2015

Consolidated Financial Statements

Progress & Promise

179 years ago, we made a promise: A promise to customers – to provide the highest levels of service; to staff – to provide an inclusive and fulfilling professional experience, and to communities – to create empowered members of society. Year on year, decade on decade, community after community, we thrive to build on that promise and have seen the bounding progress that has since come about. Our focus, as we look toward an expansive, promising future as a holding company, will stay rooted in the continued success of the organisation we have become, our staff, our customers and our communities – the lifeblood that keeps us grounded and the wheels that keep us moving.

Republic Bank

We're the One for you!

Consolidated Financial Statements for the year ended

September 30, 2015

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Republic Bank

We're the One for you!

Independent Auditors' Report

To the Shareholders of Republic Bank Limited

We have audited the accompanying consolidated financial statements of Republic Bank Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at September 30, 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
November 4, 2015

Republic Bank Limited

Consolidated Statement of Financial Position

As at September 30, 2015
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2015	2014
ASSETS			
Cash and cash equivalents		930,485	565,225
Statutory deposits with Central Banks		5,627,292	4,834,456
Due from banks		7,542,995	8,345,146
Treasury Bills		6,162,162	5,905,053
Investment interest receivable		74,400	72,136
Advances	4	33,007,998	27,095,407
Investment securities	5	8,094,392	8,260,382
Investment in associated companies	6	142,066	345,942
Premises and equipment	7	1,853,964	1,573,503
Goodwill	8	606,612	300,971
Pension assets	9	1,223,147	1,299,725
Deferred tax assets	10	170,736	184,154
Taxation recoverable		72,586	49,607
Other assets	11	483,351	539,809
TOTAL ASSETS		**65,992,186**	**59,371,516**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		554,135	69,957
Customers' current, savings and deposit accounts	12	49,711,582	43,770,760
Other fund raising instruments	13	2,586,569	3,357,833
Debt securities in issue	14	1,192,952	1,066,802
Pension liability	9	52,595	57,275
Provision for post-retirement medical benefits	9	406,171	423,502
Taxation payable		165,493	73,043
Deferred tax liabilities	10	420,011	468,036
Accrued interest payable		68,591	40,591
Other liabilities	15	1,423,478	1,297,394
TOTAL LIABILITIES		**56,581,577**	**50,625,193**
EQUITY			
Stated capital	16	739,125	704,871
Statutory reserves		1,194,889	1,202,364
Other reserves	17	636,543	744,363
Retained earnings		6,361,538	5,785,296
Attributable to equity holders of the parent		8,932,095	8,436,894
Non-controlling interest		478,514	309,429
TOTAL EQUITY		**9,410,609**	**8,746,323**
TOTAL LIABILITIES AND EQUITY		**65,992,186**	**59,371,516**

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

These financial statements were approved by the Board of Directors on November 4, 2015 and signed on its behalf by:

William P. Lucie-Smith,
Director

David Dulal-Whiteway,
Managing Director

Derwin M. Howell,
Executive Director

Jacqueline H.C. Quamina,
Corporate Secretary

Republic Bank
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Republic Bank Limited

Consolidated Statement of Income

For the year ended September 30, 2015

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

	Notes	2015	2014
Interest income	18 (a)	2,778,731	2,521,146
Interest expense	18 (b)	(325,695)	(303,094)
Net interest income		2,453,036	2,218,052
Other income	18 (c)	1,462,399	1,486,982
		3,915,435	3,705,034
Operating expenses	18 (d)	(2,124,453)	(1,880,590)
Share of profits of associated companies	6	39,276	49,135
Operating profit		1,830,258	1,873,579
Goodwill impairment expense	8	(31,510)	(185,000)
Loan impairment expense, net of recoveries	4 (b)	(165,264)	(119,883)
Net profit before taxation		1,633,484	1,568,696
Taxation expense	19	(396,740)	(338,980)
Net profit after taxation		**1,236,744**	**1,229,716**
Attributable to:			
Equity holders of the parent		1,223,648	1,193,390
Non-controlling interest		13,096	36,326
		1,236,744	**1,229,716**
Earnings per share			
Basic		$7.59	$7.42
Diluted		$7.57	$7.39
Weighted average number of shares ('000)			
Basic	16	161,279	160,918
Diluted	16	161,662	161,467

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

Republic Bank Limited

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2015

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

	Notes	2015	2014
Net profit after taxation		**1,236,744**	**1,229,716**
Other comprehensive income:			
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net loss on available-for-sale investments		(226,908)	(118,581)
Translation adjustments		138,388	(156,558)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		**(88,520)**	**(275,138)**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Re-measurement gains/(losses) on defined benefit plans		29,575	(51,253)
Share of changes recognised directly in associate's equity	6	(1,781)	(8,270)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		**27,794**	**(59,523)**
Total other comprehensive loss for the year, net of tax		**(60,726)**	**(334,661)**
Total comprehensive income for the year, net of tax		**1,176,018**	**895,055**
Attributable to:			
Equity holders of the parent		1,163,542	866,240
Non-controlling interest		12,476	28,815
		1,176,018	**895,055**

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

Republic Bank Limited

Consolidated Statement of Changes in Equity

For the year ended September 30, 2015

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

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at September 30, 2013	**649,932**	**1,068,708**	**1,052,182**	**5,449,009**	**8,219,831**	**296,203**	**8,516,034**
Total comprehensive (loss)/income for the year	–	–	(276,753)	1,142,993	866,240	28,815	895,055
Issue of shares	46,789	–	–	–	46,789	–	46,789
Share-based payment	8,150	–	–	–	8,150	–	8,150
Shares purchased for profit sharing scheme	–	–	(71,050)	–	(71,050)	–	(71,050)
Allocation of shares	–	–	52,185	–	52,185	–	52,185
Transfer from general contingency reserve	–	–	(12,201)	12,201	–	–	–
Transfer to statutory reserves	–	133,656	–	(133,656)	–	–	–
Dividends	–	–	–	(685,251)	(685,251)	–	(685,251)
Dividends paid to non-controlling interest	–	–	–	–	–	(15,589)	(15,589)
Balance at September 30, 2014	**704,871**	**1,202,364**	**744,363**	**5,785,296**	**8,436,894**	**309,429**	**8,746,323**
Total comprehensive (loss)/income for the year	–	–	(89,647)	1,253,189	1,163,542	12,476	1,176,018
Issue of shares	27,374	–	–	–	27,374	–	27,374
Share-based payment	6,880	–	–	–	6,880	–	6,880
Shares purchased for profit sharing scheme	–	–	(67,410)	–	(67,410)	–	(67,410)
Allocation of shares	–	–	49,195	–	49,195	–	49,195
Transfer to general contingency reserve	–	–	42	(42)	–	–	–
Transfer to statutory reserves	–	(7,475)	–	7,475	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	192,040	192,040
Dividends	–	–	–	(687,597)	(687,597)	–	(687,597)
Dividends paid to non-controlling interest	–	–	–	–	–	(35,431)	(35,431)
Other	–	–	–	3,217	3,217	–	3,217
Balance at September 30, 2015	**739,125**	**1,194,889**	**636,543**	**6,361,538**	**8,932,095**	**478,514**	**9,410,609**

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

Republic Bank Limited
Consolidated Statement of Cash Flows
For the year ended September 30, 2015
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2015	2014
Operating activities			
Net profit before taxation		1,633,484	1,568,696
Adjustments for:			
Depreciation	7	145,159	150,789
Loan impairment expense, net of recoveries	4 (b)(ii)	165,264	119,883
Goodwill impairment expense	8	31,510	185,000
Translation difference		151,407	(6,134)
(Profit)/loss on sale of premises and equipment		(11,661)	5,278
Realised gain on investment securities		(1,958)	(228,898)
Share of net profits of associated companies	6	(39,276)	(49,135)
Stock option expense	16	6,880	8,150
Increase in employee benefits		32,023	118,853
Increase in advances		(3,375,831)	(1,979,773)
Increase in customers' deposits and other fund raising instruments		748,559	1,625,309
Increase in statutory deposits with Central Banks		(511,440)	(501,856)
Decrease/(increase) in other assets and investment interest receivable		256,035	(183,636)
Increase in other liabilities and accrued interest payable		66,284	55,783
Taxes paid, net of refund		(331,570)	(444,918)
Cash (used in)/provided by operating activities		(1,035,131)	443,391
Investing activities			
Purchase of investment securities		(5,586,978)	(4,281,629)
Redemption of investment securities		5,800,181	4,126,002
Acquisition of controlling interest in a subsidiary	6	236,660	–
Acquisition of subsidiaries, net of cash acquired	32	959,092	–
Dividends from associated companies	6	5,638	9,740
Additions to premises and equipment	7	(287,338)	(202,825)
Proceeds from sale of premises and equipment		17,134	50,459
Cash provided by/(used in) investing activities		1,144,389	(298,253)
Financing activities			
Increase/(decrease) in balances due to other banks		325,700	(3,392)
Repayment of debt securities		(12,510)	(162,256)
Proceeds from share issue	16	27,374	46,789
Shares purchased for profit sharing scheme	17	(67,410)	(71,050)
Allocation of shares to profit sharing plan	17	49,195	52,185
Dividends paid to shareholders of the parent	28	(687,597)	(685,251)
Dividends paid to non-controlling shareholders of the subsidiaries		(35,431)	(15,589)
Cash used in financing activities		(400,679)	(838,564)
Net decrease in cash and cash equivalents		(291,421)	(693,426)
Net foreign exchange difference		(7,140)	24,460
Cash and cash equivalents at beginning of year		13,790,677	14,459,643
Cash and cash equivalents at end of year		**13,492,116**	**13,790,677**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		930,485	565,225
Due from banks		7,542,995	8,345,146
Treasury Bills - original maturities of three months or less		4,685,164	4,631,493
Bankers' acceptances - original maturities of three months or less		333,472	248,813
		13,492,116	**13,790,677**
Supplemental information:			
Interest received during the year		2,742,574	2,560,429
Interest paid during the year		(297,696)	(314,469)
Dividends received	18 (c)	442	681

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

Republic Bank Limited
Notes to the Consolidated Financial Statements
For the year ended September 30, 2015
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

1. Corporate information

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

The Republic Bank Group (the 'Group') is a financial services group comprising 15 subsidiaries and three associated companies. The Group is engaged in a wide range of banking, financial and related activities in the Caricom region and Ghana. A full listing of the Group's subsidiary companies is detailed in Note 30 while associate companies are listed in Note 6. Republic Bank Limited is the ultimate Parent of the Group and is listed on the Trinidad and Tobago Stock Exchange.

Until October 31, 2012, the CL Financial Group held through its various subsidiaries, 51.4% of the shares of Republic Bank Limited, of which Colonial Life Insurance Company (Trinidad) Limited (CLICO) and CLICO Investment Bank Limited (CIB) combined, held 51.1%.

CLICO Investment Bank Limited (CIB), which owned together with its subsidiary First Company Limited, 18.3% of the shareholding of Republic Bank Limited was on October 17, 2011 ordered by the High Court to be wound up and the Deposit Insurance Company appointed liquidator. Accordingly, this 18.3% shareholding is under the control of the Deposit Insurance Company.

On November 1, 2012, 24.8% of Republic Bank Limited formerly owned by Colonial Life Insurance Company (Trinidad) Limited (CLICO) was transferred into an investment fund launched by the Government of the Republic of Trinidad and Tobago and called the CLICO Investment Fund (the 'Fund'). The Trustee of the Fund is the CLICO Trust Corporation Limited which holds the 24.8% shareholding in Republic Bank Limited in trust solely for the benefit of subscribing Unit holders of the Fund. The Fund is, as a consequence, the largest shareholder in Republic Bank Limited.

Effective November 1, 2012, the CL Financial Group is no longer considered a related party of Republic Bank Limited.

2. Significant accounting policies

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

2.1 Basis of preparation

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Republic Bank Limited and its subsidiaries as at September 30, each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company except for HFC Bank (Ghana) Limited and Republic Bank (Suriname) N.V. which used July 31, using consistent accounting policies.

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

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

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

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

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

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

2.2 Basis of consolidation (continued)

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

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

2.3 Changes in accounting policies

New accounting policies/improvements adopted
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended September 30, 2014 except for the adoption of new standards and interpretations noted below:

IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amendments) (effective January 1, 2014)
The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meet the definition of an investment entity. The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity. The adoption and amendments to these standards had no impact on the financial position or performance of the Group.

IAS 19 - Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective July 1, 2014)
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

IAS 32 - Offsetting Financial Assets and Financial liabilities (effective January 1, 2014)
These amendments clarify the meaning of the phrase 'currently has a legally enforceable right to set-off' by stating that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 (effective January 1, 2014)
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a result of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. However, the IASB has added two disclosure requirements:

Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.

Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

IFRIC 21 - Levies (effective January 1, 2014)
IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached.

2.4 Standards in issue not yet effective

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Group's financial statements. The Group reasonably expects these standards and interpretations to be applicable at a future date and intends to adopt these standards and interpretations when they become effective.

The Group is currently assessing the impact of adopting these standards and interpretations. Since the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect at this time.

IAS 1 Disclosure Initiative - Amendments to IAS 1 (effective January 1, 2016)
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:
- The materiality requirements in IAS 1
- That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

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

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS and do not affect recognition and measurement.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (effective January 1, 2016)
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life. Revenue generated may be used to amortise an intangible asset only in very limited circumstances.

IFRS 9 - Financial Instruments: Classification and Measurement (effective January 1, 2018)
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 (effective January 1, 2016)
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

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

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

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

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

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

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

The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multilayered group structure.

IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective January 1, 2016)
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments will effectively eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (effective January 1, 2016)
The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

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

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

The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. Entities need to consider the definition carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

IFRS 14 - Regulatory Deferral Accounts (effective January 1, 2016)
The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income.

IFRS 15 - Revenue from Contracts with Customers (effective January 1, 2016)
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

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

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

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

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

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after July 1, 2014.

IFRS	**Subject of Amendment**
IAS 16 -	Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation/amortisation
IAS 24 -	Related Party Disclosures - Key management personnel
IAS 40 -	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)
IFRS 2 -	Share-based Payment - Definitions of vesting conditions
IFRS 3 -	Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3 -	Business Combinations - Scope exceptions for joint ventures
IFRS 8 -	Operating Segments - Aggregation of operating segments
IFRS 8 -	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS13 -	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

2.6 Summary of significant accounting policies

a) Cash and cash equivalents

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

b) Statutory deposits with Central Banks

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, the Bank and its subsidiary, Republic Finance and Merchant Bank Limited, are required to maintain with the Central Bank of Trinidad and Tobago, statutory balances in relation to the deposit liabilities of the institutions. Other than Statutory Deposits of $4.4 billion, the Group also holds Treasury Bills and other deposits of $5.9 billion with the Central Bank of Trinidad and Tobago as at September 30, 2015. Interest earned on these balances for the year was $38.2 million.

Pursuant to the Banking Act of Grenada 1988, Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement to its deposit liabilities.

Pursuant to the Guyana Financial Institutions Act 1995, Republic Bank (Guyana) Limited is required to maintain with the Bank of Guyana, statutory reserve balances in relation to the deposit liabilities of the institution.

In accordance with statutory provisions, Republic Bank (Barbados) Limited, is required to maintain reserves in the form of certain cash resources and government securities with the Central Bank of Barbados.

In accordance with statutory provisions, HFC Bank (Ghana) Limited, is required to maintain reserves in the form of certain cash resources with the Bank of Ghana.

In accordance with statutory provisions, Republic Bank (Suriname) N.V. is required to maintain reserves in the form of certain cash resources with the Central Bank of Suriname.

c) Financial instruments

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

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

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

c) **Financial instruments** (continued)

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

i) **Advances**

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

ii) **Investment securities**

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

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

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

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

iii) **Debt securities and other fund raising instruments**

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

d) **Impairment of financial assets**

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

i) **Advances**

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

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

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

ii) **Investment securities**

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

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

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

e) **Investment in Associates**

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

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

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

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

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

f) **Leases**

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

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Leasehold buildings and leased equipment are depreciated over the period of the lease.

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

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

Depreciation other than on leasehold buildings and leased equipment is computed on the declining balance method at rates expected to apportion the cost of the assets over their estimated useful lives.

The depreciation rates used are as follows:

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

h) Impairment of non-financial assets

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

- Disclosures for significant assumptions (Note 3)
- Premises and equipment (Note 7)
- Goodwill (Note 8)

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

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

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

i) Business combinations and goodwill

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of income.

As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

j) Employee benefits

i) Pension obligations

The Group operates a number of defined benefit plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plans every three years. In Trinidad, the Parent, Republic Bank Limited, 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 all employee benefit plans.

Remeasurements, comprising 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 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 statement of income in subsequent periods.

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

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

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

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

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

ii) Other post-retirement obligations

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

j) Employee benefits (continued)

iii) Profit sharing scheme

The Group operates various employee profit sharing schemes at the subsidiary level, which are administered by Trustees in accordance with terms outlined in the Profit Sharing Scheme Rules. The profit share to be distributed to employees each year is based on a specific formula outlined in these Profit Sharing Scheme Rules. Employees of the parent bank 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 the Bank. The number of shares to be allocated is based on the employees' total entitlement less the cash element, divided by the average price of the unallocated shares purchased by the Trustees. The Group accounts for the profit share, as an expense, through the consolidated statement of income.

iv) Share-based payments

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

k) Taxation

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

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

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

l) Statutory reserves

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

The Banking Act of Grenada (No. 19 of 2005), requires that a minimum of 20% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up capital. These reserves are not available for distribution as dividends or for any other form of appropriation.

The Guyana Financial Institutions Act 1995 requires that a minimum of 15% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up or assigned capital.

The Offshore Banking Act of Barbados requires that a minimum of 25% of the net profits of each year before any dividend is paid, be transferred to a statutory reserve account until the balance on this reserve is not less than the issued and paid-up capital.

The Barbados Financial Institutions Act requires that a minimum of 25% of the net income in each year be transferred to a general reserve account until the balance on this reserve is not less than the paid-up capital.

The Banking Act, 2004 and Amendment Act, 2008 of Ghana requires that proportions of 12.5% to 50% of net profit after tax be transferred to a statutory reserve fund depending on the existing statutory reserve fund to paid-up capital.

m) Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these consolidated financial statements as they are not the assets of the Group. These assets under administration at September 30, 2015 totalled $32.1 billion (2014: $31.8 billion).

n) Earnings per share

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders of the parent, by the weighted average number of ordinary shares in issue during the year.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, which are share options granted to Executive Management.

The difference between the weighted average number of shares used as the denominator in calculating basic earnings per share and that used for calculating diluted earnings per share is due to share options granted during the year.

o) Foreign currency translation

The individual financial statements of each group entity is presented in the currency of the primary economic environment, in which the entity operates (its functional currency). The consolidated financial statements are expressed in Trinidad and Tobago dollars, which is the functional currency of the parent.

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

The assets and liabilities of subsidiary companies are translated into Trinidad and Tobago dollars at the mid-rates of exchange ruling at the statement of financial position date and all resulting exchange differences are recognised in other comprehensive income. All revenue and expenditure transactions are translated at an average rate.

p) Revenue Recognition

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

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

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

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

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

q) Fair Value

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

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

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2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

q) Fair Value (continued)

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 financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

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

Level 2

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

Level 3

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

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

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

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

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

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

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

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

r) Segment reporting

A geographical segment is engaged in providing products, or services within a particular economic environment that are subject to risks and returns that are different from those of segments, operating in other economic environments.

A business segment is a group of assets and operations engaged in providing similar products and services that are subject to risks and returns that are different from those of other business segments.

The Group analyses its operations by both geographic and business segments. The primary format is geographic, reflecting its management structure. Its secondary format is that of business segments reflecting retail and commercial banking and merchant banking.

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

These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Group's consolidated statement of financial position but are detailed in Note 29 (b) of these consolidated financial statements.

3. Significant accounting judgements, estimates and assumptions

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

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

a) Capital management (Note 22)

b) Risk management (Note 21)

Estimates and assumptions

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

Impairment of financial assets

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

Inherent provisions on advances (Note 4 (b))

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

Valuation of investments (Note 5)

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

Net pension asset/liability (Note 9)

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

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

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

Estimates and assumptions (continued)

Goodwill (Note 8)
The Group financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2015 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate perpetuity discount rate to calculate present value.

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

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

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

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

4. Advances

a) Advances

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2015				
Performing advances	5,881,567	14,753,757	11,730,937	32,366,261
Non-performing advances	186,424	649,077	414,226	1,249,727
	6,067,991	15,402,834	12,145,163	33,615,988
Unearned interest/ finance charge	(43,807)	(64,467)	–	(108,274)
Accrued interest	10,100	81,259	20,412	111,771
	6,034,284	15,419,626	12,165,575	33,619,485
Allowance for impairment losses - Note 4 (b)	(116,142)	(360,283)	(135,062)	(611,487)
Net advances	**5,918,142**	**15,059,343**	**12,030,513**	**33,007,998**
2014				
Performing advances	5,200,539	10,892,477	10,453,975	26,546,991
Non-performing advances	111,145	539,633	322,833	973,611
	5,311,684	11,432,110	10,776,808	27,520,602
Unearned interest/ finance charge	(46,692)	(64,976)	–	(111,668)
Accrued interest	8,324	47,054	22,500	77,878
	5,273,316	11,414,188	10,799,308	27,486,812
Allowance for impairment losses	(73,831)	(240,841)	(76,733)	(391,405)
Net advances	**5,199,485**	**11,173,347**	**10,722,575**	**27,095,407**

b) Allowance for impairment losses

(i) Impairment assessment

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

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

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

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

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

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2015				
Balance brought forward	73,831	240,841	76,733	391,405
Acquisition of subsidiaries	11,106	80,529	27,125	118,760
Translation adjustment	136	963	208	1,307
Charge-offs and write-offs	(31,537)	(31,475)	(2,237)	(65,249)
Loan impairment expense	113,180	223,265	61,740	398,185
Loan impairment recoveries	(50,574)	(153,840)	(28,507)	(232,921)
Balance carried forward	**116,142**	**360,283**	**135,062**	**611,487**
Individual impairment	92,960	305,372	108,292	506,624
Collective impairment	23,182	54,911	26,770	104,863
	116,142	**360,283**	**135,062**	**611,487**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**186,424**	**649,077**	**414,226**	**1,249,727**
2014				
Balance brought forward	66,530	211,320	75,248	353,098
Translation adjustment	(495)	(1,497)	(363)	(2,355)
Charge-offs and write-offs	(34,977)	(40,116)	(4,128)	(79,221)
Loan impairment expense	65,221	135,658	33,256	234,135
Loan impairment recoveries	(22,448)	(64,524)	(27,280)	(114,252)
Balance carried forward	**73,831**	**240,841**	**76,733**	**391,405**
Individual impairment	53,297	210,063	64,152	327,512
Collective impairment	20,534	30,778	12,581	63,893
	73,831	**240,841**	**76,733**	**391,405**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**111,145**	**539,633**	**322,833**	**973,611**

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

4. Advances (continued)

c) Net investment in leased assets included in net advances

	2015	2014
Gross investment	266,822	284,647
Unearned finance charge	(50,514)	(52,037)
	216,308	232,610
Allowance for impairment loss	–	(186)
Net investment in leased assets	**216,308**	**232,424**

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

	2015	2014
Within one year	1,387	9,827
One to five years	37,383	25,960
Over five years	177,538	196,637
	216,308	**232,424**

5. Investment securities

	2015	2014
a) Available-for-sale		
Government securities	3,099,999	2,666,926
State owned company securities	990,330	1,053,183
Corporate bonds/debentures	3,321,438	4,010,586
Bankers' acceptances	469,382	472,575
Equities and mutual funds	43,415	56,108
	7,924,564	8,259,378
b) Held to Maturity		
Government securities	120,251	–
Corporate bonds/debentures	2,240	–
Equities and mutual funds	25,109	–
	147,600	–
c) At fair value through profit or loss		
Held for trading		
Quoted securities	22,228	1,004
Total investment securities	**8,094,392**	**8,260,382**

6. Investment in associated companies

	2015	2014
Balance at beginning of year	345,942	445,377
Acquisition of controlling interest in a subsidiary	(236,660)	–
Acquisition of associate	927	–
Share of current year profit	39,276	49,135
Dividends received	(5,638)	(9,740)
Exchange adjustments	–	(130,560)
Share of revaluation reserves	(1,781)	(8,270)
Balance at end of year	**142,066**	**345,942**

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

	Country of incorporation	Reporting year-end of associate	Proportion of issued capital held
G4S Holdings (Trinidad) Ltd	Trinidad and Tobago	December	24.50%
InfoLink Services Limited	Trinidad and Tobago	December	25.00%
East Caribbean Financial Holding Company Limited (ECFH)	St. Lucia	December	19.30%

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

	Associates that are material to the Group	Other Associates	Total Investment in Associates	
	ECFH 2015	2015	2015	2014
Total assets	9,292,324	172,458	9,464,782	11,355,441
Total liabilities	8,628,809	26,674	8,655,483	10,276,797
Net assets/equity	663,515	145,784	809,299	1,078,644
Group's share of associates' net assets	104,908	37,158	142,066	345,942
Profit for the period	18,401	14,367	32,767	318,409
Group's share of profit of associated companies after tax for the period	10,301	28,976	39,276	49,135
Group's share of revaluation reserves of associated companies	(1,781)	–	(1,781)	(8,270)
Dividends received during the year	–	5,638	5,638	9,740

7. Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2015					
Cost					
At beginning of year	172,708	1,153,255	126,114	1,483,731	2,935,808
Acquisition of subsidiaries	827	38,269	64,895	126,478	230,469
Exchange and other adjustments	133	294	223	2,369	3,019
Additions at cost	223,954	6,281	1,908	55,195	287,338
Disposal of assets	–	(431)	(2,385)	(49,184)	(52,000)
Transfer of assets	(143,039)	95,346	5,488	42,205	–
	254,583	**1,293,014**	**196,243**	**1,660,794**	**3,404,634**
Accumulated depreciation					
At beginning of year	–	159,587	94,354	1,108,364	1,362,305
Acquisitions	–	9,030	2,801	80,058	91,889
Exchange and other adjustments	–	(4,198)	105	1,658	(2,435)
Charge for the year	–	16,739	6,251	122,169	145,159
Disposal of assets	–	(13)	(2,385)	(43,850)	(46,248)
	–	**181,145**	**101,126**	**1,268,399**	**1,550,670**
Net book value	**254,583**	**1,111,869**	**95,117**	**392,395**	**1,853,964**
2014					
Cost					
At beginning of year	112,459	1,222,654	120,194	1,480,633	2,935,940
Exchange and other adjustments	(120)	(5,923)	(261)	(5,247)	(11,551)
Additions at cost	129,638	9,552	1,856	61,779	202,825
Disposal of assets	(20,237)	(82,897)	4,325	(92,597)	(191,406)
Transfer of assets	(49,032)	9,869	–	39,163	–
	172,708	**1,153,255**	**126,114**	**1,483,731**	**2,935,808**

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

7. Premises and equipment (continued)

2014	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Accumulated depreciation					
At beginning of year	–	185,059	90,740	1,076,127	1,351,926
Exchange and other adjustments	–	(748)	(152)	(3,841)	(4,741)
Charge for the year	–	18,876	4,472	127,441	150,789
Disposal of assets	–	(43,600)	(706)	(91,363)	(135,669)
	–	**159,587**	**94,354**	**1,108,364**	**1,362,305**
Net book value	**172,708**	**993,668**	**31,760**	**375,367**	**1,573,503**

Capital commitments	**2015**	**2014**
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	378,100	437,591
Other capital expenditure authorised by the Directors but not yet contracted for	89,333	93,432

8. Goodwill

	Notes	2015	2014
Goodwill on acquisition brought forward		300,971	485,971
Translation adjustment		(151)	–
Goodwill arising on acquisition of subsidiaries	32	337,302	–
Goodwill written off during the year		(31,510)	(185,000)
		606,612	**300,971**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited, HFC Bank (Ghana) Limited, Republic Bank (Suriname) N.V. and acquisitions by Republic Bank (Cayman) Limited and Republic Bank (Guyana) Limited.

Impairment testing of goodwill

In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment using the 'value in use' method. In each case, the cash flow projections are based on financial budgets approved by senior management and the values assigned to key assumptions reflect past performance.

The following table highlights the goodwill and key assumptions used in value in use calculations for each cash-generating unit:

	Republic Bank (Barbados) Limited TT$ million	Republic Bank (Cayman) Limited TT$ million	Republic Bank (Guyana) Limited TT$ million
Carrying amount of goodwill	145	32	92
Basis for recoverable amount	Value in use	Value in use	Value in use
Discount rate	12%	10%	8%
Cash flow projection term	3 yrs	3 yrs	3 yrs
Terminal Growth rate	1.75%	2.50%	3%

In conducting the goodwill impairment review, consideration was made for the decline in business in the Cayman Islands and the impact on the goodwill that was acquired by Republic Bank (Cayman) Limited. Key assumptions were as follows:

Assumption	**Value**
Cost of Equity	10.32%
Terminal Growth Rate	2.50%
Growth in Free Cash Flows (2015 to 2023)	3% - 5%

As a result of these changes in key assumptions, the value in use of the cash generating unit was determined to be lower than the carrying value of the company. A goodwill impairment expense of $31 million was therefore recorded for the Group's investment in Republic Bank (Cayman) Limited:

Carrying Value of RBL Cayman (TT$M)	472
Present value of future cashflows (TT$M)	441
Impairment	**31**

9. Employee benefits

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

	Defined benefit pension plans – Pension assets 2015	Pension assets 2014	Pension liability 2015	Pension liability 2014
Present value of defined benefit obligation	(2,606,449)	(2,706,572)	(312,440)	(302,311)
Fair value of plan assets	3,840,920	4,020,468	259,845	245,036
Surplus/(deficit)	1,234,471	1,313,896	(52,595)	(57,275)
Effect of asset ceiling	(11,324)	(14,171)	–	–
Net asset/(liability) recognised in the consolidated statement of financial position	**1,223,147**	**1,299,725**	**(52,595)**	**(57,275)**

	Post-retirement medical benefits 2015	2014
Present value of defined benefit obligation	(406,171)	(423,502)
Fair value of plan assets	–	–
Net liability recognised in the consolidated statement of financial position	**(406,171)**	**(423,502)**

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

	Defined benefit pension plans 2015	Defined benefit pension plans 2014	Post-retirement medical benefits 2015	Post-retirement medical benefits 2014
Opening defined benefit obligation	3,008,883	2,863,987	423,502	304,850
Acquisition of a subsidiary	–	–	22,375	–
Exchange adjustments	1,783	(2,844)	(279)	(65)
Current service cost	114,659	100,108	19,953	14,709
Interest cost	156,820	148,843	21,332	15,385
Members' contributions	1,107	1,029	–	–
Re-measurements:				
- Experience adjustments	(51,076)	(15,518)	(34,388)	91,436
- Actuarial (losses)/gains from change in demographic assumptions	(4,471)	2,505	(6)	76
- Actuarial losses from change in financial assumptions	(214,058)	–	(43,432)	–
Benefits paid	(94,758)	(89,227)	126	(203)
Premiums paid by the Group	–	–	(3,012)	(2,686)
Closing defined benefit obligation	**2,918,889**	**3,008,883**	**406,171**	**423,502**

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

9. Employee benefits (continued)

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

	Defined benefit pension plans 2015	Defined benefit pension plans 2014	Post-retirement medical benefits 2015	Post-retirement medical benefits 2014
Defined benefit obligation at prior year end	1,242,450	1,242,651	423,502	304,850
Acquisition of a subsidiary	–	–	22,375	–
Exchange adjustments	(190)	297	51	(64)
Opening defined benefit obligation	1,242,260	1,242,948	445,928	304,786
Net pension cost	(55,720)	(40,517)	41,282	30,094
Re-measurements recognised in other comprehensive income	(36,512)	22,836	(77,814)	91,511
Premiums paid by the Group	20,524	17,183	(3,225)	(2,889)
Closing net pension asset	**1,170,552**	**1,242,450**	**406,171**	**423,502**

d) Liability profile

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

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	61% to 83%	70% to 84%
- Deferred members	4% to 6%	N/A
- Pensioners	13% to 33%	16% to 30%

The weighted duration of the defined benefit obligation ranged from 11.9 to 19.8 years.

28% to 46% of the defined benefit obligation for active members was conditional on future salary increases.

19% to 99% of the benefits for active members were vested.

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

	Defined benefit pension plans 2015	Defined benefit pension plans 2014
Opening fair value of plan assets	4,265,504	4,120,688
Exchange adjustments	1,593	(2,549)
Interest income	202,220	194,595
Return on plan assets, excluding interest income	(293,752)	25,309
Contributions by employer	20,524	17,184
Member's Contributions	1,107	1,029
Benefits paid	(94,758)	(89,230)
Expense Allowance	(1,673)	(1,522)
Closing fair value of plan assets	**4,100,765**	**4,265,504**
Actual return on plan assets	**205,347**	**206,579**

f) Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value 2015	Fair value 2014	Allocation 2015	Allocation 2014
Equity securities	1,870,082	1,975,432	45.60%	46.31%
Debt securities	1,829,269	1,786,142	44.62%	41.87%
Property	25,117	31,524	0.61%	0.74%
Mortgages	5,818	1,132	0.14%	0.03%
Money market instruments/cash	370,479	471,274	9.03%	11.05%
Total fair value of plan assets	**4,100,765**	**4,265,504**	**100.00%**	**100.00%**

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

	Defined benefit pension plans 2015	Defined benefit pension plans 2014	Post-retirement medical benefits 2015	Post-retirement medical benefits 2014
Current service cost	114,659	107,811	19,953	14,652
Interest on defined benefit obligation	(44,692)	(65,309)	21,329	15,221
Past service cost	(16,601)	(8,473)	–	221
Administration expenses	2,354	1,407	–	–
Total included in staff costs	**55,720**	**35,436**	**41,282**	**30,094**

h) Re-measurements recognised in Other comprehensive income

	Defined benefit pension plans 2015	Defined benefit pension plans 2014	Post-retirement medical benefits 2015	Post-retirement medical benefits 2014
Experience gains/(losses)	40,068	(22,958)	(77,814)	91,511
Effect of asset ceiling	(3,556)	122	–	–
Total included in Other comprehensive income	**36,512**	**(22,836)**	**(77,814)**	**91,511**

i) Summary of principal actuarial assumptions as at September 30

	2015 %	2014 %
Discount rate	5.00 - 7.75	5.00 - 7.75
Rate of salary increase	4.00 - 6.75	2.50 - 5.50
Pension increases	0.00 - 2.50	0.00 - 2.40
Medical cost trend rates	5.00 - 6.00	7.00 - 7.75
NIS ceiling rates	3.00 - 5.00	3.00 - 5.00

Assumptions regarding future mortality are based on published mortality rates. The life expentancies underlying the value of the defined benefit obligation as at September 30, 2015 are as follows:

	Defined benefit pension plans 2015	Defined benefit pension plans 2014
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	14.6 to 21.0	14.6 to 21.0
- Female	18.4 to 25.1	18.4 to 25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	14.6 to 21.4	14.6 to 21.0
- Female	18.4 to 25.4	18.4 to 25.1

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, 2015 would have changed as a result of a change in the assumptions used.

	Defined benefit pension plans 1% p.a. increase $'000	Defined benefit pension plans 1% p.a. decrease $'000	Post-retirement medical benefits 1% p.a. increase $'000	Post-retirement medical benefits 1% p.a. decrease $'000
- Discount rate	(405,458)	522,087	(70,513)	96,101
- Future salary increases	204,637	(175,762)	267	(229)
- Future pension cost increases	228,000	–	–	–
- Medical cost increases	–	–	94,621	(71,238)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2015 by $65.4 million and the post-retirement medical benefit by $15.59 million.

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

k) Funding

The Group meets the entire cost of funding the defined benefit pension plans. The funding requirements are based on regular actuarial valuations of the Plans made every three years and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $9.3 million to the pension plans in the 2016 financial year.

The Group operates the post-retirement medical benefit plans as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Group pays 'premiums' of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Group expects to pay $7.8 million to the medical plans in the 2016 financial year.

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

10. Deferred tax assets and liabilities

Components of deferred tax assets and liabilites

a) Deferred tax assets

	Opening balance 2014	Acquisition of Subsidiaries	Exhange and other adjustments	(Credit)/charge Consolidated statement of income	(Credit)/charge OCI	Closing balance 2015
Post retirement medical benefits	123,717	–	(597)	8,381	(21,448)	110,053
Leased assets	24,496	–	–	(9,717)	–	14,779
Unrealised reserve	4,930	–	1,328	27	1,527	7,812
Unearned loan origination fees	29,767	–	19	1,593	–	31,379
Other	1,244	–	–	5,473	(4)	6,713
	184,154	**–**	**750**	**5,757**	**(19,925)**	**170,736**

b) Deferred tax liabilities

	Opening balance 2014	Acquisition of Subsidiaries	Exhange and other adjustments	Charge/(credit) Consolidated statement of income	Charge/(credit) OCI	Closing balance 2015
Pension asset	323,323	–	2,051	(9,948)	(7,579)	307,847
Leased assets	32,304	–	–	(4,435)	–	27,869
Premises and equipment	70,855	2,619	(2,586)	1,658	–	72,546
Unrealised reserve	41,554	–	55	–	(32,134)	9,475
Other	–	2,284	–	–	(10)	2,274
	468,036	**4,903**	**(480)**	**(12,725)**	**(39,723)**	**420,011**
Net credit to consolidated statement of income				**18,482**		

11. Other assets

	2015	2014
Accounts receivable and prepayments	309,357	276,213
Project financing reimbursables	629	694
Deferred commission & fees	7,585	6,689
Non-current assets held to maturity	22,314	45,742
Other	143,466	210,471
	483,351	**539,809**

12. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2015	2014
State	6,487,239	6,637,146
Corporate and commercial	12,881,274	9,611,365
Personal	27,397,610	24,560,308
Other financial institutions	2,144,617	2,164,827
Other	800,842	797,114
	49,711,582	**43,770,760**

13. Other fund raising instruments

At September 30, 2015 investment securities held to secure other fund raising instruments of the Group amounted to $1.8 billion (2014: $2.6 billion).

Concentration of other fund raising instruments

	2015	2014
State	1,117,763	1,538,946
Corporate and commercial	38,387	2,300
Personal	187,920	81,299
Other financial institutions	1,242,499	1,706,394
Other	–	28,894
	2,586,569	**3,357,833**

14. Debt securities in issue

	2015	2014
Unsecured		
a) Fixed rate bonds	814,583	799,260
b) Floating rate bonds	122,959	–
	937,542	799,260
Secured		
a) Floating rate bonds	241,239	250,582
b) Fixed rate bonds	13,334	16,852
c) Mortgage pass-through certificates	837	108
	255,410	267,542
Total debt securities in issue	**1,192,952**	**1,066,802**

Unsecured obligations

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

b) Floating rate bonds are denominated in Ghanian cedis and includes three bonds issued by HFC Bank (Ghana) Limited at floating rates of interest linked to the Ghanian Treasury Bill rate. Interest on these bonds is paid semi-annually.

Secured obligations

a) For Republic Bank Limited, the floating rate bonds are denominated in Trinidad and Tobago dollars and are unconditional secured obligations of the Bank. The Bank has pledged a portfolio of liquid debt securities issued or guaranteed by the Government of Trinidad and Tobago, together with high-grade corporate bonds and debentures, in an aggregate amount equal to the bonds issued as collateral security for the bondholders. Other floating rate bonds are also denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

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

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

15. Other liabilities

	2015	2014
Accounts payable and accruals	1,148,978	1,083,307
Unearned loan origination fees	133,886	130,729
Deferred income	10,599	1,413
Other	130,015	81,945
	1,423,478	**1,297,394**

16. Stated capital

	2015 Number of ordinary shares ('000)	2014 Number of ordinary shares ('000)	2015	2014
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	161,052	160,463	704,871	649,932
Shares issued/proceeds from shares issued	336	552	27,374	46,789
Shares purchased for profit sharing scheme	(562)	(597)	–	–
Share-based payment	–	–	6,880	8,150
Allocation of shares	423	634	–	–
At end of year	**161,249**	**161,052**	**739,125**	**704,871**

The following reflects the calculation of the effect of the issue of stock options on the weighted average number of ordinary shares.

	2015	2014
Weighted average number of ordinary shares	161,279	160,918
Effect of dilutive stock options	383	549
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,662**	**161,467**

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17. Other reserves

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2013	**64,560**	**(53,269)**	**653,858**	**387,033**	**1,052,182**
Realised gains transferred to net profit	–	–	–	(276,227)	(276,227)
Revaluation of available-for-sale investments	–	–	–	158,572	158,572
Translation adjustments	(150,828)	–	–	–	(150,828)
Share of changes recognised directly in associate's equity	(8,270)	–	–	–	(8,270)
Total income and expense for the year recognised directly in equity	(159,098)	–	–	(117,655)	(276,753)
Shares purchased for profit sharing scheme	–	(71,050)	–	–	(71,050)
Allocation of shares	–	52,185	–	–	52,185
Transfer to retained earnings	–	–	(12,201)	–	(12,201)
Balance at September 30, 2014	**(94,538)**	**(72,134)**	**641,657**	**269,378**	**744,363**
Realised gains transferred to net profit	–	–	–	(553)	(553)
Revaluation of available-for-sale investments	–	–	–	(222,044)	(222,044)
Translation adjustments	134,731	–	–	–	134,731
Share of changes recognised directly in associate's equity	(1,781)	–	–	–	(1,781)
Total income and expense for the year recognised directly in equity	132,950	–	–	(222,597)	(89,647)
Shares purchased for profit sharing scheme	–	(67,410)	–	–	(67,410)
Allocation of shares	–	49,195	–	–	49,195
Transfer from retained earnings	–	–	42	–	42
Balance at September 30, 2015	**38,412**	**(90,349)**	**641,699**	**46,781**	**636,543**

General contingency reserves

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

A General contingency reserve is created as an appropriation of retained earnings, for the difference between the specific provision and non-performing advances. When the collateral is realised, the reserve is released back to retained earnings. The General contingency reserve serves to enhance the Group's non-distributable capital base. As at September 30, 2015 the balance in the General contingency reserve of $641.7 million is part of Other reserves which totals $636.1 million.

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Bank Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2015, shares costing $90 million (2014: $72 million) remain unallocated from the profit sharing scheme. Refer to Note 27 (a).

	No. of shares (000's) 2015	2014
Balance brought forward	610	648
Add shares purchased	562	597
Allocation of shares	(422)	(635)
Balance carried forward	**750**	**610**

18. Operating profit

a) Interest income

	2015	2014
Advances	2,357,816	2,113,038
Investment securities	306,980	331,452
Liquid assets	113,935	76,656
	2,778,731	**2,521,146**

b) Interest expense

	2015	2014
Customers' current, savings and deposit accounts	203,832	172,908
Other fund raising instruments and debt securities in issue	119,112	130,132
Other interest bearing liabilities	2,751	54
	325,695	**303,094**

c) Other income

	2015	2014
Fees and commission from trust and other fiduciary activities	238,357	234,199
Other fees and commission income	589,063	495,455
Net exchange trading income	282,633	226,108
Dividends	442	681
Net gains from investments at fair value through profit or loss	771	–
Gains from disposal of available-for-sale investments	26,885	341,652
Recoveries on written off loans	212,103	83,013
Other operating income	112,145	105,874
	1,462,399	**1,486,982**

d) Operating expenses

	2015	2014
Staff costs	804,835	701,845
Staff profit sharing - Note 27 (a)	117,922	108,812
Employee benefits pension and medical contribution - Note 9 (g)	97,002	65,530
General administrative expenses	706,193	611,816
Operating lease payments	46,368	47,354
Property related expenses	120,437	121,764
Depreciation expense - Note 7	145,159	150,789
Advertising and public relations expenses	76,005	66,141
Directors' fees	10,532	6,539
	2,124,453	**1,880,590**

e) Non-cancellable operating lease commitments

	2015	2014
Within one year	28,313	31,501
One to five years	19,084	32,023
Over five years	5,479	8,150
	52,876	**71,674**

19. Taxation expense

	2015	2014
Corporation tax	415,222	354,375
Deferred tax	(18,482)	(15,395)
	396,740	**338,980**

Reconciliation between taxation expense and accounting profit

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

	2015	2014
Accounting profit	1,633,484	1,568,696
Tax at applicable statutory tax rates	469,525	418,594
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(91,799)	(82,136)
Non-deductible expenses	45,747	27,529
Allowable deductions	(18,481)	(15,395)
Provision for Green Fund Levy and other taxes	(8,252)	(9,612)
	396,740	**338,980**

The Group has tax losses in two of its subsidiaries amounting to $128.9 million (2014: $158.4 million). In one of these subsidiaries, no deferred tax asset has been recognised for these tax losses in the financial statements since it is not anticipated that there will be sufficient future taxable profits to offset these losses.

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.

	2015	2014
Advances, investments and other assets		
Directors and key management personnel	17,717	14,993
Other related parties	101,095	234,548
	118,812	249,541
Deposits and other liabilities		
Directors and key management personnel	63,434	64,886
Other related parties	75,848	108,705
	139,282	173,591
Interest and other income		
Directors and key management personnel	1,229	1,290
Other related parties	7,576	15,961
	8,805	17,251
Interest and other expense		
Directors and key management personnel	7,551	7,136
Other related parties	2,558	3,813
	10,109	10,949

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

Key management compensation	2015	2014
Short-term benefits	30,508	27,747
Post employment benefits	1,750	11,177
Share-based payment	6,912	8,150
	39,170	47,074

21. Risk management

21.1 Introduction

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

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

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

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

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

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

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

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 Group's credit risk management function is to maximise the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Group.

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

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

The Group uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, a computerised Credit Scoring system with preset risk management criteria is in place at all branches to facilitate decision-making. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

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

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

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

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

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

	Gross maximum exposure	
	2015	**2014**
Statutory deposits with Central Banks	5,627,292	4,834,456
Due from banks	7,542,995	8,345,146
Treasury Bills	6,162,162	5,905,053
Investment interest receivable	74,400	72,136
Advances	33,007,998	27,095,407
Investment securities	8,003,640	8,203,270
Total	**60,418,487**	**54,455,468**
Undrawn commitments	5,138,615	4,697,372
Acceptances	1,108,666	742,087
Guarantees and indemnities	301,161	106,898
Letters of credit	309,110	117,716
Total	**6,857,552**	**5,664,073**
Total credit risk exposure	**67,276,039**	**60,119,541**

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

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

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

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

21.2.2 Risk concentrations of the maximum exposure to credit risk

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

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

	2015	**2014**
Trinidad and Tobago	42,001,307	39,940,733
Barbados	7,307,155	6,845,822
Eastern Caribbean	1,499,065	1,630,028
Guyana	3,920,385	3,419,775
United States	3,944,367	4,288,264
Europe	757,070	1,169,789
Suriname	2,640,184	–
Ghana	2,139,890	–
Other Countries	3,066,616	2,825,130
	67,276,039	**60,119,541**

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

	2015	**2014**
Government and Central Government Bodies	21,031,567	18,062,055
Financial sector	9,161,190	9,959,108
Energy and mining	1,640,811	485,363
Agriculture	296,051	288,360
Electricity and water	433,797	438,235
Transport, storage and communication	673,403	496,898
Distribution	3,896,355	3,420,787
Real estate	3,706,672	2,916,169
Manufacturing	1,973,901	1,961,724
Construction	1,971,464	1,942,023
Hotel and restaurant	1,392,342	1,125,375
Personal	15,145,163	13,923,841
Other services	5,953,323	5,099,603
	67,276,039	**60,119,541**

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'.

21.2.3 Credit quality per category of financial assets

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

- Treasury Bills and Statutory deposits with Central Banks
- Balances due from banks
- Advances
- Financial investment securities

Treasury Bills and Statutory deposits with Central Banks
These funds are placed with Central Banks in the countries where the Group is engaged in the full range of banking and financial activities and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

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

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

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

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

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21. Risk management (continued)

21.2 Credit risk (continued)

21.2.3 Credit quality per category of financial assets (continued)

Balances due from banks (continued)

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

	Superior	Desirable	Acceptable	Total
2015	3,160,390	4,020,141	362,464	7,542,995
2014	4,550,906	3,680,774	113,466	8,345,146

Advances - Commercial and Corporate

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

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

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

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

Sub-standard: Past due or individually impaired.

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

	Superior	Desirable	Acceptable	Sub-standard	Total
2015	511,989	2,700,543	11,223,828	622,983	15,059,343
2014	429,159	2,043,598	8,243,645	456,945	11,173,347

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

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2015	111,371	27,805	38,032	111,850	333,925	622,983
2014	110,583	4,636	8,137	4,019	329,570	456,945

Advances - Retail loans and Mortgages

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

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2015	14,595,102	2,367,694	96,336	163,463	365,763	360,297	17,948,655
2014	12,975,198	2,009,913	99,157	145,197	376,065	316,530	15,922,060

Financial investment securities

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

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

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

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

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

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

	Superior	Desirable	Acceptable	Sub-standard	Total
Available-for-sale					
2015	6,655,944	728,260	461,518	35,427	7,881,149
2014	5,530,809	1,801,968	707,033	163,460	8,203,270
Held to Maturity					
2015	–	122,491	–	–	122,491

21.3 Liquidity risk

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

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

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

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

21.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position. Refer to Note 26 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 statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Customers' current, savings and deposit accounts	41,764,069	7,802,633	221,511	–	49,788,213
Other fund raising instruments	341,887	1,941,627	269,544	124,185	2,677,243
Debt securities in issue	5,956	111,398	1,208,640	250,024	1,576,018
Due to banks	112,472	657,592	–	–	770,064
Other liabilities	532,364	83,309	2,256	2,306	620,235
Total un-discounted financial liabilities	**42,756,748**	**10,596,559**	**1,701,951**	**376,515**	**55,431,773**
2014					
Customers' current, savings and deposit accounts	36,713,903	7,132,634	12,362	–	43,858,899
Other fund raising instruments	–	3,046,126	244,073	147,212	3,437,411
Debt securities in issue	–	109,821	1,252,750	55,010	1,417,581
Due to banks	22,190	47,767	–	–	69,957
Other liabilities	447,570	28,888	2,171	–	478,629
Total un-discounted financial liabilities	**37,183,663**	**10,365,236**	**1,511,356**	**202,222**	**49,262,477**

Financial liabilities - off statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Acceptances	391,149	389,352	327,499	666	1,108,666
Guarantees and indemnities	8,222	227,053	35,313	30,573	301,161
Letters of credit	85,533	223,577	–	–	309,110
Total	**484,904**	**839,982**	**362,812**	**31,239**	**1,718,937**
2014					
Acceptances	283,600	241,865	215,951	671	742,087
Guarantees and indemnities	121	52,294	17,204	37,279	106,898
Letters of credit	54,433	63,283	–	–	117,716
Total	**338,154**	**357,442**	**233,155**	**37,950**	**966,701**

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

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 Group has an Asset/Liability Committee which reviews on a monthly basis the non-credit and non-operational risk for the Parent and each subsidiary. Asset and Liability management is a vital part of the risk management process of the Group. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Group, including interest rate, foreign exchange, liquidity and market risks.

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

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

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

		Impact on net profit			
		2015		2014	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	40,742	(40,742)	40,375	(40,375)
USD Instruments	+/- 50	12,135	(12,135)	12,699	(12,699)
BDS Instruments	+/- 50	7,349	(7,349)	7,896	(7,896)
GHS Instruments	+/- 300	371	(371)	–	–
Other currency Instruments	+/- 50	277	(277)	326	(326)

		Impact on equity			
		2015		2014	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	(42,211)	43,233	(45,251)	46,709
USD Instruments	+/- 50	(43,270)	37,833	(54,543)	52,783
XCD Instruments	+/- 25	(78)	78	(77)	78
BDS Instruments	+/- 50	(8,106)	8,419	(9,689)	10,096
Other currency Instruments	+/- 50	(180)	239	(820)	514

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

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

The principal currencies of the Group's subsidiary and associated company investments are TTD, USD, GYD, XCD, BDS, Ghana Cedi (GHS) and Suriname SRD.

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

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)

2015	**TTD**	**USD**	**BDS**	**GHS**	**Other**	**Total**
Financial assets						
Cash and cash equivalents	352,743	186,847	108,247	91,262	191,386	930,485
Statutory deposits with Central Banks	4,364,178	17,871	464,920	86,771	693,552	5,627,292
Due from banks	2,611,970	3,324,254	8,535	43,291	1,554,945	7,542,995
Treasury Bills	3,485,001	–	1,200,164	–	1,476,997	6,162,162
Investment interest receivable	31,587	26,732	2,479	6,864	6,738	74,400
Advances	20,135,442	4,600,371	4,584,901	1,128,182	2,559,102	33,007,998
Investment securities	3,783,046	3,560,128	436,823	169,720	144,675	8,094,392
Total financial assets	**34,763,967**	**11,716,203**	**6,806,069**	**1,526,090**	**6,627,395**	**61,439,724**
Financial liabilities						
Due to banks	386,010	11,846	–	24,929	131,350	554,135
Customers' current, savings and deposit accounts	25,976,898	10,115,620	5,446,552	823,041	7,349,471	49,711,582
Other fund raising instruments	1,839,374	66,870	333,440	346,885	–	2,586,569
Debt securities in issue	1,055,029	14,964	–	122,959	–	1,192,952
Interest payable	20,743	5,290	7,824	28,502	6,232	68,591
Total financial liabilities	**29,278,054**	**10,214,590**	**5,787,816**	**1,346,316**	**7,487,053**	**54,113,829**
Net currency risk exposure		1,501,613	1,018,253	179,774	(859,658)	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**15,016**	**10,183**	**5,393**	**(8,597)**	

2014	**TTD**	**USD**	**BDS**	**GHS**	**Other**	**Total**
Financial assets						
Cash and cash equivalents	328,458	44,132	115,730	–	76,905	565,225
Statutory deposits with Central Banks	4,050,897	3,220	285,951	–	494,388	4,834,456
Due from banks	4,468,127	2,986,743	8,881	–	881,395	8,345,146
Treasury Bills	3,827,652	–	765,598	–	1,311,803	5,905,053
Investment interest receivable	37,212	27,818	3,268	–	3,838	72,136
Advances	16,541,205	3,389,902	4,575,140	–	2,589,160	27,095,407
Investment securities	3,410,496	4,111,340	542,028	–	196,518	8,260,382
Total financial assets	**32,664,047**	**10,563,155**	**6,296,596**	**–**	**5,554,007**	**55,077,805**
Financial liabilities						
Due to banks	66	41,048	12,009	–	16,834	69,957
Customers' current, savings and deposit accounts	24,362,375	8,924,974	5,038,884	–	5,444,527	43,770,760
Other fund raising instruments	2,930,841	76,245	350,747	–	–	3,357,833
Debt securities in issue	1,066,802	–	–	–	–	1,066,802
Interest payable	17,896	3,343	17,939	–	1,413	40,591
Total financial liabilities	**28,377,980**	**9,045,610**	**5,419,579**	**–**	**5,462,774**	**48,305,943**
Net currency risk exposure		1,517,545	877,018	–	91,233	
Reasonably possible change in currency rate		1%	1%	–	1%	
Effect on profit before tax		**15,175**	**8,770**	**–**	**912**	

21.5 Operational risk

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

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

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

22. Capital management

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $668 million to $9.41 billion during the year under review.

Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the respective Central Banks for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

Capital adequacy ratio	**2015**	**2014**
Republic Bank Limited	21.72%	25.77%
Republic Finance and Merchant Bank Limited	130.21%	133.32%
Republic Bank (Cayman) Limited	26.74%	20.83%
Republic Bank (Grenada) Limited	15.60%	15.80%
Republic Bank (Guyana) Limited	22.85%	22.16%
Republic Bank (Barbados) Limited	19.78%	16.02%
Republic Bank (Suriname) N.V.	15.37%	–
HFC Bank (Ghana) Limited	14.20%	–
Atlantic Financial Limited	52.73%	67.95%

At September 30, 2015 the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

23. Fair value

23.1 Carrying values and fair values

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

	Carrying value	**Fair value**	**Un-recognised gain/(loss)**
2015			
Financial assets			
Cash, due from banks and Treasury Bills	14,635,642	14,635,642	–
Investment interest receivable	74,400	74,400	–
Advances	33,007,998	32,806,167	(201,831)
Investment securities	8,094,392	8,094,392	–
Other financial assets	309,357	309,357	–
Financial liabilities			
Customers' current, savings and deposit accounts	49,711,582	49,729,973	(18,391)
Borrowings and other fund raising instruments	3,140,704	3,140,704	–
Debt securities in issue	1,192,952	1,292,125	(99,173)
Accrued interest payable	68,591	68,591	–
Other financial liabilities	1,148,978	1,148,978	–
Total unrecognised change in unrealised fair value			**(319,395)**

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)

	Carrying value	Fair value	Un-recognised gain/(loss)
2014			
Financial assets			
Cash, due from banks and Treasury Bills	14,815,424	14,815,424	–
Investment interest receivable	72,136	72,136	–
Advances	27,095,407	27,258,579	163,172
Investment securities	8,260,382	8,260,382	–
Other financial assets	276,213	276,213	–
Financial liabilities			
Customers' current, savings and deposit accounts	43,770,760	43,774,832	(4,072)
Borrowings and other fund raising instruments	3,427,790	3,427,790	–
Debt securities in issue	1,066,802	1,244,434	(177,631)
Accrued interest payable	40,591	40,591	–
Other financial liabilities	1,083,307	1,083,307	–
Total unrecognised change in unrealised fair value			**(18,531)**

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 Group's assets and liabilities:

	Level 1	Level 2	Level 3	Total
2015				
Financial assets measured at fair value				
Investment securities	3,512,848	4,572,636	8,908	8,094,392
Financial assets for which fair value is disclosed				
Advances	–	32,806,167	–	32,806,167
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	49,729,973	–	49,729,973
Debt securities in issue	–	1,292,125	–	1,292,125
2014				
Financial assets measured at fair value				
Investment securities	3,437,232	4,814,325	8,825	8,260,382
Financial assets for which fair value is disclosed				
Advances	–	27,258,579	–	27,258,579
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	43,774,832	–	43,774,832
Debt securities in issue	–	1,244,434	–	1,244,434

23.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2015, no assets were transferred between Level 1 and Level 2.

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

	Balance at beginning of year	Additions	Disposals /Transfers to Level 2	Balance at end of year
Financial assets designated at fair value through profit or loss	–	1,001	(894)	107
Financial investments - available-for-sale	8,825	–	(24)	8,801
	8,825	**1,001**	**(918)**	**8,908**

24. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2015	2014
HFC Bank (Ghana) Limited	Ghana	42.89%	60.13%
Republic Bank (Guyana) Limited	Guyana	49.00%	49.00%
Accumulated balances of material non-controlling interest:			
HFC Bank (Ghana) Limited		141,499	–
Republic Bank (Guyana) Limited		228,330	202,167
Profit/(loss) allocated to material non-controlling interest:			
HFC Bank (Ghana) Limited		(32,263)	–
Republic Bank (Guyana) Limited		41,808	35,192

The summarised financial information of these subsidiaries is provided in Note 25 (i) of these financial statements.

25. Segmental information

The Group is organised into two main business segments: retail and commercial banking and merchant banking. The Group's primary reporting format comprises geographical segments, reflecting its management structure and the secondary segment is by class of business. The following is an analysis by respective segments:

i) By geographic segment

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname, and Eastern Caribbean	Ghana	Elimi-nations	Total
2015							
Interest income	1,861,744	455,338	209,726	201,362	89,056	(38,495)	2,778,731
Interest expense	(174,145)	(89,771)	(17,872)	(35,378)	(47,024)	38,495	(325,695)
Net interest income	1,687,599	365,567	191,854	165,984	42,032	–	2,453,036
Other income	1,401,864	152,196	88,975	66,488	45,434	(292,558)	1,462,399
Share of profits of associates	39,276	–	–	–	–	–	39,276
Operating income	3,128,739	517,763	280,829	232,472	87,466	(292,558)	3,954,711
Goodwill impairment expense	–	–	–	(31,510)	–	–	(31,510)
Other operating expenses	(1,496,698)	(319,100)	(133,068)	(107,131)	(79,932)	11,476	(2,124,453)
Operating profit	1,632,041	198,663	147,761	93,83	7,534	(281,082)	1,798,748
Loan impairment expense, net of recoveries	8,440	(33,475)	(17,399)	(31,665)	(91,165)	–	(165,264)
Net profit/(loss) before taxation	**1,640,481**	**165,188**	**130,362**	**62,166**	**(83,631)**	**(281,082)**	**1,633,484**
Taxation	(337,107)	(21,174)	(45,039)	(1,827)	8,407	–	(396,740)
Net profit/(loss) after taxation	**1,303,374**	**144,014**	**85,323**	**60,339**	**(75,224)**	**(281,082)**	**1,236,744**

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

25. Segmental information (continued)

i) By geographic segment (continued)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname, and Eastern Caribbean	Ghana	Eliminations	Total
2015							
Investment in associated companies	142,066	–	–	–	–	–	142,066
Total assets	48,366,058	8,442,558	4,327,834	8,488,876	2,234,069	(5,867,209)	65,992,186
Total liabilities	41,003,885	7,050,274	3,865,036	6,507,081	1,887,016	(3,731,715)	56,581,577
Depreciation	94,156	25,924	12,430	8,137	4,512	–	145,159
Capital expenditure on premises and equipment	251,604	10,338	14,194	4,695	6,507	–	287,338
Cash flow from operating activities	(697,874)	129,792	356,654	(122,230)	(79,805)	(621,668)	(1,035,131)
Cash flow from investing activities	(1,167,865)	452,981	(79,589)	193,731	89,672	1,655,459	1,144,389
Cash flow from financing activities	(525,247)	(67,066)	(31,769)	6,710	(55,881)	272,574	(400,679)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname, and Eastern Caribbean	Ghana	Eliminations	Total
2014							
Interest income	1,740,286	429,351	203,012	203,423	–	(54,926)	2,521,146
Interest expense	(168,955)	(129,357)	(20,178)	(39,530)	–	54,926	(303,094)
Net interest income	1,571,331	299,994	182,834	163,893	–	–	2,218,052
Other income	1,325,292	155,839	71,272	78,662	–	(144,083)	1,486,982
Share of profits of associates	49,135	–	–	–	–	–	49,135
Operating income	2,945,758	455,833	254,106	242,555	–	(144,083)	3,754,169
Goodwill impairment expense	(185,000)	–	–	–	–	–	(185,000)
Other operating expenses	(1,333,143)	(325,109)	(122,715)	(110,695)	–	11,072	(1,880,590)
Operating profit	1,427,615	130,724	131,391	131,860	–	(133,011)	1,688,579
Loan impairment expense, net of recoveries	(30,543)	(46,682)	(20,153)	(22,505)	–	–	(119,883)
Net profit before taxation	**1,397,072**	**84,042**	**111,238**	**109,355**	**–**	**(133,011)**	**1,568,696**
Taxation	(286,199)	(12,197)	(39,417)	(1,167)	–	–	(338,980)
Net profit after taxation	**1,110,873**	**71,845**	**71,821**	**108,188**	**–**	**(133,011)**	**1,229,716**

i) By geographic segment (continued)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname, and Eastern Caribbean	Ghana	Eliminations	Total
2014							
Investment in associated companies	345,942	–	–	–	–	–	345,942
Total assets	46,093,234	8,270,023	3,894,975	5,283,482	–	(4,170,198)	59,371,516
Total liabilities	39,006,398	6,861,997	3,485,571	3,584,970	–	(2,313,743)	50,625,193
Depreciation	100,525	29,633	12,872	7,759	–	–	150,789
Capital expenditure on premises and equipment	137,485	28,315	30,572	6,453	–	–	202,825
Cash flow from operating activities	1,291,223	(487,269)	(157,455)	(172,203)	–	(30,905)	443,391
Cash flow from investing activities	(624,101)	407,641	(79,633)	147,398	–	(149,558)	(298,253)
Cash flow from financing activities	(869,127)	(70,346)	(30,349)	(232)	–	131,490	(838,564)

ii) By class of business

	Retail and commercial banking	Merchant banking	Eliminations	Total
2015				
Interest income	2,530,533	286,693	(38,495)	2,778,731
Interest expense	(316,100)	(48,090)	38,495	(325,695)
Net interest income	2,214,433	238,603	–	2,453,036
Other income	1,619,835	135,122	(292,558)	1,462,399
Share of profits of associates	39,276	–	–	39,276
Operating income	3,873,544	373,725	(292,558)	3,954,711
Goodwill impairment expense	–	(31,510)	–	(31,510)
Other operating expenses	(2,092,314)	(43,615)	11,476	(2,124,453)
Operating profit	1,781,230	298,600	(281,082)	1,798,748
Loan impairment expense, net of recoveries	(143,929)	(21,335)	–	(165,264)
Net profit before taxation	**1,637,301**	**277,265**	**(281,082)**	**1,633,484**
Taxation	(351,478)	(45,262)	–	(396,740)
Net profit after taxation	**1,285,823**	**232,003**	**(281,082)**	**1,236,744**
Investment in associated companies	142,066	–	–	142,066
Total assets	63,853,214	8,006,181	(5,867,209)	65,992,186
Total liabilities	54,503,678	5,809,614	(3,731,715)	56,581,577
Depreciation	144,567	592	–	145,159
Capital expenditure on premises and equipment	573	286,765	–	287,338
Cash flow from operating activities	(702,825)	289,362	(621,668)	(1,035,131)
Cash flow from investing activities	(1,281,493)	770,423	1,655,459	1,144,389
Cash flow from financing activities	(395,540)	(277,713)	272,574	(400,679)

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

25. Segmental information (continued)

ii) **By class of business** (continued)

	Retail and commercial banking	Merchant banking	Eliminations	Total
2014				
Interest income	2,252,099	323,973	(54,926)	2,521,146
Interest expense	(296,880)	(61,140)	54,926	(303,094)
Net interest income	1,955,219	262,833	–	2,218,052
Other income	1,545,563	85,502	(144,083)	1,486,982
Share of profits of associates	49,135	–	–	49,135
Operating income	3,549,917	348,335	(144,083)	3,754,169
Goodwill impairment expense	(185,000)	–	–	(185,000)
Other operating expenses	(1,849,990)	(41,672)	11,072	(1,880,590)
Operating profit	1,514,927	306,663	(133,011)	1,688,579
Loan impairment expense, net of recoveries	(112,403)	(7,480)	–	(119,883)
Net profit before taxation	**1,402,524**	**299,183**	**(133,011)**	**1,568,696**
Taxation	(300,382)	(38,598)	–	(338,980)
Net profit after taxation	**1,102,142**	**260,585**	**(133,011)**	**1,229,716**
Investment in associated companies	345,942	–	–	345,942
Total assets	54,920,240	8,621,476	(4,170,200)	59,371,516
Total liabilities	46,709,784	6,229,151	(2,313,742)	50,625,193
Depreciation	150,322	467	–	150,789
Capital expenditure on premises and equipment	201,090	1,735	–	202,825
Cash flow from operating activities	516,059	(41,763)	(30,905)	443,391
Cash flow from investing activities	(94,788)	(53,907)	(149,558)	(298,253)
Cash flow from financing activities	(877,518)	(92,536)	131,490	(838,564)

26. Maturity analysis of assets and liabilities

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

	Within one year	After one year	Total
2015			
ASSETS			
Cash and cash equivalents	930,485	–	930,485
Statutory deposits with Central Banks	5,627,292	–	5,627,292
Due from banks	7,542,995	–	7,542,995
Treasury Bills	6,162,162	–	6,162,162
Investment interest receivable	74,400	–	74,400
Advances	10,311,719	22,696,279	33,007,998
Investment securities	1,745,178	6,349,214	8,094,392
Investment in associated companies	–	142,066	142,066
Premises and equipment	–	1,853,964	1,853,964
Goodwill	–	606,612	606,612
Net pension asset	–	1,223,147	1,223,147
Deferred tax assets	–	170,736	170,736
Taxation recoverable	23,521	49,065	72,586
Other assets	467,418	15,933	483,351
	32,885,170	**33,107,016**	**65,992,186**
LIABILITIES			
Due to banks	554,135	–	554,135
Customers' current, savings and deposit accounts	49,496,180	215,402	49,711,582
Other fund raising instruments	2,272,144	314,425	2,586,569
Debt securities in issue	48,444	1,144,508	1,192,952
Net pension liability	–	52,595	52,595
Provision for post-retirement medical benefits	–	406,171	406,171
Taxation payable	165,493	–	165,493
Deferred tax liabilities	1,784	418,227	420,011
Accrued interest payable	68,591	–	68,591
Other liabilities	1,220,060	203,418	1,423,478
	53,826,831	**2,754,746**	**56,581,577**

	Within one year	After one year	Total
2014			
ASSETS			
Cash and cash equivalents	565,225	–	565,225
Statutory deposits with Central Banks	4,834,456	–	4,834,456
Due from banks	8,345,146	–	8,345,146
Treasury Bills	5,905,053	–	5,905,053
Investment interest receivable	72,136	–	72,136
Advances	6,994,689	20,100,718	27,095,407
Investment securities	1,933,185	6,327,197	8,260,382
Investment in associated companies	–	345,942	345,942
Premises and equipment	–	1,573,503	1,573,503
Goodwill	–	300,971	300,971
Net pension asset	–	1,299,725	1,299,725
Deferred tax assets	–	184,154	184,154
Taxation recoverable	20,250	29,357	49,607
Other assets	528,982	10,827	539,809
	29,199,122	**30,172,394**	**59,371,516**
LIABILITIES			
Due to banks	69,957	–	69,957
Customers' current, savings and deposit accounts	43,761,209	9,551	43,770,760
Other fund raising instruments	3,026,007	331,826	3,357,833
Debt securities in issue	–	1,066,802	1,066,802
Net pension liability	–	57,275	57,275
Provision for post-retirement medical benefits	–	423,502	423,502
Taxation payable	73,043	–	73,043
Deferred tax liabilities	28,941	439,095	468,036
Accrued interest payable	40,413	178	40,591
Other liabilities	1,110,442	186,952	1,297,394
	48,110,012	**2,515,181**	**50,625,193**

27. Equity compensation benefits

a) **Profit sharing scheme**

It is estimated that approximately $101 million (2014: $96 million) will be allocated to staff from the profit sharing scheme in the current financial year. The total staff profit sharing for the Group was $118 million (2014: $109 million). Refer to Note 18. During the 2015 financial year, $67 million in advances were made by Republic Bank (the 'Parent') for purchase of shares to the staff profit sharing scheme (2014: $71 million).

b) **Stock option plan**

The Group has a stock option plan for senior executives. Under this arrangement, the holder has the right to purchase a specified number of ordinary shares of Republic Bank Limited at a pre-determined price on or before a pre-determined date. Options are granted only when certain pre-determined individual, corporate and strategic objectives are realised.

The plan provides that the maximum number of ordinary shares that may be purchased on the exercise of options is 7,950,650 shares and the maximum entitlement for any one executive is no more than 50% of the shares comprising the plan. There is a three-year waiting period after the grant date of options before the grantee may exercise the right to purchase the shares represented by the options. The maximum period within which an option may be exercised is ten years.

The option price shall be the Bank's share price at the beginning of the performance period during which the option is earned. The price is calculated as the average closing share price on all trading days during the calendar month, prior to the beginning of the performance period. The process of assessment, calculation of options and approval by the Board of Directors takes place in the first quarter following the end of the financial year.

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

27. Equity compensation benefits (continued)

b) Stock option plan (continued)

The movement in outstanding options is outlined below.

	Weighted average exercise price 2015	2014	Number of shares 2015	2014
At the beginning of the year	$87.71	$84.04	1,791,585	1,980,702
Granted	$110.03	$104.41	355,800	362,833
Exercised	$81.67	$85.24	(336,120)	(551,950)
At end of year	**$93.39**	**$87.38**	**1,811,265**	**1,791,585**
Exercisable at end of year	**$83.41**	**$85.40**	**859,349**	**1,209,734**

Expiry date	Exercise price	2015	2014
15-Dec-15	$78.78	31,841	46,665
20-Dec-16	$90.19	93,301	124,503
20-Dec-17	$86.75	104,156	187,867
20-Dec-18	$80.00	137,160	167,038
20-Dec-19	$101.80	11,876	11,876
21-Feb-21	$85.94	143,481	224,419
3-Feb-22	$72.99	254,739	350,306
30-Jan-23	$92.67	336,496	336,496
31-Dec-24	$104.41	342,415	342,415
12-Dec-25	$110.03	355,800	–
		1,811,265	**1,791,585**

As at September 30, 2015, none (2014: none) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share.

The fair value of the stock options have been determined using a binomial option-pricing model. The assumptions used in the calculation of the fair value are as follows:

Grant date	December 18, 2014 to March 5, 2015
Number granted	355,800
Exercise price	$110.03
Share price at grant date	$118.20 to $119.75
Risk free interest rate	2.0% per annum
Expected volatility	7.5% per annum
Dividend yield	3.65% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	$8.53 to $10.41

The expected volatility is based on historical volatility of the share price over the last five years.

The weighted average share price for share options exercised during the year was $81.34. For options outstanding at September 30, 2015 the exercise price ranged from $72.99 to $110.03 and the weighted average remaining contractual life was 9.1 years.

The total expense for the share option plan was $5.735 million (2014 : $8.150 million).

28. Dividends paid and proposed

	2015	2014
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2014: $3.00 (2013: $3.00)	485,129	483,375
First dividend for 2015: $1.25 (2014: $1.25)	202,468	201,876
Total dividends paid	**687,597**	**685,251**
Proposed for approval at Annual General meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2015: $3.10 (2014: $3.00)	**502,197**	**485,129**

29. Contingent liabilities

a) Litigation

As at September 30, 2015 there were certain tax and legal proceedings outstanding against the Group. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2015	2014
Acceptances	1,108,666	742,087
Guarantees and indemnities	301,161	106,898
Letters of credit	309,110	117,716
	1,718,937	**966,701**

c) Sectoral information

	2015	2014
State	243,319	209,274
Corporate and commercial	1,375,195	650,259
Personal	32,082	32,995
Other financial institutions	52,402	50,983
Other	15,939	23,190
	1,718,937	**966,701**

d) Pledged assets

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

	Carrying amount 2015	2014	Related liability 2015	2014
Financial investments - available-for-sale	3,262,880	2,821,949	1,946,278	2,741,021

The assets pledged by the Group relate to a pool of securities held for the purpose of providing collateral for the counterparty. Individual securities within the pool may be sold by the Group once the total value of the pool exceeds the value of the liability. In the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

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

30. Subsidiary companies

Name of Company	Country of incorporation	Equity interest
Republic Finance and Merchant Bank Limited *Merchant Bank*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00%
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Republic Bank (Barbados) Limited *Commercial Bank*	Barbados	100.00%
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%
Republic Suriname Holdings Limited *Investment Company*	St. Lucia	100.00%
Republic Bank (Suriname) N.V. *Commercial Bank*	Suriname	100.00%
HFC Bank (Ghana) Limited *Commercial Bank*	Ghana	57.11%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	51.00%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%

31. Structured entities

The Group sponsors several structured entities which are not consolidated as the Group is not deemed to be in control of those entities. The Group considers itself to be sponsor of a structured entity when it facilitates the establishment of the structured entity. The Group may hold an interest in some of these entities 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 Group generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2015, the Group earned $12.7 million (2014: $12.5 million) in management fees from the retirement plans and $77.1 million (2014: $95.7 million) from the mutual funds.

The Group holds an interest of $22.5 million (2014: $21.6 million) in sponsored funds as at September 30, 2015. The maximum exposure to loss in these funds is the carrying value of the assets held by the Group. These values are all included in the Investment securities portfolio of the Group as at September 30, 2015.

32. Business Combinations

a) Acquisition of HFC Bank (Ghana) Limited

Over the period November 2012 to September 2013, the Group acquired 39.87% of the outstanding ordinary shares of HFC Bank (Ghana) Limited, a company based in Ghana and listed on the Ghana Stock Exchange. In May 2015, the Group acquired 17.25% of the outstanding ordinary shares and obtained control of HFC Bank (Ghana) Limited. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of HFC Bank (Ghana) Limited for the five-month period from the acquisition date.

The fair values of the identifiable assets and liabilities of HFC Bank (Ghana) Limited as at the date of acquisition were:

	Fair value recognised on acquisition May 2015
Assets	
Cash resources	339,331
Investment securities	265,761
Advances	1,277,584
Other assets	385,844
	2,268,520
Liabilities	
Customer deposits and due to banks	1,269,624
Debt securities and other fund raising instruments	499,806
Other liabilities	58,001
	1,827,431
Purchase consideration transferred	
Total identifiable net assets at fair value	441,089
Non-controlling interests	(191,970)
Goodwill arising on acquisition (provisional)*	284,084
	533,203
Purchase Consideration	
Amount Settled in Cash	165,987
Fair Value of previously held investment	367,216
	533,203
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	339,331
Consideration transferred	(533,203)
Net cash outflow	**(193,872)**

*The fair value of net assets is provisional pending receipt of final valuations for those assets and liabilities. These balances are subject to adjustment, with a corresponding adjustment to goodwill up to May 2016 (one year after the transaction).

We have however preliminarily identified increased impairment expenses of $91.1 million ($52.1 million after non-controlling interest) which has been accounted for in the Consolidated statement of income. This has resulted in a net loss before taxation of $83.6 million for HFC Bank (Ghana) Limited. Refer to Note 25.

If the acquisition of HFC Bank (Ghana) Limited had taken place at the beginning of the year, revenue from continuing operations would have been $378.2 million and the profit from continuing operations for the period would have been $16.2 million.

Transaction costs of $15.1 million have been expensed and are included in operating expenses in the statement of income and are part of the operating cash flows in the statement of cash flows.

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32. Business Combinations (continued)

b) Acquisition of Republic Bank (Suriname) N.V.

On July 31, 2015, the Group acquired 100% of the outstanding ordinary shares of RBC Royal Bank (Suriname) N.V., renamed Republic Bank (Suriname) N.V., through the purchase of Royal Overseas Holdings (St. Lucia) Limited, renamed Republic Suriname Holdings Limited. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Republic Bank (Suriname) N.V. as at the acquisition date.

The fair values of the identifiable assets and liabilities of Republic Bank (Suriname) N.V. as at the date of acquisition were:

	Fair value recognised on acquisition July 31, 2015
Assets	
Cash resources	1,441,598
Investment securities	166,756
Advances	1,424,440
Other assets	217,557
	3,250,351
Liabilities	
Customer deposits and due to banks	2,948,709
Other liabilities	66,226
	3,014,935
Purchase consideration transferred	
Total identifiable net assets at fair value	235,416
Goodwill arising on acquisition	53,218
	288,634
Purchase Consideration	
Amount Settled in Cash	**288,634**
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	1,441,598
Consideration transferred	(288,634)
Net cash inflow	**1,152,964**

If the acquisition of Republic Bank (Suriname) N.V. had taken place at the beginning of the year, revenue from continuing operations would have been $174.4 million and the profit from continuing operations for the period would have been $28.6 million.

Transaction costs of $9 million have been expensed and are included in operating expenses in the statement of income and are part of the operating cash flows in the statement of cash flows.

33. Events after the reporting period

On June 26, 2015, shareholders' approval was obtained to create Republic Financial Holdings Limited, the umbrella company under which all of the Group's main subsidiaries will be held.

The proposed formation of Republic Financial Holdings Limited will be achieved by Republic Bank Limited transferring (vesting) all of its banking business into Republic Finance and Merchant Bank Limited (FINCOR), save for the shareholdings in various banking subsidiaries. FINCOR will be renamed Republic Bank Limited and Republic Bank Limited will change its name to Republic Financial Holdings Limited.

We are currently in the process of obtaining all of the requisite approvals and expect the holding company structure to be in place by January 1, 2016. This reorganisation will not result in any change of economic substance for the Group as at the vesting date.