

CHAIRMAN'S COMMENTS

Republic Financial Holdings Limited recorded profit attributable to shareholders of \$993.3 million for the nine-month period ended June 30, 2018, an increase of \$34.4 million or 3.6% over the corresponding period of the last financial year. Total assets stood at \$69.6 billion at June 30, 2018.

As was the case for the first half of the fiscal year, the improvement in profitability was driven mainly by better performance in our overseas subsidiaries. The profitability of the Trinidad and Tobago operations remains flat due to an increase in the tax rate.

In June 2018, the Government of Barbados (GoB) announced that it will suspend all payments on its external debt and roll over principal balance on its local debt at maturity, while continuing to make interest payments, until restructuring agreements are concluded. The discussions with the GoB and creditors are at a very early stage with respect to the terms of the restructuring.

The Group early adopted International Financial Reporting Standard No. 9 in the third quarter of fiscal 2018, with effect from October 1, 2017. The overall impact to the Group on initial adoption of the standard, inclusive of a preliminary adjustment for the GoB exposure, was a reduction in total equity of \$988.2 million.

The Group expects to achieve a satisfactory performance to the end of the fiscal year. We are well positioned to withstand the economic challenges ahead with a strong balance sheet, robust capital and adequate liquidity.



Ronald F. deC. Harford
Chairman
July 25, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED		AUDITED
	June-30-18 \$'000	June-30-17 \$'000	Sept-30-17 \$'000
ASSETS			
Cash resources	17,183,230	19,373,598	16,712,314
Advances	35,753,854	34,870,809	35,464,448
Investment securities	11,895,718	10,399,435	12,056,865
Premises and equipment	2,448,921	2,302,009	2,350,322
Net pension asset	933,336	975,435	968,751
Other assets	1,381,998	1,459,825	1,340,179
TOTAL ASSETS	69,597,057	69,381,111	68,892,879
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	204,727	177,484	343,700
Customers' deposits and other funding instruments	57,054,647	55,042,622	54,623,981
Debt securities in issue	316,323	1,108,946	1,105,478
Other liabilities	2,537,492	3,173,790	2,673,715
TOTAL LIABILITIES	60,113,189	59,502,842	58,746,874
EQUITY			
Stated capital	789,330	775,168	780,950
Statutory reserves	1,277,470	1,222,480	1,243,151
Other reserves	18,281	899,597	881,832
Retained earnings	6,899,598	6,531,050	6,779,447
Attributable to equity holders of the parent	8,984,679	9,428,295	9,685,380
Non-controlling interest	499,189	449,974	460,625
TOTAL EQUITY	9,483,868	9,878,269	10,146,005
TOTAL LIABILITIES AND EQUITY	69,597,057	69,381,111	68,892,879

CONSOLIDATED STATEMENT OF INCOME

	UNAUDITED THREE MONTHS ENDED		UNAUDITED NINE MONTHS ENDED		AUDITED YEAR ENDED
	June-30-18 \$'000	June-30-17 \$'000	June-30-18 \$'000	June-30-17 \$'000	Sept-30-17 \$'000
Net interest income	848,881	797,471	2,527,519	2,398,558	3,228,133
Other income	375,744	369,598	1,120,929	1,099,461	1,461,376
Operating income	1,224,625	1,167,069	3,648,448	3,498,019	4,689,509
Operating expenses	(658,864)	(649,790)	(2,004,080)	(2,031,158)	(2,736,433)
	565,761	517,279	1,644,368	1,466,861	1,953,076
Net share of profits of associated companies	1,329	2,599	5,751	6,555	6,444
Operating profit	567,090	519,878	1,650,119	1,473,416	1,959,520
Loan impairment expense	(60,177)	(49,373)	(144,716)	(129,954)	(158,689)
Profit before taxation	506,913	470,505	1,505,403	1,343,462	1,800,831
Taxation expense	(145,316)	(122,410)	(449,126)	(329,596)	(483,742)
Net profit after taxation	361,597	348,095	1,056,277	1,013,866	1,317,089
Attributable to:					
Equity holders of the parent	342,868	328,341	993,312	958,890	1,252,128
Non-controlling interest	18,729	19,754	62,965	54,976	64,961
	361,597	348,095	1,056,277	1,013,866	1,317,089
Earnings per share					
Basic			\$6.13	\$5.94	\$7.75
Diluted			\$6.13	\$5.93	\$7.74
Weighted average number of shares ('000)					
Basic			161,972	161,517	161,540
Diluted			162,068	161,667	161,679

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED THREE MONTHS ENDED		UNAUDITED NINE MONTHS ENDED		AUDITED YEAR ENDED
	June-30-18 \$'000	June-30-17 \$'000	June-30-18 \$'000	June-30-17 \$'000	Sept-30-17 \$'000
Net profit after taxation	361,597	348,095	1,056,277	1,013,866	1,317,089
Other comprehensive income					
<i>Items of other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of tax):</i>					
Net gain/(loss) on available-for-sale financial assets	—	21,839	—	(672)	2,439
Reversal of loss on available-for-sale financial assets on adoption of IFRS 9	73,127	—	—	—	—
Translation adjustments	(58,564)	6,757	(64,345)	12,627	10,751
	14,563	28,596	(64,345)	11,955	13,190
<i>Items of other comprehensive income/(loss) that will not be reclassified to profit and loss in subsequent periods (net of tax):</i>					
Re-measurement gain/(losses) on defined benefit plans	—	41	—	(3,464)	(48,593)
Other comprehensive income/(loss) for the period, net of taxation	14,563	28,637	(64,345)	8,491	(35,403)
Total comprehensive income for the period, net of taxation	376,160	376,732	991,932	1,022,357	1,281,686
Attributable to:					
Equity holders of the parent	364,977	357,168	939,124	972,626	1,221,382
Non-controlling interest	11,183	19,564	52,808	49,731	60,304
	376,160	376,732	991,932	1,022,357	1,281,686

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated Capital \$'000	Statutory Reserves \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total equity attributable to equity holders of the parent \$'000	Non- controlling Interest \$'000	Total Equity \$'000
Period ended June 30, 2018							
Balance at October 1, 2017 as previously reported	780,950	1,243,151	881,832	6,779,447	9,685,380	460,625	10,146,005
<i>Net Impact of adopting IFRS 9</i>	-	-	(786,968)	(181,781)	(968,749)	(19,567)	(988,316)
Restated opening balance under IFRS 9	780,950	1,243,151	94,864	6,597,666	8,716,631	441,058	9,157,689
Total comprehensive income for the period	-	-	(54,188)	993,312	939,124	52,808	991,932
Issue of shares	6,886	-	-	-	6,886	-	6,886
Share-based payment	1,494	-	-	-	1,494	-	1,494
Shares purchased for profit sharing scheme	-	-	(23,795)	-	(23,795)	-	(23,795)
Allocation of shares	-	-	59,200	-	59,200	-	59,200
Transfer to other reserves	-	-	(57,733)	57,733	-	-	-
Transfer to statutory reserves	-	34,319	-	(34,319)	-	-	-
Share of changes in equity	-	-	-	-	-	540	540
Acquisition of non-controlling interest	-	-	-	-	-	(3,401)	(3,401)
NCI share of rights issue	-	-	-	-	-	27,362	27,362
Other	-	-	(67)	67	-	-	-
Dividends	-	-	-	(714,861)	(714,861)	-	(714,861)
Dividends paid to non-controlling interest	-	-	-	-	-	(19,178)	(19,178)
Balance at June 30, 2018	789,330	1,277,470	18,281	6,899,598	8,984,679	499,189	9,483,868
Period ended June 30, 2017							
Balance at October 1, 2016	765,950	1,212,651	951,932	6,194,078	9,124,611	418,084	9,542,695
Total comprehensive income for the period	-	-	16,946	955,680	972,626	49,731	1,022,357
Issue of shares	6,255	-	-	-	6,255	-	6,255
Share-based payment	2,963	-	-	-	2,963	-	2,963
Shares purchased for profit sharing scheme	-	-	(17,837)	-	(17,837)	-	(17,837)
Allocation of shares	-	-	45,662	-	45,662	-	45,662
Transfer from general contingency reserves	-	-	(95,949)	95,949	-	-	-
Transfer to statutory reserves	-	9,829	-	(9,829)	-	-	-
Share of changes in equity	-	-	-	-	-	437	437
Acquisition of non-controlling interest	-	-	-	-	-	1,001	1,001
Other	-	-	(1,157)	1,157	-	-	-
Dividends	-	-	-	(705,985)	(705,985)	-	(705,985)
Dividends paid to non-controlling interest	-	-	-	-	-	(19,279)	(19,279)
Balance at June 30, 2017	775,168	1,222,480	899,597	6,531,050	9,428,295	449,974	9,878,269
Year ended September 30, 2017							
Balance at October 1, 2016	765,950	1,212,651	951,932	6,194,078	9,124,611	418,084	9,542,695
Total comprehensive income for the period	-	-	17,580	1,203,802	1,221,382	60,304	1,281,686
Issue of shares	14,275	-	-	-	14,275	-	14,275
Share-based payment	725	-	-	-	725	-	725
Shares purchased for profit sharing scheme	-	-	(17,837)	-	(17,837)	-	(17,837)
Allocation of shares	-	-	45,662	-	45,662	-	45,662
Transfer from general contingency reserves	-	-	(115,505)	115,505	-	-	-
Transfer to statutory reserves	-	30,500	-	(30,500)	-	-	-
Acquisition of non-controlling interest	-	-	-	271	271	748	1,019
Dividends	-	-	-	(705,985)	(705,985)	-	(705,985)
Dividends paid to non-controlling interest	-	-	-	-	-	(19,279)	(19,279)
Other	-	-	-	2,276	2,276	768	3,044
Balance at September 30, 2017	780,950	1,243,151	881,832	6,779,447	9,685,380	460,625	10,146,005

CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED NINE MONTHS ENDED		AUDITED YEAR ENDED
	June-30-18 \$'000	June-30-17 \$'000	Sept-30-17 \$'000
Operating activities			
Profit before taxation	1,505,403	1,343,462	1,800,831
Adjustments for non-cash items	187,084	290,758	409,625
Increase in operating assets	(1,999,986)	(762,549)	(1,011,674)
Increase in operating liabilities	2,375,718	2,186,446	1,136,824
Taxes paid	(503,139)	(362,171)	(468,885)
Cash provided by operating activities	1,565,080	2,695,946	1,866,721
Investing activities			
Net (increase)/decrease in investments	(13,462)	11,670	(1,547,617)
Acquisition of additional interest in a subsidiary	(3,401)	(13,229)	(720)
NCI share of rights issue	(27,362)	-	-
Dividends from associated companies	3,353	2,808	2,826
Additions to fixed assets	(263,459)	(322,739)	(417,597)
Proceeds from sale of fixed assets	4,482	20,587	22,130
Cash used in investing activities	(299,849)	(300,903)	(1,940,978)
Financing activities			
(Decrease)/increase in balances due to other banks	(138,973)	10,003	176,219
Repayment of debt securities	(789,155)	(39,846)	(43,314)
Net proceeds from share issue	6,886	20,484	14,275
Shares purchased for profit sharing scheme	(23,795)	(17,837)	(17,837)
Allocation of shares from profit sharing plan	59,200	45,662	45,662
Dividends paid to shareholders of the parent	(714,861)	(705,985)	(705,985)
Dividends paid to non-controlling interest	(19,125)	(19,279)	(19,279)
Cash used in financing activities	(1,619,823)	(706,798)	(550,259)
Net (decrease)/increase in cash resources	(354,592)	1,688,245	(624,516)
Net foreign exchange difference	(31,261)	44,480	41,782
Cash and cash equivalents at beginning of period/year	10,214,401	10,797,135	10,797,135
Cash and cash equivalents at end of period/year	9,828,548	12,529,860	10,214,401
Supplemental information:			
Interest received during the period/year	2,870,758	2,826,648	3,740,319
Interest paid during the period/year	(411,730)	(427,358)	(568,468)
Dividends received	664	1,691	1,693

**NOTES TO THE INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**
1 Corporate information

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

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities mainly in the Caricom region and Ghana.

2 Basis of preparation

This interim financial report for the period ended June 30, 2018 with effect from October 1, 2017 has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and should be used in conjunction with the annual financial statements for the year ended September 30, 2017.

Reclassifications may be made to the prior period's financial statements to conform to the current period's presentation.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended September 30, 2017 except for the adoption of IFRS 9 Financial Instruments.

The Group early adopted IFRS 9 in the third quarter of 2018 with effect from October 1, 2017 in advance of the date required by the International Accounting Standards Board (IASB).

As permitted by the standard, the prior year comparative financial statements which are reported under IAS 39 Financial Instruments: Recognition and Measurement were not restated and are therefore not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of October 1, 2017.

The adoption of IFRS 9 resulted in changes in accounting policies relating to classification and measurement and impairment of financial instruments. The main change in classification was assets previously classified as Available for Sale, are now held at Amortised Cost. The reclassification of the related revaluation reserves have been included in the Statement of Changes in Equity, under 'Net Impact of Adopting IFRS 9'.

Prior to the adoption of IFRS 9, a General Contingency Reserve was created as a voluntary appropriation of retained earnings, for the difference between the specific provision and non-performing advances. With the adoption of IFRS 9 and the enhanced provisioning levels, management has opted to reduce the level of General Contingency Reserves held, and has included the transfer of a portion of these reserves to retained earnings in the Statement of Changes in Equity, under 'Net Impact of Adopting IFRS 9'.

3 Capital commitments

	UNAUDITED		AUDITED
	June-30-18 \$'000	June-30-17 \$'000	Sept-30-17 \$'000
Contracts for outstanding capital expenditure not provided for in the financial statements	133,141	269,433	202,508
Other capital expenditure authorised by the Directors but not yet contracted for	58,930	46,332	35,283

4 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 were carried out on commercial terms and conditions, at market rates.

	UNAUDITED		AUDITED
	June-30-18 \$'000	June-30-17 \$'000	Sept-30-17 \$'000
Outstanding Balances			
Advances, investments and other assets			
Directors and key management personnel	20,412	20,669	20,357
Other related parties	319,402	270,732	229,354
	<u>339,814</u>	<u>291,401</u>	<u>249,711</u>
Deposits and other liabilities			
Directors and key management personnel	94,588	91,976	85,588
Other related parties	377,711	353,756	320,830
	<u>472,299</u>	<u>445,732</u>	<u>406,417</u>
Interest and other income			
Directors and key management personnel	585	736	1,097
Other related parties	18,630	26,568	35,257
	<u>19,215</u>	<u>27,304</u>	<u>36,354</u>
Interest and other expense			
Directors and key management personnel	7,350	3,507	12,469
Other related parties	12,324	13,379	16,589
	<u>19,674</u>	<u>16,886</u>	<u>29,058</u>
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.			
Key management compensation			
Short-term benefits	30,313	27,229	37,873
Post-employment benefits	135	-	4,474
Share-based payment	1,494	2,963	1,992
	<u>31,942</u>	<u>30,192</u>	<u>44,339</u>

5 Segment reporting

The Group analyses its operations by geographic segments, reflecting its management structure as follows:

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unaudited Nine months ended June 30, 2018							
Operating income	3,363,102	508,114	244,787	334,459	284,959	(1,086,973)	3,648,448
Net profit before taxation	2,000,751	224,542	105,504	172,322	86,044	(1,083,760)	1,505,403
Total assets	52,168,087	9,414,248	5,422,556	9,672,843	2,821,097	(9,901,774)	69,597,057
Unaudited Nine months ended June 30, 2017							
Operating income	3,226,554	464,783	235,569	337,279	257,508	(1,023,674)	3,498,019
Net profit before taxation	1,920,270	189,667	110,186	133,194	12,306	(1,022,161)	1,343,462
Total assets	53,928,201	9,349,732	4,737,274	8,993,584	2,887,343	(10,515,023)	69,381,111
Audited Year ended September 30, 2017							
Operating income	4,010,441	612,934	311,782	446,507	357,348	(1,049,503)	4,689,509
Net profit before taxation	2,273,289	225,207	136,591	170,491	31,219	(1,035,966)	1,800,831
Total assets	52,252,060	9,475,542	4,733,894	9,235,730	2,946,385	(9,750,732)	68,892,879

Eliminations represent outstanding balances with other entities within the Group which are required to be eliminated in the preparation of consolidated financial statements.

6 Contingent liabilities

As at June 30, 2018, there were certain legal proceedings outstanding against the Group. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine that eventuality.

