RBL Consolidated Financial Statements 2020

Building a better working world

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Independent Auditor's Report

To the Shareholders of Republic Bank Limited and its Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the financial statements of Republic Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2020 and 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

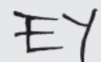
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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



Port of Spain,
TRINIDAD:
November 5, 2020

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Financial Position

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

	Notes	2020	2019
ASSETS			
Cash on hand		513,635	413,142
Statutory deposits with Central Bank		4,124,724	4,525,971
Due from banks		7,267,631	6,986,847
Treasury Bills		2,113,569	1,511,382
Advances	4	26,437,722	26,435,305
Investment securities	5	6,130,572	5,982,907
Investment interest receivable		68,140	65,810
Investment in associated companies	6	56,362	51,521
Premises and equipment	7	1,993,228	1,853,528
Right-of-use assets	8 (a)	351,481	–
Pension assets	9	441,671	617,295
Deferred tax assets	10 (a)	179,197	118,750
Taxation recoverable		29,064	28,895
Other assets	11	299,089	212,650
TOTAL ASSETS		**50,006,085**	**48,804,003**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		338,418	1,282,431
Customers' current, savings and deposit accounts	12	37,709,855	34,893,188
Other fund raising instruments	13	4,339,447	4,558,124
Debt securities in issue	14	1,030,655	1,037,255
Lease liabilities	8 (b)	358,433	–
Provision for post-retirement medical benefits	9	21,053	25,369
Taxation payable		43,437	143,277
Deferred tax liabilities	10 (b)	195,449	241,461
Accrued interest payable		49,735	40,779
Other liabilities	15	911,631	875,692
TOTAL LIABILITIES		**44,998,113**	**43,097,576**
EQUITY			
Stated capital	16	769,777	769,777
Statutory reserves		1,186,546	1,112,096
Other reserves	17	68,880	65,130
Retained earnings		2,982,769	3,759,424
TOTAL EQUITY		**5,007,972**	**5,706,427**
TOTAL LIABILITIES AND EQUITY		**50,006,085**	**48,804,003**

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

These consolidated financial statements were approved by the Board of Directors on November 5, 2020 and signed on its behalf by:

Vincent Pereira,
Chairman

Nigel M. Baptiste,
Managing Director

Trevor N. Gomez,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Income

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

	Notes	2020	2019
Interest income	18 (a)	2,376,023	2,499,000
Interest expense	18 (b)	(276,181)	(212,622)
Net interest income		2,099,842	2,286,378
Other income	18 (c)	824,515	1,341,769
Share of profits of associated companies	6	4,841	6,111
		2,929,198	3,634,258
Operating expenses	18 (d)	(1,599,527)	(1,595,338)
Operating profit		1,329,671	2,038,920
Credit loss expense on financial assets	19	(332,165)	(101,321)
Net profit before taxation		997,506	1,937,599
Taxation expense	20	(276,026)	(634,601)
Net profit after taxation		**721,480**	**1,302,998**

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

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income

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

	2020	2019
Net profit after taxation	**721,480**	**1,302,998**
Other comprehensive income:		
Other comprehensive income/(loss) (net of tax) that will be reclassified to the consolidated statement of income in subsequent periods:		
Translation adjustments	3,750	(29)
Total items that will be reclassified to the consolidated statement of income in subsequent periods	**3,750**	**(29)**
Other comprehensive loss (net of tax) that will not be reclassified to the consolidated statement of income in subsequent periods:		
Remeasurement losses on defined benefit plans	(88,002)	(66,505)
Income tax related to above	30,801	23,277
Total items that will not be reclassified to the consolidated statement of income in subsequent periods	**(57,201)**	**(43,228)**
Other comprehensive loss for the year, net of tax	**(53,451)**	**(43,257)**
Total comprehensive income for the year, net of tax	**668,029**	**1,259,741**

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

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

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at September 30, 2018	**769,777**	**1,112,096**	**65,159**	**3,945,565**	**5,892,597**
Total comprehensive (loss)/income for the year	–	–	(29)	1,259,770	1,259,741
Dividends (Note 27)	–	–	–	(1,445,911)	(1,445,911)
Balance at September 30, 2019	**769,777**	**1,112,096**	**65,130**	**3,759,424**	**5,706,427**
Total comprehensive income for the year	–	–	3,750	664,279	668,029
Transfer to statutory reserves	–	74,450	–	(74,450)	–
Dividends (Note 27)	–	–	–	(1,366,484)	(1,366,484)
Balance at September 30, 2020	**769,777**	**1,186,546**	**68,880**	**2,982,769**	**5,007,972**

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

Republic Bank
We're the One for you!

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Cash Flows

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

	Notes	2020	2019
Operating activities			
Net profit before taxation		997,506	1,937,599
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	7&8 (a)	189,348	122,731
Credit loss expense on financial assets	19	332,165	101,321
Translation difference		(1,162)	(29)
Loss on sale of premises and equipment		1,349	3,703
Realised loss/(gain) on investment securities		933	(1,813)
Share of net profits of associated companies	6	(4,841)	(6,111)
Increase/(decrease) in employee benefits		83,306	(340,899)
Increase in advances		(333,797)	(1,283,556)
Increase in customers' deposits and other fund raising instruments		2,597,989	1,680,211
Decrease in statutory deposits with Central Bank		401,247	463,965
Increase in other assets and investment interest receivable		(88,772)	(2,283)
Increase in other liabilities and accrued interest payable		44,895	36,146
Taxes paid, net of refund		(451,357)	(498,710)
Cash provided by operating activities		3,768,809	2,212,275
Investing activities			
Purchase of investment securities		(2,885,581)	(744,206)
Redemption of investment securities		2,704,087	1,320,395
Dividends from associated companies	6	–	3,129
Additions to premises and equipment	7	(294,528)	(287,833)
Proceeds from sale of premises and equipment		6,080	4,840
Cash (used in)/provided by investing activities		(469,942)	296,325
Financing activities			
(Decrease)/increase in balances due to other banks		(944,013)	1,136,118
(Repayment)/issuance of debt securities		(6,600)	826,191
Repayment of lease liabilities	8 (b)	(34,997)	–
Dividends paid to shareholders of the Parent	27	(1,366,484)	(1,445,911)
Cash (used in)/provided by financing activities		(2,352,094)	516,398
Net increase in cash and cash equivalents		946,773	3,024,998
Net foreign exchange difference		2,356	–
Cash and cash equivalents at beginning of year		9,246,998	6,222,000
Cash and cash equivalents at end of year		**10,196,127**	**9,246,998**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		513,635	413,142
Due from banks		7,267,631	6,986,847
Treasury Bills - original maturities of three months or less		2,113,569	1,511,382
Bankers' acceptances - original maturities of three months or less		301,292	335,627
		10,196,127	**9,246,998**
Supplemental information:			
Interest received during the year		2,347,356	2,668,741
Interest paid during the year		(267,225)	(207,096)
Dividends received		123,627	119,361

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

Republic Bank Limited and its Subsidiaries

Notes to the Consolidated Financial Statements

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

1. Corporate information

Republic Bank Limited (the 'Bank'), a wholly owned subsidiary of Republic Financial Holdings Limited (RFHL) 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. RFHL 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 Saint Lucia. A full listing of the Bank's subsidiary companies is detailed in Note 29, while associate companies are listed in Note 6.

2. Significant accounting policies

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

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

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

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

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars (TTD). These consolidated financial statements have been prepared on a historical cost basis, except for the measurement of investment securities at fair value. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in Note 3.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Republic Bank Limited and its subsidiaries as at September 30 each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

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

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

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

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

2. Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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

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

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

2.3 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended September 30, 2019 except for the adoption of new standards and interpretations below.

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

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

IFRS 16 - Leases (effective January 1, 2019)

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

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

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

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

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

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

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

The value of short-term and low-value leases excluded at initial recognition was $4.9 million.

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

Right-of-use assets of $342 million and lease liabilities of $342 million were recognised and presented in the statement of financial position as at October 1, 2019. The adoption of IFRS 16 had no impact on the Group's retained earnings and no material impact on its capital adequacy ratio.

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

	$'000
Operating lease commitments as at September 30, 2019	95,374
Weighted average incremental borrowing rate as at October 1, 2019	3.45%
Discounted operating lease commitments as at October 1, 2019	91,984
Less:	
Commitments relating to short-term leases	(4,880)
Commitments relating to leases of low-value assets	–
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at October 1, 2019	254,944
Lease liabilities at at October 1, 2019	342,048

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

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

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

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

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

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

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

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

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

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

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

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

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

Entities must apply the amendments retrospectively, with certain exceptions.

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

2. Significant accounting policies (continued)

2.3 Changes in accounting policies (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 or 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 or 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Standards in issue not yet effective

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

IAS 1 Presentation of Financial Statements 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 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 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.

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

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

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

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

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

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

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

2.5 Improvements to International Financial Reporting Standards

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

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

2.6 Summary of significant accounting policies

a) Cash and cash equivalents

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

b) Statutory deposits with Central Banks

Deposits with the Central Bank of Trinidad and Tobago and other regulatory authorities represent the Group's regulatory requirement to maintain a percentage of deposit liabilities as cash, Treasury Bills and/or deposits with Central Bank. These funds are not available to finance the Group's day-to-day operations. Other than statutory deposits of $4.1 billion (2019: $4.5 billion), RBL also holds Treasury Bills and other deposits of $2.1 million (2019: $1.5 billion) with the Central Bank of Trinidad and Tobago as at September 30, 2020. Interest earned on these balances for the year was $39.5 million (2019: $36.3 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 Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

ii) Initial measurement of financial instruments

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

iii) Measurement categories of financial assets and liabilities

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

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

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

d) Financial assets and liabilities

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

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

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

The details of these conditions are outlined below.

The SPPI test

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

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

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are 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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

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

Business model assessment

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

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

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

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

ii) Financial assets at fair value through profit or loss

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

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

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

iii) Undrawn loan commitments

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

iv) Debt securities and Other fund raising instruments

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

e) Reclassification of financial assets and liabilities

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

f) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

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

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

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

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

g) Impairment of financial assets

i) Overview of the ECL principles

The Group records an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Group uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 22.2.5.

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

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 22.2.6.

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

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

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

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

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

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

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

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

ii) The calculation of ECLs

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

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

PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 22.2.4.

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

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

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

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2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

The mechanics of the ECL method are summarised below:

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

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

Stage 3
For financial assets considered credit-impaired (as defined in Note 22.2), the Group recognises the LTECLs for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI
POCI assets are financial assets that are credit-impaired on initial recognition. The Group only recognises the cumulative changes in LTECLs since initial recognition, based on a probability-weighting 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 Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

iii) Credit cards, overdrafts and other revolving facilities

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

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

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

iv) Treasury Bills, Statutory deposits with Central Bank 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 Group issues financial guarantees, letters of credit and loan commitments.

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

vi) Forward looking information

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

- Currency rates
- Gross Domestic Product (GDP) growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

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

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

h) Collateral valuation

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

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

i) Collateral repossessed

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

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

j) Write-offs

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

k) Investment in associated companies

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

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

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

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

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

l) Leases (Policy applicable as of October 1, 2019)

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

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

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

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

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

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

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

Leases (Policy applicable before October 1, 2019)

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

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

m) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. Prior to 2020, the Group computed depreciation using the reducing balance method for motor vehicles. This was revisited in 2020 and the depreciation method was changed to the straight-line method. The change was accounted for as a change in accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

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

The depreciation rates used are as follows:

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

n) Impairment of non-financial assets

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

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

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

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

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

o) Employee benefits

i) Pension obligations

The Group operates a number of defined benefit plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plans every three years. In Trinidad and Tobago (T&T), Republic Bank Limited (RBL) took the actuary's advice regarding a pension holiday, effective January 1999.

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

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

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

a) The date of the plan amendment or curtailment, and

b) The date that the Group recognises related restructuring costs

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

a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

b) Net interest expense or income

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

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

The full results of the valuation exercise are disclosed in Note 9 to these consolidated financial statements.

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

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

iv) Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) 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 consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

q) Statutory reserves

Statutory reserves represent accumulated transfers from net profit after deduction of taxes in each year for the Group to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. In T&T there is also a requirement to maintain statutory reserves of at least 20 times its deposit liabilites. These reserves are not available for distribution as dividends or any other form of appropriation. Statutory reserves amounted to $1.2 billion (2019: $1.1 billion).

r) Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these consolidated financial statements as they are not the assets of the Group. These assets under administration at September 30, 2020, totalled $36.8 billion (2019: $34.8 billion).

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

s) Foreign currency translation

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

Monetary assets and liabilities of the parent, which are denominated in foreign currencies are expressed in TTD at rates of exchange ruling on September 30. Non- monetary assets and liabilities denominated in foreign currencies are translated at historic rates. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the consolidated statement of income.

The assets and liabilities of subsidiary companies are translated into TTD at the mid-rates of exchange ruling at the consolidated statement of financial position date and all resulting exchange differences are recognised in OCI. All revenue and expenditure transactions are translated at an average rate.

t) Revenue recognition

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

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

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

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

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

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

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

Credit card fees and commissions are recognised at an amount that reflects the consideration to which the 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 Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 24 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

u) Fair value (continued)

Level 3 (continued)
Where the Group's investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for investments is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

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

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

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

The fair value 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 Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Group's consolidated statement of financial position but are detailed in Note 28 b of these consolidated financial statements.

w) Equity reserves

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

Stated capital - Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group.

Capital reserves - used to record exchange differences arising from the translation of the net investment in foreign operations.

Other reserves that qualify for treatment as equity are discussed in Note 2.6 q.

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

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

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

a) Risk management (Note 22)
b) Capital management (Note 23)

Estimates and assumptions

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

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

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

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

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

Other assumptions

Net pension asset/liability (Note 9)
In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Group, the Groups' independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plans.

Deferred taxes (Note 10)
In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

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

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

Leases (Note 8)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

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

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4. Advances

a) Advances	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
			September 30, 2020			
Performing advances	4,614,280	6,582,818	12,398,688	1,844,394	913,078	26,353,258
Non-performing advances	107,919	386,378	326,848	–	69,128	890,273
	4,722,199	6,969,196	12,725,536	1,844,394	982,206	27,243,531
Unearned interest/ finance charge	(1,822)	(25,407)	–	–	–	(27,229)
Accrued interest	6,179	44,279	48,745	6,064	–	105,267
	4,726,556	6,988,068	12,774,281	1,850,458	982,206	27,321,569
Allowance for ECLs (Note 4 d)	(125,928)	(384,361)	(131,693)	(11,351)	(112,550)	(765,883)
	4,600,628	6,603,707	12,642,588	1,839,107	869,656	26,555,686
Unearned loan origination fees	(33,138)	(23,212)	(61,614)	–	–	(117,964)
Net advances	**4,567,490**	**6,580,495**	**12,580,974**	**1,839,107**	**869,656**	**26,437,722**
			September 30, 2019			
Performing advances	4,408,666	6,859,756	11,571,733	2,612,207	988,632	26,440,994
Non-performing advances	84,824	199,136	214,978	–	60,485	559,423
	4,493,490	7,058,892	11,786,711	2,612,207	1,049,117	27,000,417
Unearned interest/ finance charge	(2,501)	(34,283)	–	–	–	(36,784)
Accrued interest	469	57,628	10,277	10,557	–	78,931
	4,491,458	7,082,237	11,796,988	2,622,764	1,049,117	27,042,564
Allowance for ECLs (Note 4 d)	(91,910)	(204,930)	(111,785)	(12,970)	(59,036)	(480,631)
	4,399,548	6,877,307	11,685,203	2,609,794	990,081	26,561,933
Unearned loan origination fees	(37,610)	(27,885)	(61,133)	–	–	(126,628)
Net advances	**4,361,938**	**6,849,422**	**11,624,070**	**2,609,794**	**990,081**	**26,435,305**

b) Net investment in leased assets included in net advances

	2020	2019
Gross investment	96,404	127,469
Unearned finance change	(9,787)	(16,176)
Net investment in leased assets	**86,617**	**111,293**

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

	2020	2019
Within one year	3,805	3,969
One to five years	56,932	78,716
Over five years	25,880	28,608
	86,617	**111,293**

d) Impairment allowance for advances to customers

The table below shows the staging of advances and the related ECLs based on the Group's criteria as explained in Note 22.2.4. Policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 22.2.6.

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
			September 30, 2020			
Gross loans	4,726,556	6,988,068	12,774,281	1,850,458	982,206	27,321,569
Stage 1: 12 Month ECL	(37,980)	(24,025)	(23,540)	(5,891)	(39,525)	(130,961)
Stage 2: Lifetime ECL	(13,795)	(109,454)	(17,936)	(5,460)	(30,539)	(177,184)
Stage 3: Credit-impaired financial assets - Lifetime ECL	(74,153)	(250,882)	(90,217)	–	(42,486)	(457,738)
	4,600,628	**6,603,707**	**12,642,588**	**1,839,107**	**869,656**	**26,555,686**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2019	30,783	21,581	22,113	7,082	15,464	97,023
Translation adjustment	–	245	–	–	–	245
ECL on new instruments issued during the year	9,744	5,239	1,787	–	–	16,770
Other credit loss movements, repayments etc.	(2,547)	(3,040)	(360)	(1,191)	24,061	16,923
At September 30, 2020	37,980	24,025	23,540	5,891	39,525	130,961
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2019	745	10,824	9,561	5,888	10,813	37,831
ECL on new instruments issued during the year	124	10,039	429	–	–	10,592
Other credit loss movements, repayments etc.	12,926	88,591	7,946	(428)	19,726	128,761
At September 30, 2020	13,795	109,454	17,936	5,460	30,539	177,184
Stage 3: Credit-impaired financial assets - Lifetime ECL						
ECL allowance as at October 1, 2019	60,382	172,525	80,111	–	32,759	345,777
Translation adjustment	–	308	–	–	–	308
Charge-offs and write-offs	(33,477)	(4,747)	(1,159)	–	(5,760)	(45,143)
Credit loss expense	77,910	138,488	62,846	–	24,112	303,356
Recoveries	(30,662)	(55,692)	(51,581)	–	(8,625)	(146,560)
At September 30, 2020	74,153	250,882	90,217	–	42,486	457,738
Total	**125,928**	**384,361**	**131,693**	**11,351**	**112,550**	**765,883**

Of the total ECL of $765.9 million, 0.05% was on a collective basis and 99.95% was on an individual basis.

Overdrafts and credit cards are revolving facilities therefore the ECL on new instruments issued during the year have not been separately identified.

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4. Advances (continued)

d) Impairment allowance for advances to customers (continued)

	September 30, 2019					
	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
Gross loans	4,491,458	7,082,237	11,796,988	2,622,764	1,049,117	27,042,564
Stage 1: 12 Month ECL	(30,783)	(21,581)	(22,113)	(7,082)	(15,464)	(97,023)
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)	(172,525)	(80,111)	–	(32,759)	(345,777)
	4,399,548	**6,877,307**	**11,685,203**	**2,609,794**	**990,081**	**26,561,933**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2018	31,915	23,124	20,748	6,740	16,418	98,945
Translation adjustment	–	(234)	–	–	–	(234)
ECL on new instruments issued during the year	8,332	3,493	2,673	–	–	14,498
Other credit loss movements, repayments etc.	(9,464)	(4,802)	(1,308)	342	(954)	(16,186)
At September 30, 2019	30,783	21,581	22,113	7,082	15,464	97,023
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2018	678	7,308	4,575	4,079	8,537	25,177
ECL on new instruments issued during the year	204	1,060	1,225	–	–	2,489
Other credit loss movements, repayments etc.	(137)	2,456	3,761	1,809	2,276	10,165
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	190,531	40,725	–	23,754	299,861
Translation adjustment	–	(319)	–	–	–	(319)
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)	(22,588)	(10,525)	–	(5,371)	(63,031)
At September 30, 2019	60,382	172,525	80,111	–	32,759	345,777
Total	**91,910**	**204,930**	**111,785**	**12,970**	**59,036**	**480,631**

e) Restructured/Modified loans

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

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

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $102.4 million as at September 30, 2020 (2019: $79.1 million).

To support our customers from the impact of the pandemic, the banking subsidiaries in the Group offered a moratorium to customers in good standing which included a postponement of monthly instalments, including the principal and interest for a period of one to six months beginning on the date of acceptance with interest continuing to accrue during the period of the moratorium. These loans amounted to $7.9 billion as at September 30, 2020. The financial impact of the moratorium did not result in cash flows that are substantially different and as such these loans were not determined to be restructured.

5. Investment securities

	2020	2019
a) Designated at fair value through profit or loss		
Equities and mutual funds	25,693	26,536
b) Debt instruments at amortised cost		
Government securities	1,986,749	1,917,611
State-owned company securities	1,728,713	1,828,554
Corporate bonds/debentures	1,962,839	1,747,199
Bankers' acceptances	426,578	463,007
	6,104,879	5,956,371
Total net investment securities	**6,130,572**	**5,982,907**

c) Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

	September 30, 2020				
	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets - Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
Gross exposure	4,421,380	1,259,741	–	1,440	5,682,561
ECL	(2,103)	(1,787)	–	(370)	(4,260)
Net exposure	4,419,277	1,257,954	–	1,070	5,678,301
ECL allowance as at October 1, 2019	1,567	–	874	–	2,441
ECL on new instruments issued during the year	850	391	–	–	1,241
Other credit loss movements, repayments and maturities	(314)	1,396	(370)	370	1,082
ECL on dated instruments converted in debt restructure	–	–	(504)	–	(504)
At September 30, 2020	**2,103**	**1,787**	**–**	**370**	**4,260**

5. Investment securities (continued)

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

	September 30, 2019			
	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets - Lifetime ECL	Total
Gross exposure	5,480,292	4,646	10,867	5,495,805
ECL	(1,567)	–	(874)	(2,441)
Net exposure	5,478,725	4,646	9,993	5,493,364
ECL allowance as at October 1, 2018	1,663	19	–	1,682
ECL on new instruments issued during the year	421	–	–	421
Other credit loss movements, repayments and maturities	(517)	(19)	874	338
At September 30, 2019	**1,567**	**–**	**874**	**2,441**

The decrease in investment securities in Stage 3 was due to sales and a re-classification to POCI in 2020 which reflects the exposure to Bonds issued by the Government of Barbados following the Debt Exchange offer in 2019.

d) Designated at fair value through profit or loss

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

6. Investment in associated companies

	2020	2019
Balance at beginning of year	51,521	48,539
Share of current year profit	4,841	6,111
Dividends received	–	(3,129)
Balance at end of year	**56,362**	**51,521**

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

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

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

	Total investment in associates	
	2020	2019
Total assets	265,229	238,941
Total liabilities	38,147	31,352
Net assets/equity	227,082	207,589
Dividends received during the year	–	3,129

7. Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2020					
Cost					
At beginning of year	344,553	1,383,976	111,581	1,398,993	3,239,103
Additions at cost	240,921	–	–	53,607	294,528
Disposal of assets	–	–	(1,712)	(23,407)	(25,119)
Transfer of assets	(244,381)	26,088	42,210	176,083	–
	341,093	**1,410,064**	**152,079**	**1,605,276**	**3,508,512**
Accumulated depreciation					
At beginning of year	–	195,310	96,696	1,093,569	1,385,575
Charge for the year	–	19,938	8,989	118,472	147,399
Disposal of assets	–	–	(1,611)	(16,079)	(17,690)
	–	**215,248**	**104,074**	**1,195,962**	**1,515,284**
Net book value	**341,093**	**1,194,816**	**48,005**	**409,314**	**1,993,228**

During 2020, the Group revisited its depreciation method which resulted in a change from the reducing balance to the straight-line basis for motor vehicles (within equipment, furniture and fittings). This change was accounted for as a change in accounting estimate in accordance with IAS 8. This change was applied prospectively effective October 1, 2019 and resulted in an additional charge of $6.3 million, which represents the value if straight-line depreciation was applied for the entire financial year.

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2019					
Cost					
At beginning of year	213,253	1,352,620	108,806	1,319,942	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**	**111,581**	**1,398,993**	**3,239,103**
Accumulated depreciation					
At beginning of year	–	176,174	89,532	1,031,946	1,297,652
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**	**1,093,569**	**1,385,575**
Net book value	**344,553**	**1,188,666**	**14,885**	**305,424**	**1,853,528**

Capital commitments	**2020**	**2019**
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	68,841	130,410
Other capital expenditure authorised by the Directors but not yet contracted for	31,923	26,502

8. Right-of-use assets and lease liabilities

a) Right-of-use assets

	Leasehold premises 2020
Cost	
Effect of adoption of IFRS 16 at beginning of year	342,048
Additions at cost	51,382
	393,430
Accumulated depreciation	
Charge for the year (Note 18 d)	41,949
	41,949
Net book value	**351,481**

Leasehold premises generally have lease terms between 2 and 30 years.

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

b) Lease liabilities

	Leasehold premises 2020
Effect of adoption of IFRS 16 at beginning of year	342,048
Additions at cost	51,382
Accretion of interest expense (Note 18 b)	15,123
Less: Payments	(50,120)
	358,433

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

	2020		
	Fixed payments	Variable payments	Total
Payments			
Fixed rent	45,040	–	45,040
Variable rent	–	5,080	5,080
	45,040	5,080	50,120

The value of rental expense in relation to short-term leases is $4.4 million and low-value leases is $2.6 million for financial year 2020.

9. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Present value of defined benefit obligation	(3,462,221)	(3,260,813)	(21,053)	(25,369)
Fair value of plan assets	3,915,528	3,889,991	–	–
Surplus/(deficit)	453,307	629,178	(21,053)	(25,369)
Effect of asset ceiling	(11,636)	(11,883)	–	–
Net asset/(liability) recognised in the consolidated statement of financial position	**441,671**	**617,295**	**(21,053)**	**(25,369)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Opening defined benefit obligation	(3,260,813)	(3,049,253)	(25,369)	(485,677)
Current service cost	(120,151)	(114,175)	(144)	(26,624)
Interest cost	(179,109)	(167,975)	(701)	(26,541)
Past service (cost)/credit	–	(14,063)	–	476,735
Remeasurements:				
- Experience adjustments	31,043	(19,705)	1,315	30,449
- Actuarial losses from change in demographic assumptions	(62,028)	–	(3)	–
- Actuarial losses from change in financial assumptions	–	–	(205)	–
Benefits paid	128,837	104,358	–	–
Premiums paid by the Group	–	–	4,054	6,289
Closing defined benefit obligation	**(3,462,221)**	**(3,260,813)**	**(21,053)**	**(25,369)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Opening defined benefit obligation	617,295	803,209	(25,369)	(485,677)
Net pension (cost)/credit	(91,231)	(88,960)	(845)	423,570
Remeasurements recognised in other comprehensive income	(89,109)	(96,954)	1,107	30,449
Premiums paid by the Group	–	–	4,054	6,289
Bank contributions paid	4,716	–	–	–
Closing net pension asset/ (medical liability)	**441,671**	**617,295**	**(21,053)**	**25,369**

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 2.1 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	
	2020	2019
Opening fair value of plan assets	3,889,991	3,864,463
Interest income	210,532	209,666
Return on plan assets, excluding interest income	(59,025)	(78,027)
Contributions by employer	4,716	–
Benefits paid	(128,837)	(104,358)
Expense allowance	(1,849)	(1,753)
Closing fair value of plan assets	**3,915,528**	**3,889,991**
Actual return on plan assets	**151,507**	**131,639**

f) Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair Value		Allocation	
	2020	2019	2020	2019
Equity securities	1,777,870	1,798,333	45.41%	46.23%
Debt securities	1,905,809	1,813,809	48.67%	46.63%
Property	11,291	11,740	0.29%	0.30%
Mortgages	60	60	0.00%	0.00%
Money market instruments/cash	220,498	266,049	5.63%	6.84%
Total fair value of plan assets	**3,915,528**	**3,889,991**	**100.00%**	**100.00%**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Current service cost	(120,151)	(114,175)	(144)	(26,624)
Interest on defined benefit obligation	30,769	41,031	(701)	(26,541)
Past service (cost)/credit	–	(14,063)	–	476,735
Administration expenses	(1,849)	(1,753)	–	–
Total included in staff costs	**(91,231)**	**(88,960)**	**(845)**	**423,570**

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.

9. Employee benefits (continued)

h) Remeasurements recognised in other comprehensive income:

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	**2019**	**2020**	**2019**
Experience (losses)/gains	(90,010)	(97,732)	1,107	30,449
Effect of asset ceiling	901	778	–	–
Total included in other comprehensive income	**(89,109)**	**(96,954)**	**1,107**	**30,449**

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

	2020	2019
	%	%
Discount rate	2.50 - 5.50	3.00 - 5.50
Rate of salary increase	5.50	5.50
Pension increases	2.40	2.40
Medical cost trend rates	5.75	5.75

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

Defined benefit pension plans	2020	2019
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	21.8	21.0
- Female	26.0	25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	22.7	21.4
- Female	27.0	25.4

Post-retirement medical benefits	2020	2019
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, 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**
2020				
- Discount rate	(461,000)	595,000	(426)	443
- Future salary increases	233,000	(200,000)	–	–
- Future pension cost increases	291,000	(291,000)	–	–
- Medical cost increases	–	–	443	(426)
2019				
- 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 one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2020 by $69 million and the post-retirement medical benefit by $0.073 million.

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

k) Funding

The Group meets the entire cost of funding the defined benefit pension plans. The funding requirements are based on regular actuarial valuations of the Plans made every three years and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay nil to the pension plans in the 2021 financial year.

The Group operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. The Group expects to pay $4.4 million to the medical plan in the 2021 financial year.

10. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2019	Credit/(charge) Consolidated Statement of income	Credit/(charge) OCI	Closing balance 2020
Post-retirement medical benefits	8,879	(1,123)	(387)	7,369
Leased assets	8,143	(853)	–	7,290
Unearned loan origination fees	44,320	(3,033)	–	41,287
Provisions	44,826	61,383	–	106,209
Other	12,582	4,460	–	17,042
	118,750	**60,834**	**(387)**	**179,197**

	Opening balance 2018	Credit/(charge) Consolidated Statement of income	Credit/(charge) 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	44,641	(321)	–	44,320
Premises and equipment	6,469	(6,469)	–	–
Provisions	40,546	4,280	–	44,826
Other	11,642	940	–	12,582
	276,265	**(146,858)**	**(10,657)**	**118,750**

b) Deferred tax liabilities

	Opening balance 2019	(Credit)/charge Consolidated Statement of income	(Credit)/charge OCI	Closing balance 2020
Pension asset	216,053	(30,280)	(31,188)	154,585
Leased assets	15,848	(4,518)	–	11,330
Premises and equipment	9,560	19,974	–	29,534
	241,461	**(14,824)**	**(31,188)**	**195,449**
Net credit to consolidated statement of income/OCI		**(75,658)**	**(30,801)**	

10. Deferred tax assets and liabilities (continued)

b) Deferred tax liabilities (continued)

		(Credit)/charge		
	Opening balance 2018	**Consolidated Statement of income**	**OCI**	**Closing balance 2019**
Pension asset	281,123	(31,136)	(33,934)	216,053
Leased assets	19,882	(4,034)	–	15,848
Premises and equipment	–	9,560	–	9,560
	301,005	**(25,610)**	**(33,934)**	**241,461**
Net charge/(credit) to consolidated statement of income/OCI		**121,248**	**(23,277)**	

11. Other assets

	2020	**2019**
Accounts receivable and prepayments	291,218	207,487
Project financing reimbursables	6,748	4,076
Deferred commission and fees	958	1,087
Other receivables	165	–
	299,089	**212,650**

12. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts

	2020	**2019**
State sector	1,444,050	1,285,755
Corporate and commercial sector	11,730,099	9,700,201
Personal sector	22,748,276	21,212,480
Other financial institutions	1,787,430	2,694,752
	37,709,855	**34,893,188**

13. Other fund raising instruments

At September 30, 2020 investment securities held to secure other fund raising instruments of the Group amounted to $4.3 billion (2019: $4.6 billion).

Concentration of other fund raising instruments	**2020**	**2019**
State	987,718	1,886,240
Corporate and commercial	26,801	26,722
Personal	450,290	555,366
Other financial institutions	2,525,581	1,861,486
Other	349,057	228,310
	4,339,447	**4,558,124**

14. Debt securities in issue

Unsecured		
Floating rate bond	993,091	987,922
Secured		
Floating rate bond	37,564	49,333
Total debt securities in issue	**1,030,655**	**1,037,255**

Unsecured obligations

The amount of $75 million United States dollars (USD) was borrowed from Inter-American Development Bank (IADB) and $75 million USD was borrowed from International Finance Corporation (IFC), both on an unsecured basis. These amounts are repayable on June 2026 at an interest rate of 4.5% plus six month London Interbank Offered Rate (LIBOR).

Secured obligations

Floating rate bonds are denominated in TTD and are secured by property and equipment under investments in leased assets.

15. Other liabilities

	2020	**2019**
Accounts payable and accurals	849,300	873,503
Due to related parties	62,331	2,189
	911,631	**875,692**

16. Stated capital

	2020	**2019**	**2020**	**2019**
	Number of ordinary shares ('000)		**Value of ordinary shares ($'000)**	
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid	**79,572**	**79,572**	**769,777**	**769,777**

17. Other reserves

	Total
Balance at October 1, 2018	**65,159**
Translation adjustments	(29)
Balance at September 30, 2019	**65,130**
Translation adjustments	3,750
Balance at September 30, 2020	**68,880**

18. Operating profit

	2020	**2019**
a) Interest income		
Advances	2,078,775	2,185,270
Investment securities	252,343	268,033
Liquid assets	44,905	45,697
	2,376,023	**2,499,000**
b) Interest expense		
Customers' current, savings and deposit accounts	94,126	82,790
Other fund raising instruments and debt securities in issue	146,354	92,145
Other interest bearing liabilities	20,578	37,687
Lease liabilities (Note 8 b)	15,123	–
	276,181	**212,622**
c) Other income		
Fees and commission from trust and other fiduciary activities	273,112	272,329
Credit card fees and commission net	167,703	228,648
Other fees and commission income	172,815	187,033
Net exchange trading income	130,780	160,920
Gains from disposal of investments	6,120	8,620
Other operating income	73,985	60,649
Employee benefits medical contribution write back (Note 9 g)	–	423,570
	824,515	**1,341,769**
d) Operating expenses		
Staff costs	701,022	762,696
Employee benefits pension and medical contribution (Note 9 g)	92,076	88,960
General administrative expenses	473,906	427,991
Operating lease payments	6,378	49,282
Property related expenses	81,912	81,794
Depreciation expense (Note 7)	147,399	122,731
Depreciation expense right-of-use assets (Note 8 a)	41,949	–
Advertising and public relations	53,173	60,227
Directors fees	1,712	1,657
	1,599,527	**1,595,338**

19. Credit loss expense on financial assets

Advances (Note 4 d)	329,842	100,562
Debt instruments measured at amortised cost (Note 4 c)	2,323	759
	332,165	**101,321**

20. Taxation expense

Corporation tax	351,684	513,353
Deferred tax (Note 10 b)	(75,658)	121,248
	276,026	**634,601**

Reconciliation between taxation expense and net profit before taxation

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

	2020	2019
Net profit before taxation	997,506	1,937,599
Tax at applicable statutory tax rates	348,331	676,630
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(65,550)	(65,779)
Non-deductible expenses	182,505	104,717
Allowable deductions	(198,937)	(92,137)
Provision for Green Fund Levy and other taxes	9,677	11,170
	276,026	**634,601**

21. Related parties

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

	2020	2019
Advances, investments and other assets		
Directors and key management personnel	10,229	13,232
Other related parties	209,973	146,939
	220,202	**160,171**
Deposits and other liabilities		
Directors and key management personnel	46,748	67,240
Other related parties	176,085	19,890
	222,833	**87,130**
Interest and other income		
Directors and key management personnel	729	431
Other related parties	9,930	14,197
	10,659	**14,628**
Interest and other expense		
Directors and key management personnel	2,462	2,634
Other related parties	2,189	174
	4,651	**2,808**

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

Key management compensation	**2020**	**2019**
Short-term benefits	19,426	17,258
Post employment benefits	7,097	4,709
	26,523	**21,967**

22. Risk management

22.1 General

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

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

The Board of Directors has ultimate responsibility for the management of risk within the Group. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee and Enterprise Risk Committee, 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 Group's activities are primarily related to the use of financial instruments. The Group accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

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

22.2 Credit Risk

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

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

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

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

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

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

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

22. Risk management (continued)

22.2 Credit risk (continued)

22.2.1 Analysis of risk concentration

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

	Gross maximum exposure	
	2020	**2019**
Statutory deposits with Central Bank	4,124,724	4,525,971
Due from banks	7,267,631	6,986,847
Treasury Bills	2,113,569	1,511,382
Advances	26,437,722	26,435,305
Investment securities	6,104,879	5,956,371
Investment interest receivable	68,140	65,810
Total	**46,116,665**	**45,481,686**
Undrawn commitments	2,403,802	5,183,304
Acceptances	1,422,405	1,503,612
Guarantees and indemnities	25	25
Letters of credit	262,062	287,359
Total	**4,088,294**	**6,974,300**
Total credit risk exposure	**50,204,959**	**52,455,986**

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

a) Industry Sectors

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

	2020	**2019**
Government and Central Government Bodies	9,816,575	12,184,698
Financial sector	9,584,758	7,140,722
Energy and mining	1,132,107	839,494
Agriculture	208,025	209,204
Electricity and water	1,241,941	1,345,787
Transport storage and communication	568,409	847,339
Distribution	3,798,632	4,020,954
Real estate	2,926,236	2,933,214
Manufacturing	1,716,407	1,924,959
Construction	2,454,641	2,204,694
Hotel and restaurant	964,308	875,987
Personal	11,818,409	13,069,243
Other services	3,974,511	4,859,691
	50,204,959	**52,455,986**

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

b) Geographical sectors

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

	2020	**2019**
Trinidad and Tobago	43,298,376	44,837,535
Barbados	1,113,477	833,461
Eastern Caribbean	123,581	110,426
Guyana	226,470	222,101
United States	2,456,897	3,571,384
Europe	1,428,953	1,061,658
Ghana	22,712	22,291
Suriname	274,933	299,119
Other Countries	1,259,560	1,498,011
	50,204,959	**52,455,986**

22.2.2 Impairment Assessment

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

22.2.3 Default and recovery

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

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

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

22.2.4 The Group's internal rating and PD estimation process

Commercial and corporate lending and mortgages

The Group has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A vintage approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and using statistical correlation between macroeconomic trends and historical default rates, management applied overlays based on expectations. As previously mentioned, LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on an individual level including estimating the present value of future cash flows. EAD equals the loan balance outstanding plus accrued interest.

22. Risk management (continued)

22.2 Credit risk (continued)

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

Retail lending and mortgages
Product types were selected as cohort for PD analyses for retail lending and retail mortgages. A vintage approach was applied looking at the number of defaults by segment over a period of time. Historical PDs were developed and using statistical correlation between macroeconomic trends and historical default rates, management applied overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

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

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

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

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

22.2.5 Significant increase in credit risk

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

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

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 22.2.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

22.2.6 Grouping financial assets measured on a collective basis

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

Asset classes where the Group calculates ECL on an individual basis include:
- All Stage 3 assets, regardless of the class of financial assets
- The commercial and corporate lending
- The mortgage portfolio
- The retail lending portfolio
- The credit card portfolio

Asset classes where the Group calculates ECL on a collective basis include:
- The retail overdraft portfolio
- Subsidiaries with small, homogeneous retail portfolios
- Past due not yet relegated credit facilities

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

Advances	**2020**	**2019**
Stage 1	91.8%	85.7%
Stage 2	5.0%	12.2%
Stage 3	3.2%	2.1%
	100.0%	**100.0%**

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

The ECL methodology and definition of default remained consistent with prior periods. Calculation inputs, including Forward Looking Information (FLI), together with the determination of the staging of exposures were however revised.

	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
	September 30, 2020					
Stage 1						
Gross loans	4,598,012	6,141,525	12,190,585	1,385,760	756,298	25,072,180
ECL	(37,980)	(24,025)	(23,540)	(5,891)	(39,525)	(130,961)
	4,560,032	**6,117,500**	**12,167,045**	**1,379,869**	**716,773**	**24,941,219**
ECL as a % of Gross loans	0.8	0.4	0.2	0.4	5.2	0.5
	September 30, 2019					
Stage 1						
Gross loans	4,356,122	5,256,546	11,119,461	1,637,347	807,821	23,177,297
ECL	(30,783)	(21,581)	(22,113)	(7,082)	(15,464)	(97,023)
	4,325,339	**5,234,965**	**11,097,348**	**1,630,265**	**792,357**	**23,080,274**
ECL as a % of Gross loans	0.7	0.4	0.2	0.4	1.9	0.4

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

	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
	September 30, 2020					
Stage 2						
Gross loans	20,626	460,166	256,848	464,700	156,779	1,359,119
ECL	(13,795)	(109,454)	(17,936)	(5,460)	(30,539)	(177,184)
	6,831	**350,712**	**238,912**	**459,240**	**126,240**	**1,181,935**
ECL as a % of Gross loans	66.9	23.8	7.0	1.2	19.5	13.0
	September 30, 2019					
Stage 2						
Gross loans	50,512	1,626,555	462,549	985,417	180,811	3,305,844
ECL	(745)	(10,824)	(9,561)	(5,888)	(10,813)	(37,831)
	49,767	**1,615,731**	**452,988**	**979,529**	**169,998**	**3,268,013**
ECL as a % of Gross loans	1.5	0.7	2.1	0.6	6.0	1.1

The increase in Stage 2 ECLs was driven by FLI which increased LGDs and PDs, reflective of the increased risk profile for customers in vulnerable sectors within each entity. The assessment included increased probabilities of default and reduced collateral values in these sectors.

22. Risk management (continued)

22.2 Credit risk (continued)

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

	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Credit cards	Total
	September 30, 2020					
Stage 3						
Gross loans	107,918	386,376	326,848	–	69,128	890,270
ECL	(74,153)	(250,882)	(90,217)	–	(42,486)	(457,738)
	33,765	**135,494**	**236,631**	**–**	**26,642**	**432,532**
ECL as a % of Gross loans	68.7	64.9	27.6	0.0	61.5	51.4
	September 30, 2019					
Stage 3						
Gross loans	84,824	199,136	214,978	–	60,485	559,423
ECL	(60,382)	(172,525)	(80,111)	–	(32,759)	(345,777)
	24,442	**26,611**	**134,867**	**–**	**27,726**	**213,646**
ECL as a % of Gross loans	71.2	86.6	37.3	0.0	54.2	61.8

The decrease of 10.4% in Stage 3 ECLs as a percentage of gross loans was reflective of increased non-performing loans with higher collateral values.

Investment securities	**2020**	**2019**
Stage 1	77.8%	99.7%
Stage 2	22.2%	0.1%
Stage 3	0.0%	0.2%
POCI	0.0%	0.0%
	100.0%	100.0%

	Stage 1	Stage 2	Stage 3	POCI	Total
	September 30, 2020				
Gross balance	4,421,380	1,259,741	–	1,440	5,682,561
ECL	(2,103)	(1,787)	–	(370)	(4,260)
	4,419,277	**1,257,954**	**–**	**1,070**	**5,678,301**
ECL as a % of Gross investments	0.0	0.1	0.0	25.7	0.1
	September 30, 2019				
Gross balance	5,480,292	4,646	10,867	–	5,495,805
ECL	(1,567)	–	(874)	–	(2,441)
	5,478,725	**4,646**	**9,993**	**–**	**5,493,364**
ECL as a % of Gross investments	0.0	0.0	8.0	0.0	0.0

The decrease in gross balances for Stage 1 and increase for Stage 2 is reflective of the increased risk profile of the investment portfolio as a result of the global impact of COVID-19. The decrease in Stage 3 ECL was reflective of the reclassification of the Government of Barbados debt from Stage 3 into POCI securities.

22.3 Liquidity risk

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

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

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

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

22.3.1 Analysis of financial liabilities by remaining contractual maturities

The following table summarises the maturity profile of the Group's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position. Refer to Note 25 for a maturity analysis of assets and liabilities.

Financial liabilities - on consolidated statement of financial position

	On demand	Up to one year	One to five years	Over five years	Total
2020					
Customers' current, savings and deposit accounts	34,388,639	3,085,477	256,430	–	37,730,546
Other fund raising instruments	–	4,450,909	–	–	4,450,909
Debt securities in issue	–	66,250	230,689	1,062,264	1,359,203
Due to banks	–	339,885	–	–	339,885
Lease liabilities	–	55,087	196,427	266,969	518,483
Other liabilities	404,413	17,336	–	–	421,749
Total undiscounted financial liabilities	**34,793,052**	**8,014,944**	**683,546**	**1,329,233**	**44,820,775**
2019					
Customers' current, savings and deposit accounts	32,152,371	2,625,155	131,843	–	34,909,369
Other fund raising instruments	–	4,576,264	–	–	4,576,264
Debt securities in issue	–	64,520	314,196	1,145,078	1,523,794
Due to banks	–	1,292,580	–	–	1,292,580
Other liabilities	328,243	21,115	–	–	349,358
Total undiscounted financial liabilities	**32,480,614**	**8,579,634**	**446,039**	**1,145,078**	**42,651,365**

22. Risk management (continued)

22.3 Liquidity risk (continued)

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

Financial liabilities - off consolidated statement of financial position

	On demand	Up to one year	One to five years	Over five years	Total
2020					
Acceptances	472,470	635,862	313,769	304	1,422,405
Guarantees and indemnities	25	–	–	–	25
Letters of credit	262,062	–	–	–	262,062
Total	**734,557**	**635,862**	**313,769**	**304**	**1,684,492**
2019					
Acceptances	272,367	826,977	403,942	326	1,503,612
Guarantees and indemnities	25	–	–	–	25
Letters of credit	287,359	–	–	–	287,359
Total	**559,751**	**826,977**	**403,942**	**326**	**1,790,996**

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

22.4 Market risk

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

22.4.1 Interest rate risk

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

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

The table below summarises the interest-rate exposure of the Group's consolidated statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit of a reasonable possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table:

		Impact on net profit			
		2020		2019	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	60,175	(60,175)	55,185	(55,185)
USD Instruments	+/- 50	10,898	(10,898)	13,789	(13,789)

22.4.2 Currency risk

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

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets and related funding of overseas subsidiaries and associates, from the respective local currency to TTD. Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognised in reserves. Gains or losses on related foreign currency funding are recognised in the consolidated statement of income.

The principal currencies of the Group's subsidiary and associated company investments are TTD and USD.

The tables below indicate the currencies to which the Group had significant exposure at September 30, on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the TTD, with all other variables held constant.

2020	**TTD**	**USD**	**BDS**	**Other**	**Total**
Financial assets					
Cash on hand	458,861	36,618	1,253	16,903	513,635
Statutory deposits with Central Bank	4,124,724	–	–	–	4,124,724
Due from banks	4,506,744	1,680,668	1,123	1,079,096	7,267,631
Treasury Bills	1,276,259	837,310	–	–	2,113,569
Advances	22,019,334	4,229,115	–	189,273	26,437,722
Investment securities	4,751,524	1,379,048	–	–	6,130,572
Investment interest receivable	58,944	9,175	–	21	68,140
Total financial assets	**37,196,390**	**8,171,934**	**2,376**	**1,285,293**	**46,655,993**
Financial liabilities					
Due to banks	–	335,015	–	3,403	338,418
Customers' current, savings and deposit accounts	29,881,403	6,809,424	–	1,019,028	37,709,855
Other fund raising instruments	4,176,267	132,124	–	31,056	4,339,447
Debt securities in issue	37,564	993,091	–	–	1,030,655
Accrued interest payable	32,467	17,022	–	246	49,735
Lease liabilities	358,433	–	–	–	358,433
Total financial liabilities	**34,486,134**	**8,286,676**	**–**	**1,053,733**	**43,826,543**
Net currency risk exposure		**(114,742)**	**2,376**	**231,560**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**(1,147)**	**24**	**2,316**	

2019	**TTD**	**USD**	**BDS**	**Other**	**Total**
Financial assets					
Cash on hand	380,966	22,990	942	8,244	413,142
Statutory deposits with Central Bank	4,525,971	–	–	–	4,525,971
Due from banks	1,864,179	4,353,081	463	769,124	6,986,847
Treasury Bills	1,511,382	–	–	–	1,511,382
Advances	21,989,227	4,251,631	–	194,447	26,435,305
Investment securities	4,702,324	1,280,583	–	–	5,982,907
Investment interest receivable	55,969	9,768	–	73	65,810
Total financial assets	**35,030,018**	**9,918,053**	**1,405**	**971,888**	**45,921,364**
Financial liabilities					
Due to banks	365,253	911,423	–	5,755	1,282,431
Customers' current, savings and deposit accounts	26,909,290	7,256,811	–	727,087	34,893,188
Other fund raising instruments	4,287,560	176,828	–	93,736	4,558,124
Debt securities in issue	49,334	987,921	–	–	1,037,255
Accured interest payable	30,794	9,028	–	957	40,779
Total financial liabilities	**31,642,231**	**9,342,011**	**–**	**827,535**	**41,811,776**
Net currency risk exposure		**576,042**	**1,405**	**144,353**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**5,760**	**14**	**1,444**	

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22. Risk management (continued)

22.5 Operational risk

The growing sophistication of the financial industry has made the Group's operational risk profile more complex. Operational risk is inherent within all business activities and has the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Group recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

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

Managing cybersecurity related threats across the Group remains a major priority. As part of the Group's business strategy in reducing cyber risk exposure, cybersecurity is embedded in the design of technology and services prior to deployment. The Group's Enterprise Risk Management Committee is responsible for overseeing cybersecurity risks and maintaining cybersecurity risk appetite. Mechanisms are in place across the Group to predict, prevent, detect and respond against cyber threats and where appropriate, risk is transferred by the placement of adequate insurance coverage.

23. Capital management

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity decreased by $698 million to $5.0 billion during the year under review.

Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Central Bank for supervisory purposes. In T&T, the Basel II Regulations were promulgated in May 2020. Under these regulations, the risk-based capital guidelines require a minimum ratio of core capital (Tier I) to risk-weighted assets of 6%, with a minimum total qualifying capital (Tier II) ratio of 10%. Core capital (Tier I) comprises mainly of shareholders' equity.

		2020	2019
Capital adequacy ratio:	Basel I	N/A	24.51%
	Basel II	14.66%	N/A

At September 30, 2020 the Parent exceeded the minimum level required for adequately capitalised financial institutions (2019: exceeded).

24. Fair value

24.1 Carrying values and fair values

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

	Carrying value	Fair value	Unrecognised (loss)/gain
2020			
Financial assets			
Cash, due from banks and Treasury Bills	9,894,835	9,894,835	–
Advances	26,437,722	26,326,742	(110,980)
Investment securities	6,130,572	6,258,055	127,483
Investment interest receivable	68,140	68,140	–
Other financial assets	7,874	7,874	–
Financial liabilities			
Customers' current, savings and deposit accounts	37,709,855	37,709,855	–
Borrowings and other fund raising instruments	4,677,865	4,677,865	–
Debt securities in issue	1,030,655	1,030,655	–
Accrued interest payable	49,735	49,735	–
Other financial liabilities	404,419	404,419	–
Total unrecognised change in unrealised fair value			**16,503**

	Carrying value	Fair value	Unrecognised (loss)/gain
2019			
Financial assets			
Cash, due from banks and Treasury Bills	8,911,371	8,911,371	–
Advances	26,435,305	25,215,837	(1,219,468)
Investment securities	5,982,907	6,072,195	89,288
Investment interest receivable	65,810	65,810	–
Other financial assets	5,165	5,165	–
Financial liabilities			
Customers' current, savings and deposit accounts	34,893,188	34,893,188	–
Borrowings and other fund raising instruments	5,840,555	5,840,555	–
Debt securities in issue	1,037,255	1,037,255	–
Accrued interest payable	40,779	40,779	–
Other financial liabilities	328,333	328,333	–
Total unrecognised change in unrealised fair value			**(1,130,180)**

24.2 Fair value and fair value hierarchies

24.2.1 Determination of fair value and fair value hierarchies

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

	Level 1	Level 2	Level 3	Total
2020				
Financial assets measured at fair value				
Investment securities	16,735	–	8,958	25,693
Financial assets for which fair value is disclosed				
Advances	429,758	25,894,713	2,271	26,326,742
Investment securities	1,367,163	4,865,199	–	6,232,362
Financial liabilities measured at fair value				
Borrowings and other fund raising instruments	4,677,865	–	–	4,677,865
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	37,709,855	37,709,855
Debt securities in issue	–	1,030,655	–	1,030,655
2019				
Financial assets measured at fair value				
Investment securities	17,578	–	8,958	26,536
Financial assets for which fair value is disclosed				
Advances	519,229	24,694,382	2,225	25,215,837
Investment securities	1,268,817	4,776,843	–	6,045,659
Financial liabilities measured at fair value				
Borrowings and other fund raising instruments	4,558,124	–	–	4,558,124
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	34,893,188	34,893,188
Debt securities in issue	–	1,037,255	–	1,037,255

24. Fair value (continued)

24.2 Fair value and fair value hierarchies (continued)

24.2.2 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2020 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	2.25% - 11.25%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.05% - 3.00%

24.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2020, $34.6 million of assets were transferred between Level 1 and Level 2 (2019: $1.06 million).

24.2.4 Reconciliation of movements in Level 3 financial assets measured at fair value

	Balance at beginning of year	Additions	Disposals/ transfers to Level 2	Balance at end of year
2020				
Financial assets designated at fair value through profit or loss	8,958	–	–	8,958
2019				
Financial assets designated at fair value through profit or loss	8,958	–	–	8,958

25. Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Group based on the remaining period at September 30, to the contractual maturity date. Refer to Note 22.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2020	Within one year	After one year	Total
ASSETS			
Cash on hand	513,635	–	513,635
Statutory deposits with Central Bank	4,124,724	–	4,124,724
Due from banks	7,267,631	–	7,267,631
Treasury Bills	2,113,569	–	2,113,569
Advances	8,349,019	18,088,703	26,437,722
Investment securities	1,265,011	4,865,561	6,130,572
Investment interest receivable	68,140	–	68,140
Investment in associated companies	–	56,362	56,362
Premises and equipment	–	1,993,228	1,993,228
Right-of-use assets	–	351,481	351,481
Pension assets	–	441,671	441,671
Deferred tax assets	–	179,197	179,197
Taxation recoverable	–	29,064	29,064
Other assets	299,089	–	299,089
	24,000,818	**26,005,267**	**50,006,085**

2020	Within one year	After one year	Total
LIABILITIES			
Due to banks	338,418	–	338,418
Customers' current, savings and deposit accounts	37,464,682	245,173	37,709,855
Other fund raising instruments	4,339,447	–	4,339,447
Debt securities in issue	–	1,030,655	1,030,655
Lease liabilities	–	358,433	358,433
Provision for post-retirement medical benefits	–	21,053	21,053
Taxation payable	43,437	–	43,437
Deferred tax liabilities	–	195,449	195,449
Accrued interest payable	29,364	20,371	49,735
Other liabilities	911,631	–	911,631
	43,126,979	**1,871,134**	**44,998,113**

2019	Within one year	After one year	Total
ASSETS			
Cash on hand	413,142	–	413,142
Statutory deposits with Central Bank	4,525,971	–	4,525,971
Due from banks	6,986,847	–	6,986,847
Treasury Bills	1,511,382	–	1,511,382
Advances	7,620,724	18,814,581	26,435,305
Investment securities	878,042	5,104,865	5,982,907
Investment interest receivable	65,810	–	65,810
Investment in associated companies	–	51,521	51,521
Premises and equipment	–	1,853,528	1,853,528
Pension assets	–	617,295	617,295
Deferred tax assets	–	118,750	118,750
Taxation recoverable	–	28,895	28,895
Other assets	212,628	22	212,650
	22,214,546	**26,589,457**	**48,804,003**
LIABILITIES			
Due to banks	1,282,431	–	1,282,431
Customers' current, savings and deposit accounts	34,766,017	127,171	34,893,188
Other fund raising instruments	4,558,124	–	4,558,124
Debt securities in issue	–	1,037,255	1,037,255
Provision for post-retirement medical benefits	–	25,369	25,369
Taxation payable	143,277	–	143,277
Deferred tax liabilities	–	241,461	241,461
Accrued interest payable	38,629	2,150	40,779
Other liabilities	875,692	–	875,692
	41,664,170	**1,433,406**	**43,097,576**

26. Equity compensation benefits

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 2020 the cost of the options expensed in the consolidated statement of income was $8.545 million (2019: $2.530 million).

27. Dividends paid and proposed

During the period, the Board approved and issued dividends to its shareholders, in the amount of $105.8 million (2019: $175.1 million).

Declared and paid during the year	**2020**	**2019**
Equity dividends on ordinary shares:		
Final dividend for 2019: $15.84 (2018: $15.97)	1,260,640	1,270,850
First dividend for 2020: $1.33 (2019: $2.20)	105,844	175,061
Total dividends paid	**1,366,484**	**1,445,911**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2020: $3.65 (2019: $15.84)	**290,606**	**1,260,640**

28. Contingent liabilities

a) Litigation

As at September 30, 2020, there were certain tax and legal proceedings outstanding against the Group. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2020	**2019**
Acceptances	1,422,405	1,503,612
Guarantees and indemnities	25	25
Letters of credit	262,062	287,359
	1,684,492	**1,790,996**

c) Sectoral information

State	115,893	118,714
Corporate and commercial	1,545,364	1,645,030
Personal	13,265	17,060
Other financial institutions	9,570	9,792
Other	400	400
	1,684,492	**1,790,996**

d) Pledged assets

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

	Carrying amount		**Related liability**	
	2020	**2019**	**2020**	**2019**
Advances	69,824	88,457	70,237	89,170
Financial assets	4,982,449	4,333,746	5,196,456	4,861,768

The assets pledged by the Group relate to a pool of securities held for the purpose of providing collateral for the counterparty. In the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

29. Subsidiary companies

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

30. Structured entities

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

These structured entities include Mutual Funds and Retirement Benefit Plans which are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2020, the Group earned $27.7 million (2019: $27.7 million) in management fees from the retirement plans and $93.7 million (2019: $96.6 million) from the mutual funds.

The Group holds an interest of $81.5 million in sponsored funds as at September 30, 2020 (2019: $42.4 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Group. These values are all included in the Investment securities portfolio of the Group as at September 30, 2020.