REPUBLIC BANK LIMITED

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2023

Ernst & Young Services Limited

Building a better working world

REPUBLIC BANK LIMITED

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

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Ernst & Young Services Limited
P.O. Box 158
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

Tel: +1 868 628 1105
Fax: +1 868 622 1153
www.ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF REPUBLIC BANK LIMITED

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Republic Bank Limited ("the Bank"), which comprise the separate statement of financial position as at September 30, 2023, and the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2023, and financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' ("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 Separate Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF REPUBLIC BANK LIMITED

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF REPUBLIC BANK LIMITED

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

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

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

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

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

EY

Port of Spain,
TRINIDAD:
November 3, 2023

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REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($'000)

ASSETS	**Notes**	**2023**	**2022**
Cash on hand		623,286	623,191
Statutory deposits with Central Bank		4,575,116	4,356,694
Due from banks		1,992,842	3,135,240
Treasury Bills		2,139,717	3,675,979
Advances	4	29,777,780	28,099,768
Investment securities	5	4,747,405	4,616,779
Investment interest receivable		39,713	38,846
Investment in associated companies	6(a)	3,411	3,411
Investment in subsidiaries	6(b)	702,893	702,893
Premises and equipment	7	2,202,212	2,186,463
Right-of-use assets	8(a)	224,236	267,015
Net pension assets	9(a)	889,089	1,078,346
Deferred tax assets	10(a)	273,648	221,512
Taxation recoverable		21,031	21,031
Other assets	11	1,126,657	941,263
TOTAL ASSETS		**49,339,036**	**49,968,431**

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

REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($'000)
(Continued)

LIABILITIES AND EQUITY	**Notes**	**2023**	**2022**
LIABILITIES			
Due to banks		581	12,294
Customers' current, savings and deposit accounts	12	41,107,448	41,539,098
Other fund raising instruments	13	61,333	211,737
Debt securities in issue	14	996,437	994,348
Lease liabilities	8(b)	243,029	283,339
Provision for post-retirement medical benefits	9(a)	6,494	14,544
Taxation payable		122,879	71,582
Deferred tax liabilities	10(b)	422,720	472,489
Accrued interest payable		45,742	41,806
Other liabilities	15	978,443	1,023,662
TOTAL LIABILITIES		**43,985,106**	**44,664,899**
EQUITY			
Stated capital	16	769,777	769,777
Statutory reserves		1,377,068	1,334,246
Retained earnings		3,207,085	3,199,509
TOTAL EQUITY		**5,353,930**	**5,303,532**
TOTAL LIABILITIES AND EQUITY		**49,339,036**	**49,968,431**

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

These financial statements were approved by the Board of Directors on November 1, 2023 and signed on its behalf by:

Nigel Baptiste, *Managing Director*

Vincent Pereira, *Chairman*

Trevor Nicholas Gomez, *Director*

Kimberly Erriah-Ali, *Corporate Secretary*

REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($’000)

	Notes	2023	2022
Interest income	17(a)	2,231,562	2,038,368
Interest expense	17(b)	(198,715)	(156,622)
Net interest income		2,032,847	1,881,746
Other income	17(c)	1,177,705	1,104,134
		3,210,552	2,985,880
Operating expenses	17(d)	(1,798,067)	(1,621,915)
Operating profit		1,412,485	1,363,965
Credit loss expense on financial assets	18	(339,759)	(189,878)
Net profit before taxation		1,072,726	1,174,087
Taxation expense	19	(274,234)	(273,585)
Net profit after taxation		**798,492**	**900,502**

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

REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($’000)

	Note	2023	2022
Net profit after taxation		**798,492**	**900,502**
Other comprehensive loss:			
Other comprehensive loss (net of tax) that will not be reclassified to the separate statement of income in subsequent periods:			
Remeasurement losses on defined benefit plans		(162,978)	(327,074)
Income tax related to above	10(b)	57,042	114,476
Total items that will not be reclassified to the separate statement of income in subsequent periods		**(105,936)**	**(212,598)**
Other comprehensive loss for the year, net of tax		**(105,936)**	**(212,598)**
Total comprehensive income for the year, net of tax		**692,556**	**687,904**

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

REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	**Statutory reserves**	**Retained earnings**	**Total equity**
Balance at October 1, 2021	**769,777**	**1,304,646**	**2,926,711**	**5,001,134**
Total comprehensive income for the year	–	–	687,904	687,904
Transfer to statutory reserves	–	29,600	(29,600)	–
Dividends (Note 26)	–	–	(385,506)	(385,506)
Balance at September 30, 2022	**769,777**	**1,334,246**	**3,199,509**	**5,303,532**
Total comprehensive income for the year	–	–	692,556	692,556
Transfer to statutory reserves	–	42,822	(42,822)	–
Dividends (Note 26)	–	–	(642,158)	(642,158)
Balance at September 30, 2023	**769,777**	**1,377,068**	**3,207,085**	**5,353,930**

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

REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($’000)

	Notes	2023	2022
Operating activities			
Net profit before taxation		1,072,726	1,174,087
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	7&8(a)	248,713	244,239
Credit loss expense on financial assets	18	339,759	189,878
Gain on sale of premises and equipment		(810)	(2,236)
Realised loss on investment securities		536	1,431
Employee benefits expense/(income)		22,501	(2,271)
Premiums/contributions paid		(4,272)	(5,792)
Increase in advances		(1,881,555)	(814,719)
(Decrease)/increase in customers' deposits and other fund raising instruments		(582,054)	708,407
(Increase)/decrease in statutory deposits with Central Bank		(218,422)	56,626
Increase in other assets and investment interest receivable		(321,329)	(316,188)
(Decrease)/increase in other liabilities and accrued interest payable		(41,283)	112,696
Taxes paid, net of refund		(267,800)	(263,748)
Net cash (used in)/provided by operating activities		(1,633,290)	1,082,410
Investing activities			
Purchase of investment securities		(4,273,647)	(6,036,890)
Redemption of investment securities		4,411,853	4,849,408
Additions to premises and equipment and right-of-use assets	7&8(a)	(225,781)	(310,917)
Proceeds from sale of premises and equipment		4,908	9,799
Net cash used in investing activities		(82,667)	(1,488,600)

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

REPUBLIC BANK LIMITED

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Expressed in thousands of Trinidad and Tobago dollars ($'000)
(Continued)

	Notes	2023	2022
Financing activities			
(Decrease)/increase in balances due to other banks		(11,713)	4,874
Repayment of lease liabilities (net)	8(b)	(40,310)	(33,856)
Dividends paid	26	(642,158)	(385,506)
Amortised prepaid cost		2,088	2,088
Net cash used in financing activities		(692,093)	(412,400)
Net decrease in cash and cash equivalents		(2,408,050)	(818,590)
Cash and cash equivalents at beginning of year		5,408,731	6,227,321
Cash and cash equivalents at end of year		**3,000,681**	**5,408,731**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		623,286	623,191
Due from banks		1,992,842	3,135,240
Treasury Bills - original maturities of three months or less		384,553	1,650,300
		3,000,681	**5,408,731**
Supplemental information:			
Interest received during the year		2,216,211	2,033,996
Interest paid during the year		194,780	149,282
Dividends received	17(c)	191,927	326,254

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

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. Republic Financial Holdings Limited is the ultimate Parent of the Bank 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 28, while the associate companies are listed in Note 6(a).

2. Significant accounting policies

These separate financial statements provide information on the accounting estimates and judgements made by the Bank. These estimates and judgements are reviewed on an ongoing basis. Given the continued impact of global economic uncertainty exacerbated by high inflation and rising interest rates, the Bank has maintained its estimation uncertainty in the preparation of these separate financial statements. The estimation uncertainty is associated with 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 Bank has formed estimates based on information available on September 30, 2023, 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 Bank for future periods.

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

2. Significant accounting policies (continued)

2.1 Basis of preparation

These financial statements are separate financial statements. Separate financial statements are those presented by a parent in which the investment in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost. A list of significant investments in subsidiaries is disclosed in Note 28 of these separate financial statements. The separate financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These separate financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value through profit or loss. The preparation of separate financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Bank's accounting policies have been described in Note 3.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2022, except for the adoption of new standards and interpretations below.

Several amendments and interpretations apply for the first time in 2023, but do not have any impact on the separate financial statements of the Bank. These are also described in more detail below. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

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).

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

These amendments had no impact on the separate financial statements of the Bank.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (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.

These amendments had no impact on the separate financial statements of the Bank.

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.

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

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

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

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.

These amendments had no impact on the separate financial statements of the Bank.

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, 2022:

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)*
IAS 41 -	Agriculture – Taxation in fair value measurements (*effective January 1, 2022*)

These improvements had no impact on the separate financial statements of the Bank.

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective

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

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 8 (effective January 1, 2023)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 12 Income Taxes - Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective January 1, 2023)

The amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g. if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 12 Income Taxes - Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules (effective January 1, 2023)

The amendments to IAS 12, introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023, but are not required for any interim period ending on or before December 31, 2023.

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments to IAS 1 - Disclosure of Accounting Policies (effective January 1, 2023)

The IASB issued amendments to provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (effective January 1, 2024)

The IASB 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

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IFRS 16 Leases - Amendments to IFRS 16 (effective January 1, 2024)

The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

A seller-lessee applies the amendment to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies

a) Cash and cash equivalents

For the purpose of presentation in the separate statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash at hand, due from banks, Treasury Bills and bankers' acceptances with original maturities of three months or less. Bankers' acceptances and due from banks with maturities greater than three months are classified as investments.

b) Statutory deposits with Central Bank

Deposits with the Central Bank of Trinidad and Tobago and other regulatory authorities represent the Bank'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 Bank's day-to-day operations. Other than statutory deposits of $4.6 billion (2022: $4.4 billion), the Bank holds Treasury Bills and other deposits of $1.7 billion (2022: $2.6 billion) with the Central Bank of Trinidad and Tobago and $0.4 billion (2022: $1 billion) in foreign Treasury Bills as at September 30, 2023. Interest earned on these balances for the year was $39 million (2022: $12 million).

c) Financial instruments - initial recognition

i) Date of recognition

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

c) Financial instruments - initial recognition (continued)

ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.4 (d) (i). Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

iii) Measurement categories of financial assets and liabilities

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

- Amortised cost, as explained in Note 2.4 (d) (i)
- FVPL, as explained in Note 2.4 (d) (ii)

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

d) Financial assets and liabilities

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

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding and

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

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

The details of these conditions are outlined below.

The SPPI test

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

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 Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

2.4 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

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

Business model assessment

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

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

• How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

• The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

• The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

ii) Financial assets at fair value through profit or loss

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

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

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

iii) Undrawn loan commitments

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

iv) Debt securities and Other fund raising instruments

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

e) Reclassification of financial assets and liabilities

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

f) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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 Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

f) Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification

Financial assets

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

f) Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification (continued)

Financial assets (continued)

A transfer only qualifies for derecognition if either:

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

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

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

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

Financial liabilities

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets

i) Overview of the ECL principles

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

i) Overview of the ECL principles (continued)

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

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

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

Stage 3
For financial assets considered credit-impaired (as outlined in Note 21.2), the Bank records an allowance for the LTECLs.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

i) Overview of the ECL principles (continued)

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

ii) The calculation of ECLs

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

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

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

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

2. Significant accounting policies (continued)

2.4 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 Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 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 Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3
For financial assets considered credit-impaired (as defined in Note 21.2), the Bank recognises the LTECLs for these loans and investments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

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

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

iii) Credit cards, overdrafts and other revolving facilities

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

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 21.2.4, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

iv) Other assets

The Group applies the simplified approach for other assets as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. All accounts are grouped together based on shared credit risk characteristics and future cash flows are discounted at an appropriate rate. Rates are then calculated based on historical payment profiles and were adjusted to incorporate forward-looking information as of the separate statement of financial position date.

v) 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.

vi) Financial guarantees, letters of credit and undrawn loan commitments

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

vii) Forward looking information

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

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

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

The Bank however recognised that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the separate financial statements. To reflect this, management adjustments or overlays are made by assessing the macroeconomic factors and applying judgements, when such differences are significantly material.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

h) Collateral valuation

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

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

i) Collateral repossessed

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

j) Write-offs

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

k) Investment in associated companies

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

The Bank's investments in associates are accounted for at stated cost less any impairment.

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

l) Leases

The Bank 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.

Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank 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 Bank 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.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

l) Leases (continued)

Lease liabilities (continued)

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

Bank as a Lessor

Leases in which the Bank 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 separate 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.

Finance leases

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

m) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

Leasehold improvements, equipment, furniture and fittings are depreciated on a straight-line basis over their estimated useful lives. Depreciation on freehold premises 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 premises	2%
Leasehold premises	Straight line based on lease term
Furniture and fittings	Straight line 10 - 60 years
Equipment (computers, software, servers, other hardware etc.)	Straight line 4 - 8 years

2. Significant accounting policies (continued)

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

n) Impairment of non-financial assets (continued)

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

o) Employee benefits

i) Pension obligations

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

o) Employee benefits (continued)

i) Pension obligations (continued)

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

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

b) Net interest expense or income

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

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

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

ii) Other post-retirement obligations

The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the shortest period of service that an employee must complete up to the date the employee is first eligible to retire early in normal health, using a methodology similar to that for defined benefit pension plans. Independent qualified actuaries carry out a valuation of these obligations.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

o) Employee benefits (continued)

iii) Profit sharing scheme

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

iv) Share-based payments

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

p) Taxation

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

p) Taxation (continued)

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

q) Statutory reserves

Statutory reserves represent accumulated transfers from net profit after deduction of taxes in each year for the Bank to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. In Trinidad there is also a requirement to maintain statutory reserves of at least twenty times its deposit liabilities. These reserves are not available for distribution as dividends or any other form of appropriation. Statutory reserves amounted to $1.4 billion (2022: $1.3 billion).

r) Fiduciary assets

The Bank provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these separate financial statements as they are not the assets of the Bank. These assets under administration at September 30, 2023, totalled $38.5 billion (2022: $38 billion).

s) Foreign currency translation

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

t) Revenue recognition

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

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

The EIR method

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

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

Interest income and expense

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

t) Revenue recognition (continued)

Interest income and expense (continued)

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

Fee and commission income

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

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

Dividends

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

u) Fair value

The Bank measures financial instruments at fair value at each separate statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 23 to the separate financial statements.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

u) Fair value (continued)

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

u) Fair value (continued)

Level 2

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

Level 3

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

u) Fair value (continued)

Level 3 (continued)

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.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

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

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Bank's separate statement of financial position but are detailed in Note 27 (b) to these separate financial statements.

w) Equity reserves

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

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

Statutory reserves that qualify for treatment as equity are discussed in Note 2.4 (q).

3. Significant accounting judgements, estimates and assumptions

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

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

a. Risk management (Note 21)
b. Capital management (Note 22)

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 Bank based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

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

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

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

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

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

Estimates and assumptions (continued)

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

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

Other assumptions

Net pension asset/liability (Note 9)
In conducting valuation exercises to measure the effect of the employee benefit plan to the Bank, the Banks' independent actuary uses judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the plan.

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

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

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

Judgements (continued)

Leases (Note 8)

The Bank 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 Bank has several lease contracts that include extension and termination options. The Bank 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 Bank 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 Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Bank 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 Bank 'would have to pay', which requires estimation when no observable rates are available (such as for entities 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 entity's functional currency). The Bank 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 entity'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 Bank. This assessment revealed that the Bank is unable to exercise power over the activities of the funds/plans and is therefore not deemed to be in control of any of the mutual funds and retirement plans.

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

4. Advances

a) Advances

Advances	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit cards	Total
	September 30, 2023					
Performing advances	4,894,706	6,652,014	14,821,270	2,176,180	1,047,909	29,592,079
Non-performing advances	114,406	546,564	514,684	–	122,759	1,298,413
	5,009,112	7,198,578	15,335,954	2,176,180	1,170,668	30,890,492
Unearned interest/finance charge	(797)	(68)	–	–	–	(865)
Accrued interest	788	37,451	24,696	7,219	–	70,154
Gross loans	5,009,103	7,235,961	15,360,650	2,183,399	1,170,668	30,959,781
Allowance for ECLs - Note 4(d)	(158,665)	(551,532)	(226,646)	(21,747)	(92,527)	(1,051,117)
	4,850,438	6,684,429	15,134,004	2,161,652	1,078,141	29,908,664
Unearned loan origination fees	(30,157)	(28,437)	(72,290)	–	–	(130,884)
Net advances	**4,820,281**	**6,655,992**	**15,061,714**	**2,161,652**	**1,078,141**	**29,777,780**
Advances	**September 30, 2022**					
Performing advances	4,471,078	6,699,993	13,649,532	2,170,726	1,045,869	28,037,198
Non-performing advances	100,615	461,824	423,266	–	68,554	1,054,259
	4,571,693	7,161,817	14,072,798	2,170,726	1,114,423	29,091,457
Unearned interest/finance charge	(980)	(181)	–	–	–	(1,161)
Accrued interest	699	35,564	12,267	7,140	–	55,671
Gross loans	4,571,412	7,197,200	14,085,065	2,177,866	1,114,423	29,145,966
Allowance for ECLs - Note 4(d)	(154,866)	(451,403)	(220,066)	(21,748)	(75,375)	(923,458)
	4,416,546	6,745,797	13,864,999	2,156,118	1,039,048	28,222,508
Unearned loan origination fees	(28,015)	(25,958)	(68,767)	–	–	(122,740)
Net advances	**4,388,531**	**6,719,839**	**13,796,232**	**2,156,118**	**1,039,048**	**28,099,768**

b) Net investment in leased assets included in net advances

	2023	2022
Gross investment	2,474	5,676
Unearned finance charge	(68)	(157)
Net investment in leased assets	**2,406**	**5,519**

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

4. Advances (continued)

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

	2023	**2022**
Within one year	76	905
One to five years	2,330	4,614
	2,406	**5,519**

d) Impairment allowance for advances to customers

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

	September 30, 2023					
	Retail lending	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
Gross loans	5,009,103	7,235,961	15,360,650	2,183,399	1,170,668	30,959,781
Stage 1: 12 Month ECL	(77,416)	(44,206)	(67,726)	(15,756)	(18,676)	(223,780)
Stage 2: Lifetime ECL	(4,147)	(125,628)	(43,787)	(5,991)	(15,647)	(195,200)
Stage 3: Credit-impaired financial assets - Lifetime ECL	(77,102)	(381,698)	(115,133)	–	(58,204)	(632,137)
	4,850,438	**6,684,429**	**15,134,004**	**2,161,652**	**1,078,141**	**29,908,664**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2022	78,434	39,435	66,757	15,912	16,926	217,464
ECL on new instruments issued during the year	16,879	13,497	3,016	–	–	33,392
Other credit loss movements, repayments etc.	(17,897)	(8,726)	(2,047)	(156)	1,750	(27,076)
At September 30, 2023	77,416	44,206	67,726	15,756	18,676	223,780
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2022	4,942	126,632	43,140	5,836	11,710	192,260
ECL on new instruments issued during the year	676	6,312	4,737	–	–	11,725
Other credit loss movements, repayments etc.	(1,471)	(7,316)	(4,090)	155	3,937	(8,785)
At September 30, 2023	4,147	125,628	43,787	5,991	15,647	195,200

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

4. Advances (continued)

d) Impairment allowance for advances to customers (continued)

	September 30, 2023					
	Retail lending	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
Stage 3: Credit-impaired Financial Assets - Lifetime ECL						
ECL allowance as at October 1, 2022	71,490	285,336	110,169	–	46,739	513,734
Charge-offs and write-offs	(35,065)	(17,878)	(5,330)	–	(17,611)	(75,884)
Credit loss expense	78,421	141,623	42,090	–	36,377	298,511
Recoveries	(37,744)	(27,383)	(31,796)	–	(7,301)	(104,224)
At September 30, 2023	77,102	381,698	115,133	–	58,204	632,137
Total	**158,665**	**551,532**	**226,646**	**21,747**	**92,527**	**1,051,117**

Of the total ECL of $1.1 billion, 0.06% was on a collective basis and 99.94% was on an individual basis.

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

	September 30, 2022					
	Retail lending	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
Gross loans	4,571,412	7,197,200	14,085,065	2,177,866	1,114,423	29,145,966
Stage 1: 12 Month ECL	(78,434)	(39,435)	(66,757)	(15,912)	(16,926)	(217,464)
Stage 2: Lifetime ECL	(4,942)	(126,632)	(43,140)	(5,836)	(11,710)	(192,260)
Stage 3: Credit-impaired financial assets - Lifetime ECL	(71,490)	(285,336)	(110,169)	–	(46,739)	(513,734)
	4,416,546	**6,745,797**	**13,864,999**	**2,156,118**	**1,039,048**	**28,222,508**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2021	85,577	34,634	56,533	12,862	14,432	204,038
ECL on new instruments issued during the year	12,170	8,994	2,196	–	–	23,360
Other credit loss movements, repayments etc.	(19,313)	(4,193)	8,028	3,050	2,494	(9,934)
At September 30, 2022	78,434	39,435	66,757	15,912	16,926	217,464

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

4. Advances (continued)

d) Impairment allowance for advances to customers (continued)

	September 30, 2022					
	Retail lending	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit Cards**	**Total**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2021	5,179	29,721	35,037	7,488	23,064	100,489
ECL on new instruments issued during the year	599	3,292	3,747	–	–	7,638
Other credit loss movements, repayments etc.	(836)	93,619	4,356	(1,652)	(11,354)	84,133
At September 30, 2022	4,942	126,632	43,140	5,836	11,710	192,260
Stage 3: Credit-impaired Financial Assets - Lifetime ECL						
ECL allowance as at October 1, 2021	88,481	257,609	102,318	–	46,870	495,278
Charge-offs and write-offs	(44,106)	(11,393)	(715)	–	(9,643)	(65,857)
Credit loss expense	67,722	87,398	48,451	–	25,431	229,002
Recoveries	(40,607)	(48,278)	(39,885)	–	(15,919)	(144,689)
At September 30, 2022	71,490	285,336	110,169	–	46,739	513,734
Total	**154,866**	**451,403**	**220,066**	**21,748**	**75,375**	**923,458**

Of the total ECL of $0.9 billion, 0.09% was on a collective basis and 99.91% was on an individual basis.

e) Restructured/Modified loans

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

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

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $78.2 million as at September 30, 2023 ($99.2 million as at September 30, 2022).

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

5. Investment securities

	2023	2022
a) Designated at fair value through profit or loss		
Equities and mutual funds	25,345	25,798
	25,345	**25,798**
b) Debt instruments at amortised cost		
Government securities	1,854,334	215,631
State-owned company securities	496,177	617,214
Corporate bonds/debentures	2,371,549	3,758,136
	4,722,060	**4,590,981**
Total net investment securities	**4,747,405**	**4,616,779**

c) Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

	September 30, 2023				
	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	4,302,221	425,381	–	1,167	4,728,769
ECL	(2,371)	(3,968)	–	(370)	(6,709)
Net exposure	**4,299,850**	**421,413**	**–**	**797**	**4,722,060**
ECL allowance as at October 1, 2022	3,939	1,252	–	370	5,561
ECL on new instruments issued during the year	460	3,401	–	–	3,861
Other credit loss movements, repayments and maturities	(2,028)	(685)	–	–	(2,713)
At September 30, 2023	**2,371**	**3,968**	**–**	**370**	**6,709**

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

5. Investment securities (continued)

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

	September 30, 2022				
	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	4,285,132	310,064	–	1,346	4,596,542
ECL	(3,939)	(1,252)	–	(370)	(5,561)
Net exposure	**4,281,193**	**308,812**	**–**	**976**	**4,590,981**
ECL allowance as at October 1, 2021	2,196	2,626	–	370	5,192
ECL on new instruments issued during the year	2,697	1,253	–	–	3,950
Other credit loss movements, repayments and maturities	(954)	(2,627)	–	–	(3,581)
At September 30, 2022	**3,939**	**1,252**	**–**	**370**	**5,561**

The increase in investment securities in Stage 1 was due to the purchase of higher grade investments and the movement of investments from Stage 2 to Stage 1 due to improvement in the investment grading as at the reporting date.

d) Designated at fair value through profit or loss

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

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

6. Investment in associated and subsidiary companies

a) Investment in associated companies

	2023	2022
G4S Holdings (Trinidad) Limited	858	858
InfoLink Services Limited	2,553	2,553
	3,411	**3,411**

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

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

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

	Total investment in associates	
	2023	**2022**
Total assets	321,194	303,863
Total liabilities	48,568	53,595
Net assets/equity	272,626	250,268
Profit for the period	27,164	20,786

b) Investment in subsidiaries

	2023	2022
Republic Caribbean Investments Limited	654,140	654,140
Others	48,753	48,753
	702,893	**702,893**

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

7. Premises and equipment

2023	Capital work in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
Cost					
At beginning of year	231,726	1,408,979	210,506	2,187,229	4,038,440
Other adjustments	–	–	–	(15,358)	(15,358)
Additions at cost	197,613	791	40	27,337	225,781
Disposal of assets	–	–	–	(35,295)	(35,295)
Transfer of assets	(58,752)	5,383	204	53,165	–
	370,587	**1,415,153**	**210,750**	**2,217,078**	**4,213,568**
Accumulated depreciation					
At beginning of year	–	250,725	139,330	1,461,922	1,851,977
Other adjustments	–	–	–	(15,358)	(15,358)
Charge for the year	–	20,081	15,720	170,133	205,934
Disposal of assets	–	–	–	(31,197)	(31,197)
	–	**270,806**	**155,050**	**1,585,500**	**2,011,356**
Net book value	**370,587**	**1,144,347**	**55,700**	**631,578**	**2,202,212**

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

7. Premises and equipment (continued)

2022	Capital work in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
Cost					
At beginning of year	349,828	1,407,111	186,169	1,818,500	3,761,608
Additions at cost	225,074	5,202	22,703	49,867	302,846
Disposal of assets	–	(5,487)	–	(20,527)	(26,014)
Transfer of assets	(343,176)	2,153	1,634	339,389	–
	231,726	**1,408,979**	**210,506**	**2,187,229**	**4,038,440**
Accumulated depreciation					
At beginning of year	–	232,324	116,206	1,323,583	1,672,113
Charge for the year	–	20,356	23,124	154,835	198,315
Disposal of assets	–	(1,955)	–	(16,496)	(18,451)
	–	**250,725**	**139,330**	**1,461,922**	**1,851,977**
Net book value	**231,726**	**1,158,254**	**73,427**	**723,056**	**2,186,463**

Capital commitments	**2023**	**2022**
Contracts for outstanding capital expenditure not provided for in the separate financial statements	73,197	89,258
Other capital expenditure authorised by the Directors but not yet contracted for	5,478	8,078

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

8. Right-of-use assets and Lease liabilities

a) Right-of-use assets

	Leasehold Premises 2023	2022
Cost		
At beginning of year	400,687	392,616
Additions at cost	–	8,071
	400,687	**400,687**
Accumulated depreciation		
At beginning of year	133,672	87,748
Charge for the year - Note 17(d)	42,779	45,924
	176,451	**133,672**
Net book value	**224,236**	**267,015**

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

b) Lease liabilities

	Non-Current	Current	Total
2023			
At beginning of year	283,339	–	283,339
Accretion of interest expense - Note 17(b)	11,876	–	11,876
Less: payments	(52,186)	–	(52,186)
	243,029	**–**	**243,029**
2022			
At beginning of year	317,195	–	317,195
Additions at cost	8,071	–	8,071
Accretion of interest expense - Note 17(b)	13,216	–	13,216
Less: payments	(55,143)	–	(55,143)
	283,339	**–**	**283,339**

The contractual maturity analysis of these lease liabilities are disclosed in Note 21.3.1.

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

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

c) **Payments**

	Fixed payments	Variable payments	Total
2023			
Fixed rent	52,186	–	52,186
	52,186	**–**	**52,186**
2022			
Fixed rent	55,143	–	55,143
	55,143	**–**	**55,143**

The value of rental expense in relation to short-term leases is $3.4 million (2022: $3.5 million) and low-value leases is $3 million (2022: $3 million) for financial year 2023.

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

9. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2023	**2022**	**2023**	**2022**
Present value of defined benefit obligation	(3,169,946)	(2,965,031)	(6,494)	(14,544)
Fair value of plan assets	4,071,958	4,057,073	–	–
Surplus/(deficit)	902,012	1,092,042	(6,494)	(14,544)
Effect of asset ceiling	(12,923)	(13,696)	–	–
Net asset/(liability) recognised in the separate statement of financial position	**889,089**	**1,078,346**	**(6,494)**	**(14,544)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2023	**2022**	**2023**	**2022**
Opening defined benefit	2,965,031	2,871,978	14,544	13,590
Current service cost	87,627	83,456	29	36
Interest cost	190,772	185,044	124	119
Past service cost	–	368	–	–
Additional voluntary contribution	10	–	–	–
Remeasurements:				
- Experience adjustments	75,254	(40,830)	(3,919)	4,181
- Actuarial gains from change in financial assumptions	–	–	(12)	–
- Benefits paid	(148,748)	(134,985)	–	–
Premiums paid by the Bank	–	–	(4,272)	(3,382)
Closing defined benefit obligation	**3,169,946**	**2,965,031**	**6,494**	**14,544**

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

9. Employee benefits (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2023	**2022**	**2023**	**2022**
Opening defined benefit obligation	1,078,346	1,396,403	(14,544)	(13,590)
Net pension (cost)/benefit	(22,348)	2,426	(153)	(155)
Remeasurements recognised in other comprehensive income	(166,909)	(322,893)	3,931	(4,181)
Premiums paid by the Bank	–	–	4,272	3,382
Bank contributions	–	2,410	–	–
Closing net pension asset/medical liability	**889,089**	**1,078,346**	**(6,494)**	**(14,544)**

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	52%	10%
- Deferred members	5%	N/A
- Pensioners	43%	90%

The weighted duration of the defined benefit obligation was 14.8 years for the pension benefit and 1.2 years for the medical benefit.

29% of the defined benefit obligation for active members was conditional on future salary increases.

98% of the benefits for active members were vested for the defined benefit obligation. 100% of the benefits for active members were vested for the medical benefit.

There are no asset-liability matching strategies used by the Plans.

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

9. Employee benefits (continued)

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

	Defined benefit pension plans 2023	Defined benefit pension plans 2022
Opening fair value of plan assets	4,057,073	4,281,970
Interest income	258,890	274,028
Return on plan assets, excluding interest income	(93,318)	(364,499)
Bank contributions	–	2,410
Additional voluntary contributions	10	–
Benefits paid	(148,748)	(134,985)
Expense allowance	(1,949)	(1,851)
Closing fair value of plan assets	**4,071,958**	**4,057,073**
Actual return on plan assets	**165,572**	**(90,471)**

f) Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair value		Allocation	
	2023	2022	2023	2022
Equity securities	2,273,951	2,137,981	55.84%	52.70%
Debt securities	1,569,002	1,676,717	38.54%	41.33%
Property	9,687	10,896	0.24%	0.27%
Money market	219,318	231,479	5.38%	5.70%
Total fair value of plan	**4,071,958**	**4,057,073**	**100.00%**	**100.00%**

Included in the money market assets are $60.4 million held with the Bank.

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

9. **Employee benefits** (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2023	**2022**	**2023**	**2022**
Current service cost	87,627	83,456	29	36
Interest on defined benefit obligation	(67,228)	(88,101)	124	119
Past service cost	–	368	–	–
Administration expenses	1,949	1,851	–	–
Total included in staff costs/other income	**22,348**	**(2,426)**	**153**	**155**

h) Remeasurements recognised in other comprehensive income:

	Defined benefit pension plans		Post-retirement medical benefits	
	2023	**2022**	**2023**	**2022**
Experience (losses)/gains	(168,572)	(323,669)	3,931	(4,181)
Effect of asset ceiling	1,663	776	–	–
Total included in other comprehensive income	**(166,909)**	**(322,893)**	**3,931**	**(4,181)**

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

9. Employee benefits (continued)

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

	2023	**2022**
	%	**%**
Discount rate	1.00 - 6.50	1.00 - 6.50
Rate of salary increase	4.50	4.50
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	
	2023	**2022**
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	21.9	21.8
- Female	26.2	26.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	22.8	22.7
- Female	27.1	27.0

	Post-retirement medical benefits	
	2023	**2022**
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	21.9	21.0
- Female	26.2	25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	22.8	21.4
- Female	27.1	25.4

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

9. Employee benefits (continued)

j) Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2023, would have changed as a result of a change in the assumptions used.

	Defined benefit pension plans		**Post-retirement medical benefits**	
2023	**1% p.a. increase**	**1% p.a. decrease**	**1% p.a. increase**	**1% p.a. decrease**
- Discount rate	(392,000)	496,000	(46)	47
- Future salary increases	180,000	(155,000)	–	–
- Future pension cost	317,000	(267,000)	–	–
- Medical cost increases	–	–	47	(46)
2022				
- Discount rate	(367,000)	464,000	(173)	177
- Future salary increases	168,000	(145,000)	–	–
- Future pension cost	297,000	(250,000)	–	–
- Medical cost increases	–	–	177	(173)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2023, by $111 million and the post-retirement medical benefit would not materially increase.

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

k) Funding

The Bank meets the entire cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The contribution recommendation in the report on the 2020 actuarial valuation of the RBL Plan was for the Bank to start paying contributions of 26.6% of earnings from 1 January 2023. However, a review was carried out as at 30 September 2022 and the Bank was advised that it could continue its contribution holiday until the results of the 2023 valuation become available. Currently no contributions are expected in 2023/2024.

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

9. Employee benefits (continued)

k) Funding (continued)

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. The Bank expects to pay $5.2 million to the medical plan in the 2024 financial year.

10. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

		Credit/(charge)		
	Opening balance 2022	**Separate statement of income**	**OCI**	**Closing balance 2023**
Post-retirement medical benefits	5,091	(1,442)	(1,376)	2,273
Leased assets	6,017	(1,292)	–	4,725
Unearned loan origination fees	42,959	2,850	–	45,809
Provisions	145,219	50,916	–	196,135
Other	22,226	2,480	–	24,706
	221,512	**53,512**	**(1,376)**	**273,648**

		(Charge)/credit		
	Opening balance 2021	**Separate statement of income**	**OCI**	**Closing balance 2022**
Post-retirement medical benefits	4,757	(1,129)	1,463	5,091
Leased assets	7,466	(1,449)	–	6,017
Unearned loan origination fees	41,058	1,901	–	42,959
Provisions	108,271	36,948	–	145,219
Other	20,583	1,643	–	22,226
	182,135	**37,914**	**1,463**	**221,512**

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

10. Deferred tax assets and liabilities (continued)

Components of deferred tax assets and liabilities (continued)

b) Deferred tax liabilities

	Opening balance 2022	(Credit)/charge Separate statement of income	(Credit)/charge OCI	Closing balance 2023
Pension asset	377,423	(7,822)	(58,418)	311,183
Premises and equipment	95,066	16,471	–	111,537
	472,489	**8,649**	**(58,418)**	**422,720**
Net credit to separate statement of income/OCI		**44,863**	**57,042**	

	Opening balance 2021	Charge/(credit) Separate statement of income	Charge/(credit) OCI	Closing balance 2022
Pension asset	488,743	1,693	(113,012)	377,423
Premises and equipment	58,833	36,233	–	95,066
	547,576	**37,926**	**(113,013)**	**472,489**
Net (charge)/credit to separate statement of income/OCI		**(12)**	**114,476**	

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

11. Other assets

	2023	2022
Due from related parties	633,212	620,437
Accounts receivable and prepayments (net of provision)	493,445	320,826
	1,126,657	**941,263**

12. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	**2023**	**2022**
State	2,217,168	1,669,690
Corporate and commercial	12,145,770	13,636,657
Personal	25,238,130	24,534,602
Other financial institutions	1,506,380	1,698,149
	41,107,448	**41,539,098**

13. Other fund raising instruments

At September 30, 2023, investment securities held to secure other fund raising instruments of the Bank amounted to $61.3 million (2022: $211.7 million). These other fund raising instruments range for a term up to one year.

Concentration of other fund raising instruments	**2023**	**2022**
State	10,020	171,958
Corporate and commercial	20,132	39,543
Personal	20,278	236
Other financial institutions	10,903	–
	61,333	**211,737**

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

14. Debt securities in issue

	2023	2022
Unsecured		
Floating rate bonds	996,437	994,348
Total debt securities in issue	**996,437**	**994,348**

Unsecured obligations

An amount of $75 million United States dollars was borrowed from Inter-American Development Bank (IADB) and $75 million United States dollars was borrowed from International Finance Corporation (IFC), both on an unsecured basis. These amounts are repayable in full on June 2026 at an interest rate of Secured Overnight Financing Rate (SOFR) plus 450 basis points.

15. Other liabilities

	2023	2022
Accounts payable and accruals	879,918	934,116
Due to related parties	98,525	89,546
	978,443	**1,023,662**

16. Stated capital

Authorised
An unlimited number of shares of no par value

	2023	2022	2023	2022
	Number of ordinary shares ('000)		Value of ordinary shares ($'000)	
Issued and fully paid	**79,572**	**79,572**	**769,777**	**769,777**

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

17. Operating profit

	2023	2022
a) Interest income		
Advances	2,078,304	1,934,864
Investment securities	101,332	91,234
Liquid assets	51,926	12,270
	2,231,562	**2,038,368**
b) Interest expense		
Customers' current, savings and deposit accounts	88,151	85,840
Other fund raising instruments and debt securities in issue	98,688	57,566
Finance cost lease liability - Note 8(b)	11,876	13,216
	198,715	**156,622**
c) Other income		
Fees and commission from trust and other fiduciary activities	149,845	169,684
Credit card fees and commission (net)	266,626	233,398
Other fees and commission income	159,036	148,717
Net exchange trading income	185,184	128,209
Dividends	191,927	326,254
Other operating income	225,087	97,872
	1,177,705	**1,104,134**

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

17. Operating profit (continued)

d) Operating expenses

	2023	2022
Staff costs	639,883	640,052
Staff profit sharing	120,721	109,907
Employee benefits pension and medical contribution	22,501	(2,271)
General administrative expenses	597,990	488,494
Operating lease payments	7,252	6,986
Property related expenses	84,114	81,963
Depreciation expense - Note 7	205,934	198,315
Depreciation expense right-of-use assets - Note 8(a)	42,779	45,924
Advertising and public relations expenses	74,821	50,631
Directors fees	2,072	1,914
	1,798,067	**1,621,915**

18. Credit loss expense on financial assets

	2023	2022
Advances	203,543	189,509
Debt instruments measured at amortised cost	1,148	369
Other Assets	135,068	–
	339,759	**189,878**

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

19. Taxation expense

	2023	2022
Corporation tax	319,097	273,573
Deferred tax - Note 10(b)	(44,863)	12
	274,234	**273,585**

Reconciliation between taxation expense and net profit before taxation

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

	2023	2022
Net profit before taxation	1,072,726	1,174,087
Tax at applicable statutory tax rate	375,454	410,930
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(119,860)	(131,446)
Non-deductible expenses	169,101	145,215
Allowable deductions	(150,461)	(161,102)
Provision for other taxes	–	9,988
	274,234	**273,585**

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

20. Related parties

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

	2023	2022
Advances, investments and other assets		
Republic Financial Holdings Limited	993,978	1,001,881
Directors and key management personnel	23,897	11,499
Other related parties	155,464	17,837
	1,173,339	**1,031,217**
Deposits and other liabilities		
Republic Financial Holdings Limited	1,352,267	2,066,243
Directors and key management personnel	45,932	41,898
Other related parties	36,559	28,564
	1,434,758	**2,136,705**
Interest and other income		
Republic Financial Holdings Limited	9,770	11,067
Directors and key management personnel	741	645
Other related parties	6,384	4,550
	16,895	**16,262**
Interest and other expense		
Republic Financial Holdings Limited	3,472	4,523
Directors and key management personnel	3,035	2,716
Other related parties	492	309
	6,999	**7,548**

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

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

20. Related parties (continued)

Key management compensation	2023	2022
Short-term benefits	18,824	17,566
Post employment benefits	10,695	4,024
	29,519	**21,590**

21. Risk management

21.1 General

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

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

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

21. Risk management (continued)

21.1 General (continued)

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

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

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

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

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

21.2 Credit risk

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

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

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

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

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

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

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

21. **Risk management** (continued)

21.2 **Credit risk** (continued)

21.2.1 Analysis of risk concentration

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

	Gross maximum exposure	
	2023	**2022**
Statutory deposits with Central Bank	4,575,116	4,356,694
Due from banks	1,992,842	3,135,240
Treasury Bills	2,139,717	3,675,979
Advances	29,777,780	28,099,768
Investment securities	4,722,060	4,590,981
Investment interest receivable	39,713	38,846
Total	**43,247,228**	**43,897,508**
Undrawn commitments	4,992,927	4,211,916
Acceptances	1,709,471	1,617,395
Guarantees and indemnities	–	25
Letters of credit	287,408	279,358
Total	**6,989,806**	**6,108,694**
Total credit risk exposure	**50,237,034**	**50,006,202**

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.

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

21. **Risk management** (continued)

21.2 **Credit risk** (continued)

21.2.1 **Analysis of risk concentration** (continued)

a) Industry sectors

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

	2023	**2022**
Government and Central Government Bodies	9,968,377	9,767,788
Financial sector	3,446,718	5,581,428
Energy and mining	1,867,480	1,833,252
Agriculture	270,912	224,040
Electricity and water	152,754	601,139
Transport, storage and communication	749,471	866,120
Distribution	4,131,091	3,831,893
Real estate	2,859,163	2,845,208
Manufacturing	2,244,413	1,797,379
Construction	2,210,075	2,136,686
Hotel and restaurant	743,218	846,764
Personal	15,497,897	14,667,770
Other services	6,095,465	5,006,735
	50,237,034	**50,006,202**

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'.

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

21. Risk management (continued)

21.2 Credit risk (continued)

21.2.1 Analysis of risk concentration (continued)

b) Geographical sectors

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

	2023	2022
Trinidad and Tobago	44,447,116	42,663,629
Barbados	294,993	390,404
Eastern Caribbean	567,295	328,963
Guyana	248,397	234,504
United States	2,718,816	3,622,182
Europe	760,094	922,520
Suriname	277,922	211,109
Other Countries	922,401	1,632,891
	50,237,034	**50,006,202**

21. Risk management (continued)

21.2 Credit risk (continued)

21.2.2 Impairment assessment

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

21.2.3 Default and recovery

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

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

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

21. Risk management (continued)

21.2 Credit risk (continued)

21.2.4 The Bank's internal rating and PD estimation process

Commercial and corporate lending and mortgages

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

Retail lending and mortgages

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

Overdrafts and credit cards

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

Overdrafts and credit cards (continued)

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

Investment securities

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

Treasury Bills and Due from banks

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

21. Risk management (continued)

21.2 Credit risk (continued)

21.2.5 Significant increase in credit risk

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

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

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

21.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.4(g)(i) dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

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

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

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

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

Advances	2023	2022
Stage 1	87.75%	85.64%
Stage 2	8.07%	10.75%
Stage 3	4.18%	3.61%
	100.00%	100.00%

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

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

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

	September 30, 2023					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1						
Gross loans	4,830,277	5,802,823	13,791,787	1,939,385	799,024	27,163,296
ECL	(77,416)	(44,206)	(67,726)	(15,756)	(18,676)	(223,780)
	4,752,861	5,758,617	13,724,061	1,923,629	780,348	26,939,516
ECL as a % of gross loans	1.60	0.76	0.49	0.81	2.34	0.82

	September 30, 2022					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1						
Gross loans	4,367,424	5,520,443	12,411,169	1,880,689	779,441	24,959,167
ECL	(78,434)	(39,435)	(66,757)	(15,912)	(16,926)	(217,464)
	4,288,990	5,481,008	12,344,412	1,864,777	762,515	24,741,703
ECL as a % of gross loans	1.80	0.71	0.54	0.85	2.17	0.87

The increase in Stage 1 ECLs was driven by the increase in the portfolio.

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

	September 30, 2023					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2						
Gross loans	64,420	886,574	1,054,179	244,014	248,885	2,498,072
ECL	(4,147)	(125,628)	(43,787)	(5,991)	(15,647)	(195,200)
	60,273	760,946	1,010,392	238,023	233,238	2,302,872
ECL as a % of gross loans	6.44	14.17	4.15	2.46	6.29	7.81

	September 30, 2022					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 2						
Gross loans	103,373	1,214,933	1,250,630	297,177	266,428	3,132,541
ECL	(4,942)	(126,632)	(43,140)	(5,836)	(11,710)	(192,260)
	98,431	1,088,301	1,207,490	291,341	254,719	2,940,281
ECL as a % of gross loans	4.78	10.42	3.45	1.96	4.40	6.14

The increase in Stage 2 ECL's was driven by the increase in the probability of default in all portfolios.

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

	September 30, 2023					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 3						
Gross loans	114,406	546,564	514,684	–	122,759	1,298,413
ECL	(77,102)	(381,698)	(115,133)	–	(58,204)	(632,137)
	37,304	164,866	399,551	–	64,555	666,276
ECL as a % of gross loans	67.39	69.84	22.37	0.00	47.41	48.69

	September 30, 2022					
Stage 3	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Gross loans	100,615	461,824	423,266	–	68,554	1,054,258
ECL	(71,490)	(285,336)	(110,169)	–	(46,739)	(513,734)
	29,125	176,488	313,097	–	21,815	540,524
ECL as a % of gross loans	71.05	61.78	26.03	0.00	68.18	48.73

The increase in Stage 3 ECLs was driven by a 23.2% increase in the gross portfolio.

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

21. Risk management (continued)

21.2 Credit risk (continued)

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

Investment securities	2023	2022
Stage 1	90.98%	93.23%
Stage 2	9.00%	6.75%
Stage 3	0.00%	0.00%
POCI	0.02%	0.02%
	100.00%	100.00%

	September 30, 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	4,302,221	425,381	–	1,167	4,728,769
ECL	(2,371)	(3,968)	–	(370)	(6,709)
	4,299,850	**421,413**	**–**	**797**	**4,722,060**
ECL as a % of gross investments	0.06	0.93	0.00	31.72	0.14

	September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	4,285,132	310,064	–	1,346	4,596,542
ECL	(3,939)	(1,252)	–	(370)	(5,561)
	4,281,193	**308,812**	**–**	**976**	**4,590,981**
ECL as a % of gross investments	0.09	0.40	0.00	27.49	0.12

The decrease in ECLs for Stage 1 is reflective of the purchase of high grade/ improvements to grades of investments for the period. Also, the increase in ECLs for Stage 2 investments is driven by an increase in the non-investment grade portfolio.

21. Risk management (continued)

21.3 Liquidity risk

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

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

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

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

21.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the separate statement of financial position. Refer to Note 24 for a maturity analysis of assets and liabilities.

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

21. Risk management (continued)

21.3 Liquidity risk (continued)

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

Financial liabilities - on separate statement of financial position

2023	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Customers' current, savings and deposit accounts	38,423,514	2,234,864	470,773	–	41,129,151
Other fund raising instruments	–	61,395	–	–	61,395
Debt securities in issue	–	105,502	1,212,517	–	1,318,019
Due to banks	–	581	–	–	581
Lease liabilities	–	49,841	112,065	202,606	364,512
Other liabilities	291,477	–	–	–	291,477
Total undiscounted financial liabilities	**38,714,991**	**2,452,183**	**1,795,355**	**202,606**	**43,165,135**
2022					
Customers' current, savings and deposit accounts	38,474,928	2,929,853	145,064	–	41,549,845
Other fund raising instruments	–	211,801	–	–	211,801
Debt securities in issue	–	73,321	1,222,254	–	1,295,575
Due to banks	–	12,294	–	–	12,294
Lease liabilities	–	52,186	146,909	217,602	416,697
Other liabilities	330,848	–	–	–	330,848
Total undiscounted financial liabilities	**38,805,776**	**3,279,455**	**1,514,227**	**217,602**	**43,817,060**

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

21. Risk management (continued)

21.3 Liquidity risk (continued)

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

Financial liabilities - off separate statement of financial position

2023	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Acceptances	382,594	896,645	399,386	30,846	1,709,471
Letters of credit	287,408	–	–	–	287,408
Total	**670,002**	**896,645**	**399,386**	**30,846**	**1,996,879**
2022					
Acceptances	287,691	981,040	318,429	30,235	1,617,395
Guarantees and indemnities	25	–	–	–	25
Letters of credit	279,358	–	–	–	279,358
Total	**567,074**	**981,040**	**318,429**	**30,235**	**1,896,778**

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

21. **Risk management** (continued)

21.4 Market risk

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

21.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank 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 Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, including interest rate, foreign exchange, liquidity and market risks.

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

Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

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

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

21. Risk management (continued)

21.4 Market risk (continued)

21.4.1 Interest rate risk (continued)

		Impact on net profit			
		2023		2022	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	70,270	(70,270)	67,593	(67,593)
USD Instruments	+/- 50	12,557	(12,557)	10,645	(10,645)

21.4.2 Currency risk

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

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

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

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

21. Risk management (continued)

21.4 Market risk (continued)

21.4.2 Currency risk (continued)

2023	TTD	USD	BDS	Other	Total
Financial assets					
Cash on hand	579,397	26,711	1,972	15,206	623,286
Statutory deposits with Central Bank	4,575,116	–	–	–	4,575,116
Due from banks	317,403	1,032,626	585	642,228	1,992,842
Treasury Bills	1,695,969	389,925	–	53,823	2,139,717
Advances	26,123,416	3,607,082	–	47,282	29,777,780
Investment securities	2,554,655	2,119,812	–	72,938	4,747,405
Investment interest receivable	21,907	17,682	–	124	39,713
Total financial assets	**35,867,863**	**7,193,838**	**2,557**	**831,601**	**43,895,859**
Financial liabilities					
Due to banks	–	–	–	581	581
Customers' current, savings and deposit accounts	32,728,267	7,494,620	–	884,561	41,107,448
Other fund raising instruments	236	61,097	–	–	61,333
Debt securities in issue	–	996,437	–	–	996,437
Accrued interest payable	13,766	31,801	–	175	45,742
Other liabilities	269,321	20,118	190	1,848	291,477
Lease liabilities	243,029	–	–	–	243,029
Total financial liabilities	**33,254,619**	**8,604,073**	**190**	**887,165**	**42,746,047**
Net currency risk exposure		**(1,410,235)**	**2,367**	**(55,564)**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before taxation		**(14,102)**	**24**	**(556)**	

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

21. Risk management (continued)

21.4 Market risk (continued)

21.4.2 Currency risk (continued)

2022	TTD	USD	BDS	Other	Total
Financial assets					
Cash on hand	574,741	21,917	583	25,950	623,191
Statutory deposits with Central Bank	4,356,694	–	–	–	4,356,694
Due from banks	1,672,216	856,201	460	606,363	3,135,240
Treasury Bills	2,635,011	972,149	–	68,819	3,675,979
Advances	24,295,821	3,758,060	–	45,887	28,099,768
Investment securities	1,180,786	3,435,993	–	–	4,616,779
Investment interest receivable	15,874	22,847	–	125	38,846
Total financial assets	**34,731,143**	**9,067,167**	**1,043**	**747,144**	**44,546,497**
Financial liabilities					
Due to banks	–	–	–	12,294	12,294
Customers' current, savings and deposit accounts	32,541,995	8,339,299	–	657,804	41,539,098
Other fund raising instruments	236	211,501	–	–	211,737
Debt securities in issue	–	994,348	–	–	994,348
Accrued interest payable	20,254	21,538	–	14	41,806
Other liabilities	278,445	49,429	196	2,778	330,848
Lease liabilities	283,339	–	–	–	283,339
Total financial liabilities	**33,124,269**	**9,616,115**	**196**	**672,890**	**43,413,470**
Net currency risk exposure		**(548,948)**	**847**	**74,254**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before taxation		**(5,489)**	**8**	**743**	

21. Risk management (continued)

21.5 Operational risk

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

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

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

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

22. Capital management

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $0.05 billion to $5.35 billion during the year under review.

Capital adequacy is monitored by the Bank, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Central Bank for supervisory purposes. In Trinidad, 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 I plus Tier II) ratio of 10%. Tier I comprises mainly of shareholders’ equity.

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

22. Capital management (continued)	**2023**	**2022**
Capital adequacy ratio: Basel II	14.04%	15.04%

At September 30, 2023, the Bank exceeded the minimum level required for adequately capitalised financial institutions (2022: exceeded).

23. Fair value

23.1 Carrying values and fair values

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

2023	**Carrying value**	**Fair value**	**Un-recognised loss**
Financial assets			
Cash, Due from banks and Treasury Bills	4,755,845	4,755,845	–
Advances	29,777,780	29,681,354	(96,426)
Investment securities	4,747,405	4,631,582	(115,823)
Investment interest receivable	39,713	39,713	–
Financial liabilities			
Customers' current, savings and deposit accounts	41,107,448	41,107,448	–
Due to banks and other fund raising instruments	61,914	61,914	–
Debt securities in issue	996,437	1,089,572	(93,135)
Accrued interest payable	45,742	45,742	–
Other financial liabilities	291,477	291,477	–
Total unrecognised change in unrealised fair value			**(305,384)**

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

23. Fair value (continued)

23.1 Carrying values and fair values (continued)

2022	Carrying value	Fair value	Un-recognised loss
Financial assets			
Cash, Due from banks and Treasury Bills	7,434,410	7,434,410	–
Advances	28,099,768	27,915,803	(183,965)
Investment securities	4,616,779	4,388,628	(228,151)
Investment interest receivable	38,846	38,846	–
Financial liabilities			
Customers' current, savings and deposit accounts	41,539,098	41,539,098	–
Due to banks and other fund raising instruments	224,031	224,031	–
Debt securities in issue	994,348	1,091,376	(97,028)
Accrued interest payable	41,806	41,806	–
Other financial liabilities	330,848	330,848	–
Total unrecognised change in unrealised fair value			**(509,144)**

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

23. Fair value (continued)

23.2 Fair value and fair value hierarchies

23.2.1 Determination of fair value and fair value hierarchies

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

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Investment securities	16,031	–	9,314	25,345
Financial assets for which fair value is disclosed				
Advances	–	–	29,681,354	29,681,354
Investment securities	1,782,985	2,586,758	236,494	4,606,237
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	41,107,448	41,107,448
Debt securities in issue	–	1,089,572	–	1,089,572
2022				
Financial assets measured at fair value				
Investment securities	16,484	–	9,314	25,798
Financial assets for which fair value is disclosed				
Advances	–	–	27,915,803	27,915,803
Investment securities	2,764,335	1,535,859	62,636	4,362,830

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

23. Fair value (continued)

23.2 Fair value and fair value hierarchies (continued)

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

2022	Level 1	Level 2	Level 3	Total
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	41,539,098	41,539,098
Debt securities in issue	–	1,091,376	–	1,091,376

23.2.2 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, 2023 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	2.40% - 11.00%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.05% - 3.00%

23.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2023, no assets were transferred between Level 1 and Level 2 (2022: nil).

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

23. Fair value (continued)

23.2 Fair value and fair value hierarchies (continued)

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

	Balance at October 1, 2022	Additions	Disposals /transfers to Level 2	Balance at September 30, 2023
Financial assets designated at fair value through profit or loss	9,314	–	–	9,314
	9,314	**–**	**–**	**9,314**

	Balance at October 1, 2021	Additions	Disposals /transfers to Level 2	Balance at September 30, 2022
Financial assets designated at fair value through profit or loss	9,314	–	–	9,314
	9,314	**–**	**–**	**9,314**

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

24. Maturity analysis of assets and liabilities

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

2023	**Within one year**	**After one year**	**Total**
ASSETS			
Cash on hand	623,286	–	623,286
Statutory deposits with Central Bank	4,575,116	–	4,575,116
Due from banks	1,992,842	–	1,992,842
Treasury Bills	2,139,717	–	2,139,717
Advances	4,942,025	24,835,755	29,777,780
Investment securities	576,217	4,171,188	4,747,405
Investment interest receivable	39,713	–	39,713
Investment in associated companies	–	3,411	3,411
Investment in subsidiaries	–	702,893	702,893
Premises and equipment	–	2,202,212	2,202,212
Right-of-use assets	–	224,236	224,236
Net pension asset	–	889,089	889,089
Deferred tax assets	–	273,648	273,648
Taxation recoverable	–	21,031	21,031
Other assets	1,126,657	–	1,126,657
	16,015,573	**33,323,463**	**49,339,036**
LIABILITIES			
Due to banks	581	–	581
Customers' current, savings and deposit accounts	40,651,429	456,019	41,107,448
Other fund raising instruments	61,097	236	61,333
Debt securities in issue	–	996,437	996,437
Lease liabilities	–	243,029	243,029
Provision for post-retirement medical benefits	–	6,494	6,494
Taxation payable	122,879	–	122,879
Deferred tax liabilities	–	422,720	422,720
Accrued interest payable	9,746	35,996	45,742
Other liabilities	978,443	–	978,443
	41,824,175	**2,160,931**	**43,985,106**

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

24. Maturity analysis of assets and liabilities (continued)

2022	**Within one year**	**After one year**	**Total**
ASSETS			
Cash on hand	623,191	–	623,191
Statutory deposits with Central Bank	4,356,694	–	4,356,694
Due from banks	3,135,240	–	3,135,240
Treasury Bills	3,675,979	–	3,675,979
Advances	5,515,472	22,584,296	28,099,768
Investment securities	853,182	3,763,597	4,616,779
Investment interest receivable	38,846	–	38,846
Investment in associated companies	–	3,411	3,411
Investment in subsidiaries	–	702,893	702,893
Premises and equipment	–	2,186,463	2,186,463
Right-of-use assets	–	267,015	267,015
Net pension asset	–	1,078,346	1,078,346
Deferred tax assets	–	221,512	221,512
Taxation recoverable	–	21,031	21,031
Other assets	941,263	–	941,263
	19,139,867	**30,828,564**	**49,968,431**
LIABILITIES			
Due to banks	12,294	–	12,294
Customers' current, savings and deposit accounts	41,397,590	141,508	41,539,098
Other fund raising instruments	211,501	236	211,737
Debt securities in issue	–	994,348	994,348
Lease liabilities	–	283,339	283,339
Provision for post-retirement medical benefits	–	14,544	14,544
Taxation payable	71,582	–	71,582
Deferred tax liabilities	–	472,489	472,489
Accrued interest payable	2,860	38,946	41,806
Other liabilities	1,023,662	–	1,023,662
	42,719,489	**1,945,410**	**44,664,899**

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

25. Equity compensation benefits

a) Profit sharing scheme

It is estimated that approximately $120.7 million (2022: $109.9 million) will be allocated to staff from the profit sharing scheme in the current financial year as shown in Note 17(d). During the 2023 financial year $99.97 million was advanced to the staff profit sharing scheme (2022: $20.4 million).

b) Stock option plan

These 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 2023 the cost of the options expensed in the separate statement of income was $5.582 million (2022: $6.419 million).

26. Dividends paid and proposed

Declared and paid during the year	**2023**	**2022**
Equity dividends on ordinary shares:		
Final dividend for 2022: $5.77 (2021: $3.13)	459,329	248,944
First dividend for 2023: $2.30 (2022: $1.72)	182,829	136,562
Total dividends paid	**642,158**	**385,506**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2023: $3.56 (2022: $5.77)	**283,264**	**459,329**

27. Contingent liabilities

a) Litigation

As at September 30, 2023, there were certain tax and legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

27. Contingent liabilities (continued)

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

	2023	2022
Acceptances	1,709,471	1,617,395
Guarantees and indemnities	–	25
Letters of credit	287,408	279,358
	1,996,879	**1,896,778**

c) Sectoral information

State	25,620	71,999
Corporate and commercial	1,366,102	1,207,261
Personal	13,240	11,990
Other financial institutions	528,480	481,969
Other	63,437	123,559
	1,996,879	**1,896,778**

d) Pledged assets

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

	Carrying amount		Related liability	
	2023	**2022**	**2023**	**2022**
Debt securities in issue	782,645	1,286,128	1,002,090	1,002,090
Other fund raising instruments	61,333	211,737	61,333	211,737

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

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

28. Subsidiary companies

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

29. Structured entities

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

These structured entities include Mutual Funds and Retirement Benefit Plans which are financed through the issue of units to investors in the funds. The Bank generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2023, the Bank earned $1.7 million (2022: $1.8 million) in management fees from the retirement plans and $106 million (2022: $104 million) from the mutual funds.

The Bank holds an interest of $16 million in sponsored funds as at September 30, 2023 (2022: $16.5 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Bank. These values are all included in the Investment securities portfolio of the Bank as at September 30, 2023.