Independent Auditor's Report

To the Shareholders of Republic Bank Limited and its Subsidiaries

We have audited the accompanying consolidated financial statements of Republic Bank Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at September 30, 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the RBL Group as at September 30, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
November 1, 2016

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Financial Position

As at September 30, 2016

Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2016	2015
ASSETS			
Cash on hand		392,990	102,673
Statutory deposits with Central Bank		4,265,041	-
Due from banks		4,243,059	-
Treasury Bills		2,534,403	-
Investment interest receivable		48,059	5,316
Advances	4	23,673,643	217,203
Investment securities	5	5,789,563	250,981
Investment in associated companies	6	41,031	-
Premises and equipment	7	1,347,846	403
Net pension assets	8	992,803	-
Deferred tax assets	9(a)	181,826	14,780
Taxation recoverable		32,987	23,666
Other assets	10	257,107	3,482
TOTAL ASSETS		**43,800,358**	**618,504**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		469,769	-
Customers' current, savings and deposit accounts	11	31,687,895	-
Other fund raising instruments	12	3,408,887	56,392
Debt securities in issue	13	1,041,580	170,725
Provision for post-retirement medical benefits	8	394,271	-
Taxation payable		9,359	78
Deferred tax liabilities	9(b)	359,778	30,687
Accrued interest payable		39,867	3,307
Other liabilities	14	934,557	16,542
TOTAL LIABILITIES		**38,345,963**	**277,731**
EQUITY			
Stated capital	15	769,777	30,000
Statutory reserves		1,112,096	34,982
Other reserves	16	295,909	8,706
Retained earnings		3,276,613	267,085
TOTAL EQUITY		**5,454,395**	**340,773**
TOTAL LIABILITIES AND EQUITY		**43,800,358**	**618,504**

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

These financial statements were approved by the Board of Directors on November 1, 2016 and signed on its behalf by:

Nigel M. Baptiste,
Managing Director

Jacqueline H.C. Quamina,
Corporate Secretary

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Republic Bank Limited and its Subsidiaries

Consolidated Statement of Income

For the year ended September 30, 2016

Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2016	2015
Interest income	17(a)	1,652,538	27,966
Interest expense	17(b)	(154,641)	(15,148)
Net interest income		1,497,897	12,818
Other income	17(c)	730,926	12,249
Share of profits of associated companies	6	6,507	–
		2,235,330	25,067
Operating expenses	17(d)	(1,141,912)	(6,662)
Operating profit		1,093,418	18,405
Loan impairment expense	4(b)(ii)	(143,235)	–
Net profit before taxation		950,183	18,405
Taxation expense	18	(248,549)	(2,506)
Net profit after taxation		**701,634**	**15,899**

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

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2016

Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2016	2015
Net profit after taxation	**701,634**	**15,899**
Other comprehensive income:		
Items of other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain/(loss) on available-for-sale investments	25,961	(12,149)
Translation adjustments	50,460	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**76,421**	**(12,149)**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Net re-measurement losses on defined benefit plans	(120,474)	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:	**(120,474)**	**–**
Total other comprehensive loss for the year, net of tax	**(44,053)**	**(12,149)**
Total comprehensive income for the year, net of tax	**657,581**	**3,750**

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended September 30, 2016

Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at September 30, 2014	**30,000**	**41,807**	**22,395**	**341,559**	**435,761**
Reclassification from liabilities	–	–	–	1,262	1,262
Total comprehensive (loss)/income for the year	–	–	(12,149)	15,899	3,750
Transfer from general contingency reserve (Note 16)	–	–	(1,540)	1,540	–
Transfer to retained earnings	–	(6,825)	–	6,825	–
Dividends (Note 25)	–	–	–	(100,000)	(100,000)
Balance at September 30, 2015	**30,000**	**34,982**	**8,706**	**267,085**	**340,773**
Amount transferred from vesting	739,777	1,077,114	233,054	2,564,445	4,614,390
Total comprehensive income for the year	–	–	76,421	581,160	657,581
Transfer from general contingency reserve (Note 16)	–	–	(22,272)	22,272	–
Dividends (Note 25)	–	–	–	(158,349)	(158,349)
Balance at September 30, 2016	**769,777**	**1,112,096**	**295,909**	**3,276,613**	**5,454,395**

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

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Republic Bank Limited and its Subsidiaries

Consolidated Statement of Cash Flows

For the year ended September 30, 2016

Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2016	2015
Operating activities			
Net profit before taxation		950,183	18,405
Adjustments for:			
Depreciation	7	57,002	57
Loan impairment expense	4(b)(ii)	143,235	–
Translation difference		(43,794)	–
Loss on sale of premises and equipment		2,192	41
Share of net profits of associated companies	6	(6,507)	–
Decrease in employee benefits		216,978	–
(Increase)/decrease in advances		(501,551)	12,374
Increase/(decrease) in customers' deposits and other fund raising instruments		135,215	(351,029)
Decrease in statutory deposits with Central Bank		150,062	–
Decrease/(increase) in other assets and investment interest receivable		90,072	(1,919)
Increase in other liabilities and accrued interest payable		26,333	7,288
Taxes paid, net of refund		(244,097)	(1,790)
Cash provided by/(used in) operating activities		975,323	(316,573)
Investing activities			
Purchase of investment securities		(3,509,186)	(184)
Redemption of investment securities		2,613,185	38,884
Dividends from associated companies	6	1,706	–
Additions to premises and equipment	7	(250,611)	(5)
Proceeds from sale of premises and equipment		2,309	–
Net change in the composition of the Group		8,630,083	–
Cash provided by investing activities		7,487,486	38,695
Financing activities			
Decrease in balances due to other banks		(891,740)	–
Repayment of debt securities		(12,598)	(18,610)
Dividends paid to shareholders of the parent	25	(158,349)	(100,000)
Cash used in financing activities		(1,062,687)	(118,610)
Net increase/(decrease) in cash and cash equivalents		7,400,122	(396,488)
Cash and cash equivalents at beginning of year		102,673	499,161
Cash and cash equivalents at end of year		**7,502,795**	**102,673**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		392,990	102,673
Due from banks		4,243,059	–
Treasury Bills - original maturities of three months or less		2,534,403	–
Bankers' acceptances - original maturities of three months or less		332,343	–
		7,502,795	**102,673**
Supplemental information:			
Interest received during the year		1,536,454	29,551
Interest paid during the year		153,981	18,098
Dividends received		73,427	–

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

Republic Bank Limited and its Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended September 30, 2016

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

1. Corporate information

On December 16, 2015 by Legal Notice no. 215 of 2015 the banking business of Republic Bank Limited, with the exception of certain subsidiary holdings, was transferred and vested into Republic Finance and Merchant Bank Limited (FINCOR). FINCOR was renamed Republic Bank Limited (RBL) and RBL was renamed Republic Financial Holdings Limited (RFHL).

Republic Bank Limited (the 'Parent' or the 'Bank') is incorporated in the Republic of Trinidad and Tobago and was continued under the provision of the Companies Act, 1995 on March 23, 1998. Its registered office is located at Republic House, 9-17 Park Street, Port of Spain.

FINCOR issued to RFHL shares valuing $4,202,845 representing the excess of assets ($41,127,290) over liabilities ($36,924,445) vested.

As a result of this transaction, the combined entity commenced operations with total assets of $41.7 billion, total liabilities of $37.2 billion, and total equity of $4.5 billion as summarised below:

	Total Assets	Total Liabilities	Total Equity
FINCOR balances before vesting	608,810	266,058	342,752
Add amounts vested by RBL into FINCOR supported by additional equity issued	41,127,290	36,924,445	4,202,845
RBL/FINCOR opening balances after vesting	**41,736,100**	**37,190,503**	**4,545,597**

The Group has five subsidiaries and two associated companies. The Group is engaged in a wide range of banking, financial and related activities in Trinidad and Tobago and St. Lucia. A full listing of the Group's subsidiary companies is detailed in Note 27 while associated companies are listed in Note 6. Republic Financial Holdings Limited is the ultimate Parent of the Group and is listed on the Trinidad and Tobago Stock Exchange.

2. Significant accounting policies

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

2.1 Basis of preparation

The 2016 consolidated statement of income included the results of the banking business of RBL that was vested into Fincor for the nine months to September 30, 2016, plus the full year's results for FINCOR's existing business. The 2015 comparative is that of FINCOR and its then subsidiary London Street Project Company Limited (LSPCL).

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago Dollars. These consolidated financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale and at fair value through profit or loss financial instruments. 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 Bank Limited and its subsidiaries as at September 30 each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

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

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

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

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

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2. Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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.

2.3 Changes in accounting policies

New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended September 30, 2015. There were no new interpretations or standards which became effective in the current year.

2.4 Standards in issue not yet effective

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

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

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and OCI.

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

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

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

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

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

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

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

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

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

The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

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

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

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

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective January 1, 2016)

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

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

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

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

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

Classification and measurement of financial liabilities

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

Impairment

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

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

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

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

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

IFRS 16 Leases (effective January 1, 2019)

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

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

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

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

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2016.

IFRS	Subject of Amendment
IFRS 5 -	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7 -	Financial Instruments: Disclosures - Servicing contracts
IFRS 7 -	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 -	Employee Benefits - Discount rate: regional market issue
IAS 34 -	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

2.6 Summary of significant accounting policies

a) Cash and cash equivalents

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

b) Statutory deposits with Central Bank

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, the Bank and its subsidiaries are required to maintain with the Central Bank of Trinidad and Tobago, statutory balances in relation to the deposit liabilities of the institutions. Other than Statutory deposits of $4.3billion (2015: $0 billion), the Bank and its subsidiaries also hold Treasury Bills and other deposits of $2.9 billion (2015: $0 billion) with the Central Bank of Trinidad & Tobago as at September 30, 2016. Interest earned on these balances for the year was $29 million (2015: $0 million).

c) Financial instruments

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

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

i) Advances

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

ii) Investment securities

At fair value through profit or loss

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

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

c) Financial instruments (continued)

ii) Investment securities (continued)

Available-for-sale

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

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

iii) Debt securities and other fund raising instruments

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

d) Impairment of financial assets

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

i) Advances

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

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

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

ii) Investment securities

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

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

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

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

e) Investment in Associates

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

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

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

f) Leases

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

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

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

h) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:
- Disclosures for significant assumptions - Note 3
- Premises and equipment - Note 7

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.

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.

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2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

i) Employee benefits

i) Pension obligations

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

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

Re-measurements, 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. Re-measurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognised in the consolidated statement of income on the earlier of:
a) The date of the plan amendment or curtailment, and
b) The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'operating expenses' in the consolidated statement of income:
a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
b) Net interest expense or income

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

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

The full results of the valuation exercise are disclosed in Note 8 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 an employee profit sharing scheme, which is 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 the Profit Sharing Scheme Rules, and employees 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 Republic Financial Holdings Limited (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 Bank accounts for the profit share, as an expense, through the 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).

j) Taxation

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

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

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

k) Statutory reserves

The Trinidad and Tobago Financial Institutions Act 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. This requirement was met as at June 2012. In accordance with the Trinidad and Tobago Financial Institutions Act 2008, the Group is also required to maintain statutory reserves of at least 20 times deposit liabilities.

l) 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 financial statements as they are not the assets of the Group. These assets under administration at September 30, 2016 totalled $30.9 billion (2015: $0 billion).

m) Foreign currency translation

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.

n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

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

Interest income and expense

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

Fee and commission income

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

Dividends

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

o) 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 22 to the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

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

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

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

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

Advances are net of specific and other provisions for impairment. The fair value 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 are based on quoted market prices where available and where not available, are 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.

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segments of an entity.

The Group has determined the Managing Director as its chief operating decision-maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income and other income less impairment losses and operating expenses which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. The Group primarily operates in Trinidad and is mainly comprised of retail and commercial banking.

q) 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 26 (b) of these consolidated financial statements.

3. Significant accounting judgements and estimates in applying the Group's accounting policies

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 20
b) Capital management - Note 21

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

Inherent provisions on advances (Note 4(b))
Inherent provisions on advances are calculated on an estimate of impairment incurred but not reported, existing in assets as at the consolidated statement of financial position date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

Valuation of investments (Note 5)
The Group has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

Net pension asset/liability (Note 8)
In conducting valuation exercises to measure the effect of the employee benefit plan throughout the Group, the Group's 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.

Deferred taxes (Note 9)
In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

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

Premises and equipment (Note 7)
Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

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

4. Advances

a) Advances	Retail lending	Commercial and Corporate lending	Mortgages	Total
2016				
Performing advances	4,791,050	10,444,313	8,340,253	23,575,616
Non-performing advances	45,474	233,882	66,047	345,403
	4,836,524	10,678,195	8,406,300	23,921,019
Unearned interest/ finance charge	(2,987)	(50,882)	–	(53,869)
Accrued interest	2,141	49,528	10,025	61,694
	4,835,678	10,676,841	8,416,325	23,928,844
Allowance for impairment losses - Note 4(b)	(62,721)	(156,685)	(35,795)	(255,201)
Net advances	**4,772,957**	**10,520,156**	**8,380,530**	**23,673,643**
2015				
Performing advances	–	270,071	–	270,071
Non-performing advances	–	249	–	249
	–	270,320	–	270,320
Unearned interest/ finance charge	–	(53,117)	–	(53,117)
Net advances	**–**	**217,203**	**–**	**217,203**

b) Allowance for impairment losses

i) Impairment assessment

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

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

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

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

4. Advances (continued)

b) Allowance for impairment losses (continued)

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

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2016				
Balance brought forward	–	6,043	–	6,043
Transferred from vesting	39,300	73,826	30,436	143,562
Charge-offs and write-offs	(22,205)	(14,723)	(711)	(37,639)
Loan impairment expense	55,767	106,994	10,804	173,565
Loan impairment recoveries	(10,141)	(15,455)	(4,734)	(30,330)
Balance carried forward	**62,721**	**156,685**	**35,795**	**255,201**
Individual impairment	55,259	137,923	26,785	219,967
Collective impairment	7,462	18,762	9,010	35,234
	62,721	**156,685**	**35,795**	**255,201**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**45,474**	**233,882**	**66,047**	**345,403**
2015				
Balance brought forward	–	68	–	68
Loan impairment recoveries	–	(68)	–	(68)
Balance carried forward	–	–	–	–
Gross amount of loans individually determined to be impaired, before deducting any allowance	**–**	**249**	**–**	**249**

c) Net investment in leased assets included in net advances

	2016	2015
Gross investment	242,768	267,475
Unearned finance charge	(38,259)	(51,167)
Net investment in leased assets	**204,509**	**216,308**

d) Net investment in leased assets has the following maturity profile

	2016	2015
Within one year	3,150	1,387
One to five years	39,449	37,383
Over five years	161,910	177,538
	204,509	**216,308**

5. Investment securities

Available-for-sale

	2016	2015
Government securities	3,719,038	–
State-owned company securities	621,137	242,708
Corporate bonds/debentures	955,909	8,078
Other	493,479	195
	5,789,563	**250,981**

6. Investment in associated companies

	2016	2015
Balance at beginning of year	–	–
Transfer from vesting	36,230	–
Share of current year profit	6,507	–
Dividends received	(1,706)	–
Balance at end of year	**41,031**	**–**

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

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

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

	Total investment in associates 2016	2015
Total assets	186,262	–
Total liabilities	21,108	–
Net assets/equity	165,154	–
Dividends received during the year	1,706	–

7. Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
2016					
Cost					
At beginning of year	–	–	1,065	1,079	2,144
Transferred from vesting	273,970	812,971	83,210	1,078,879	2,249,030
Additions at cost	218,650	4,512	443	27,006	250,611
Disposal of assets	–	–	(7,059)	(19,659)	(26,718)
Transfer of assets	(185,027)	118,291	8,007	58,729	–
	307,593	935,774	85,666	1,146,034	2,475,067
Accumulated depreciation					
At beginning of year	–	–	880	861	1,741
Transferred from vesting	–	142,723	74,290	873,682	1,090,695
Charge for the year	–	7,367	4,346	45,289	57,002
Disposal of assets	–	–	(5,984)	(16,233)	(22,217)
	–	150,090	73,532	903,599	1,127,221
Net book value	**307,593**	**785,684**	**12,134**	**242,435**	**1,347,846**
2015					
Cost					
At beginning of year	–	–	1,065	2,746	3,811
Additions at cost	–	–	–	5	5
Disposal of assets	–	–	–	(1,672)	(1,672)
	–	–	1,065	1,079	2,144
Accumulated depreciation					
At beginning of year	–	–	845	2,470	3,315
Charge for the year	–	–	35	22	57
Disposal of assets	–	–	–	(1,631)	(1,631)
	–	–	880	861	1,741
Net book value	**–**	**–**	**185**	**218**	**403**

Capital commitments	**2016**	**2015**
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	394,901	–
Other capital expenditure authorised by the Directors but not yet contracted for	14,689	–

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8. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Present value of defined benefit obligation	(2,739,852)	–	(394,271)	–
Fair value of plan assets	3,743,164	–	–	–
Surplus/(deficit)	1,003,312	–	(394,271)	–
Effect of asset ceiling	(10,509)	–	–	–
Net asset/(liability) recognised in the consolidated statement of financial position	**992,803**	**–**	**(394,271)**	**–**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Opening defined benefit obligation	–	–	–	–
Transferred from vesting	(2,559,413)	–	(372,796)	–
Current service cost	(103,408)	–	(17,582)	–
Interest cost	(138,953)	–	(20,985)	–
Past-service cost	(13,229)	–	(11,419)	–
Re-measurements:				
- Experience adjustments	(18,538)	–	23,089	–
Benefits paid	93,689	–	–	–
Premiums paid by the Group	–	–	5,422	–
Closing defined benefit obligation	**(2,739,852)**	**–**	**(394,271)**	**–**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Defined benefit obligation at prior year end	–	–	–	–
Transferred from vesting	1,206,155	–	(372,796)	–
Net pension cost	(52,630)	–	(49,986)	–
Re-measurements recognised in other comprehensive income	(160,722)	–	23,089	–
Premiums paid by the Group	–	–	5,422	–
Closing net pension asset / (medical liability)	**992,803**	**–**	**(394,271)**	**–**

d) Liability profile

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

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	61%	70%
- Deferred members	6%	N/A
- Pensioners	33%	30%

The weighted duration of the defined benefit obligation was 16.9 years for the pension benefit and 23.1 years for the medical benefit

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

99% of the pension benefits and 38% of the medical benefits for active members were vested.

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

	Defined benefit pension plans	
	2016	2015
Opening fair value of plan assets	–	–
Transferred from vesting	3,776,892	–
Interest income	205,145	–
Return on plan assets, excluding interest income	(143,622)	–
Benefits paid	(93,689)	–
Expense allowance	(1,562)	–
Closing fair value of plan assets	**3,743,164**	**–**
Actual return on plan assets	**61,523**	**–**

f) Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair value		Allocation	
	2016	2015	2016	2015
Equity securities	1,806,329	–	48.26%	–
Debt securities	1,777,978	–	47.50%	–
Property	13,323	–	0.36%	–
Mortgages	285	–	0.01%	–
Money market instruments/cash	145,249	–	3.87%	–
Total fair value of plan assets	**3,743,164**	**–**	**100.00%**	**–**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Current service cost	(103,408)	–	(17,582)	–
Interest on defined benefit obligation	65,569	–	(20,985)	–
Past-service cost	(13,229)		(11,419)	
Administration expenses	(1,562)	–	–	–
Total included in staff costs	**(52,630)**	**–**	**(49,986)**	**–**

h) Re-measurements recognised in Other Comprehensive Income:

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Experience (losses)/gains	(162,160)	–	23,089	–
Effect of asset ceiling	1,438	–	–	–
Total included in Other Comprehensive Income	**(160,722)**	**–**	**23,089**	**–**

i) Summary of principal actuarial assumptions as at September 30:

	2016	2015
	%	%
Discount rate	5.50	–
Rate of salary increase	5.50	–
Pension increases	2.40	–
Medical cost trend rates	5.75	–

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, 2016 are as follows:

	Defined benefit pension plans	
	2016	2015
Life expectancy at age 60 - 65 for current pensioners in years:		
- Male	21.0	–
- Female	25.1	–
Life expectancy at age 60 - 65 for current members aged 40 in years:		
- Male	21.4	–
- Female	25.4	–

8. Employee benefits (continued)

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, 2016 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
	$'000	$'000	$'000	$'000
- Discount rate	(386,000)	499,000	(73,000)	98,000
- Future salary increases	195,000	(167,000)	–	–
- Future pension cost increases	244,000	(244,000)	–	–
- Medical cost increases	–	–	97,000	(73,000)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2016 by $58 million and the post-retirement medical benefits by $14 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 Plans 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 nothing to the pension plans in the 2017 financial year.

The Group operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Group pays 'premiums' of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Group expects to pay $5.9 million to the medical plan in the 2017 financial year.

9. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2015	Transferred from vesting	Credit/(charge) Consolidated Statement of income	Credit/(charge) OCI	Closing balance 2016
Post-retirement medical benefits	–	97,504	20,352	425	118,281
Leased assets	5,118	–	(1,048)	–	4,070
Unearned loan origination fees	–	28,535	6,855	–	35,390
Other	9,662	6,718	7,705	–	24,085
	14,780	**132,757**	**33,864**	**425**	**181,826**

b) Deferred tax liabilities

	Opening balance 2015	Transferred from vesting	(Credit)/charge Consolidated Statement of income	(Credit)/charge OCI	Closing balance 2016
Pension asset	–	299,441	15,134	(16,734)	297,841
Leased assets	27,868	–	1,673	–	29,541
Premises and equipment	–	(3,133)	16,136	–	13,003
Unrealised reserve	2,819	4,088	–	12,486	19,393
	30,687	**300,396**	**32,943**	**(4,248)**	**359,778**
Net charge to consolidated statement of income/OCI			**(921)**	**(4,673)**	

10. Other assets

	2016	2015
Accounts receivable and prepayments	256,312	2,853
Project financing reimbursables	795	629
	257,107	**3,482**

11. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2016	2015
State sector	2,037,958	–
Corporate and commercial sector	9,206,502	–
Personal sector	19,515,638	–
Other financial institutions	927,797	–
	31,687,895	**–**

12. Other fund raising instruments

At September 30, 2016 investment securities held to secure other fund raising instruments of the Group amounted to $3.4 billion (2015: $56.4 million).

Concentration of other fund raising instruments	2016	2015
State	1,478,674	–
Personal	151,416	–
Other financial institutions	1,778,797	56,392
	3,408,887	**56,392**

13. Debt securities in issue

	2016	2015
Unsecured		
Fixed rate bond	800,013	–
Secured		
a) Floating rate bonds	231,468	156,554
b) Fixed rate bonds	9,388	13,334
c) Mortgage pass-through certificates	711	837
Total debt securities in issue	**1,041,581**	**170,725**

Unsecured obligations

The fixed rate bond is denominated in Trinidad & Tobago dollars and is an unsubordinated bond issued by the Parent Company, Republic Bank Limited in 2008 for a term of ten years at a fixed rate of interest of 8.55%.

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13. Debt securities in issue (continued)

Secured obligations

a) The floating rate bonds are denominated in Trinidad and Tobago dollars and are unconditional secured obligations of the Parent. The Parent has pledged a portfolio of liquid debt securities issued or guaranteed by the Government of Trinidad and Tobago, together with high-grade corporate bonds and debentures in an aggregate amount equal to the bonds issued as collateral security for the bondholders.

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

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

14. Other liabilities

	2016	2015
Accounts payable and unearned income	795,278	6,159
Unearned loan origination fees	117,966	–
Other liabilities	21,313	10,383
	934,557	**16,542**

15. Stated capital

	2016	2015	2016	2015
	Number of ordinary shares ('000)			
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	6,000	6,000	30,000	30,000
Transfer from vesting	73,572	–	739,777	–
At end of year	**79,572**	**6,000**	**769,777**	**30,000**

16. Other reserves

	Translation reserves	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2014	**–**	**1,789**	**20,606**	**22,395**
Realised gains transferred to net profit	–	–	(12,149)	(12,149)
Total income and expense for the year recognised directly in equity	–	–	(12,149)	(12,149)
Transfer from general contingency reserve	–	(1,540)	–	(1,540)
Balance at September 30, 2015	**–**	**249**	**8,457**	**8,706**
Transferred from vesting	9,232	214,579	9,242	233,053
Revaluation of available-for-sale investments	–	–	25,961	25,961
Translation adjustments	50,461	–	–	50,461
Transfer from general contingency reserve	–	(22,272)	–	(22,272)
Balance at September 30, 2016	**59,693**	**192,556**	**43,660**	**295,909**

General contingency reserves

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

A General contingency reserve is created as an appropriation of retained earnings for the difference between the specific provision and non-performing advances. When the collateral is realised, the reserve is released back to retained earnings. The General contingency reserve serves to enhance the RBL Group's non-distributable capital base. As at September 30, 2016, the balance in the General contingency reserve of $192.6 million (2015: $0.25 million) is part of Other reserves which totals $295.9 million (2015: $8.7 million).

17. Operating profit

	2016	2015
a) Interest income		
Advances	1,460,943	14,290
Investment securities	191,595	13,676
	1,652,538	**27,966**
b) Interest expense		
Customers' current, savings and deposit accounts	36,232	–
Other fund raising instruments and debt securities in issue	113,167	15,148
Other interest bearing liabilities	5,242	–
	154,641	**15,148**
c) Other income		
Fees and commission from trust and other fiduciary activities	193,773	10,601
Other fees and commission income	359,944	1,566
Net exchange trading income	98,999	(71)
Gains from disposal of available-for-sale investments	7,382	–
Other operating income	70,828	153
	730,926	**12,249**
d) Operating expenses		
Staff costs	397,635	1,801
Staff profit sharing - Note 24 (a)	82,315	–
Employee benefits pension and medical contribution - Note 8 (g)	102,616	–
General administrative expenses	357,258	4,404
Operating lease payments	5,085	–
Property related expenses	95,494	339
Depreciation - Note 7	57,002	57
Advertising and public relations	43,756	3
Directors fees	750	58
	1,141,912	**6,662**
e) Non-cancellable operating lease commitments		
Within one year	19,221	–
One to five years	52,071	–
Over five years	21,565	–
	92,857	**–**

18. Taxation expense

	2016	2015
Corporation tax	249,470	1,937
Deferred tax	(921)	569
	248,549	**2,506**

Reconciliation between taxation expense and accounting profit

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

	2016	2015
Accounting profit	950,183	18,405
Tax at applicable statutory tax rates	251,788	4,601
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(22,349)	(808)
Non-deductible expenses	24,066	6,127
Allowable deductions	(922)	–
Provision for Green Fund Levy and other taxes	(4,033)	(7,414)
	248,549	**2,506**

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19. 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 and at market rates.

	2016	2015
Advances, investments and other assets		
Republic Financial Holdings Limited	–	11,493
Directors and key management personnel	9,406	–
Other related parties	197,837	–
	207,243	11,493
Deposits and other liabilities		
Republic Financial Holdings Limited	–	15,611
Directors and key management personnel	51,516	–
Other related parties	18,569	–
	70,085	15,611
Interest and other income		
Republic Financial Holdings Limited	–	1,342
Directors and key management personnel	476	–
Other related parties	9,878	–
	10,354	1,342
Interest and other expense		
Republic Financial Holdings Limited	–	711
Directors and key management personnel	1,505	–
Other related parties	3,242	–
	4,747	711

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Republic Bank Limited and its subsidiaries.

Key management compensation	2016	2015
Short-term benefits	13,355	58
Post employment benefits	19,177	–
	32,532	58

20. Risk management

20.1 Introduction

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

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

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

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 Committee 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:

20.2 Credit risk

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

The Group's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, chaired by the Chairman of the Board and 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 into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, a computerised Credit Scoring system with preset risk management criteria is in place at all branches to facilitate decision-making. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

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

Loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines.

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

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20. Risk management (continued)

20.2 Credit risk (continued)

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

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

	Gross maximum exposure	
	2016	**2015**
Statutory deposits with Central Bank	4,265,041	–
Due from banks	4,243,059	–
Treasury Bills	2,534,403	–
Investment interest receivable	48,059	5,316
Advances	23,673,643	217,203
Investment securities	5,765,779	250,786
Total	**40,529,983**	**473,305**
Undrawn commitments	4,820,275	–
Acceptances	1,050,602	–
Guarantees and indemnities	121	–
Letters of credit	108,308	–
Total	**5,979,306**	**–**
Total credit risk exposure	**46,509,289**	**473,305**

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

Collateral and other credit enhancements

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

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

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

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

20.2.2 Risk concentrations of the maximum exposure to credit risk

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

i) 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:

	2016	**2015**
Trinidad and Tobago	41,734,758	460,175
Barbados	123,239	8,351
Eastern Caribbean	618,655	4,667
Guyana	97,924	–
United States	1,739,511	–
Europe	235,533	–
Suriname	129,639	–
Other Countries	1,830,030	112
	46,509,289	**473,305**

ii) Industry sectors

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

	2016	**2015**
Government and Central Government Bodies	15,550,608	413,430
Financial sector	4,312,956	8,829
Energy and mining	945,451	4,948
Agriculture	165,561	–
Electricity and water	142,325	4,507
Transport, storage and communication	410,058	24,948
Distribution	3,309,659	323
Real estate	1,878,696	895
Manufacturing	1,693,038	3,013
Construction	1,850,644	480
Hotel and restaurant	975,839	–
Personal	10,818,000	–
Other services	4,456,454	11,932
	46,509,289	**473,305**

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'.

20.2.3 Credit quality per category of financial assets

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

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

Treasury Bills and Statutory deposits with Central Bank

These funds are placed with Central Bank and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

Balances due from banks

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

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

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

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

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

	Superior	**Desirable**	**Acceptable**	**Total**
2016	1,069,715	2,832,946	340,398	4,243,059
2015	–	–	–	–

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20. Risk management (continued)

20.2 Credit risk (continued)

20.2.3 Credit quality per category of financial assets (continued)

Advances - Commercial and Corporate

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

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

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

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

Sub-standard: Past due or individually impaired.

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

	Superior	Desirable	Acceptable	Sub-standard	Total
2016	149,801	1,206,568	9,063,065	100,722	10,520,156
2015	165,777	–	51,177	249	217,203

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

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2016	–	–	–	4,763	95,959	100,722
2015	–	–	–	–	249	249

Advances - Retail loans and Mortgages

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

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2016	10,655,681	2,173,713	93,823	51,453	149,340	29,477	13,153,487
2015	–	–	–	–	–	–	–

Investment securities

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

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

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

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

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

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

Available-for-sale	Superior	Desirable	Acceptable	Sub-standard	Total
2016	5,202,605	550,126	13,049	–	5,765,779
2015	250,413	–	–	373	250,786

20.3 Liquidity risk

Liquidity risk is defined as the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Group has sufficient funds to meet all of its obligations.

Three primary sources of funds are used to provide liquidity – retail deposits, wholesale deposits and the capital market. A substantial portion of the Group is funded with 'core deposits'. The Group maintains a core base of retail and wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required, providing diverse funding sources to the Group. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

The Asset/Liability Committee (ALCO) sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury Bill, the Group also holds significant investments in other Government securities, which can be used for liquidity support. The Group continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

20.3.1 Analysis of financial liabilities by remaining contractual maturities

The following table 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 23 for a maturity analysis of assets and liabilities.

Financial liabilities - on consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2016					
Customers' current, savings and deposit accounts	28,904,662	2,740,924	51,217	–	31,696,803
Other fund raising instruments	–	3,692,516	–	–	3,692,516
Debt securities in issue	–	112,208	1,065,217	27,587	1,205,012
Due to banks	–	75,978	–	–	75,978
Other liabilities	327,714	48,140	–	–	375,854
Total undiscounted financial liabilities	**29,232,376**	**6,669,766**	**1,116,434**	**27,587**	**37,046,163**

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20. Risk management (continued)

20.3 Liquidity risk (continued)

20.3.1 Analysis of financial liabilities by remaining contractual maturities (continued)

Financial liabilities - on consolidated statement of financial position (continued)

2015	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Other fund raising instruments	–	59,377	–	–	59,377
Debt securities in issue	–	28,708	103,150	77,944	209,802
Other liabilities	–	9,909	6,633	–	16,542
Total undiscounted financial liabilities	**–**	**97,994**	**109,783**	**77,944**	**285,721**

Financial liabilities - off consolidated statement of financial position

2016	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Acceptances	359,646	400,081	289,949	926	1,050,602
Guarantees and indemnities	121	–	–	–	121
Letters of credit	108,308	–	–	–	108,308
Total	**468,075**	**400,081**	**289,949**	**926**	**1,159,031**

A comparable analysis for 2015 is not applicable.

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

20.4 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.

20.4.1 Interest rate risk

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

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

The table below summarises the interest-rate exposure of the Group's 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 and equity of a reasonably possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table:

		Impact on net profit			
		2016		2015	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	43,463	(43,463)	32	(32)
USD Instruments	+/- 50	4,104	(4,104)	–	–

		Impact on equity			
		2016		2015	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	(56,700)	60,103	(2,956)	2,808
USD Instruments	+/- 50	(8,921)	9,122	(1)	1

20.4.2 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. Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognised in reserves. Gains or losses on related foreign currency funding are recognised in the consolidated statement of income.

The 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.

2016	TTD	USD	BDS	Other	Total
Financial assets					
Cash on hand	359,606	23,409	1,051	8,924	392,990
Statutory deposits with Central Bank	4,265,041	–	–	–	4,265,041
Due from banks	1,248,614	2,215,922	1,125	777,398	4,243,059
Treasury Bills	2,534,403	–	–	–	2,534,403
Investment interest receivable	41,146	6,777	–	136	48,059
Advances	19,682,992	3,913,174	–	77,477	23,673,643
Investment securities	4,841,254	948,309	–	–	5,789,563
Total financial assets	**32,973,056**	**7,107,591**	**2,176**	**863,935**	**40,946,758**
Financial liabilities					
Due to banks	200,587	260,907	–	8,275	469,769
Customers' current, savings and deposit accounts	24,976,306	6,048,434	–	663,155	31,687,895
Other fund raising instruments	3,234,203	174,684	–	–	3,408,887
Debt securities in issue	1,041,580	–	–	–	1,041,580
Interest payable	37,408	2,378	–	82	39,868
Other liabilities	912,247	17,662	120	4,528	934,557
Total financial liabilities	**30,402,331**	**6,504,065**	**120**	**676,040**	**37,582,556**
Net currency risk exposure		**603,525**	**2,056**	**187,895**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**6,035**	**21**	**1,879**	

2015	TTD	USD	BDS	Other	Total
Financial assets					
Cash on hand	89,969	8,913	–	3,791	102,673
Investment interest receivable	5,134	–	–	182	5,316
Advances	212,103	4,948	–	151	217,202
Investment securities	250,413	112	–	261	250,786
Other assets	27,114	–	–	34	27,148
Total financial assets	**584,733**	**13,973**	**–**	**4,419**	**603,125**
Financial liabilities					
Other fund raising instruments	56,392	–	–	–	56,392
Debt securities in issue	170,725	–	–	–	170,725
Interest payable	3,307	–	–	–	3,307
Other liabilities	11,449	663	–	4,430	16,542
Total financial liabilities	**241,873**	**663**	**–**	**4,430**	**246,966**
Net currency risk exposure		**13,310**	**–**	**(11)**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**133**	**–**	**–**	

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20. Risk management (continued)

20.5 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 has 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 Bank's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Group has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

21. 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 $34 million to $5.5 billion during the year under review.

Capital adequacy is monitored by 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 Central Bank for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

Republic Bank Limited (RBL), the Parent of the Group, has commenced the preparatory work for the implementation of the Basel II and III framework. While the new requirements in its current form will require banks to hold substantially more capital, RBL with its existing strong capital base, will meet the new requirements.

	2016	2015
Capital adequacy ratio	21.18%	130%

At September 30, 2016 the Parent exceeded the minimum level required for adequately capitalised institutions (2015: exceeded).

22. Fair Value

22.1 Carrying values and fair values

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

	Carrying value	Fair value	Unrecognised gain/(loss)
2016			
Financial assets			
Cash, due from banks and Treasury Bills	7,170,452	7,170,452	–
Investment interest receivable	48,059	48,059	–
Advances	23,673,643	23,599,193	(74,450)
Investment securities	5,789,563	5,789,563	–
Other financial assets	3,231	3,231	–
Financial liabilities			
Customers' current, savings and deposit accounts	31,687,895	31,687,895	–
Borrowings and other fund raising instruments	3,878,655	3,878,655	–
Debt securities in issue	1,041,580	1,102,837	61,257
Accrued interest payable	39,867	39,867	–
Other financial liabilities	352,418	352,418	–
Total unrecognised change in unrealised fair value			**(13,193)**

	Carrying value	Fair value	Unrecognised gain/(loss)
2015			
Financial assets			
Cash, due from banks and Treasury Bills	102,673	102,673	–
Investment interest receivable	5,316	5,316	–
Advances	217,203	219,849	2,646
Investment securities	250,981	250,981	–
Other assets	41,898	41,898	–
Financial liabilities			
Borrowings and other fund raising instruments	56,392	56,392	–
Debt securities in issue	170,725	173,333	(2,608)
Accrued interest payable	3,307	3,307	–
Other financial liabilities	47,307	47,307	–
Total unrecognised change in unrealised fair value			**38**

22.2 Fair value and fair value hierarchies

22.2.1 Determination of fair value and fair value hierarchies

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

	Level 1	Level 2	Level 3	Total
2016				
Financial assets measured at fair value				
Investment securities	880,860	4,900,021	8,682	5,789,563
Financial assets for which fair value is disclosed				
Advances	–	–	23,599,193	23,599,193
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	31,687,895	31,687,895
Debt securities in issue	–	1,010,158	92,679	1,102,837
2015				
Financial assets measured at fair value				
Investment securities	–	250,786	195	250,981
Financial assets for which fair value is disclosed				
Advances	–	217,203	–	217,203
Financial liabilities measured at fair value				
Debt securities in issue	–	170,725	–	170,725

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22. Fair Value (continued)

22.2.1 Determination of fair value and fair value hierarchies (continued)

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, 2016 are as shown below:

	Valuation technique	Significant unobservable	Range (weighted-average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	3.30% - 20.00%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.15% - 1.30%

22.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2016, no assets were transferred between Level 1 and Level 2 (2015: None).

22.2.3 Reconciliation of movements in Level 3 financial instruments measured at fair value

	Balance at beginning of year	Vesting adjustments	Additions	Disposals /transfers to Level 2	Balance at end of year
Investment Securities - available-for-sale	**195**	**8,606**	**-**	**(119)**	**8,682**

23. 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. Refer to Note 20.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2016	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	392,990	–	392,990
Statutory deposits with Central Bank	4,265,041	–	4,265,041
Due from banks	4,243,059	–	4,243,059
Treasury Bills	2,534,403	–	2,534,403
Investment interest receivable	48,059	–	48,059
Advances	8,355,421	15,318,222	23,673,643
Investment securities	1,097,386	4,692,177	5,789,563
Investment in associated companies	37,620	3,411	41,031
Premises and equipment	–	1,347,846	1,347,846
Net pension asset	–	992,803	992,803
Deferred tax assets	–	181,826	181,826
Taxation recoverable	–	32,987	32,987
Other assets	253,010	4,097	257,107
	21,226,989	**22,573,369**	**43,800,358**
LIABILITIES			
Due to banks	469,769	–	469,769
Customers' current, savings and deposit accounts	31,636,939	50,956	31,687,895
Other fund raising instruments	3,408,887	–	3,408,887
Debt securities in issue	–	1,041,580	1,041,580
Provision for post-retirement medical benefits	–	394,271	394,271
Taxation payable	9,359	–	9,359
Deferred tax liabilities	–	359,778	359,778
Accrued interest payable	39,867	–	39,867
Other liabilities	816,485	118,072	934,557
	36,381,306	**1,964,658**	**38,345,963**

2015	Within one year	After one year	Total
ASSETS			
Cash on hand	102,673	–	102,673
Investment interest receivable	273	5,043	5,316
Advances	2,335	214,868	217,203
Investment securities	8,078	242,903	250,981
Premises and equipment	–	403	403
Deferred tax assets	–	14,780	14,780
Taxation recoverable	–	23,666	23,666
Other assets	3,482	–	3,482
	116,841	**501,663**	**618,504**
LIABILITIES			
Other fund raising instruments	56,392	–	56,392
Debt securities in issue	–	170,725	170,725
Taxation payable	78	–	78
Deferred tax liabilities	–	30,687	30,687
Accrued interest payable	3,307	–	3,307
Other liabilities	4,059	12,483	16,542
	63,836	**213,894**	**277,731**

24. Equity compensation benefits

a) Profit sharing scheme

It is estimated that approximately $82.3 million (2015: nil) will be allocated to staff from the profit sharing scheme in the current financial year. Refer to Note 17. During the 2016 financial year $78.5 million was advanced to the staff profit sharing scheme (2015: nil).

b) Stock option plan

The options are issued using the shares of RFHL. The Group refunds RFHL on an annual basis for the cost of options determined by a qualified actuary. In 2016 the cost of the option, expensed in the Consolidated Statement of Income was $2.5 million (2015: nil).

25. Dividends paid and proposed

During the period, the Board approved and issued dividends to its shareholder, in the amount of $158.3 million (2015: $100 million).

Declared and paid during the year	**2016**	**2015**
First dividend for 2016: $1.99	158,349	–
Total dividends paid	**158,349**	**–**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2016: $6.21 (2015: $16.67)	**493,881**	**100,000**

26. Contingent liabilities

a) Litigation

As at September 30, 2016, 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.

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26. Contingent liabilities (continued)

b) Customers' liability under acceptances, guarantees, indemnities and letters of credit

	2016	2015
Acceptances	1,050,603	–
Guarantees and indemnities	121	–
Letters of credit	108,308	–
	1,159,032	**–**

c) Sectoral information

State	200,235	–
Corporate and commercial	917,669	–
Personal	20,406	–
Other financial institutions	20,672	–
Other	50	–
	1,159,032	**–**

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	
	2016	2015	2016	2015
Advances	–	166,371	–	170,725
Financial investments - available-for-sale	3,698,474	–	3,647,795	–

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.

27. Subsidiary companies

Name of Company	Country of incorporation	Equity interest
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%

28. 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.

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, 2016, the Group earned $62.6 million (2015: nil) in management fees from the mutual funds and $8.8 million (2015: nil) from the retirement plans.

The Group holds an interest of $15.1 million in sponsored funds as at September 30, 2016 (2015: nil). 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, 2016.