests	–	–	–	–	–	(32,252)	**(32,252)**
Other	–	–	–	3,165	3,165	–	**3,165**
Balance at September 30, 2020	**862,115**	**1,544,858**	**(250,315)**	**8,156,616**	**10,313,274**	**1,029,199**	**11,342,473**

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

Consolidated Statement of **Cash Flows**

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2020	2019
Operating activities			
Net profit before taxation		**1,460,575**	2,670,195
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	7 & 8 a	**333,176**	214,329
Credit loss expense on financial assets	20	**621,164**	226,176
Goodwill impairment expense	9 a	**143,367**	–
Investment securities' impairment expense		**580**	3,213
Amortisation of intangibles	9 b& c	**36,787**	12,304
Translation difference		**299,072**	93,872
Loss on sale of premises and equipment		**3,985**	4,795
Realised loss/(gain) on investment securities		**279**	(15,180)
Share of net profit of associated companies	6	**(4,911)**	(5,980)
Stock option expense	17	**8,545**	2,530
Increase/(decrease) in employee benefits		**60,567**	(361,103)
Increase in advances		**(999,627)**	(2,231,952)
Increase in customers' deposits and other fund raising instruments		**4,495,482**	3,255,226
Increase in statutory deposits with Central Banks		**(695,666)**	(511,783)
Decrease/(increase) in other assets and investment interest receivable		**160,055**	(3,587)
(Decrease)/increase in other liabilities and accrued interest payable		**(58,833)**	68,268
Taxes paid, net of refund		**(610,453)**	(621,248)
Cash provided by operating activities		**5,254,144**	**2,800,075**
Investing activities			
Purchase of investment securities		**(16,721,518)**	(8,412,624)
Redemption of investment securities		**15,643,402**	7,762,537
Acquisition of subsidiaries, net of cash acquired	34	**4,243,892**	809,700
Acquisition of subsidiary's rights issue by non-controlling interest		**19,504**	–
Dividends from associated companies	6	**–**	3,129
Additions to premises and equipment	7	**(425,046)**	(368,272)
Proceeds from sale of premises and equipment		**8,298**	6,069
Cash provided by/(used in) investing activities		**2,768,532**	**(199,461)**

Consolidated Statement of Cash Flows

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2020	2019
Financing activities			
(Decrease)/increase in balances due to other banks		**(2,336,350)**	1,215,354
(Repayment)/issuance of debt securities		**(97,884)**	1,828,386
Repayment of lease liabilities	8 b	**(67,141)**	–
Proceeds from share issue	17	**50,506**	10,432
Shares purchased for profit sharing scheme	18	**(92,075)**	(46,630)
Allocation of shares to profit sharing plan	18	**53,860**	59,153
Dividends paid to shareholders of the Parent	30	**(626,387)**	(715,264)
Dividends paid to non-controlling shareholders of the subsidiaries		**(32,252)**	(28,327)
Cash (used in)/provided by financing activities		**(3,147,723)**	**2,323,104**
Net increase in cash and cash equivalents		**4,874,953**	4,923,718
Net foreign exchange difference		**(439,956)**	(21,787)
Cash and cash equivalents at beginning of year		**12,730,932**	7,829,001
Cash and cash equivalents at end of year		**17,165,929**	**12,730,932**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**2,248,900**	1,742,788
Due from banks		**12,005,309**	8,751,576
Treasury Bills – original maturities of three months or less		**2,607,535**	1,900,922
Bankers' acceptances – original maturities of three months or less		**304,185**	335,646
		17,165,929	**12,730,932**
Supplemental information:			
Interest received during the year		**4,552,675**	4,377,580
Interest paid during the year		**(833,880)**	(584,793)
Dividends received	19 c	**751**	722

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

Notes to the Consolidated **Financial Statements**

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

1 Corporate information

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

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities mainly in the Caribbean Community (CARICOM) region, Cayman Islands, Ghana, St. Maarten, Anguilla and the British Virgin Islands. A full listing of the Group's subsidiary companies is detailed in Note 33 while associate companies are listed in Note 6.

2 Significant accounting policies

These financial statements provide information on the accounting estimates and judgements made by the Group. These estimates and judgements are reviewed on an ongoing basis. The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these consolidated financial statements. The estimation uncertainty is associated with:

- the extent and duration of disruption to business as a result of actions from consumers, businesses and governments to contain the spread of the virus;
- the extent and duration of the expected economic downturn in the economies in which we operate. This includes forecasts for economic growth, unemployment, interest rates and inflation.

The Group has formed estimates based on information available on September 30, 2020, which was deemed to be reasonable in forming these estimates. The actual economic conditions may be different from the estimates used and this may result in differences between the accounting estimates applied and the actual results of the Group for future periods.

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 certain financial instruments measured 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 (EC) Limited which used 11 months and Republic Bank (BVI) Limited which used four months, 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.

2 Significant accounting policies *(continued)*

2.2 Basis of consolidation *(continued)*

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.

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

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

2.3 Changes in accounting policies

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, 2019, except for the adoption of new standards and interpretations below.

The Group applied IFRS 16 Leases for the first time. The nature and effect of changes as a result of the adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have any impact on the consolidated financial statements of the Group. These are also described in more detail below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is a lessor.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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)*

IFRS 16 Leases (effective January 1, 2019) *(continued)*

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

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

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of October 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at October 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases, applying IAS 17 and IFRIC 4 at the date of initial application.

The Group has lease contracts for various branches and IT equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The adoption of IFRS 16 Leases resulted in operating leases recognised as right-of-use assets and lease liabilities in the statement of financial position, with related depreciation expenses on the right-of-use assets and interest expense on lease liabilities. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied available practical expedients wherein it used a single discount rate to a portfolio of leases with reasonably similar characteristics, applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application, excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Right-of-use assets of $620.6 million and lease liabilities of $596.8 million were recognised and presented in the statement of financial position as at October 1, 2019. The adoption of IFRS 16 had no impact on the Group's retained earnings and no material impact on its capital adequacy ratio.

The lease liabilities as at October 1, 2019 can be reconciled to the operating lease commitments as of September 30, 2019, as follows:

2 Significant accounting policies *(continued)*

2.3 Changes in accounting policies *(continued)*

IFRS 16 Leases (effective January 1, 2019) *(continued)*

	$'000
Operating lease commitments as at September 30, 2019	150,009
Weighted average incremental borrowing rate as at October 1, 2019	4.84%
Discounted operating lease commitments as at October 1, 2019	145,113
Less:	
Commitments relating to short-term leases	(5,120)
Commitments relating to leases of low-value assets	(2,034)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at October 1, 2019	377,792
Acquisition of subsidiaries	81,038
Lease liabilities as at October 1, 2019	**596,789**

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.

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group.

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

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

The amendments must be applied retrospectively; earlier application is permitted.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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)*

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

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

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group.

IAS 28 Investments in Associates and Joint Ventures – Amendments to IAS 28 (effective January 1, 2019)
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the Expected Credit Loss (ECL) model in IFRS 9 applies to such long-term interests.

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

Entities must apply the amendments retrospectively, with certain exceptions.

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

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 (OCI).

2 Significant accounting policies *(continued)*

2.3 Changes in accounting policies *(continued)*

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

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.

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

IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2019)

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements – Amendments to IFRS 11 (effective January 1, 2019)

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IAS 12 Income Taxes – Amendments to IAS 12 (effective January 1, 2019)

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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)*

IAS 23 Income Tax Borrowing costs – Amendments to IAS 23 (effective January 1, 2019)

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2.4 Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Group's 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.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1 (effective January 1, 2022)

The Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2022)

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

2 Significant accounting policies *(continued)*

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

IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2022) *(continued)*

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

IAS 16 Property, Plant and Equipment – Amendments to IAS 16 (effective January 1, 2022)

The amendment prohibits entities from deducting from the cost of an item of Property, Plant and Equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37 (effective January 1, 2022)

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

IFRS 17 Insurance Contracts (effective January 1, 2023)

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2 Significant accounting policies *(continued)*

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

IFRS 17 Insurance Contracts (effective January 1, 2023) *(continued)*

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the consolidated statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the consolidated statement of income, but are recognised directly on the consolidated statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board (IASB) deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2020:

IFRS	Subject of Amendment
IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter *(effective January 1, 2022)*
IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities *(effective January 1, 2022)*

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 including cash on hand and at bank, Treasury Bills and bankers' acceptances with original maturities of three months or less.

b Statutory deposits with Central Banks

Deposits with the Central Banks and other regulatory authorities represent mandatory reserve deposits and are not available for use in day-to-day operations. These amounted to $8.8 billion (2019: $7.2 billion).

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

c Financial instruments – initial recognition

i Date of recognition

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

ii Initial measurement of financial instruments

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

iii Measurement categories of financial assets and liabilities

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

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

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

d Financial assets and liabilities

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

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

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

The details of these conditions are outlined below.

The SPPI test

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

For the purpose of this test 'principal' 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).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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)*

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

The SPPI test (continued)

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

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

Business model assessment

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

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

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

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

ii Financial assets at fair value through profit or loss

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

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

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

ii *Financial assets at fair value through profit or loss (continued)*

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

iv *Debt securities and other fund raising instruments*

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

e Reclassification of financial assets and liabilities

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

f Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 due to substantial modification of terms and conditions (continued)

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

Derecognition other than for substantial modification

Financial assets

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

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

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

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.

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)

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

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

Financial liabilities

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

g Impairment of financial assets

i Overview of the ECL principles

The Group records an allowance for ECLs 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 22.2.5.

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 22.2.6.

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 *(continued)*

i *Overview of the ECL principles* *(continued)*

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

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

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and 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 financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3
Financial assets considered credit-impaired (as outlined in Note 22.2). The Group records an allowance for the LTECLs.

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

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

ii *The calculation of ECLs*

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

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

ii The calculation of ECLs (continued)

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 22.2.4.

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

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

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1
The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 *(continued)*

ii The calculation of ECLs *(continued)*

Stage 2

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

Stage 3

For financial assets considered credit-impaired (as defined in Note 22.2), the Group recognises the LTECLs for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI

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

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

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

iii Credit cards, overdrafts and other revolving facilities

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

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 22.2.4, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

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

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

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.

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, statistical correlation between the overall performance of the economies and historic loss trends were established and used to correlate macroeconomic expectations to adjustments within the ECL models.

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

h Collateral valuation

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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)*

i Collateral repossessed

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

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

j Write-offs

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

k Investment in associates

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

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

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

The consolidated statement of income reflects the Group's net share of the results of operations of the associates. Any change in 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.

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

l Leases

Leases (Policy applicable as of October 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in rate used to determine such lease payments).

The Group applies the short-term lease recognition exemption to its short-term leases of property etc. (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of IT equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 Leases *(continued)*

Leases (Policy applicable as of October 1, 2019) *(continued)*

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (Policy applicable before October 1, 2019)

Finance leases

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

Operating leases

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

m Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

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

The depreciation rates used are as follows:

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

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

n Impairment of non-financial assets

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

- Disclosures for significant assumptions (Note 3)
- Premises and equipment (Note 7)
- Intangible assets (Note 9)

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

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

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

o Business combinations and goodwill

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

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

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, 2020. 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)*

o Business combinations and goodwill *(continued)*

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

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

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

p Employee benefits

i Pension obligations

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

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

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

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

a The date of the plan amendment or curtailment, and
b The date that the Group recognises related restructuring costs.

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

a Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
b Net interest expense or income

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

p Employee benefits *(continued)*

i Pension obligations (continued)

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

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

The full results of the valuation exercise are disclosed in Note 10 to these consolidated financial statements.

ii Other post-retirement obligations

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

iii Profit sharing scheme

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

iv Share-based payments

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

q Taxation

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 Taxation *(continued)*

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.

r Statutory reserves

There is a requirement where a portion of net profit after deduction of taxes in each year be transferred to a statutory reserve account. Statutory reserves amounted to $1.5 billion (2019: $1.3 billion) as at year end.

s Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these consolidated financial statements as they are not the assets of the Group. These assets under administration at September 30, 2020, totaled $49.5 billion (2019: $48.4 billion).

t Earnings per share

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

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

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

u Foreign currency translation

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

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 OCI. All revenue and expenditure transactions are translated at an average rate.

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

v Intangible assets

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

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

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

w Revenue recognition

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

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

The EIR method

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

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

Interest income and expense

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 Revenue recognition *(continued)*

Interest income and expense (continued)

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

Fee and commission income

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

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

Dividends

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

x Fair value

The Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 25 to the consolidated financial statements.

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

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

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

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

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

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

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

x Fair value *(continued)*

Level 1

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

Level 2

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

Level 3

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

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

Where the Group's investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for 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 FVPL are actively traded in organised markets and fair value is determined by reference to the market price at year end or on the last trade date prior to year end.

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 Fair value *(continued)*

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.

y Segment reporting

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

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

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

z Customers' liabilities under acceptances, guarantees, indemnities and letters of credit

These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Group's consolidated statement of financial position but are detailed in Note 31 (b) of these consolidated financial statements.

aa Equity reserves

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

Stated capital	ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group.
Translation reserves	used to record exchange differences arising from the translation of the net investment in foreign operations.

2 Significant accounting policies *(continued)*

2.6 Summary of significant accounting policies *(continued)*

aa Equity reserves *(continued)*

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.
Other reserves	represents regulatory reserve requirements for certain subsidiaries in the Group.

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

3 Significant accounting judgements, estimates and assumptions

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

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

a Risk management (Note 22)

b Capital management (Note 24)

Estimates and assumptions

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

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

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

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

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Group's internal credit grading model, assigns grades for corporate facilities, and this was the basis for grouping PDs
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis
- Development of ECL models, including the various formulae and the choice of inputs

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. 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 (Note 4 and Note 5) *(continued)*

- Determination of the existence of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- The inclusion of overlay adjustments based on judgement and future expectations

Other assumptions

Net pension asset/liability (Note 10)

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 9 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, 2020 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present value.

Deferred taxes (Note 11)

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.

Leases (Note 8)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation of the leased asset).

3 Significant accounting judgements, estimates and assumptions *(continued)*

Judgements *(continued)*

Leases (Note 8) *(continued)*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

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

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Performing advances	7,109,321	12,802,130	27,279,213	3,032,684	1,716,888	**51,940,236**
Non-performing advances	281,550	1,020,061	1,437,082	103,049	75,531	**2,917,273**
	7,390,871	13,822,191	28,716,295	3,135,733	1,792,419	**54,857,509**
Unearned interest/finance charge	(61,551)	(35,191)	(12,343)	–	–	**(109,085)**
Accrued interest	39,286	149,859	236,676	9,717	9,119	**444,657**
	7,368,606	13,936,859	28,940,628	3,145,450	1,801,538	**55,193,081**
Allowance for ECLs – Note 4 d	(247,310)	(697,794)	(499,557)	(94,469)	(164,807)	**(1,703,937)**
	7,121,296	13,239,065	28,441,071	3,050,981	1,636,731	**53,489,144**
Unearned loan origination fees	(48,986)	(43,186)	(94,990)	(440)	(1,361)	**(188,963)**
Net advances	**7,072,310**	**13,195,879**	**28,346,081**	**3,050,541**	**1,635,370**	**53,300,181**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

4 Advances *(continued)*

a Advances *(continued)*

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

b Net investment in leased assets included in net advances

	2020	2019
Gross investment	**101,426**	138,040
Unearned finance charge	**(10,035)**	(16,711)
Net investment in leased assets	**91,391**	**121,329**

c Net investment in leased assets has the following maturity profile

	2020	2019
Within one year	**4,530**	7,265
One to five years	**60,982**	85,456
Over five years	**25,879**	28,608
	91,391	**121,329**

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 22.2.4. Policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 22.2.6.

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Gross loans	7,368,606	13,936,859	28,940,628	3,145,450	1,801,538	**55,193,081**
Stage 1: 12 Month ECL	(76,481)	(70,643)	(103,073)	(35,221)	(66,896)	**(352,314)**
Stage 2: Lifetime ECL	(33,515)	(178,393)	(58,469)	(11,954)	(42,097)	**(324,428)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(137,314)	(448,758)	(338,015)	(47,294)	(55,814)	**(1,027,195)**
	7,121,296	**13,239,065**	**28,441,071**	**3,050,981**	**1,636,731**	**53,489,144**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2019	60,603	45,255	65,545	31,774	27,854	**231,031**
Acquisition of subsidiaries	7,230	25	9,763	–	9,493	**26,511**
Translation adjustments	(1,528)	(2,730)	262	(1,986)	(63)	**(6,045)**
ECL on new instruments issued during the year	16,425	18,217	16,868	6,359	1,972	**59,841**
Other credit loss movements, repayments etc.	(6,249)	9,876	10,635	(926)	27,640	**40,976**
At September 30, 2020	**76,481**	**70,643**	**103,073**	**35,221**	**66,896**	**352,314**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2019	2,356	65,568	14,503	9,397	14,029	**105,853**
Acquisition of subsidiaries	7,455	125	40,783	–	28,240	**76,603**
Translation adjustments	(13)	(9,011)	31	(1,331)	(67)	**(10,391)**
ECL on new instruments issued during the year	577	37,985	977	3,278	32	**42,849**
Other credit loss movements, repayments etc.	23,140	83,726	2,175	610	(137)	**109,514**
At September 30, 2020	**33,515**	**178,393**	**58,469**	**11,954**	**42,097**	**324,428**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

4 Advances *(continued)*

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

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 3: Credit-impaired financial assets – Lifetime ECL						
ECL allowance as at						
October 1, 2019	115,046	317,242	247,702	30,004	40,735	**750,729**
Acquisition of subsidiaries	9,975	27,579	136,468	–	–	**174,022**
Translation adjustments	(3,165)	(8,177)	(3,903)	(3,433)	(4,753)	**(23,431)**
Charge-offs and write-offs	(59,872)	(12,106)	(44,759)	(295)	(38,357)	**(155,389)**
Credit loss expense	116,946	192,695	57,815	21,051	69,924	**458,431**
Recoveries	(41,616)	(68,475)	(55,308)	(33)	(11,735)	**(177,167)**
At September 30, 2020	**137,314**	**448,758**	**338,015**	**47,294**	**55,814**	**1,027,195**
Total	**247,310**	**697,794**	**499,557**	**94,469**	**164,807**	**1,703,937**

Of the total ECL of $1,704 million, 25.8% was on a collective basis and 74.2% was on an individual basis.

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Gross loans	6,464,473	12,329,811	21,903,215	3,930,916	1,288,448	**45,916,863**
Stage 1: 12 Month ECL	(60,603)	(45,255)	(65,545)	(31,774)	(27,854)	**(231,031)**
Stage 2: Lifetime ECL	(2,356)	(65,568)	(14,503)	(9,397)	(14,029)	**(105,853)**
Stage 3: Credit-impaired						
financial assets – Lifetime ECL	(115,046)	(317,242)	(247,702)	(30,004)	(40,735)	**(750,729)**
	6,286,468	**11,901,746**	**21,575,465**	**3,859,741**	**1,205,830**	**44,829,250**
Stage 1: 12 Month ECL						
ECL allowance as at						
October 1, 2018	56,761	51,217	58,229	25,327	26,071	**217,605**
Acquisition of a subsidiary	733	1,059	6,681	25,842	945	**35,260**
Translation adjustments	(647)	(651)	(118)	(827)	–	**(2,243)**
ECL on new instruments issued						
during the year	24,806	13,826	8,383	4,013	199	**51,227**
Other credit loss movements,						
repayments etc.	(21,050)	(20,196)	(7,630)	(22,581)	639	**(70,818)**
At September 30, 2019	**60,603**	**45,255**	**65,545**	**31,774**	**27,854**	**231,031**

4 Advances *(continued)*

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

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2018	2,981	32,035	14,543	5,355	13,270	**68,184**
Acquisition of a subsidiary	33	236	481	2,102	562	**3,414**
Translation adjustments	(29)	(134)	(268)	(60)	–	**(491)**
ECL on new instruments issued during the year	1,294	5,137	2,009	535	–	**8,975**
Other credit loss movements, repayments etc.	(1,923)	28,294	(2,262)	1,465	197	**25,771**
At September 30, 2019	**2,356**	**65,568**	**14,503**	**9,397**	**14,029**	**105,853**
Stage 3: Credit-impaired financial assets - Lifetime ECL						
ECL allowance as at October 1, 2018	105,592	397,609	146,807	72,668	41,405	**764,081**
Acquisition of a subsidiary	8,066	13,035	50,927	49	1,279	**73,356**
Reclass of ECL amount	–	(35,897)	–	–	–	**(35,897)**
Translation adjustments	(691)	(9,935)	197	(2,113)	–	**(12,542)**
Charge-offs and write-offs	(81,937)	(68,419)	(17,721)	(19,622)	(31,585)	**(219,284)**
Credit loss expense/(recovery)	106,790	46,694	73,740	(16,022)	36,025	**247,227**
Recoveries	(22,774)	(25,845)	(6,248)	(4,956)	(6,389)	**(66,212)**
At September 30, 2019	**115,046**	**317,242**	**247,702**	**30,004**	**40,735**	**750,729**
Total	**178,005**	**428,065**	**327,750**	**71,175**	**82,618**	**1,087,613**

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.

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

4 Advances *(continued)*

e Restructured/Modified Loans *(continued)*

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $168.6 million as at September 30, 2020 ($462.8 million as at September 30, 2019).

To support our customers from the impact of the pandemic, the banking subsidiaries in the Group offered a moratorium to customers in good standing, which included a deferral of monthly instalments, including the principal and interest, for a period of one to six months beginning on the date of acceptance, with interest continuing to accrue during the period of the moratorium. These loans amounted to $16.6 billion as at September 30, 2020. The financial impact of the moratorium was not material and these loans were not determined to be restructured.

5 Investment securities

		2020	2019
a	**Designated at fair value through profit or loss**		
	Equities and mutual funds	**171,951**	178,674
		171,951	**178,674**
b	**Debt instruments at amortised cost**		
	Government securities	**7,630,834**	6,603,138
	State-owned company securities	**2,578,120**	2,423,717
	Corporate bonds/debentures	**5,908,571**	4,656,225
	Bankers' acceptances	**426,578**	463,007
	Other short-term liquid investments and venture capital funds	**819,632**	2,251,298
		17,363,735	**16,397,385**
	Total investment securities	**17,535,686**	**16,576,059**

c Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

2020	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets – Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
Gross exposure	13,255,884	2,687,187	22,945	1,591,470	**17,557,486**
ECL	(9,136)	(38,888)	(6,097)	(139,630)	**(193,751)**
Net exposure	**13,246,748**	**2,648,299**	**16,848**	**1,451,840**	**17,363,735**

5 Investment securities *(continued)*

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

Debt instruments measured at amortised cost (continued)

2020	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets – Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
ECL allowance as at October 1, 2019	6,110	23,790	70,275	62,467	**162,642**
Translation adjustments	111	(51)	(443)	(8,733)	**(9,116)**
ECL on new instruments issued during the year	1,922	24,357	–	21,011	**47,290**
Other credit loss movements, repayments and maturities	993	(9,208)	(16,047)	63,692	**39,430**
ECL on old instruments converted in debt restructure	–	–	(47,688)	1,193	**(46,495)**
At September 30, 2020	**9,136**	**38,888**	**6,097**	**139,630**	**193,751**

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

The increase in investment securities classified as POCI reflects an increase in the exposure to Bonds issued by the Government of Barbados following the Debt Exchange offer in 2019 as well as a modified financial instrument in Suriname.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020.   Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

5 Investment securities *(continued)*

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

Debt instruments measured at amortised cost (continued)

In Suriname, Euro-denominated reserves held with the Central Bank of Suriname were converted to a modified financial instrument to be repaid over a term of eight years at an interest rate of 6.75%. Consequently, the reserve balance was derecognised at the carrying value and the modified instrument was recognised under IFRS 9 at fair value and classified as POCI financial assets. Losses of $11.5 million were recognised on the recognition of the new instrument.

d Designated at fair value through profit or loss

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

6 Investment in associated companies

	2020	2019
Balance at beginning of year	**52,600**	83,350
Share of profit	**4,911**	5,980
Dividends received	**–**	(3,129)
Exchange adjustments	**(540)**	–
Sale of Eastern Caribbean Financial Holding (ECFH) shares	**–**	(5,613)
Balance of ECFH shares reclassed to FVPL	**–**	(27,988)
Balance at end of year	**56,971**	**52,600**

In 2019, the Group partially disposed of its holding in ECFH, resulting in a 16.13% holding, and this investment was reclassified to investment securities.

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%

6 Investment in associated companies *(continued)*

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

	2020	2019
Total assets	**270,685**	248,686
Total liabilities	**41,175**	36,790
Net assets/equity	**229,510**	211,896
Group's share of associates' net assets	**56,971**	52,600
Profit for the period	**13,459**	32,465
Group's share of profit of associated companies after tax for the period	**4,911**	5,980
Dividends received during the year	**-**	3,129

7 Premises and equipment

2020	Capital work in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	474,832	2,181,511	256,384	2,278,402	**5,191,129**
Acquisition of subsidiaries	4,242	61,314	50,700	80,309	**196,565**
Exchange and other adjustments	(2,887)	(8,007)	3,034	(54,493)	**(62,353)**
Additions at cost	305,504	21,101	4,205	94,236	**425,046**
Disposal of assets	(367)	(6,640)	(10,876)	(76,005)	**(93,888)**
Transfer of assets	(286,045)	26,819	42,210	217,016	**-**
	495,279	**2,276,098**	**345,657**	**2,539,465**	**5,656,499**
Accumulated depreciation					
At beginning of year	–	354,849	158,665	1,803,043	**2,316,557**
Acquisition of subsidiaries	–	16,225	26,976	65,358	**108,559**
Exchange and other adjustments	–	(2,202)	496	(39,256)	**(40,962)**
Charge for the year	–	36,633	14,356	196,072	**247,061**
Disposal of assets	–	(7,394)	(7,276)	(66,998)	**(81,668)**
	-	**398,111**	**193,217**	**1,958,219**	**2,549,547**
Net book value	**495,279**	**1,877,987**	**152,440**	**581,246**	**3,106,952**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

7 Premises and equipment *(continued)*

2019	Capital work in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	282,100	1,912,337	216,563	1,966,493	**4,377,493**
Acquisition of a subsidiary	35,463	239,878	40,891	207,066	**523,298**
Exchange and other adjustments	(357)	–	(4,040)	(8,028)	**(12,425)**
Additions at cost	268,321	7,785	1,783	90,383	**368,272**
Disposal of assets	(1,186)	(10,918)	(786)	(52,619)	**(65,509)**
Transfer of assets	(109,509)	32,429	1,973	75,107	**-**
	474,832	**2,181,511**	**256,384**	**2,278,402**	**5,191,129**
Accumulated depreciation					
At beginning of year	–	258,106	116,478	1,521,488	**1,896,072**
Acquisition of a subsidiary	–	73,834	32,519	160,736	**267,089**
Exchange and other adjustments	–	8	(317)	(6,051)	**(6,360)**
Charge for the year	–	32,076	10,591	171,662	**214,329**
Disposal of assets	–	(9,175)	(606)	(44,792)	**(54,573)**
	–	**354,849**	**158,665**	**1,803,043**	**2,316,557**
Net book value	**474,832**	**1,826,662**	**97,719**	**475,359**	**2,874,572**

Capital commitments

	2020	2019
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	**107,181**	153,639
Other capital expenditure authorised by the Directors but not yet contracted for	**130,442**	103,050

8 Right-of-use assets and lease liabilities

a Right-of-use assets

2020	Leasehold premises
Cost	
Effect of adoption of IFRS 16 at beginning of year	**620,553**
Additions at cost	**68,266**
	688,819
Accumulated depreciation	
Exchange and other adjustments	**(152)**
Charge for the year	**86,115**
	85,963
Net book value	**602,856**

Leasehold premises generally have lease terms between 3 and 15 years.

b Lease liabilities

2020	Non-current	Current	Total
Effect of adoption of IFRS 16 at beginning of year	589,323	7,466	**596,789**
Exchange and other adjustments	19	(35)	**(16)**
Additions at cost	62,922	864	**63,786**
Accretion of interest expense – Note 19 b	24,535	2,013	**26,548**
Less: payments	(88,057)	(5,632)	**(93,689)**
	588,742	**4,676**	**593,418**

The contractual maturity analysis of lease liabilities are disclosed in Note 22.3.1.

2020	Fixed payments	Variable payments	Total
Payments			
Fixed rent	96,192	–	**96,192**
Variable rent	–	5,081	**5,081**
	96,192	**5,081**	**101,273**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

8 Right-of-use assets and lease liabilities *(continued)*

b Lease liabilities *(continued)*

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

2020	Within five years	More than five years	Total
Extension options expected not to be exercised	7,114	54,479	**61,593**
Termination options expected to be exercised	3,084	191	**3,275**
	10,198	**54,670**	**64,868**

9 Intangible assets

		2020	2019
a	Goodwill	**989,821**	729,653
b	Core deposits	**206,331**	108,019
c	Trade name	**27,262**	35,241
		1,223,414	**872,913**

		2020	2019
a	**Goodwill**		
	Goodwill on acquisition brought forward	**729,653**	393,009
	Goodwill impairment expense – Note 19 d	**(143,367)**	–
	Goodwill arising on acquisition of subsidiaries – Note 34	**403,535**	336,644
		989,821	**729,653**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited, Republic Bank (Ghana) Limited, Republic Bank (Grenada) Limited, Cayman National Corporation, Republic Bank (Cayman) Limited, Republic Bank (Guyana) Limited, Republic Bank (EC) Limited and Republic Bank (BVI) 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 impact of COVID-19 has created uncertainty in the estimation of cash flow projections, discount rates and terminal growth rates. The goodwill impairment tests were conducted using sensitivity analysis, including a range of growth rates, interest rates, recovery assumptions, macroeconomic outlooks and discount rates for each entity in arriving at a probability-weighted expected cash flow projection.

Using these assumptions, with the exception of Republic Bank (Barbados) Limited, the value in use of the CGUs exceeded the carrying values.

9 Intangible assets *(continued)*

a Goodwill *(continued)*

The fragility of the economic outlook for Republic Bank (Barbados) Limited resulted in reduced projections and an increased discount rate of 20% (from 15%). Using these assumptions, the value in use of the Company was determined to be lower than the carrying value of the Company, resulting in a goodwill impairment expense of $143.4 million being recorded.

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

	Republic Bank (Ghana) Limited TT$ Million	Republic Bank (Grenada) Limited TT$ Million	Republic Bank (Cayman) Limited TT$ Million	Republic Bank (Guyana) Limited TT$ Million	Cayman National Corporation TT$ Million	Republic Bank (EC) Limited TT$ Million	Republic Bank (BVI) Limited TT$ Million	Total TT$ Million
Carrying amount of goodwill	125	61	32	92	337	111	232	**990**
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	
Discount rate	21.9%	13.9%	10.1%	15.0%	7.1%	14.2%	8.5%	
Cash flow projection term	10 yrs	10 yrs	10 yrs	5 yrs	10 yrs	10 yrs	10 yrs	
Terminal growth rate	2.5%	2.0%	2.7%	3.5%	2.0%	2.0%	2.0%	

b Core deposits

	2020	2019
Cost		
At beginning of year	**154,900**	40,189
Acquisition of subsidiaries – Note 34	**127,166**	114,711
	282,066	**154,900**
Accumulated amortisation		
At beginning of year	**46,881**	39,232
Exchange and other adjustments	**46**	–
Amortisation	**28,808**	7,649
	75,735	**46,881**
Net book value	**206,331**	**108,019**

Core deposit intangibles acquired through business combinations in 2019 have been determined to have a life of 10 years from acquisition date. Core deposit intangibles acquired through business combinations in 2020 have been determined to have a life of 5 years (savings and chequing deposits) and 8.5 years (time deposits) from acquisition date.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

9 Intangible assets *(continued)*

c Trade name

	2020	2019
Cost		
At beginning and end of year	**39,896**	39,896
Accumulated amortisation		
At beginning of year	**4,655**	–
Amortisation	**7,979**	4,655
	12,634	**4,655**
Net book value	**27,262**	**35,241**

Trade name intangibles acquired through business combinations in 2019 have been determined to have a life of 5 years from acquisition date.

10 Employee benefits

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

	Defined benefit pension plans			
	Pension assets		**Pension liability**	
	2020	2019	**2020**	2019
Present value of defined benefit obligation	**(3,524,956)**	(3,392,914)	**(350,563)**	(267,917)
Fair value of plan assets	**3,991,165**	4,035,122	**394,969**	311,576
Surplus	**466,209**	642,208	**44,406**	43,659
Effect of asset ceiling	**(11,636)**	(11,883)	**(87,050)**	(100,524)
Net asset/(liability) recognised in the consolidated statement of financial position	**454,573**	**630,325**	**(42,644)**	**(56,865)**

	Post-retirement medical benefits	
	2020	2019
Present value of defined benefit obligation	**(66,524)**	(68,746)
Fair value of plan assets	**–**	–
Net liability recognised in the consolidated statement of financial position	**(66,524)**	**(68,746)**

10 Employee benefits *(continued)*

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

	Defined benefit pension plans 2020	Defined benefit pension plans 2019	Post-retirement medical benefits 2020	Post-retirement medical benefits 2019
Opening defined benefit obligation	**3,660,831**	3,439,939	**68,746**	520,324
Exchange adjustments	**(3,973)**	(12)	**1,608**	25
Current service cost	**131,347**	129,100	**874**	28,005
Interest cost	**209,117**	197,057	**2,216**	28,491
Members' contributions	**1,580**	1,595	**-**	–
Past service cost/(credit)	**-**	14,063	**(1,613)**	(476,735)
Remeasurements:				
- Experience adjustments	**(35,840)**	24,314	**(1,927)**	(31,152)
- Actuarial losses from change in demographic assumptions	**71,479**	4,982	**289**	2,719
- Actuarial (gains)/losses from change in financial assumptions	**(2,504)**	(11,072)	**805**	4,633
Benefits paid	**(156,518)**	(139,135)	**(748)**	(1,194)
Premiums paid by the Group	**-**	–	**(3,726)**	(6,370)
Closing defined benefit obligation	**3,875,519**	**3,660,831**	**66,524**	**68,746**

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

	Defined benefit pension plans 2020	Defined benefit pension plans 2019	Post-retirement medical benefits 2020	Post-retirement medical benefits 2019
Defined benefit obligation at prior year end	**573,460**	744,466	**68,746**	520,324
Exchange adjustments	**2,261**	(5,060)	**1,575**	–
Opening defined benefit obligation	**575,721**	739,406	**70,321**	520,324
Net pension (credit)/cost	**(107,063)**	(102,480)	**1,893**	(420,239)
Remeasurements recognised in other comprehensive income	**(99,882)**	(104,692)	**(833)**	(23,805)
Contributions/premiums	**43,153**	41,226	**(4,857)**	(7,534)
Closing net pension asset/post-retirement medical benefits liability	**411,929**	**573,460**	**66,524**	**68,746**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

10 Employee benefits *(continued)*

d Liability profile

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

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	42% to 76%	28% to 76%
- Deferred members	2% to 6%	N/A
- Pensioners	22% to 51%	23% to 72%

The weighted duration of the defined benefit obligation ranged from 11.2 to 29.0 years.

33% to 61% of the defined benefit obligation for active members was conditional on future salary increases.

11% 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 2020	2019
Opening fair value of plan assets	**4,346,698**	4,289,491
Exchange adjustments	**(1,402)**	(5,060)
Interest income	**219,835**	218,883
Return on plan assets, excluding interest income	**(65,023)**	(58,198)
Contributions by employer	**43,153**	41,212
Members' contributions	**1,580**	1,595
Benefits paid	**(156,518)**	(139,135)
Expense allowance	**(2,189)**	(2,090)
Closing fair value of plan assets	**4,386,134**	**4,346,698**
Actual return on plan assets	**154,281**	**135,532**

f Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair value		% Allocation	
	2020	2019	2020	2019
Equity securities	**1,924,021**	1,938,951	**43.89**	44.66
Debt securities	**1,986,472**	1,905,622	**45.31**	43.89
Property	**11,291**	11,740	**0.26**	0.27
Mortgages	**5,521**	5,799	**0.13**	0.13
Money market instruments/cash	**456,793**	479,240	**10.41**	11.05
Total fair value of plan assets	**4,384,098**	**4,341,352**	**100.00**	**100.00**

10 Employee benefits *(continued)*

f Plan asset allocation as at September 30 *(continued)*

As at September 30, 2020, plan assets of $2.0 million (2019: $5.3 million) for one of the Group's subsidiaries are held by an insurance company that are not separately identifiable. This plan asset allocation is maintained by the insurance company.

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

	Defined benefit pension plans 2020	2019	Post-retirement medical benefits 2020	2019
Current service cost	**131,347**	129,100	**874**	28,005
Interest on defined benefit obligation	**(27,834)**	(42,773)	**2,216**	28,491
Past service cost/(credit)	**–**	14,063	**(1,613)**	(476,735)
Administration expenses	**3,550**	2,090	**416**	–
Total included in staff costs	**107,063**	**102,480**	**1,893**	**(420,239)**

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

h Remeasurements recognised in other comprehensive income:

	Defined benefit pension plans 2020	2019	Post-retirement medical benefits 2020	2019
Experience losses	**(100,783)**	(105,471)	**833**	23,805
Effect of asset ceiling	**901**	779	**–**	–
Total included in other comprehensive income	**(99,882)**	**(104,692)**	**833**	**23,805**

i Summary of principal actuarial assumptions as at September 30:

	2020 %	2019 %
Discount rate	**2.50 - 8.50**	3.00 - 8.50
Rate of salary increase	**3.50 - 10.53**	3.50 - 10.53
Pension increases	**0.00 - 3.00**	0.00 - 3.00
Medical cost trend rates	**3.00 - 7.00**	3.00 - 7.00
NIS ceiling rates	**3.00 - 5.00**	3.00 - 5.00

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

10 Employee benefits *(continued)*

i Summary of principal actuarial assumptions as at September 30 *(continued)*

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, 2020 are as follows:

	Defined benefit pension plans 2020	2019
Life expectancy at age 60 – 65 for current pensioner in years:		
- Male	**14.6 to 24.7**	14.6 to 24.7
- Female	**18.4 to 26.9**	18.4 to 26.9
Life expectancy at age 60 – 65 for current members age 40 in years:		
- Male	**14.6 to 36.2**	14.6 to 36.2
- Female	**18.4 to 42.1**	18.4 to 42.1

j Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2020 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	(508,920)	655,333	(3,036)	3,899
- Future salary increases	264,090	(225,399)	170	(150)
- Future pension cost increases	291,516	(291,428)	–	–
- Medical cost increases	–	–	2,925	(2,292)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2020 by $89.5 million and the post-retirement medical benefit by $73.4 million.

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

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 Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $26.6 million to the pension plans in the 2021 financial year.

The Group operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. The Group expects to pay $4.87 million to the medical plan in the 2021 financial year.

11 Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a Deferred tax assets

	Opening balance 2019	Credit/(charge) Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2020
Pension liability	–	–	(850)	3,002	**2,152**
Post-retirement medical benefits	13,726	17	(1,870)	(436)	**11,437**
Leased assets	6,836	(103)	4,596	530	**11,859**
Unearned loan origination fees	50,240	–	(4,311)	–	**45,929**
Tax losses	12,273	36	(112)	–	**12,197**
Premises and equipment	–	–	(568)	–	**(568)**
Provisions	94,394	39	66,302	–	**160,735**
Other	2,921	(1,850)	9,116	–	**10,187**
	180,390	**(1,861)**	**72,303**	**3,096**	**253,928**

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

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

11 Deferred tax assets and liabilities *(continued)*

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

b Deferred tax liabilities

			Charge/(credit)		
	Opening balance 2019	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2020
Pension asset	221,029	13	(30,103)	(31,543)	**159,396**
Leased assets	15,849	–	(4,518)	–	**11,331**
Premises and equipment	21,271	(1,074)	18,736	147	**39,080**
Other	–	(1,022)	376	–	**(646)**
	258,149	**(2,083)**	**(15,509)**	**(31,396)**	**209,161**
Net credit to consolidated statement of income			**87,812**		

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

12 Other assets

	2020	2019
Accounts receivable and prepayments	**344,610**	311,920
Accrued income	**202**	–
Project financing reimbursables	**6,748**	4,076
Deferred commission and fees	**8,498**	8,917
Other	**165,481**	110,648
	525,539	**435,560**

13 Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts

	2020	2019
State	**6,519,491**	7,115,252
Corporate and commercial	**24,440,278**	18,879,742
Personal	**43,816,053**	34,789,481
Other financial institutions	**6,637,449**	3,838,425
Other	**433,897**	400,202
	81,847,168	**65,023,102**

14 Other fund raising instruments

At September 30, 2020, investment securities held to secure other fund raising instruments of the Group amounted to $4.7 billion (2019: $4.6 billion).

Concentration of other fund raising instruments

	2020	2019
State	**1,123,151**	2,050,165
Corporate and commercial	**26,801**	137,042
Personal	**202,931**	756,634
Other financial institutions	**3,353,768**	2,363,938
Other	**792,407**	228,310
	5,499,058	**5,536,089**

15 Debt securities in issue

	2020	2019
Unsecured		
a Fixed rate bonds	**952,468**	1,036,371
b Floating rate bonds	**1,034,358**	1,036,569
	1,986,826	**2,072,940**
Secured		
a Floating rate bonds	**37,564**	49,334
Total debt securities in issue	**2,024,390**	**2,122,274**

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

15 Debt securities in issue *(continued)*

Unsecured obligations

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

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

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

Secured obligations

a Floating rate bonds are denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

16 Other liabilities

	2020	2019
Accounts payable and accruals	**1,273,289**	1,254,363
Deferred income	**11,727**	4,350
Other	**355,468**	225,013
	1,640,484	**1,483,726**

17 Stated capital

Authorised

An unlimited number of shares of no par value

	Number of ordinary shares ('000)			
	2020	2019	**2020**	2019
Issued and fully paid				
At beginning of year	**162,221**	161,976	**803,064**	790,102
Shares issued/proceeds from shares issued	**499**	111	**50,506**	10,432
Shares purchased for profit sharing scheme	**(660)**	(426)	**-**	–
Share-based payment	**-**	–	**8,545**	2,530
Allocation of shares	**483**	560	**-**	–
At end of year	**162,543**	**162,221**	**862,115**	**803,064**

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

	2020 ('000)	2019 ('000)
Weighted average number of ordinary shares	**162,443**	162,156
Effect of dilutive stock options	**664**	274
Weighted average number of ordinary shares adjusted for the effect of dilution	**163,107**	**162,430**

18 Other reserves

	Translation reserves	Unallocated shares	Other reserves	Total
Balance at October 1, 2018	**(5,618)**	**(59,164)**	**19,183**	**(45,599)**
Translation adjustments	(43,224)	–	–	**(43,224)**
Transfer to other reserves from retained earnings	–	–	91,431	**91,431**
Shares purchased for profit sharing scheme	–	(46,630)	–	**(46,630)**
Allocation of shares	–	59,153	–	**59,153**
Balance at September 30, 2019	**(48,842)**	**(46,641)**	**110,614**	**15,131**
Translation adjustments	(192,205)	–	–	**(192,205)**
Transfer from other reserves to retained earnings	–	–	(35,026)	**(35,026)**
Shares purchased for profit sharing scheme	–	(92,075)	–	**(92,075)**
Allocation of shares	–	53,860	–	**53,860**
Balance at September 30, 2020	**(241,047)**	**(84,856)**	**75,588**	**(250,315)**

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

18 Other reserves *(continued)*

Other reserves

This balance represents the difference between regulatory reserve requirements and specific provisions under IFRSs and is an appropriation of retained earnings for certain subsidiaries in the Group.

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Financial Holdings Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2020, shares costing $84.9 million (2019: $46.6 million) remain unallocated from the profit sharing scheme.

	No. of ordinary shares ('000)	
	2020	2019
Balance brought forward	**426**	560
Add shares purchased	**660**	426
Allocation of shares	**(483)**	(560)
Balance carried forward	**603**	**426**

19 Operating profit

		2020	2019
a	**Interest income**		
	Advances	**3,940,691**	3,510,034
	Investment securities	**595,931**	731,948
	Liquid assets	**284,179**	187,129
		4,820,801	**4,429,111**
b	**Interest expense**		
	Customers' current, savings and deposit accounts	**521,828**	410,995
	Other fund raising instruments and debt securities in issue	**230,246**	160,788
	Other interest bearing liabilities	**47,209**	42,967
	Finance cost lease liabilities – Note 8 b	**26,548**	–
		825,831	**614,750**

19 Operating profit *(continued)*

		2020	2019
c	**Other income**		
	Fees and commission from trust and other fiduciary activities	**330,934**	328,169
	Credit card fees and commission (net)	**262,543**	311,295
	Other fees and commission income	**503,732**	435,863
	Net exchange trading income	**413,372**	351,625
	Dividends	**751**	722
	Net gains from investments at fair value through profit or loss	**5,073**	973
	Net gains on derecognition of financial instruments	**8,757**	8,641
	Other operating income	**180,088**	156,978
	Employee benefits medical contribution writeback – Note 10 g	**–**	423,570
		1,705,250	**2,017,836**
d	**Operating expenses**		
	Staff costs	**1,525,484**	1,392,436
	Employee benefits pension and medical contribution – Note 10 g	**108,956**	105,811
	General administrative expenses	**1,184,589**	882,030
	Operating lease payments	**9,205**	74,036
	Property-related expenses	**166,435**	153,199
	Depreciation expense – Note 7	**247,061**	214,329
	Depreciation expense right-of-use assets – Note 8 a	**86,115**	–
	Advertising and public relations expenses	**95,768**	89,265
	Goodwill impairment expense – Note 9 a	**143,367**	–
	Intangible amortisation expense – Note 9 b & c	**36,786**	12,304
	Investment impairment expense	**580**	3,213
	Directors' fees	**19,046**	15,183
		3,623,392	**2,941,806**
e	**Non-cancellable operating lease commitments**		
	Within one year	**–**	54,395
	One to five years	**–**	95,097
	Over five years	**–**	517
		–	**150,009**

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20 Credit loss expense

	2020	2019
Advances – Note 4 d	**534,444**	196,168
Debt instruments measured at amortised cost – Note 5 c	**86,720**	29,234
Treasury Bills	**–**	774
	621,164	**226,176**

21 Taxation expense

	2020	2019
Corporation tax	**545,328**	624,869
Deferred tax – Note 11	**(87,812)**	329,673
	457,516	**954,542**

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:

	2020	2019
Net profit before taxation	**1,460,575**	2,670,195
Tax at applicable statutory tax rates	**948,057**	1,286,352
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(560,374)**	(586,240)
Non-deductible expenses	**149,572**	277,485
Allowable deductions	**(99,176)**	(224,891)
Change in tax rates	**4,678**	185,815
Provision for other taxes	**14,759**	16,021
	457,516	**954,542**

The Group has tax losses in its Parent and one subsidiary amounting to $474.6 million (2019: one of its subsidiaries amounting to $409.1 million).

22 Risk management

22.1 General

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

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

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

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

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

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:

22.2 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

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

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

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

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

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

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.

22.2.1 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.

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

22.2.1 Analysis of risk concentration *(continued)*

	Gross maximum exposure 2020	2019
Statutory deposits with Central Banks	**8,810,482**	7,200,336
Due from banks	**12,005,309**	8,751,576
Treasury Bills	**3,909,369**	3,284,410
Advances	**53,300,181**	44,630,109
Investment securities	**17,363,736**	16,397,385
Investment interest receivable	**185,577**	194,230
Total	**95,574,654**	**80,458,046**
Undrawn commitments	**4,609,888**	7,582,839
Acceptances	**3,604,850**	1,503,612
Guarantees and indemnities	**501,247**	294,111
Letters of credit	**453,267**	487,942
Total	**9,169,252**	**9,868,504**
Total credit risk exposure	**104,743,906**	**90,326,550**

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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

22.2.1 Analysis of risk concentration *(continued)*

a Industry sectors

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

	2020	2019
Government and Central Government Bodies	**23,280,997**	19,810,000
Financial sector	**20,143,414**	17,174,389
Energy and mining	**1,671,675**	1,437,363
Agriculture	**426,264**	379,383
Electricity and water	**1,313,911**	1,377,598
Transport, storage and communication	**1,108,981**	1,264,874
Distribution	**5,500,290**	6,306,056
Real estate	**8,727,773**	9,042,963
Manufacturing	**2,166,972**	2,419,654
Construction	**3,127,467**	2,699,030
Hotel and restaurant	**2,768,378**	1,858,488
Personal	**27,828,402**	19,801,353
Other services	**6,679,382**	6,755,399
	104,743,906	**90,326,550**

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'.

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

22.2.1 Analysis of risk concentration *(continued)*

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:

	2020	2019
Trinidad and Tobago	**44,290,762**	44,925,700
Barbados	**9,580,530**	9,284,125
Eastern Caribbean	**8,535,413**	1,645,035
Guyana	**7,245,220**	5,903,021
United States	**8,157,128**	6,960,462
Europe	**3,388,388**	3,976,658
Suriname	**1,586,223**	2,462,669
Ghana	**3,856,358**	3,524,164
Cayman Islands	**8,464,352**	7,103,512
Other Countries	**9,639,532**	4,541,204
	104,743,906	**90,326,550**

22.2.2 Impairment assessment

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

22.2.3 Default and recovery

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

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

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

22.2.4 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 using statistical correlation between macroeconomic trends and historical default rates, management applied 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 using correlation between macroeconomic trends, management applied 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 judgementally applied overlays as required as there was no noted correlation between macroeconomic trends and historical default rates.

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instrument or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied 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. For the Government of Barbados, PDs and LGDs were developed based on countries in the region who have defaulted in the past.

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

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

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.

22.2.5 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 22.2.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

22.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.6 (g) (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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

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

Advances	2020 %	2019 %
Stage 1	**84.0**	81.8
Stage 2	**10.8**	14.4
Stage 3	**5.2**	3.8
	100.0	**100.0**

In response to COVID-19, the Group undertook a review of its loan portfolios, determining the high-risk sectors and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, type and value of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

The ECL methodology and definition of default remained consistent with prior periods. Calculation inputs, including forward looking information, together with the determination of the staging of exposures were however revised.

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 1						
Gross loans	6,694,492	10,380,511	25,669,433	2,126,888	1,487,423	**46,358,747**
ECL	(76,481)	(70,643)	(103,073)	(35,221)	(66,896)	**(352,314)**
	6,618,011	**10,309,868**	**25,566,360**	**2,091,667**	**1,420,527**	**46,006,433**
ECL as a % of Gross loans	1.1	0.7	0.4	1.7	4.5	**0.8**

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

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

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 1						
Gross loans	5,917,449	8,518,393	19,618,712	2,500,955	1,013,552	**37,569,061**
ECL	(60,603)	(45,255)	(65,545)	(31,774)	(27,854)	**(231,031)**
	5,856,846	**8,473,138**	**19,553,167**	**2,469,181**	**985,698**	**37,338,030**
ECL as a % of Gross loans	1.0	0.5	0.3	1.3	2.7	**0.6**

The increase in Stage 1 ECLs was driven by increased LGDs, reflective of a reduction in recovery estimates across the Group.

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 2						
Gross loans	392,564	2,536,288	1,834,112	915,513	238,584	**5,917,061**
ECL	(33,515)	(178,393)	(58,469)	(11,954)	(42,097)	**(324,428)**
	359,049	**2,357,895**	**1,775,643**	**903,559**	**196,487**	**5,592,633**
ECL as a % of Gross loans	8.5	7.0	3.2	1.3	17.6	**5.5**

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 2						
Gross loans	366,649	3,159,333	1,509,010	1,342,199	207,446	**6,584,637**
ECL	(2,356)	(65,568)	(14,503)	(9,397)	(14,029)	**(105,853)**
	364,293	**3,093,765**	**1,494,507**	**1,332,802**	**193,417**	**6,478,784**
ECL as a % of Gross loans	0.6	2.1	1.0	0.7	6.8	**1.6**

The increase in Stage 2 ECLs was driven by increased LGDs and PDs, reflective of the increased risk profile for customers in vulnerable sectors within each entity. The assessment included increased probabilities of default and reduced collateral values in these sectors.

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

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

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 3						
Gross loans	281,550	1,020,061	1,437,082	103,049	75,531	**2,917,273**
ECL	(137,314)	(448,758)	(338,015)	(47,294)	(55,814)	**(1,027,195)**
	144,236	**571,303**	**1,099,067**	**55,755**	**19,717**	**1,890,078**
ECL as a % of Gross loans	48.8	44.0	23.5	45.9	73.9	**35.2**

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Stage 3						
Gross loans	180,376	652,085	775,493	87,763	67,448	**1,763,165**
ECL	(115,046)	(317,242)	(247,702)	(30,004)	(40,735)	**(750,729)**
	65,330	**334,843**	**527,791**	**57,759**	**26,713**	**1,012,436**
ECL as a % of Gross loans	63.8	48.7	31.9	34.2	60.4	**42.6**

The decrease in Stage 3 ECLs was reflective of increased non-performing loans with higher collateral values.

	Investment securities 2020 %	Investment securities 2019 %
Stage 1	**75.5**	84.7
Stage 2	**15.3**	6.0
Stage 3	**0.1**	0.7
POCI	**9.1**	8.6
	100.0	**100.0**

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

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

2020	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	13,255,884	2,687,187	22,945	1,591,470	**17,557,486**
ECL	(9,136)	(38,888)	(6,097)	(139,630)	**(193,751)**
	13,246,748	**2,648,299**	**16,848**	**1,451,840**	**17,363,735**
ECL as a % of Gross investments	0.1	1.4	26.6	8.8	**1.1**

2019	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	14,018,387	998,685	111,594	1,431,361	**16,560,027**
ECL	(6,110)	(23,790)	(70,275)	(62,467)	**(162,642)**
	14,012,277	**974,895**	**41,319**	**1,368,894**	**16,397,385**
ECL as a % of Gross investments	0.0	2.4	63.0	4.4	**1.0**

The decrease in Stage 3 ECLs was reflective of the reclassification of the Government of Barbados debt from Stage 3 into POCI securities, while the increase in POCI ECLs was driven by the ECLs on the modified Euro-denominated instrument in Suriname.

22.3 Liquidity risk

Liquidity risk is defined as the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Group has sufficient funds to meet all of its obligations.

Three primary sources of funds are used to provide liquidity – retail deposits, wholesale deposits and the capital market. A substantial portion of the Group is funded with 'core deposits'. The Group maintains a core base of retail and wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required, providing diverse funding sources to the Group. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.3 Liquidity risk *(continued)*

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.

22.3.1 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 28 for a maturity analysis of assets and liabilities.

Financial liabilities – on consolidated statement of financial position

2020	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
Customers' current, savings and deposit accounts	65,543,537	13,109,342	7,976,460	5,793	**86,635,132**
Other fund raising instruments	–	4,786,717	681,027	153,757	**5,621,501**
Debt securities in issue	–	280,303	1,081,356	1,149,023	**2,510,682**
Due to banks	745,639	784,819	–	–	**1,530,458**
Lease liabilities	982	87,196	346,418	337,539	**772,135**
Other liabilities	572,963	195,676	91,525	57	**860,221**
Total undiscounted financial liabilities	**66,863,121**	**19,244,053**	**10,176,786**	**1,646,169**	**97,930,129**

2019	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
Customers' current, savings and deposit accounts	49,485,584	14,105,704	1,480,118	10	**65,071,416**
Other fund raising instruments	–	5,368,542	81,184	145,396	**5,595,122**
Debt securities in issue	–	212,123	1,354,284	1,228,007	**2,794,414**
Due to banks	38,260	1,370,238	–	–	**1,408,498**
Other liabilities	418,683	298,107	42,613	57	**759,460**
Total undiscounted financial liabilities	**49,942,527**	**21,354,714**	**2,958,199**	**1,373,470**	**75,628,910**

22 Risk management *(continued)*

22.3 Liquidity risk *(continued)*

22.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities – off consolidated statement of financial position

2020	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Acceptances	652,528	2,638,110	313,908	304	**3,604,850**
Guarantees and indemnities	255,000	184,722	31,908	29,617	**501,247**
Letters of credit	294,585	158,682	–	–	**453,267**
Total	**1,202,113**	**2,981,514**	**345,816**	**29,921**	**4,559,364**

2019	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Acceptances	272,367	826,977	403,942	326	**1,503,612**
Guarantees and indemnities	11,666	232,710	18,306	31,429	**294,111**
Letters of credit	306,768	181,174	–	–	**487,942**
Total	**590,801**	**1,240,861**	**422,248**	**31,755**	**2,285,665**

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

22.4 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.

22.4.1 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 ALCO 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.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.4 Market risk *(continued)*

22.4.1 Interest rate risk *(continued)*

The table below summarises the interest-rate exposure of the Group's consolidated statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit of a reasonably possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table:

		Impact on net profit			
		2020		2019	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	**60,174**	**(60,170)**	55,193	(55,193)
US$ Instruments	+/- 50	**16,738**	**(16,966)**	19,712	(19,927)
BDS$ Instruments	+/- 50	**615**	**(615)**	1,607	(1,607)
GHS¢ Instruments	+/- 300	**1,308**	**(1,308)**	2,024	(2,024)
Other Currency Instruments	+/- 50	**389**	**(424)**	389	(424)

22.4.2 Currency risk

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

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets and related funding of overseas subsidiaries and associates, from the respective local currency to Trinidad and Tobago dollars (TTD). Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognised in reserves. Gains or losses on related foreign currency funding are recognised in the consolidated statement of income.

22 Risk management *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

The principal currencies of the Group's subsidiary and associated company investments are TTD, United States dollars (USD), Guyana dollars (GYD), Eastern Caribbean dollars (XCD), Barbados dollars (BDS), Ghana Cedi (GHS), Suriname dollars (SRD) and Cayman Island dollars (KYD).

The tables below indicate the currencies to which the Group had significant exposure at September 30 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with all other variables held constant.

2020	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial assets								
Cash on hand	459,029	544,963	81,688	116,978	14,237	82,417	949,588	**2,248,900**
Statutory deposits with Central Banks	4,124,723	322,267	1,478,141	148,988	72,268	–	2,664,095	**8,810,482**
Due from banks	4,547,826	4,547,595	4,257	23,521	171,644	192	2,710,274	**12,005,309**
Treasury Bills	1,276,259	1,308,340	–	202,810	–	–	1,121,960	**3,909,369**
Advances	22,019,334	12,082,026	5,072,941	1,169,956	419,380	4,902,993	7,633,551	**53,300,181**
Investment securities	4,908,560	9,265,519	1,359,838	1,465,303	–	–	536,466	**17,535,686**
Investment interest receivable	58,307	60,549	417	59,297	–	23	6,984	**185,577**
Total financial assets	**37,394,038**	**28,131,259**	**7,997,282**	**3,186,853**	**677,529**	**4,985,625**	**15,622,918**	**97,995,504**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2020	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial liabilities								
Due to banks	5	769,014	12,895	–	890	–	24,388	**807,192**
Customers' current, savings and deposit accounts	29,756,099	21,615,869	7,302,918	2,132,496	532,523	4,128,436	16,378,827	**81,847,168**
Other fund raising instruments	4,176,268	846,780	131,702	344,308	–	–	–	**5,499,058**
Debt securities in issue	37,565	1,900,066	–	86,759	–	–	–	**2,024,390**
Accrued interest payable	32,466	61,257	1,262	–	4,414	1,198	8,330	**108,927**
Lease liabilities	359,764	12,563	44,707	18,746	–	85,396	72,242	**593,418**
Total financial liabilities	**34,362,167**	**25,205,549**	**7,493,484**	**2,582,309**	**537,827**	**4,215,030**	**16,483,787**	**90,880,151**
Net currency risk exposure		**2,925,710**	**503,798**	**604,544**	**139,702**	**770,595**	**(860,869)**	
Reasonably possible change in currency rate (%)		1	1	3	1	1	1	
Effect on profit before tax		**29,257**	**5,038**	**18,136**	**1,397**	**7,706**	**(8,609)**	

22 Risk management *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2019	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial assets								
Cash on hand	381,144	670,981	97,166	83,551	24,035	64,357	421,554	**1,742,788**
Statutory deposits with Central Banks	4,525,971	134,008	1,290,415	188,713	221,120	–	840,109	**7,200,336**
Due from banks	1,937,129	4,789,461	12,977	70,686	373,312	–	1,568,011	**8,751,576**
Treasury Bills	1,511,381	360,859	–	223,699	26,099	–	1,162,372	**3,284,410**
Advances	21,989,231	7,212,666	5,033,558	1,135,396	726,105	4,581,254	3,951,899	**44,630,109**
Investment securities	4,822,197	8,661,404	1,368,638	1,171,231	–	–	552,589	**16,576,059**
Investment interest receivable	54,144	69,317	417	62,026	870	–	7,456	**194,230**
Total financial assets	**35,221,197**	**21,898,696**	**7,803,171**	**2,935,302**	**1,371,541**	**4,645,611**	**8,503,990**	**82,379,508**

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

22 Risk management *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2019	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial liabilities								
Due to banks	365,252	915,155	12,688	73,915	1,447	–	27,714	**1,396,171**
Customers' current, savings and deposit accounts	26,837,870	16,069,286	7,274,268	1,821,183	830,034	3,581,776	8,608,685	**65,023,102**
Other fund raising instruments	4,285,538	773,963	146,994	329,594	–	–	–	**5,536,089**
Debt securities in issue	49,333	1,990,012	–	82,929	–	–	–	**2,122,274**
Accrued interest payable	30,792	68,206	1,425	–	4,675	10,396	1,482	**116,976**
Total financial liabilities	**31,568,785**	**19,816,622**	**7,435,375**	**2,307,621**	**836,156**	**3,592,172**	**8,637,881**	**74,194,612**
Net currency risk exposure		**2,082,074**	**367,796**	**627,681**	**535,385**	**1,053,439**	**(133,891)**	
Reasonably possible change in currency rate (%)		1	1	3	1	1	1	
Effect on profit before tax		**20,821**	**3,678**	**18,830**	**5,354**	**10,534**	**(1,339)**	

22.5 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.

22 Risk management *(continued)*

22.5 Operational risk *(continued)*

The Group has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

Managing cybersecurity related threats across the Republic Group remains a major priority. As part of the Group's business strategy in reducing cyber risk exposure, cybersecurity is embedded in the design of technology and services prior to deployment. The Group's Enterprise Risk Management Committee is responsible for overseeing cybersecurity risks and maintaining cybersecurity risk appetite. Mechanisms are in place across the Group to predict, prevent, detect and respond against cyber threats and where appropriate, risk is transferred by the placement of adequate insurance coverage.

23 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.

	2020	2019
Advances, investments and other assets		
Directors and key management personnel	**284,315**	232,958
Other related parties	**236,126**	174,865
	520,441	**407,823**
Deposits and other liabilities		
Directors and key management personnel	**168,080**	127,521
Other related parties	**606,176**	436,482
	774,256	**564,003**
Interest and other income		
Directors and key management personnel	**10,233**	8,644
Other related parties	**16,938**	22,793
	27,171	**31,437**
Interest and other expense		
Directors and key management personnel	**25,140**	7,286
Other related parties	**10,621**	11,641
	35,761	**18,927**

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

23 Related parties *(continued)*

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

Key management compensation

	2020	2019
Short-term benefits	**33,951**	49,070
Post employment benefits	**266**	4,949
Share-based payment	**8,545**	2,530
	42,762	**56,549**

24 Capital management

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $0.1 billion to $11.3 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.

In T&T, the Basel II Regulations were promulgated in May 2020 and adopted by RFHL and its main subsidiary, Republic Bank Limited (RBL). Under these regulations, the risk-based capital guidelines require a minimum ratio of core capital (Tier I) to risk-weighted assets of 6%, with a minimum total qualifying capital (Tier II) ratio of 10%. Core capital (Tier I) comprises mainly of shareholders' equity.

Capital adequacy ratio

	2020 % Basel II	2019 % Basel II	2019 % Basel I
Institutions under Basel II regulations			
Republic Financial Holdings Limited	**11.87**	N/A	N/A
Republic Bank Limited	**13.60**	N/A	21.45
Republic Bank (Cayman) Limited	**28.66**	32.00	–
Republic Bank (Ghana) Limited	**24.94**	28.22	–
Republic Bank (Barbados) Limited	**16.38**	14.71	–
Cayman National Corporation	**23.60**	23.06	–

24 Capital management

	2020 % Basel I	2019 % Basel I
Institutions under Basel I regulations		
Republic Bank (Grenada) Limited	**16.24**	13.64
Republic Bank (Guyana) Limited	**23.79**	22.54
Republic Bank (Suriname) N.V.	**11.71**	15.20
Atlantic Financial Limited	**93.32**	73.26
Republic Bank (EC) Limited	**15.75**	–
Republic Bank (BVI) Limited	**19.00**	–

At September 30, 2020, RBL and each of RFHL's banking subsidiaries exceeded the minimum levels required for adequately capitalised financial institutions.

25 Fair value

25.1 Carrying values and fair values

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

2020	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	18,163,578	18,163,578	–
Advances	53,300,181	52,628,725	(671,456)
Investment securities	17,535,686	17,877,857	342,171
Investment interest receivable	185,577	185,577	–
Other financial assets	344,610	344,610	–
Financial liabilities			
Customers' current, savings and deposit accounts	81,847,168	81,844,786	2,382
Borrowings and other fund raising instruments	6,306,250	6,306,250	–
Debt securities in issue	2,024,390	2,214,536	(190,146)
Accrued interest payable	108,927	108,927	–
Other financial liabilities	1,273,289	1,273,289	–
Total unrecognised change in unrealised fair value			**(517,049)**

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For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

25 Fair value *(continued)*

25.1 Carrying values and fair values *(continued)*

2019	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	13,778,774	13,778,774	–
Advances	44,630,109	42,697,115	(1,932,994)
Investment securities	16,576,059	16,822,810	246,751
Investment interest receivable	194,230	194,230	–
Other financial assets	311,920	311,920	–
Financial liabilities			
Customers' current, savings and deposit accounts	65,023,102	65,021,627	1,474
Borrowings and other fund raising instruments	6,932,260	6,932,260	–
Debt securities in issue	2,122,274	2,213,682	(91,409)
Accrued interest payable	116,977	116,977	–
Other financial liabilities	1,254,363	1,254,363	–
Total unrecognised change in unrealised fair value			**(1,776,178)**

25.2 Fair value and fair value hierarchies

25.2.1 Determination of fair value and fair value hierarchies

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

2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	64,713	69,583	37,655	**171,951**
Financial assets for which fair value is disclosed				
Advances	–	–	52,628,725	**52,628,725**
Investment securities	5,708,444	10,150,131	1,847,331	**17,705,906**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	81,844,786	**81,844,786**
Debt securities in issue	–	2,127,777	86,759	**2,214,536**

25 Fair value *(continued)*

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

25.2.1 Determination of fair value and fair value hierarchies *(continued)*

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

2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	19,253	116,282	43,139	**178,674**
Financial assets for which fair value is disclosed				
Advances	–	–	42,697,115	**42,697,115**
Investment securities	5,136,554	10,119,073	1,388,509	**16,644,136**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	65,021,627	**65,021,627**
Debt securities in issue	–	2,130,753	82,929	**2,213,682**

25.2.2 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, 2020 are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted cash flow method	Growth rate for cash flows for subsequent years	4.0% – 28.2%
Customers' current, savings and deposit accounts	Discounted cash flow method	Growth rate for cash flows for subsequent years	0.0% – 9.0%

25.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2020, $366 million of assets were transferred between Level 1 and Level 2 (2019: $1.06 million).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

25 Fair value *(continued)*

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

25.2.4 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	43,139	3,765	(9,249)	37,655
	43,139	**3,765**	**(9,249)**	**37,655**

26 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	2020	2019
Republic Bank (Ghana) Limited	Ghana	**33.46%**	33.46%
Republic Bank (Guyana) Limited	Guyana	**49.00%**	49.00%
Cayman National Corporation	Cayman Islands	**25.01%**	25.01%

	2020	2019
Accumulated balances of material non-controlling interests:		
Republic Bank (Ghana) Limited	**237,854**	235,216
Republic Bank (Guyana) Limited	**404,007**	369,214
Cayman National Corporation	**291,160**	283,998
Profit allocated to material non-controlling interests:		
Republic Bank (Ghana) Limited	**20,290**	34,268
Republic Bank (Guyana) Limited	**57,364**	63,129
Cayman National Corporation	**17,497**	30,900

The summarised financial information of these subsidiaries is provided in Note 27 (i) of these consolidated financial statements.

27 Segmental information

The Group is organised into two main business segments: retail and commercial banking and other financial services. 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

2020	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	British Virgin Islands	Total
Interest income	2,274,763	437,422	170,642	591,763	308,799	524,619	475,787	37,006	**4,820,801**
Interest expense	(308,336)	(32,655)	(30,516)	(140,431)	(23,208)	(227,760)	(60,780)	(2,145)	**(825,831)**
Net interest income	1,966,427	404,767	140,126	451,332	285,591	296,859	415,007	34,861	**3,994,970**
Other income	803,361	124,626	119,456	192,916	107,419	125,321	219,435	12,716	**1,705,250**
Share of profits of associated companies	4,841	–	70	–	–	–	–	–	**4,911**
Operating income	2,774,629	529,393	259,652	644,248	393,010	422,180	634,442	47,577	**5,705,131**
Other operating expenses	(1,846,492)	(305,718)	(97,600)	(397,156)	(202,294)	(279,217)	(474,915)	(20,000)	**(3,623,392)**
Operating profit	928,137	223,675	162,052	247,092	190,716	142,963	159,527	27,577	**2,081,739**
Credit loss expense on financial assets	(332,178)	(85,909)	(49,896)	(55,468)	(12,279)	(52,701)	(30,434)	(2,299)	**(621,164)**
Net profit before taxation	**595,959**	**137,766**	**112,156**	**191,624**	**178,437**	**90,262**	**129,093**	**25,278**	**1,460,575**
Taxation	(284,685)	(6,358)	(40,743)	(35,333)	(61,367)	(30,080)	1,050	–	**(457,516)**
Net profit after taxation	**311,274**	**131,408**	**71,413**	**156,291**	**117,070**	**60,182**	**130,143**	**25,278**	**1,003,059**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

27 Segmental information *(continued)*

i By geographic segment *(continued)*

2020	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	British Virgin Islands	Total
Investment in associated companies	56,364	–	607	–	–	–	–	–	**56,971**
Total assets	48,514,006	10,333,695	2,677,336	14,302,887	6,845,840	4,266,398	14,587,851	2,748,601	**104,276,614**
Total liabilities	45,510,366	7,813,396	2,436,951	12,779,866	6,039,857	3,407,466	12,276,927	2,669,312	**92,934,141**
Depreciation	189,834	20,799	12,207	23,811	15,771	26,127	43,558	1,069	**333,176**
Capital expenditure on premises and equipment	294,552	39,800	7,280	29,642	12,898	22,094	17,628	1,152	**425,046**
Cash flow from operating activities	5,458,351	278,710	250,640	(1,413,598)	783,882	476,146	(276,000)	(303,987)	**5,254,144**
Cash flow from investing activities	3,320,772	(88,573)	(107,281)	91,839	127,420	(449,232)	(125,261)	(1,152)	**2,768,532**
Cash flow from financing activities	(1,687,090)	(149,819)	799	(1,088,164)	(50,825)	(58,099)	(109,217)	(5,308)	**(3,147,723)**

27 Segmental information *(continued)*

i By geographic segment *(continued)*

2019	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
Interest income	2,371,030	477,818	155,858	198,039	291,694	542,710	391,962	**4,429,111**
Interest expense	(195,516)	(34,662)	(36,682)	(37,105)	(19,701)	(227,544)	(63,540)	**(614,750)**
Net interest income	2,175,514	443,156	119,176	160,934	271,993	315,166	328,422	**3,814,361**
Other income	1,330,535	125,259	44,562	48,787	117,931	152,102	198,660	**2,017,836**
Share of profits of associated companies	6,111	–	(131)	–	–	–	–	**5,980**
Operating income	3,512,160	568,415	163,607	209,721	389,924	467,268	527,082	**5,838,177**
Other operating expenses	(1,642,170)	(305,583)	(93,365)	(90,137)	(186,897)	(292,862)	(330,792)	**(2,941,806)**
Operating profit	1,869,990	262,832	70,242	119,584	203,027	174,406	196,290	**2,896,371**
Credit loss (expense)/recovery on financial assets	(103,958)	(78,612)	(6,792)	5,776	(2,890)	(43,503)	3,803	**(226,176)**
Net profit before taxation	**1,766,032**	**184,220**	**63,450**	**125,360**	**200,137**	**130,903**	**200,093**	**2,670,195**
Taxation	(638,786)	(182,135)	(23,209)	(6,399)	(71,304)	(32,417)	(292)	**(954,542)**
Net profit after taxation	**1,127,246**	**2,085**	**40,241**	**118,961**	**128,833**	**98,486**	**199,801**	**1,715,653**
Investment in associated companies	51,523	–	1,077	–	–	–	–	**52,600**
Total assets	46,793,990	10,016,559	3,180,215	2,883,148	6,015,765	3,905,339	14,688,872	**87,483,888**
Total liabilities	42,761,747	7,720,098	2,853,433	2,213,767	5,266,695	3,051,905	12,384,483	**76,252,128**
Depreciation	122,876	24,122	12,661	6,633	15,861	15,877	16,299	**214,329**
Capital expenditure on premises and equipment	287,899	11,944	7,167	5,107	19,155	19,334	17,666	**368,272**
Cash flow from operating activities	1,791,553	255,058	(546,300)	42,243	115,211	343,477	798,833	**2,800,075**
Cash flow from investing activities	2,395,764	(1,148,817)	35,975	1,183	22,439	(459,367)	(1,046,638)	**(199,461)**
Cash flow from financing activities	1,170,263	1,209,735	(567)	(6,886)	(45,521)	79,760	(83,680)	**2,323,104**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

27 Segmental information *(continued)*

ii By class of business

2020	Retail and commercial banking	Other financial services	Total
Interest income	4,430,116	390,685	**4,820,801**
Interest expense	(706,036)	(119,795)	**(825,831)**
Net interest income	3,724,080	270,890	**3,994,970**
Other income	1,406,644	298,606	**1,705,250**
Share of profit of associated companies	4,911	–	**4,911**
Operating income	5,135,635	569,496	**5,705,131**
Other operating expenses	(3,557,984)	(65,408)	**(3,623,392)**
Operating profit	1,577,651	504,088	**2,081,739**
Credit loss (expense)/recovery on financial assets	(627,024)	5,860	**(621,164)**
Net profit before taxation	**950,627**	**509,948**	**1,460,575**
Taxation	(397,583)	(59,933)	**(457,516)**
Net profit after taxation	**553,044**	**450,015**	**1,003,059**
Investment in associated companies	56,971	–	**56,971**
Total assets	94,871,977	9,404,637	**104,276,614**
Total liabilities	86,503,446	6,430,695	**92,934,141**
Depreciation	333,176	–	**333,176**
Capital expenditure on premises and equipment	424,426	620	**425,046**
Cash flow from operating activities	1,994,776	3,259,368	**5,254,144**
Cash flow from investing activities	4,955,974	(2,187,442)	**2,768,532**
Cash flow from financing activities	(2,206,930)	(940,793)	**3,147,723**

27 Segmental information *(continued)*

ii By class of business *(continued)*

2019	Retail and commercial banking	Other financial services	Total
Interest income	3,987,485	441,626	**4,429,111**
Interest expense	(473,161)	(141,589)	**(614,750)**
Net interest income	3,514,324	300,037	**3,814,361**
Other income	1,779,797	238,039	**2,017,836**
Share of profit of associated companies	5,980	–	**5,980**
Operating income	5,300,101	538,076	**5,838,177**
Other operating expenses	(2,888,194)	(53,612)	**(2,941,806)**
Operating profit	2,411,907	484,464	**2,896,371**
Credit loss (expense)/recovery on financial assets	(233,156)	6,980	**(226,176)**
Net profit before taxation	**2,178,751**	**491,444**	2,670,195
Taxation	(903,556)	(50,986)	**(954,542)**
Net profit after taxation	**1,275,195**	**440,458**	**1,715,653**
Investment in associated companies	52,600	–	**52,600**
Total assets	78,661,611	8,822,277	**87,483,888**
Total liabilities	70,055,985	6,196,143	**76,252,128**
Depreciation	214,329	–	**214,329**
Capital expenditure on premises and equipment	367,115	1,157	**368,272**
Cash flow from operating activities	2,450,611	349,464	**2,800,075**
Cash flow from investing activities	1,972,944	(2,172,405)	**(199,461)**
Cash flow from financing activities	939,799	1,383,305	**2,323,104**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

28 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 22.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2020	Within one year	After one year	Total
ASSETS			
Cash on hand	2,248,900	–	**2,248,900**
Statutory deposits with Central Banks	8,810,482	–	**8,810,482**
Due from banks	12,005,309	–	**12,005,309**
Treasury Bills	3,909,369	–	**3,909,369**
Advances	12,466,646	40,833,535	**53,300,181**
Investment securities	6,758,048	10,777,638	**17,535,686**
Investment interest receivable	185,577	–	**185,577**
Investment in associated companies	–	56,971	**56,971**
Premises and equipment	1,028	3,105,924	**3,106,952**
Right-of-use assets	255	602,601	**602,856**
Intangible assets	–	1,223,414	**1,223,414**
Pension assets	–	454,573	**454,573**
Deferred tax assets	530	253,398	**253,928**
Taxation recoverable	–	56,877	**56,877**
Other assets	516,777	8,762	**525,539**
	46,902,921	**57,373,693**	**104,276,614**
LIABILITIES			
Due to banks	807,192	–	**807,192**
Customers' current, savings and deposit accounts	77,748,113	4,099,055	**81,847,168**
Other fund raising instruments	5,368,420	130,638	**5,499,058**
Debt securities in issue	–	2,024,390	**2,024,390**
Lease liabilities	4,676	588,742	**593,418**
Pension liability	1,980	40,664	**42,644**
Provision for post-retirement medical benefits	–	66,524	**66,524**
Taxation payable	95,175	–	**95,175**
Deferred tax liabilities	146	209,015	**209,161**
Accrued interest payable	88,555	20,372	**108,927**
Other liabilities	1,515,656	124,828	**1,640,484**
	85,629,913	**7,304,228**	**92,934,141**

28 Maturity analysis of assets and liabilities *(continued)*

2019	Within one year	After one year	Total
ASSETS			
Cash on hand	1,742,788	–	**1,742,788**
Statutory deposits with Central Banks	7,200,336	–	**7,200,336**
Due from banks	8,751,576	–	**8,751,576**
Treasury Bills	3,284,410	–	**3,284,410**
Advances	10,708,069	33,922,040	**44,630,109**
Investment securities	5,001,375	11,574,684	**16,576,059**
Investment interest receivable	194,230	–	**194,230**
Investment in associated companies	–	52,600	**52,600**
Premises and equipment	1,921	2,872,651	**2,874,572**
Intangible assets	–	872,913	**872,913**
Pension assets	–	630,325	**630,325**
Deferred tax assets	–	180,390	**180,390**
Taxation recoverable	3,335	54,685	**58,020**
Other assets	402,597	32,963	**435,560**
	37,290,637	**50,193,251**	**87,483,888**
LIABILITIES			
Due to banks	1,396,171	–	**1,396,171**
Customers' current, savings and deposit accounts	63,853,456	1,169,646	**65,023,102**
Other fund raising instruments	5,313,917	222,172	**5,536,089**
Debt securities in issue	–	2,122,274	**2,122,274**
Pension liability	–	56,865	**56,865**
Provision for post-retirement medical benefits	–	68,746	**68,746**
Taxation payable	190,029	–	**190,029**
Deferred tax liabilities	–	258,149	**258,149**
Accrued interest payable	114,828	2,149	**116,977**
Other liabilities	1,398,542	85,184	**1,483,726**
	72,266,943	**3,985,185**	**76,252,128**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

29 Equity compensation benefits

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	
	2020	2019	**2020**	2019
At the beginning of the year	**$104.94**	$105.03	**2,486,493**	2,053,177
Granted	**$103.65**	$101.92	**586,354**	555,277
Forfeited	**$90.19**	$78.78	**(6,118)**	(10,952)
Exercised	**$101.17**	$93.98	**(499,221)**	(111,009)
At end of year	**$105.42**	**$104.94**	**2,567,508**	**2,486,493**
Exercisable at end of year	**$106.33**	**$105.01**	**1,431,254**	**1,742,428**

29 Equity compensation benefits *(continued)*

Stock option plan *(continued)*

Expiry date	Exercise price	2020	2019
20-Dec-19	$90.19	–	24,185
20-Dec-20	$86.75	**13,024**	63,711
20-Dec-21	$80.00	**26,680**	41,490
20-Dec-22	$101.80	–	11,876
13-Dec-23	$85.94	**37,721**	61,101
8-Dec-24	$72.99	**54,327**	102,079
14-Dec-25	$92.67	**125,058**	150,135
14-Dec-26	$104.41	**219,411**	331,104
11-Dec-27	$110.03	**241,527**	338,492
11-Dec-28	$121.74	**327,876**	415,912
9-Dec-29	$112.05	–	10,878
12-Dec-30	$110.00	**380,253**	380,253
7-Dec-31	$101.92	**555,277**	555,277
9-Dec-32	$103.65	**586,354**	–
		2,567,508	**2,486,493**

As at September 30, 2020, none of the outstanding options were anti-dilutive (2019: 415,592) 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 13, 2019 to January 8, 2020
Number granted	586,354
Exercise price	$103.65
Share price at grant date	$131.00 to $135.00
Risk-free interest rate	4.0% 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	$25.46 to $29.04

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 $101.17. For options outstanding at September 30, 2020 the exercise price ranged from $72.99 to $121.74 and the weighted average remaining contractual life was 8.9 years.

The total expense for the share option plan was $8.545 million (2019: $2.530 million).

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

30 Dividends paid and proposed

	2020	2019
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: $3.25 (2018: $3.15)	**528,664**	511,990
Interim dividend for 2020: $0.60 (2019: $1.25)	**97,723**	203,274
Total dividends paid	**626,387**	**715,264**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2020: $2.10 (2019: $3.25)	**341,340**	**528,664**

31 Contingent liabilities

a Litigation

As at September 30, 2020, 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.

	2020	2019
b Customers' liability under acceptances, guarantees, indemnities and letters of credit		
Acceptances	**3,604,850**	1,503,612
Guarantees and indemnities	**501,247**	294,111
Letters of credit	**453,267**	487,942
	4,559,364	**2,285,665**
c Sectoral information		
State	**1,339,223**	156,285
Corporate and commercial	**2,388,324**	2,058,610
Personal	**691,432**	26,178
Other financial institutions	**139,982**	44,192
Other	**403**	400
	4,559,364	**2,285,665**

31 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	
	2020	2019	2020	2019
Financial assets	**5,607,140**	**4,806,337**	**11,714,188**	**5,498,692**

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.

32 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, 2020, the Group earned $27.7 million (2019: $27.8 million) in management fees from the retirement plans and $94.5 million (2019: $97.6 million) from the mutual funds.

The Group holds an interest of $84.9 million (2019: $45.9 million) in sponsored funds as at September 30, 2020. 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, 2020.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

33 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 (BVI) Limited *Commercial Bank*	British Virgin Islands	100.00
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00
Cayman National Corporation *Banking and Fiduciary Services*	Cayman Islands	74.99
Republic Bank (Ghana) Limited *Commercial Bank*	Ghana	66.54
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	84.90
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00
Republic Bank (EC) Limited *Commercial Bank*	Saint Lucia	100.00
Atlantic Financial Limited *International Business Company*	Saint Lucia	100.00
Republic Caribbean Investments Limited *Investment Company*	Saint Lucia	100.00
Republic (Suriname) Holding Limited *Investment Company*	Saint Lucia	100.00
Republic Bank (Suriname) N.V. *Commercial Bank*	Suriname	100.00

33 Subsidiary companies *(continued)*

Name of Company	Country of incorporation	% equity interest
Republic Bank Limited *Commercial Bank*	Trinidad and Tobago	100.00
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00
Republic Wealth Management Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00
Republic Trustee Services Limited *Investment Advisory Company*	Trinidad and Tobago	100.00

34 Business combinations

a Acquisition of Scotiabank's assets in Eastern Caribbean and St. Maarten

On November 1, 2019, the Group completed the acquisition of Scotiabank's banking operations in St. Maarten, Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines.

Republic Bank (EC) Limited was incorporated and obtained control of the St. Maarten, Anguilla, Dominica, St Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines operations.

Republic Bank (Grenada) Limited acquired the operations of Scotiabank Grenada.

The acquisition has been accounted for using the acquisition method.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

34 Business combinations *(continued)*

a Acquisition of Scotiabank's assets in Eastern Caribbean and St. Maarten *(continued)*

The fair values of the identifiable assets and liabilities of the Scotiabank operations in the Eastern Caribbean and St. Maarten as at the date of acquisition were:

	Fair value recognised on acquisition November 1, 2019
Assets	
Cash resources	4,187,889
Investment securities	3,767
Advances	6,329,592
Intangible assets	127,166
Other assets	1,195,945
	11,844,359
Liabilities	
Customer deposits and due to banks	11,489,088
Other liabilities	149,529
	11,638,617
Total identifiable net assets at fair value	205,742
Goodwill arising on acquisition	171,541
Purchase consideration transferred	**377,283**
Purchase consideration	
Amount settled in cash	**377,283**
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	4,187,889
Consideration transferred	(377,283)
Net cash inflow	**3,810,606**

The net assets recognised as at November 1, 2019, were based on an independent valuation of the fair value completed in September 2020, of the acquired Scotiabank net assets in the Eastern Caribbean and St. Maarten. Acquisition date fair value of core deposit intangibles of $127.2 million was determined. Fair value of the land and buildings was $38.6 million, an increase of $8.6 million over the carrying value of $30 million. The increased amortisation charge on the core deposit intangibles and buildings from the acquisition date amounted to $17.5 million.

34 Business combinations *(continued)*

a Acquisition of Scotiabank's assets in Eastern Caribbean and St. Maarten *(continued)*

For the financial year ending September 30, 2020, Republic Bank (EC) Limited and the acquired Scotiabank's operations in Grenada contributed $437.3 million of revenue and $57.9 million to profit before tax from continuing operations of the Group.

b Acquisition of Scotiabank British Virgin Islands Limited

On June 1, 2020, Republic Financial Holdings Limited, acquired 100% of Scotiabank British Virgin Islands Limited, obtained control and the company was renamed Republic Bank (BVI) Limited. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Scotiabank British Virgin Islands Limited as at the date of acquisition were:

	Fair value recognised on acquisition June 1, 2020
Assets	
Cash resources	1,122,891
Advances	1,886,367
Other assets	56,208
	3,065,466
Liabilities	
Customer deposits and due to banks	2,543,713
Other liabilities	64,142
	2,607,855
Total identifiable net assets at fair value	457,611
Goodwill arising on acquisition (provisional)*	231,994
Purchase consideration transferred	**689,605**
Purchase consideration	
Amount settled in cash	**689,605**
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	1,122,891
Consideration transferred	(689,605)
Net cash inflow	**433,286**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

34 Business combinations *(continued)*

b Acquisition of Scotiabank British Virgin Islands Limited *(continued)*

For the financial year ending September 30, 2020, the company contributed $47.6 million of revenue and $25.2 million to profit before tax from continuing operations of the Group.

* The fair value of net assets is provisional pending receipt of final valuation for those assets and liabilities. These balances are subject to adjustment, with a corresponding adjustment to goodwill up to June 2021 (one year after the transaction).

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