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Independent Auditor's Report

To the Shareholder of Republic Bank Limited

Report on the Audit of the Separate Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EY

Port of Spain,
TRINIDAD:
November 4, 2019

Republic Bank Limited

Separate Statement of Financial Position

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

	Notes	2019	2018
ASSETS			
Cash and cash equivalents		413,142	393,946
Statutory deposits with Central Bank		4,525,972	4,989,936
Due from banks		6,123,574	2,737,702
Treasury Bills		706,814	437,877
Advances	4	25,854,454	24,577,498
Investment securities	5	2,574,318	2,938,390
Investment interest receivable		30,490	35,816
Investment in associated companies	6 (a)	3,411	3,411
Investment in subsidiaries	6 (b)	702,893	702,893
Premises and equipment	7	1,853,529	1,696,970
Net pension assets	8 (a)	617,295	803,209
Deferred tax assets	9 (a)	118,751	276,264
Taxation recoverable		23,396	25,309
Other assets	10	257,281	1,507,035
TOTAL ASSETS		**43,805,320**	**41,126,256**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		1,282,431	146,312
Customers' current, savings and deposit accounts	11	34,957,546	33,293,467
Other fund raising instruments	12	126,990	570,384
Debt securities in issue	13	987,922	150,506
Provision for post-retirement medical benefits	8 (a)	25,369	485,677
Taxation payable		137,538	124,192
Deferred tax liabilities	9 (b)	225,616	281,123
Accrued interest payable		19,493	13,287
Other liabilities	14	1,145,883	865,745
TOTAL LIABILITIES		**38,908,788**	**35,930,693**
EQUITY			
Stated capital	15	769,777	769,777
Statutory reserves		1,112,096	1,112,096
Retained earnings		3,014,659	3,313,690
TOTAL EQUITY		**4,896,532**	**5,195,563**
TOTAL LIABILITIES AND EQUITY		**43,805,320**	**41,126,256**

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

These financial statements were approved by the Board of Directors on November 4, 2019 and signed on its behalf by:

Nigel Baptiste,
Managing Director

Ronald F. deC. Harford,
Chairman

Peter Inglefield,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Bank
We're the One for you!

Republic Bank Limited
Separate Statement of Income
For the year ended September 30, 2019
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2019	2018
Interest income	16 (a)	2,229,502	2,163,480
Interest expense	16 (b)	(116,734)	(124,140)
Net interest income		2,112,768	2,039,340
Other income	16 (c)	1,357,644	894,311
		3,470,412	2,933,651
Operating expenses	16 (d)	(1,591,875)	(1,551,388)
Operating profit		1,878,537	1,382,263
Credit loss expense on financial assets	17	(103,891)	(106,348)
Net profit before taxation		1,774,646	1,275,915
Taxation expense	18	(584,540)	(379,399)
Net profit after taxation		**1,190,106**	**896,516**

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

Republic Bank Limited
Separate Statement of Comprehensive Income
For the year ended September 30, 2019
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2019	2018
Net profit after taxation	**1,190,106**	**896,516**
Other comprehensive income:		
Other comprehensive loss (net of tax) that will not be reclassified to the separate statement of income in subsequent periods :		
Remeasurement losses on defined benefit plans	(66,505)	(91,888)
Income tax related to above	23,277	32,161
Total items that will not be reclassified to the separate statement of income in subsequent periods	**(43,228)**	**(59,727)**
Other comprehensive loss for the year, net of tax	**(43,228)**	**(59,727)**
Total comprehensive income for the year, net of tax	**1,146,878**	**836,789**

Republic Bank Limited
Separate Statement of Changes in Equity
For the year ended September 30, 2019
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at October 1, 2017 as previously reported	769,777	1,112,096	257,695	2,971,069	5,110,637
Net impact of adopting IFRS 9	–	–	(257,695)	188,573	(69,122)
Restated opening balance	**769,777**	**1,112,096**	**–**	**3,159,642**	**5,041,515**
Total comprehensive income for the year	–	–	–	836,789	836,789
Dividends (Note 25)	–	–	–	(682,741)	(682,741)
Balance at September 30, 2018	**769,777**	**1,112,096**	**–**	**3,313,690**	**5,195,563**
Total comprehensive income for the year	–	–	–	1,146,878	1,146,878
Dividends (Note 25)	–	–	–	(1,445,909)	(1,445,909)
Balance at September 30, 2019	**769,777**	**1,112,096**	**–**	**3,014,659**	**4,896,532**

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

Republic Bank Limited

Separate Statement of Cash Flows

For the year ended September 30, 2019

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

	Notes	2019	2018
Operating activities			
Net profit before taxation		1,774,646	1,275,915
Adjustments for:			
Depreciation	7	122,731	114,093
Credit loss expense on financial assets	17	103,891	106,348
Loss on sale of premises and equipment		3,703	6,301
Realised (gain)/loss on investment securities		(1,813)	469
(Decrease)/increase in employee benefits		(340,899)	102,152
Increase in advances		(1,380,160)	(838,559)
Increase in customers' deposits and other fund raising instruments		1,220,686	507,430
Decrease/(increase) in statutory deposits with Central Bank		463,965	(724,750)
Decrease/(increase) in other assets and investment interest receivable		1,255,079	(808,625)
Increase/(decrease) in other liabilities and accrued interest payable		286,346	(34,862)
Taxes paid, net of refund		(443,999)	(490,465)
Cash provided by/(used in) operating activities		3,064,176	(784,553)
Investing activities			
Purchase of investment securities		(415,202)	(2,510,963)
Redemption of investment securities		780,399	3,208,869
Additions to premises and equipment	7	(287,833)	(284,669)
Proceeds from sale of premises and equipment		4,840	5,018
Cash provided by investing activities		82,204	418,255
Financing activities			
Increase/(decrease) in balances due to other banks		1,136,118	(101,149)
Issuance/(repayment) of debt securities		851,584	(999,891)
Dividends paid	25	(1,445,909)	(682,741)
Amortised prepaid cost		(14,168)	–
Cash provided by/(used) in financing activities		527,625	(1,783,781)
Net increase/(decrease) in cash and cash equivalents		3,674,005	(2,150,079)
Cash and cash equivalents at beginning of year		3,569,525	5,719,604
Cash and cash equivalents at end of year		**7,243,530**	**3,569,525**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		413,142	393,946
Due from banks		6,123,574	2,737,702
Treasury Bills - original maturities of three months or less		706,814	437,877
		7,243,530	**3,569,525**
Supplemental information:			
Interest received during the year		2,238,425	2,180,733
Interest paid during the year		110,528	136,107
Dividends received	16 (c)	119,361	112,699

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

Republic Bank Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

1. Corporate information

Republic Bank Limited (the 'Bank'), a wholly owned subsidary of Republic Financial Holdings Limited is incorporated in the Republic of Trinidad and Tobago and was continued under the provision of the Companies Act, 1995. Its registered office is located at Republic House, 9-17 Park Street, Port of Spain. Republic Financial Holdings Limited is the ultimate Parent of the Group and is listed on the Trinidad and Tobago Stock Exchange.

The Bank has five subsidiaries and two associated companies. The Bank is engaged in a wide range of banking, financial and related activities in Trinidad and Tobago and St. Lucia. A full listing of the Bank's subsidiary companies is detailed in Note 27, while associate companies are listed in Note 6.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The separate financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago Dollars. These separate financial statements have been prepared on a historical cost basis, except for the measurement of investment securities at fair value. The preparation of separate 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 Bank's accounting policies have been described in Note 3.

2.2 Changes in accounting policies

New accounting policies/improvements adopted

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

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

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

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

The amendments clarify that:

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

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

IFRS 2 - Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (effective January 1, 2018)

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

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

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

2. **Significant accounting policies** (continued)

2.2 Changes in accounting policies (continued)

New accounting policies/improvements adopted (continued)

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.

As a result of the adoption of this standard, credit card fees and commissions are being recorded net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received (Refer to Notes 2.5 (t) and 16 (c)). In 2018, $125.9 million of credit card expenses previously reported under general and administrative expenses was reclassified to be netted against other income. Credit card fees and commissions are now presented within Note 16 (c) on a net basis. The comparative information has also been amended to reflect this change. This amendment had no effect on the operating profit, net profit after taxation, net cash flows or net assets of the Bank for 2018.

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

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

IAS 40 - Investment Property: Transfers of Investment Properties - Amendments to IAS 40 (effective January 1, 2018)

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

IFRIC Interpretation - 22 Foreign Currency Transactions and Advance Consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

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

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

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

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

2.3 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 Bank's separate financial statements. These standards and interpretations will be applicable to the Bank at a future date and will be adopted when they become effective. The Bank is currently assessing the impact of adopting these standards and interpretations.

IFRS 16 - Leases (effective January 1, 2019)

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

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

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

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

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

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

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

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

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

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

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

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

Entities must apply the amendments retrospectively, with certain exceptions.

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

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

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

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

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

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

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

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

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

IAS 1- Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates (effective January 1, 2020)

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

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

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

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

IFRS 3 - Business Combinations - Amendments to IFRS 3 (effective January 1, 2020)

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

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

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

IFRS 17 - Insurance Contracts (effective January 1, 2021)

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)

- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice

- The presentation of insurance revenue and insurance service expenses in the separate statement of comprehensive income based on the concept of services provided during the period

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the separate statement of income, but are recognised directly on the separate statement of financial position

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

2.4 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, 2019:

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

2.5 Summary of significant accounting policies

a) Cash and cash equivalents

For the purpose of presentation in the 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 is required to maintain with the Central Bank of Trinidad and Tobago, statutory balances in relation to the deposit liabilities of the institution. Other than statutory deposits of $4.5 billion (2018: $5 billion), the Bank also holds Treasury Bills and other deposits of $707 million (2018: $438 million) with the Central Bank of Trinidad and Tobago as at September 30, 2019. Interest earned on these balances for the year was $18.8 million (2018: $13.3 million).

c) Financial instruments - initial recognition

i) Date of recognition

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

c) Financial instruments - initial recognition (continued)

ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractualterms and the business model for managing the instruments, as described in Note 2.5 (d)(i). Financialinstruments are initially measured at their fair value, except in the case of financial assets andfinancial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

iii) Measurement categories of financial assets and liabilities

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

- Amortised cost, as explained in Note 2.5 (d) (i)
- FVPL, as explained in Note 2.5 (d) (ii)

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

d) Financial assets and liabilities

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

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

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

The details of these conditions are outlined below.

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

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

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

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

Business model assessment

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

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

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

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

ii) Financial assets at fair value through profit or loss

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

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

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

iii) Undrawn loan commitments

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

iv) Debt securities and Other fund raising instruments

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

e) Reclassification of financial assets and liabilities

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

f) Derecognition of financial assets and liabilities

D*erecognition due to substantial modification of terms and conditions*

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

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

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Derecognition of financial assets and liabilities (continued)

Derecognition due to substantial modification of terms and conditions (continued)

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

Derecognition other than for substantial modification

Financial assets

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

Financial liabilities

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

g) Impairment of financial assets

i) Overview of the ECL principles

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

The Bank uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 20.2.4.

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

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Bank's policy for Banking financial assets measured on a collective basis is explained in Note 0.2.5.

Where the financial asset meets the definition of purchased or originated credit impaired POCI), the allowance is based on the change in the ECLs over the life of the asset.

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

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

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

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

Stage 3
Financial assets considered credit-impaired (as outlined in Note 20.2). The Bank records an allowance for the LTECLs.

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

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

ii) The calculation of ECLs

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

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

PD - The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 20.2.5.

2. **Significant accounting policies** (continued)

2.5 **Summary of significant accounting policies** (continued)

g) **Impairment of financial assets** (continued)

ii) **The calculation of ECLs** (continued)

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

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

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

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

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3
For financial assets considered credit-impaired (as defined in Note 20.2), the Bank recognises the lifetime expected credit losses for these loans and investments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI
POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

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

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

iii) **Credit cards and other revolving facilities**

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

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 20.2.5, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

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

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

Treasury Bills, Statutory deposits with Central Bank and Due from banks are short term funds placed with the Central Bank of Trinidad and Tobago and correspondent banks.

v) **Financial guarantees, letters of credit and undrawn loan commitments**

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

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

vi) **Forward looking information**
In its ECL models, the Bank considers a broad range of forward looking information as economic inputs, such as:

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

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

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

h) **Collateral valuation**

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

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

i) **Collateral repossessed**

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

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

j) Write-offs

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

k) Investment in associates

Associates are all entities over which the Bank 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 Bank's investments in associates are accounted for under the equity method of accounting.

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

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

The Bank determines whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank 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 separate statement of income.

l) Leases

Finance leases
Finance charges on leased assets are taken into income using the amortisation method. This basis reflects a constant periodic rate of return on the lessor's net investment in the finance lease. Finance leases net of unearned finance income are included in the separate 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 separate statement of income on a straight-line basis over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

m) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the separate 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 separate statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the separate statement of income.

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

The depreciation rates used are as follows:

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

n) Impairment of non-financial assets

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

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

The Bank 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 Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

o) Employee benefits

i) Pension obligations

The Bank 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 Bank, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plans every three years. The Bank, took the actuary's advice regarding a pension holiday, effective January 1999.

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

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

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

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

o) Employee benefits (continued)

i) Pension obligations (continued)

The defined benefit plans mainly expose the Bank 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 Separate Financial Statements.

ii) Other post-retirement obligations

The Bank 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 Bank 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. Employees of RBL have the option to receive their profit share allocation in cash (up to a maximum of 75% of the total entitlement) and receive the balance in ordinary shares of RFHL. The number of shares to be allocated is based on the employees' total entitlement less the cash element, divided by the average price of the unallocated shares purchased by the Trustees. The Bank accounts for the profit share, as an expense, through the separate statement of income.

iv) Share-based payments

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

p) 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 separate financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the separate 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.

q) Statutory reserves

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

r) Fiduciary assets

The Bank 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 separate financial statements as they are not the assets of the Bank. These assets under administration at September 30, 2019, totalled $34.6 billion (2018: $33.9 billion).

s) Foreign currency translation

Monetary assets and liabilities, 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 separate statement of income.

t) Revenue recognition

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

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

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

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

Interest income and expense
The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For purchased or originated credit-impaired financial assets a credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

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

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

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

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

u) Fair value

The Bank measures financial instruments at fair value at each separate 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 separate financial statements.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

u) Fair value (continued)

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

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

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

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

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

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

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

These represent the Bank'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 Bank's separate statement of financial position but are detailed in Note 26 (b) of these separate financial statements.

w) Equity reserves

The reserves recorded in equity on the Bank's separate statement of financial position include:

- Stated capital - Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Bank.
- Other statutory reserves that qualify for treatment as equity are discussed in Note 2.5 (q).

3. Significant accounting judgements, estimates and assumptions

Estimates and assumptions

The preparation of the Bank's separate 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 Bank's exposure to risks and uncertainties include:

a. Risk management (Note 20)
b. Capital management (Note 21)

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 Bank based its assumptions and estimates on parameters available when the separate 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 Bank. Such changes are reflected in the assumptions when they occur.

Impairment losses on financial assets (Note 4 and Note 5)
The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

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

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

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

Estimates and assumptions (continued)

Other assumptions

Net pension asset/liability (Note 8)

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

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 Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the separate financial statements:

Premises and equipment (Note 7)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank 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 Bank. This assessment revealed that the Bank is unable to exercise power over the activities of the funds/plans and is therefore not deemed to be in control of any of the mutual funds and retirement plans.

4. Advances

September 30, 2019

a) Advances	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Performing advances	4,408,666	6,252,337	11,571,733	2,612,207	988,633	25,833,576
Non-performing advances	84,824	185,040	214,978	–	60,485	545,327
	4,493,490	6,437,377	11,786,711	2,612,207	1,049,118	26,378,903
Unearned interest/ finance charge	(2,501)	(2,941)	–	–	–	(5,442)
Accrued interest	469	46,806	10,277	10,557	–	68,109
	4,491,458	6,481,242	11,796,988	2,622,764	1,049,118	26,441,570
Allowance for ECLs - Note 4 (d)	(91,910)	(184,785)	(111,785)	(12,970)	(59,036)	(460,486)
	4,399,548	6,296,457	11,685,203	2,609,794	990,082	25,981,084
Unearned loan origination fees	(37,611)	(27,886)	(61,133)	–	–	(126,630)
Net advances	**4,361,937**	**6,268,571**	**11,624,070**	**2,609,794**	**990,082**	**25,854,454**

September 30, 2018

Advances	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Performing advances	4,181,945	6,401,245	10,395,782	2,600,051	973,663	24,552,686
Non-performing advances	70,763	187,996	179,795	–	47,774	486,328
	4,252,708	6,589,241	10,575,577	2,600,051	1,021,437	25,039,014
Unearned interest/ finance charge	(2,913)	(2,118)	–	–	–	(5,031)
Accrued interest	244	41,508	19,552	10,402	–	71,706
	4,250,039	6,628,631	10,595,129	2,610,453	1,021,437	25,105,689
Allowance for ECLs - Note 4 (d)	(77,444)	(197,624)	(66,048)	(10,819)	(48,709)	(400,644)
	4,172,595	6,431,007	10,529,081	2,599,634	972,728	24,705,045
Unearned loan origination fees	(40,733)	(30,624)	(56,190)	–	–	(127,547)
Net advances	**4,131,862**	**6,400,383**	**10,472,891**	**2,599,634**	**972,728**	**24,577,498**

b) Net investment in leased assets included in net advances	2019	2018
Gross investment	22,047	47,215
Unearned finance charge	(1,163)	(1,204)
Net residual option price	1,952	2,078
Net investment in leased assets	**22,836**	**48,089**

c) Net investment in leased assets has the following maturity profile	2019	2018
Within one year	3,969	7,184
One to five years	18,867	40,905
Over five years	–	–
	22,836	**48,089**

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4. Advances (continued)

d) Impairment allowance for advances to customers

The table below shows the staging of advances and the related ECLs based on the Bank's criteria as explained in Note 20.2.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 20.2.6.

	September 30, 2019					
Advances	**Retail lending**	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit Cards**	**Total**
Gross loans	4,491,458	6,481,242	11,796,988	2,622,764	1,049,118	26,441,570
Stage 1: 12 Month ECL	(30,783)	(13,307)	(22,113)	(7,082)	(15,464)	(88,749)
Stage 2: Lifetime ECL	(745)	(10,824)	(9,561)	(5,888)	(10,813)	(37,831)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(60,382)	(160,654)	(80,111)	–	(32,759)	(333,906)
	4,399,548	**6,296,457**	**11,685,203**	**2,609,794**	**990,082**	**25,981,084**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2018	31,915	13,166	20,748	6,740	16,418	88,987
ECL on new instruments issued during the year	8,332	3,493	2,673	–	–	14,498
Other Credit Loss movements, repayments etc.	(9,464)	(3,352)	(1,308)	342	(954)	(14,736)
At September 30, 2019	30,783	13,307	22,113	7,082	15,464	88,749
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2018	678	7,306	4,575	4,079	8,537	25,175
ECL on new instruments issued during the year	204	1,060	1,225	–	–	2,489
Other Credit Loss movements, repayments etc.	(137)	2,458	3,761	1,809	2,276	10,167
At September 30, 2019	745	10,824	9,561	5,888	10,813	37,831
Stage 3: Credit Impaired Financial Assets - Lifetime ECL						
ECL allowance as at October 1, 2018	44,851	177,152	40,725	–	23,754	286,482
Charge-offs and write-offs	(34,341)	(1,165)	(313)	–	(7,542)	(43,361)
Credit loss expense	74,419	6,066	50,224	–	21,918	152,627
Recoveries	(24,547)	(21,399)	(10,525)	–	(5,371)	(61,842)
At September 30, 2019	60,382	160,654	80,111	–	32,759	333,906
Total	**91,910**	**184,785**	**111,785**	**12,970**	**59,036**	**460,486**

Of the total ECL of $460 million, 0.11% was on a collective basis and 99.89% was on an individual basis.

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

	September 30, 2018					
Advances	**Retail lending**	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit Cards**	**Total**
Gross loans	4,250,039	6,628,631	10,595,129	2,610,453	1,021,437	25,105,689
Stage 1: 12 Month ECL	(31,915)	(13,166)	(20,748)	(6,740)	(16,418)	(88,987)
Stage 2: Lifetime ECL	(678)	(7,306)	(4,575)	(4,079)	(8,537)	(25,175)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(44,851)	(177,152)	(40,725)	–	(23,754)	(286,482)
	4,172,595	**6,431,007**	**10,529,081**	**2,599,634**	**972,728**	**24,705,045**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2017	31,058	16,330	19,410	6,559	15,992	89,349
ECL on new instruments issued during the year	9,515	5,895	2,325	–	–	17,735
Other Credit Loss movements, repayments etc.	(8,658)	(9,059)	(987)	181	426	(18,097)
At September 30, 2018	31,915	13,166	20,748	6,740	16,418	88,987
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2017	573	2,627	5,196	3,630	9,976	22,002
ECL on new instruments issuedduring the year	195	3,669	1,480	–	–	5,344
Other Credit Loss movements, repayments etc.	(90)	1,010	(2,101)	449	(1,439)	(2,171)
At September 30, 2018	678	7,306	4,575	4,079	8,537	25,175
Stage 3: Credit Impaired Financial Assets - Lifetime ECL						
ECL allowance as at October 1, 2017	39,802	154,856	37,139	–	23,048	254,845
Charge-offs and write-offs	(42,470)	(18,126)	(947)	–	(10,120)	(71,663)
Credit loss expense	75,618	105,222	10,713	–	19,297	210,850
Recoveries	(28,099)	(64,800)	(6,180)	–	(8,471)	(107,550)
At September 30, 2018	44,851	177,152	40,725	–	23,754	286,482
Total	**77,444**	**197,624**	**66,048**	**10,819**	**48,709**	**400,644**

e) Restructured/Modified Loans

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

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

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $79.1 million as at September 30, 2019, (2018: $283 million).

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5. Investment securities

	2019	2018
a) Designated at fair value through profit or loss		
Equities and mutual funds	26,536	24,582
	26,536	**24,582**
b) Debt instruments at amortised cost		
Government securities	86,508	173,316
State-owned company securities	905,788	1,004,412
Corporate bonds/debentures	1,555,486	1,736,080
	2,547,782	**2,913,808**
Total net investment securities	**2,574,318**	**2,938,390**

c) Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

	September 30, 2019			
	Stage 1	Stage 2	Stage 3	
	12 Month ECL	Lifetime ECL	Credit Impaired Financial Lifetime ECL	Total
Gross exposure	2,534,639	4,646	10,867	2,550,152
ECL	(1,496)	–	(874)	(2,370)
Net exposure	**2,533,143**	**4,646**	**9,993**	**2,547,782**
ECL allowance as at October 1, 2018	1,663	19	–	1,682
ECL on new instruments issued during the year	350	–	–	350
Other Credit Loss movements, repayments and maturities	(517)	(19)	874	338
At September 30, 2019	**1,496**	**–**	**874**	**2,370**

	September 30, 2018			
	Stage 1	Stage 2	Stage 3	
	12 Month ECL	Lifetime ECL	Credit Impaired Financial Assets - Lifetime ECL	Total
Gross exposure	2,904,320	1,749	9,421	2,915,490
ECL	(1,663)	(19)	–	(1,682)
Net exposure	**2,902,657**	**1,730**	**9,421**	**2,913,808**
ECL allowance as at October 1, 2017	1,409	36	–	1,445
ECL on new instruments issued during the year	361	–	–	361
Other Credit Loss movements, repayments and maturities	(107)	(17)	–	(124)
At September 30, 2018	**1,663**	**19**	**–**	**1,682**

d) Designated at fair value through profit or loss

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

6. Investment in associated and subsidary companies

a) Investment in associated companies

	2019	2018
G4S Holdings (Trinidad) Limited	858	858
InfoLink Services Limited	2,553	2,553
	3,411	**3,411**

The Bank'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 Bank's associates is as follows:

	Total investment in associates 2019	2018
Total assets	238,941	228,295
Total liabilities	31,352	32,711
Net assets/equity	207,589	195,584
Dividends received during the year	3,129	3,353

b) Investment in subsidiaries

	2019	2018
Republic Caribbean Investments Limited	654,140	654,140
Others	48,753	48,753
	702,893	**702,893**

7. Premises and equipment

2019	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
Cost					
At beginning of year	213,253	1,352,620	108,807	1,319,941	2,994,621
Additions at cost	229,296	4,708	1,588	52,241	287,833
Disposal of assets	–	(2,585)	(786)	(39,980)	(43,351)
Transfer of assets	(97,996)	29,233	1,973	66,790	–
	344,553	**1,383,976**	**111,582**	**1,398,992**	**3,239,103**
Accumulated depreciation					
At beginning of year	–	176,174	89,532	1,031,945	1,297,651
Charge for the year	–	19,963	7,770	94,998	122,731
Disposal of assets	–	(827)	(606)	(33,375)	(34,808)
	–	**195,310**	**96,696**	**1,093,568**	**1,385,574**
Net book value	**344,553**	**1,188,666**	**14,886**	**305,424**	**1,853,529**

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

7. Premises and equipment (continued)

2018	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
Cost					
At beginning of year	450,591	986,167	99,158	1,221,361	2,757,277
Additions at cost	215,255	10,061	9,649	49,704	284,669
Disposal of assets	–	(1,526)	–	(45,799)	(47,325)
Transfer of assets	(452,593)	357,918	–	94,675	–
	213,253	**1,352,620**	**108,807**	**1,319,941**	**2,994,621**
Accumulated depreciation					
At beginning of year	–	162,128	80,238	977,198	1,219,564
Charge for the year	–	14,541	9,294	90,258	114,093
Disposal of assets	–	(495)	–	(35,511)	(36,006)
	–	**176,174**	**89,532**	**1,031,945**	**1,297,651**
Net book value	**213,253**	**1,176,446**	**19,275**	**287,996**	**1,696,970**

Capital commitments	**2019**	**2018**
Contracts for outstanding capital expenditure not provided for in the separate financial statements	130,410	52,980
Other capital expenditure authorised by the Directors but not yet contracted for	26,502	18,213

8. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Present value of defined benefit obligation	(3,260,813)	(3,049,253)	(25,369)	(485,677)
Fair value of plan assets	3,889,991	3,864,463	–	–
Surplus/(deficit)	629,178	815,210	(25,369)	(485,677)
Effect of asset ceiling	(11,883)	(12,001)	–	–
Net asset/(liability) recognised in the separate statement of financial position	**617,295**	**803,209**	**(25,369)**	**(485,677)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Opening defined benefit obligation	(3,049,253)	(2,881,624)	(485,677)	(439,647)
Current service cost	(114,175)	(107,930)	(26,624)	(25,065)
Interest cost	(167,975)	(158,979)	(26,541)	(24,017)
Past service cost	(14,063)	(7,418)	476,735	–
Transfer payments received	–	(461)	–	–
Remeasurements:				
- Experience adjustments	(19,705)	1,774	30,449	(2,967)
Benefits paid	104,358	105,385	–	–
Premiums paid by the Bank	–	–	6,289	6,019
Closing defined benefit obligation	**(3,260,813)**	**(3,049,253)**	**(25,369)**	**(485,677)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Opening defined benefit obligation	803,209	951,219	(485,677)	(439,647)
Net pension cost	(88,960)	(67,832)	423,570	(49,082)
Remeasurements recognised in other comprehensive income	(96,954)	(88,921)	30,449	(2,967)
Premiums paid by the Bank	–	–	6,289	6,019
Bank contributions	–	8,743	–	–
Closing net pension asset	**617,295**	**803,209**	**(25,369)**	**(485,677)**

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	59%	28%
• Deferred members	6%	N/A
• Pensioners	35%	72%

The weighted duration of the defined benefit obligation was 16.4 years for the pension benefit and 2.7 years for the medical benefit.

40% of the defined benefit obligation for active members was conditional on future salary increases.

97% of the pension benefits and 30% 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	
	2019	**2018**
Opening fair value of plan assets	3,864,463	3,843,388
Interest income	209,666	208,732
Return on plan assets, excluding interest income	(78,027)	(89,819)
Bank contributions	–	8,743
Actuarial gains/(losses)	–	–
Transfer payments received	–	461
Benefits paid	(104,358)	(105,385)
Expense allowance	(1,753)	(1,657)
Closing fair value of plan assets	**3,889,991**	**3,864,463**
Actual return on plan assets	**131,639**	**118,913**

f) Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		Allocation	
	2019	**2018**	**2019**	**2018**
Equity securities	1,798,333	1,801,636	46.23%	46.62%
Debt securities	1,813,809	1,846,000	46.63%	47.78%
Property	11,800	11,839	0.30%	0.31%
Money market instruments/cash	266,049	204,988	6.84%	5.30%
Total fair value of plan assets	**3,889,991**	**3,864,463**	**100.00%**	**100.00%**

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

8. Employee benefits (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Current service cost	(114,175)	(107,930)	(26,624)	(25,065)
Interest on defined benefit obligation	41,031	49,173	(26,541)	(24,017)
Past service cost	(14,063)	(7,418)	476,735	–
Administration expenses	(1,753)	(1,657)	–	–
Total included in staff costs/ other income	**(88,960)**	**(67,832)**	**423,570**	**(49,082)**

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

h) Remeasurements recognised in other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2019	**2018**	**2019**	**2018**
Experience gains/(losses)	(97,732)	(88,045)	30,449	(2,967)
Effect of asset ceiling	778	(876)	–	–
Total included in other comprehensive income	**(96,954)**	**(88,921)**	**30,449**	**(2,967)**

i) Summary of principal actuarial assumptions as at September 30

	2019 %	**2018 %**
Discount rate	3.00 - 5.50	5.50
Rate of salary increase	5.50	5.50
Pension increases	2.40	2.40
Medical cost trend rates	5.75	5.75
NIS ceiling rates	0.00	0.00

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

	Defined benefit pension plans	
	2019	**2018**
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	21.4	21.4
- Female	25.4	25.4

j) Sensitivity analysis

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

	Defined benefit pension plans		Post-retirement medical benefits	
	1% p.a. increase	**1% p.a. decrease**	**1% p.a. increase**	**1% p.a. decrease**
- Discount rate	(434,000)	560,000	(647)	677
- Future salary increases	219,000	(188,000)	–	–
- Future pension cost increases	274,000	(274,000)	–	–
- Medical cost increases	–	–	919	(890)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2019, by $65 million and the post-retirement medical benefit by $116 thousand.

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

k) Funding

The Bank meets the entire cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay nothing to the pension plan in the 2020 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. If there is no change to premium rates the Bank expects to pay premiums in respect of retirees totaling $5.3 million to the medical plan in the 2020 financial year.

9. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

		Credit/(charge)		
	Opening balance 2018	**Separate Statement of income**	**OCI**	**Closing balance 2019**
Post-retirement medical benefits	169,986	(150,450)	(10,657)	8,879
Leased assets	2,981	5,162	–	8,143
Unearned loan origination fees	44,642	(321)	–	44,321
Premises and equipment	6,467	(6,467)	–	–
Provisions	40,546	4,280	–	44,826
Other	11,642	940	–	12,582
	276,264	**(146,856)**	**(10,657)**	**118,751**

		Credit/(charge)			
	Opening balance 2017	**Impact of IFRS 9**	**Separate Statement of income**	**OCI**	**Closing balance 2018**
Post-retirement medical benefits	153,876	–	15,071	1,039	169,986
Leased assets	3,375	–	(394)	–	2,981
Unearned loan origination fees	40,886	–	3,756	–	44,642
Premises and equipment	–	–	6,467	–	6,467
Provisions	9,952	29,527	1,067	–	40,546
Other	11,192	–	450	–	11,642
	219,281	**29,527**	**26,417**	**1,039**	**276,264**

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

9. Deferred tax assets and liabilities (continued)

Components of deferred tax assets and liabilities (continued)

b) Deferred Tax Liabilities

	Opening balance 2018	(Credit)/charge Separate Statement of income	OCI	Closing balance 2019
Pension asset	281,123	(31,136)	(33,934)	216,053
Premises and equipment	–	9,563	–	9,563
	281,123	**(21,573)**	**(33,934)**	**225,616**
Net (charge)/credit to separate statement of income/OCI		**(125,283)**	**23,277**	

	Opening balance 2017	Impact of IFRS 9	(Credit)/charge Separate Statement of income	OCI	Closing balance 2018
Pension asset	332,927	–	(20,682)	(31,122)	281,123
Leased assets	–	–	–	–	
Premises and equipment	13,664	–	(13,664)	–	–
Unrealised reserve	13,327	(13,327)	–	–	–
	359,918	**(13,327)**	**(34,346)**	**(31,122)**	**281,123**
Net credit to separate statement of income/OCI			**60,763**	**32,161**	

10. Other assets

	2019	2018
Accounts receivable and prepayments	207,466	199,398
Due from related parties	49,815	1,307,637
	257,281	**1,507,035**

11. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2019	2018
State	1,285,754	1,364,647
Corporate and commercial	9,764,559	9,937,616
Personal	21,212,481	20,300,963
Other financial institutions	2,694,752	1,690,241
	34,957,546	**33,293,467**

12. Other fund raising instruments

At September 30, 2019, investment securities held to secure other fund raising instruments of the Bank amounted to $127 million (2018: $570.4 million).

Concentration of other fund raising instruments	2019	2018
State	68,544	538,936
Corporate and commercial	26,722	–
Personal	13,627	13,361
Other financial institutions	18,097	18,087
	126,990	**570,384**

13. Debt securities in issue

	2019	2018
Unsecured		
a) Floating rate bonds	987,922	–
Secured		
a) Floating rate bonds	–	150,000
b) Mortgage pass-through certificates	–	506
	987,922	150,506
Total debt securities in issue	**987,922**	**150,506**

Unsecured obligations

a) The amount of $75 million United States dollars was borrowed from International Development Bank (IDB) and $75 million United States dollars was borrowed from International Finance Corporation (IFC), both on an unsecured basis. These amounts are repayable in full on June 2026 at an interest rate of 4.5% plus six month LIBOR.

Secured obligations

a) The floating rate bonds denominated in Trinidad and Tobago dollars matured in March 2019.

14. Other liabilities

	2019	2018
Accounts payable and accruals	**1,145,883**	**865,745**

15. Stated capital

Authorised
An unlimited number of shares of no par value

	2019	2018	2019	2018
	Number of ordinary shares ('000)			
Issued and fully paid				
At beginning of year	79,572	79,572	769,777	769,777
At end of year	**79,572**	**79,572**	**769,777**	**769,777**

16. Operating profit

	2019	2018
a) Interest income		
Advances	2,098,837	2,036,506
Investment securities	102,496	107,941
Liquid assets	28,169	19,033
	2,229,502	**2,163,480**
b) Interest		
Customers' current, savings and deposit accounts	87,275	81,225
Other fund raising instruments and debt securities in issue	7,515	41,701
Other interest bearing liabilities	21,944	1,214
	116,734	**124,140**
c) Other income		
Fees and commission from trust and other fiduciary activities	188,814	181,806
Credit card fees and commission net	228,648	210,117
Other fees and commission income	170,648	159,660
Net exchange trading income	165,954	151,540
Dividends	119,361	112,699
Other operating income	60,649	78,490
Employee benefits medical contribution write back - Note 8 (g)	423,570	-
	1,357,644	**894,311**

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

16. Other Profit (continued)

d) Operating expenses

	2019	2018
Staff costs	632,131	605,765
Staff profit sharing - Note 24 (a)	128,576	115,029
Employee benefits pension and medical contribution - Note 8 (g)	88,960	116,914
General administrative expenses	426,661	432,543
Operating lease payments	49,282	47,573
Property related expenses	81,794	60,148
Depreciation expense - Note 7	122,731	114,093
Advertising and public relations expenses	60,227	57,866
Directors' fees	1,513	1,457
	1,591,875	**1,551,388**

e) Non-cancellable operating lease commitments

	2019	2018
Within one year	36,720	33,395
One to five years	58,231	87,402
Over five years	423	7,863
	95,374	**128,660**

17. Credit loss expense on financial assets

	Notes	2019	2018
Advances	4 (d)	103,203	106,111
Debt instruments measured at amortised cost	5 (c)	688	237
		103,891	**106,348**

18. Taxation expense

	2019	2018
Corporation tax	459,257	440,162
Deferred tax - Note 9 (b)	125,283	(60,763)
	584,540	**379,399**

Reconciliation between taxation expense and net profit before taxation

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

	2019	2018
Accounting profit	1,774,646	1,275,915
Tax at applicable statutory tax rates	621,126	446,570
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(58,248)	(54,591)
Non-deductible expenses	97,731	97,665
Allowable deductions	(212,196)	(59,006)
Provision for other taxes	136,127	(51,239)
	584,540	**379,399**

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, at market rates.

	2019	2018
Advances, investments and other assets		
Republic Financial Holdings Limited	849,509	2,344,959
Directors and key management personnel	13,232	11,992
Other related parties	146,939	208,321
	1,009,680	**2,565,272**
Deposits and other liabilities		
Republic Financial Holdings Limited	2,243,952	849,260
Directors and key management personnel	67,240	69,532
Other related parties	19,890	31,568
	2,331,082	**950,360**
Interest and other income		
Republic Financial Holdings Limited	26,034	22,115
Directors and key management personnel	431	446
Other related parties	14,197	14,815
	40,662	**37,376**
Interest and other expense		
Republic Financial Holdings Limited	8,075	14,937
Directors and key management personnel	2,544	2,561
Other related parties	174	201
	10,793	**17,699**

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

Key management compensation	2019	2018
Short-term benefits	17,151	15,316
Post employment benefits	4,709	7,299
	21,860	**22,615**

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

20. Risk management

20.1 General

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

The basic principles of risk management followed by the Bank 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 Bank. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee and Other Risks Committees, review specific risk areas.

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

The Internal Audit function audits Risk Management processes throughout the Bank by examining both the adequacy of the procedures and the Bank'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 Bank.

The Bank's activities are primarily related to the use of financial instruments. The Bank 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 Bank's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk. The Bank 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 Bank's credit risk management function is to maximise the Bank'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 Bank.

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

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

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

The Bank'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.

20.2.1 Analysis of risk concentration

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

	Gross maximum exposure	
	2019	**2018**
Statutory deposits with Central Bank	4,525,972	4,989,936
Due from banks	6,123,574	2,737,702
Treasury Bills	706,814	437,877
Advances	25,854,454	24,577,498
Investment securities	2,547,782	2,913,808
Investment interest receivable	30,490	35,816
Total	**39,789,086**	**35,692,637**
Undrawn commitments	5,183,304	5,192,688
Acceptances	1,966,619	1,456,839
Guarantees and indemnities	25	25
Letters of credit	287,359	170,395
Total	**7,437,307**	**6,819,947**
Total credit risk exposure	**47,226,393**	**42,512,584**

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.

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

a) Geographical sectors

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

	2019	**2018**
Trinidad and Tobago	40,181,765	36,923,192
Barbados	832,022	805,610
Eastern Caribbean	107,870	109,859
Guyana	212,048	173,352
United States	3,571,384	1,819,436
Europe	1,061,658	905,616
Suriname	283,050	345,542
Ghana	37	20
Cayman	146,482	348,351
Other Countries	830,077	1,081,606
	47,226,393	**42,512,584**

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

20. Risk management (continued)

20.2 Credit risk (continued)

20.2.1 Analysis of risk concentration (continued)

b) Industry sectors

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

	2019	2018
Government and Central Government Bodies	7,434,132	7,699,747
Financial sector	7,725,206	4,474,482
Energy and mining	839,494	737,252
Agriculture	209,204	194,246
Electricity and water	851,614	928,382
Transport storage and communication	779,638	584,134
Distribution	3,779,998	3,497,683
Real estate	2,933,214	2,717,494
Manufacturing	1,862,050	1,945,159
Construction	2,229,729	1,818,955
Hotel and restaurant	875,987	786,823
Personal	13,069,268	12,357,440
Other services	4,636,859	4,770,787
	47,226,393	**42,512,584**

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'.

20.2.2 Impairment assessment

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

20.2.3 Default and recovery

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

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

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

20.2.4 The Bank's internal rating and PD estimation process

Commercial and corporate lending and mortgages

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

Retail lending and mortgages

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

Overdrafts and credit cards

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

Management judgementally applied overlays as required as there was no noted correlation between macro economic trends and historical default rates.

Investment securities

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

Treasury Bills and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short term funds placed with the Central Bank of Trinidad and Tobago and with correspondent banks and the Bank therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments, the ECL on these instruments was determined to be zero.

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

20. Risk management (continued)

20.2 Credit risk (continued)

20.2.4 The Bank's internal rating and PD estimation process (continued)

Significant increase in credit risk

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

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

When estimating ECLs on a collective basis for a Bank of similar assets (as set out in Note 20.2.6), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

20.2.5 Grouping financial assets measured on a collective basis

As explained in Note 2.5 (g) (i) dependant on the factors below, the Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

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

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

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

20.2.6 Analysis of Gross Carrying Amount and corresponding ECLs are as follows:

Advances	2019	2018
Stage 1	85.33%	84.97%
Stage 2	12.61%	13.09%
Stage 3	2.06%	1.94%
	100.00%	100.00%

September 30, 2019

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1						
Gross Loans	4,356,122	4,640,585	11,119,461	1,637,347	807,821	22,561,336
ECL	(30,783)	(13,307)	(22,113)	(7,082)	(15,464)	(88,749)
	4,325,339	4,627,278	11,097,348	1,630,265	792,357	22,472,587
ECL as a % of gross loans	0.71	0.29	0.20	0.43	1.91	0.39

September 30, 2018

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1						
Gross Loans	4,136,026	4,588,600	10,009,710	1,782,217	816,080	21,332,633
ECL	(31,915)	(13,166)	(20,748)	(6,740)	(16,418)	(88,987)
	4,104,111	4,575,434	9,988,962	1,775,477	799,662	21,243,646
ECL as a % of gross loans	0.77	0.29	0.21	0.38	2.01	0.42

The ECLs of Stage 1 remained stable from 2018 to 2019.

September 30, 2019

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2						
Gross Loans	50,512	1,655,617	462,548	985,417	180,813	3,334,907
ECL	(745)	(10,824)	(9,561)	(5,888)	(10,813)	(37,831)
	49,767	1,644,793	452,987	979,529	170,000	3,297,076
ECL as a % of gross loans	1.47	0.65	2.07	0.60	5.98	1.13

September 30, 2018

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2						
Gross Loans	43,250	1,852,035	405,624	828,236	157,583	3,286,728
ECL	(678)	(7,306)	(4,575)	(4,079)	(8,537)	(25,175)
	42,572	1,844,729	401,049	824,157	149,046	3,261,553
ECL as a % of gross loans	1.57	0.39	1.13	0.49	5.42	0.77

The increase in ECLs of the Stage 2 portfolios was primarily driven by a decrease in the estimates of what the bank expected to recover.

September 30, 2019

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 3						
Gross Loans	84,824	185,040	214,978	–	60,485	545,327
ECL	(60,382)	(160,654)	(80,111)	–	(32,759)	(333,906)
	24,442	24,386	134,867	–	27,726	211,421
ECL as a % of gross loans	71.19	86.82	37.26	0.00	54.16	61.23

September 30, 2018

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 3						
Gross Loans	70,763	187,996	179,795	-	47,774	486,328
ECL	(44,851)	(177,152)	(40,725)	-	(23,754)	(286,482)
	25,912	10,844	139,070	–	24,020	199,846
ECL as a % of gross loans	63.38	94.23	22.65	0.00	49.72	58.91

The increase in ECLs of Stage 3 portfolios was driven by a 12.1% increase in the gross size of the portfolio, movements between stages as a result of increases in credit risk and variations in the underlying security arrrangements.

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

20.2 Credit risk (continued)

20.2.6 Analysis of Gross Carrying Amount and corresponding ECLs are as follows (continued)

Investment Securities	2019	2018
Stage 1	99.39%	99.62%
Stage 2	0.18%	0.06%
Stage 3	0.43%	0.32%
	100.00%	100.00%

September 30, 2019	Stage 1	Stage 2	Stage 3	Total
Gross Balance	2,534,639	4,646	10,867	2,550,152
ECL	(1,496)	-	(874)	(2,370)
	2,533,143	**4,646**	**9,993**	**2,547,782**
ECL as a % of gross investments	0.06	0.00	8.04	0.09

September 30, 2018	Stage 1	Stage 2	Stage 3	Total
Gross Balance	2,904,320	1,749	9,421	2,915,490
ECL	(1,663)	(19)	-	(1,682)
	2,902,657	**1,730**	**9,421**	**2,913,808**
ECL as a % of gross investments	0.06	1.09	0.00	0.06

The average ECL percentage increased due to the restructure of a bond in which a stage 3 ECL was calculated.

20.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank 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 Bank 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 Bank is funded with 'core deposits'. The Bank 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 Bank. 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 Bank also holds significant investments in other Government securities, which can be used for liquidity support. The Bank 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 table below summarises the maturity profile of the Bank'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 separate statement of financial position. Refer to Note 23 for a maturity analysis of assets and liabilities.

Financial liabilities - on separate statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2019					
Customers' current, savings and deposit accounts	32,216,729	2,625,155	131,843	–	34,973,727
Other fund raising instruments	–	127,401	–	–	127,401
Debt securities in issue	–	50,437	277,035	1,140,515	1,467,987
Due to banks	–	1,292,580	–	–	1,292,580
Other liabilities	328,243	–	–	–	328,243
Total undiscounted financial liabilities	**32,544,972**	**4,095,573**	**408,878**	**1,140,515**	**38,189,938**
2018					
Customers' current, savings and deposit accounts	30,651,819	2,607,581	45,690	–	33,305,090
Other fund raising instruments	–	571,478	–	–	571,478
Debt securities in issue	–	153,082	–	–	153,082
Due to banks	–	146,312	–	–	146,312
Other liabilities	318,044	–	–	–	318,044
Total undiscounted financial liabilities	**30,969,863**	**3,478,453**	**45,690**	**–**	**34,494,006**

Financial liabilities - off separate statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2019					
Acceptances	272,368	1,289,983	403,942	326	1,966,619
Guarantees and indemnities	25	–	–	–	25
Letters of credit	287,359	–	–	–	287,359
Total	**559,752**	**1,289,983**	**403,942**	**326**	**2,254,003**
2018					
Acceptances	178,448	1,019,768	258,453	170	1,456,839
Guarantees and indemnities	25	–	–	–	25
Letters of credit	170,395	–	–	–	170,395
Total	**348,868**	**1,019,768**	**258,453**	**170**	**1,627,259**

The Bank 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 Bank 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 Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, 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 Bank is committed to refining and defining these tools to be in line with international best practice.

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

20. Risk management (continued)

20.4 Market risk (continued)

20.4.1 Interest rate risk (continued)

The table below summarises the interest-rate exposure of the Bank's separate 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			
		2019		2018	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	54,147	(54,147)	50,219	(50,219)
USD Instruments	+/- 50	13,789	(13,789)	4,400	(4,400)
Other currency	+/- 50	–	–	120	(120)

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 Bank's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments and overseas subsidiaries and associates. The Bank's policy is to match the initial net foreign currency investment with funding in the same currency. The Bank also monitors its foreign currency position for both overnight and intra-day transactions.

Changes in foreign exchange rates affect the Bank'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 Trindad 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 separate statement of income.

The tables below indicate the currencies to which the Bank 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.

2019	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	380,965	22,990	942	8,245	413,142
Statutory deposits with Central Bank	4,525,972	–	–	–	4,525,972
Due from banks	1,838,573	3,515,414	463	769,124	6,123,574
Treasury Bills	706,814	–	–	–	706,814
Advances	21,929,550	3,923,723	–	1,181	25,854,454
Investment securities	1,293,735	1,280,583	–	–	2,574,318
Investment interest receivable	20,651	9,768	–	71	30,490
Total financial assets	**30,696,260**	**8,752,478**	**1,405**	**778,621**	**40,228,764**
Financial Liabilities					
Due to banks	365,253	911,423	–	5,755	1,282,431
Customers' current, savings and deposit accounts	26,942,321	7,284,921	–	730,304	34,957,546
Other fund raising instruments	266	126,724	–	–	126,990
Debt securities in issue	–	987,922	–	–	987,922
Interest payable	11,006	8,470	–	17	19,493
Other liabilities	285,372	39,426	174	3,271	328,243
Total financial liabilities	**27,604,218**	**9,358,886**	**174**	**739,347**	**37,702,625**
Net currency risk exposure		**(606,408)**	**1,231**	**39,274**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**(6,064)**	**12**	**393**	

2018	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	374,684	10,041	887	8,334	393,946
Statutory deposits with Central Bank	4,989,936	–	–	–	4,989,936
Due from banks	100,282	1,860,359	1,308	775,753	2,737,702
Treasury Bills	437,877	–	–	–	437,877
Advances	20,510,997	4,041,793	–	24,708	24,577,498
Investment securities	1,528,188	1,410,202	–	–	2,938,390
Investment interest receivable	24,790	10,672	–	354	35,816
Total financial assets	**27,966,754**	**7,333,067**	**2,195**	**809,149**	**36,111,165**
Financial liabilities					
Due to banks	130,402	5,165	–	10,745	146,312
Customers' current, savings and deposit accounts	26,088,375	6,440,524	–	764,568	33,293,467
Other fund raising instruments	–	570,384	–	–	570,384
Debt securities in issue	150,506	–	–	–	150,506
Interest payable	9,316	3,956	–	15	13,287
Other liabilities	276,263	38,805	162	2,814	318,044
Total financial liabilities	**26,654,862**	**7,058,834**	**162**	**778,142**	**34,492,000**
Net currency risk exposure		**274,233**	**2,033**	**31,007**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**2,742**	**20**	**310**	

20.5 Operational risk

The growing sophistication of the financial industry has made the Bank'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 Bank 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 Bank 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.

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

21. Capital management

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity decreased by $295.5 million to $4.9 billion during the year under review.

Capital adequacy is monitored by the Bank, 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.

RBL 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 their existing strong capital base, will meet the new requirements.

		2019	2018
Capital adequacy ratio:	Basel I	21.45%	18.06%
	Basel II	18.13%	18.00%

At September 30, 2019, the Bank exceeded the minimum level required for adequately capitalised institutions (2018: exceeded).

22. Fair value

22.1 Carrying values and fair values

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

2019	Carrying value	Fair value	Un-recognised gain/(loss)
Financial assets			
Cash, Due from banks and Treasury Bills	7,243,531	7,243,531	–
Advances	25,854,454	24,636,541	(1,217,913)
Investment securities	2,574,318	2,590,322	16,004
Investment interest receivable	30,490	30,490	–
Financial liabilities			
Customers' current, savings and deposit accounts	34,957,546	34,957,546	–
Borrowings and other fund raising instruments	126,990	126,990	–
Debt securities in issue	987,922	987,922	–
Accrued interest payable	19,493	19,493	–
Other financial liabilities	328,243	328,243	–
Total unrecognised change in unrealised fair value			**(1,201,909)**
2018			
Financial assets			
Cash, Due from banks and Treasury Bills	3,569,525	3,569,525	–
Advances	24,577,498	23,630,339	(947,159)
Investment securities	2,938,390	2,937,628	(762)
Investment interest receivable	35,816	35,816	–
Financial liabilities			
Customers' current, savings and deposit accounts	33,293,467	33,293,467	–
Borrowings and other fund raising instruments	570,384	570,384	–
Debt securities in issue	150,506	151,005	(499)
Accrued interest payable	13,287	13,287	–
Other financial liabilities	318,044	318,044	–
Total unrecognised change in unrealised fair value			**(948,420)**

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 Bank's assets and liabilities:

2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	17,578	–	8,958	26,536
Financial assets for which fair value is disclosed				
Advances	–	–	24,636,541	24,636,541
Investment securities	1,268,817	1,294,969	–	2,563,786
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	34,957,546	34,957,546
Debt securities in issue	–	987,922	–	987,922

2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	15,624	–	8,958	24,582
Financial assets for which fair value is disclosed				
Advances	–	–	23,630,339	23,630,339
Investment securities	1,369,080	1,543,966	–	2,913,046
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	33,293,467	33,293,467
Debt securities in issue	–	151,005	–	151,005

22.2.2 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2019, are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	4.04% - 12.25%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.10% - 3.00%

22.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2019, $1.06 million of assets were transferred between Level 1 and Level 2 (2018: none).

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

22. Fair value (continued)

22.2 Fair value and fair value hierarchies (continued)

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

	Balance at October 1, 2018	Additions	Disposals/ transfers to Level 2	Balance at September 30, 2019
Financial Assets designated at fair value through profit or loss	8,958	–	–	8,958
	8,958	**–**	**–**	**8,958**

	Balance at October 1, 2017	Additions	Disposals/ transfers to Level 2	Balance at September 30, 2018
Financial Assets designated at fair value through profit or loss	8,682	–	276	8,958
	8,682	**–**	**276**	**8,958**

23. Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Bank 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.

2019	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	413,142	–	413,142
Statutory deposits with Central Bank	4,525,972	–	4,525,972
Due from banks	6,123,574	–	6,123,574
Treasury Bills	706,814	–	706,814
Advances	7,116,922	18,737,532	25,854,454
Investment securities	324,403	2,249,915	2,574,318
Investment interest receivable	30,490	–	30,490
Investment in associated companies	–	3,411	3,411
Investment in subsidiaries	–	702,893	702,893
Premises and equipment	–	1,853,529	1,853,529
Net pension asset	–	617,295	617,295
Deferred tax assets	–	118,751	118,751
Taxation recoverable	–	23,396	23,396
Other assets	257,281	–	257,281
	19,498,598	**24,306,722**	**43,805,320**
LIABILITIES			
Due to banks	1,282,431	–	1,282,431
Customers' current, savings and deposit accounts	34,830,375	127,171	34,957,546
Other fund raising instruments	126,990	–	126,990
Debt securities in issue	–	987,922	987,922
Provision for post-retirement medical benefits	–	25,369	25,369
Taxation payable	137,538	–	137,538
Deferred tax liabilities	–	225,616	225,616
Accrued interest payable	17,344	2,149	19,493
Other liabilities	1,145,883	–	1,145,883
	37,540,561	**1,368,227**	**38,908,788**

2018	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	393,946	–	393,946
Statutory deposits with Central Bank	4,989,936	–	4,989,936
Due from banks	2,737,702	–	2,737,702
Treasury Bills	437,877	–	437,877
Advances	6,974,433	17,603,065	24,577,498
Investment securities	605,058	2,333,332	2,938,390
Investment interest receivable	9,654	26,162	35,816
Investment in associated companies	–	3,411	3,411
Investment in subsidiaries	–	702,893	702,893
Premises and equipment	–	1,696,970	1,696,970
Pension asset	–	803,209	803,209
Deferred tax assets	–	276,264	276,264
Taxation recoverable	–	25,309	25,309
Other assets	1,505,735	1,300	1,507,035
	17,654,341	**23,471,915**	**41,126,256**
LIABILITIES			
Due to banks	146,312	–	146,312
Customers' current, savings and deposit accounts	33,248,992	44,475	33,293,467
Other fund raising instruments	570,384	–	570,384
Debt securities in issue	150,000	506	150,506
Provision for post-retirement medical benefits	–	485,677	485,677
Taxation payable	124,192	–	124,192
Deferred tax liabilities	–	281,123	281,123
Accrued interest payable	12,960	327	13,287
Other liabilities	865,745	–	865,745
	35,118,585	**812,108**	**35,930,693**

24. Equity compensation benefits

a) Profit sharing scheme

It is estimated that approximately $128.6 million (2018: $115 million) will be allocated to staff from the profit sharing scheme in the current financial year. Refer to Note 16. During the 2019 financial year $46.6 million was advanced to the staff profit sharing scheme (2018: $32.1 million).

b) Stock option plan

The options are issued using the shares of RFHL. RBL refunds RFHL on an annual basis for the cost of options determined by a qualified actuary. In 2019 the cost of the options expensed in the separate statement of income was $2.530 million (2018: $1.390 million).

25. Dividends paid and proposed

	2019	2018
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2018: $15.97 (2017: $6.59)	1,270,850	524,391
First dividend for 2019: $2.20 (2018: $1.99)	175,059	158,350
Total dividends paid	**1,445,909**	**682,741**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2019: $15.84 (2018: $15.97)	**1,260,640**	**1,270,850**

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

26. Contingent liabilities

a) Litigation

As at September 30, 2019, there were certain tax and legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2019	**2018**
Acceptances	1,966,619	1,456,839
Guarantees and indemnities	25	25
Letters of credit	287,359	170,395
	2,254,003	**1,627,259**

c) Sectoral information

State	118,714	111,799
Corporate and commercial	1,645,029	1,028,325
Personal	17,060	17,632
Other financial institutions	472,800	469,157
Other	400	346
	2,254,003	**1,627,259**

d) Pledged assets

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

	Carrying amount		**Related liability**	
	2019	**2018**	**2019**	**2018**
Financial Assets	925,151	150,000	549,179	150,000

The assets pledged by the Bank relate to a pool of securities held for the purpose of providing collateral for the counterparty. In the event of the Bank'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%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%

28. Structured entities

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

These structured entities include Mutual Funds and Retirements Benefit Plans which are financed through the issue of units to investors in the funds. The Bank generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2019, the Bank earned $27.7 million (2018: $25 million) in management fees from the retirement plans and $96.6 million (2018: $90 million) from the mutual funds.

The Bank holds an interest of $17.6 million in sponsored funds as at September 30, 2019, (2018: $15.6 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Bank. These values are all included in the Investment securities portfolio of the Bank as at September 30, 2019.