Republic Financial Holdings

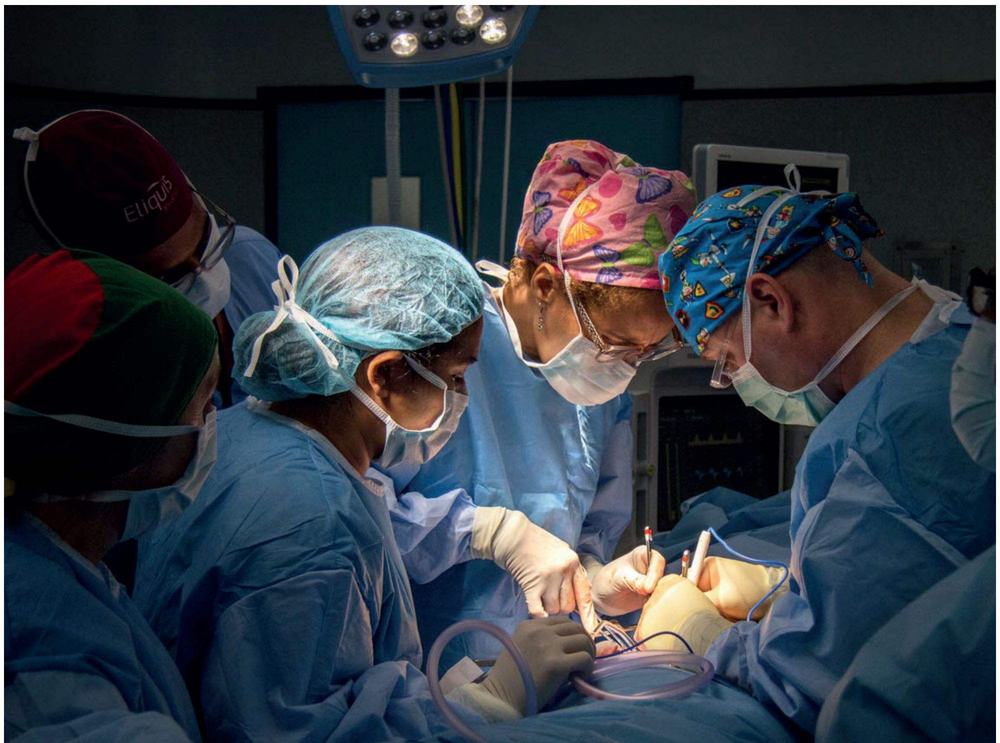
2017

Financial Report

Republic Bank

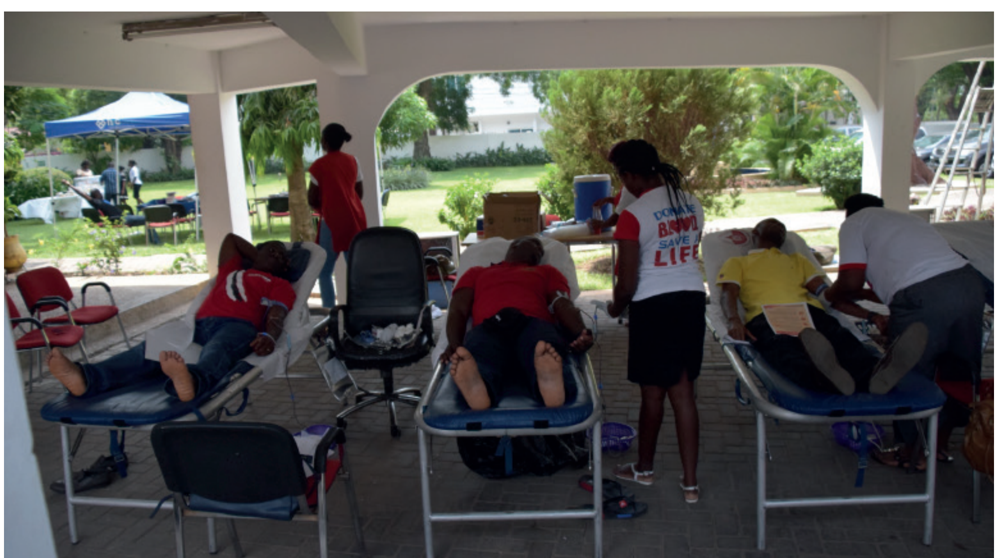
THE POWER TO MAKE A DIFFERENCE

Stronger together through Teamwork

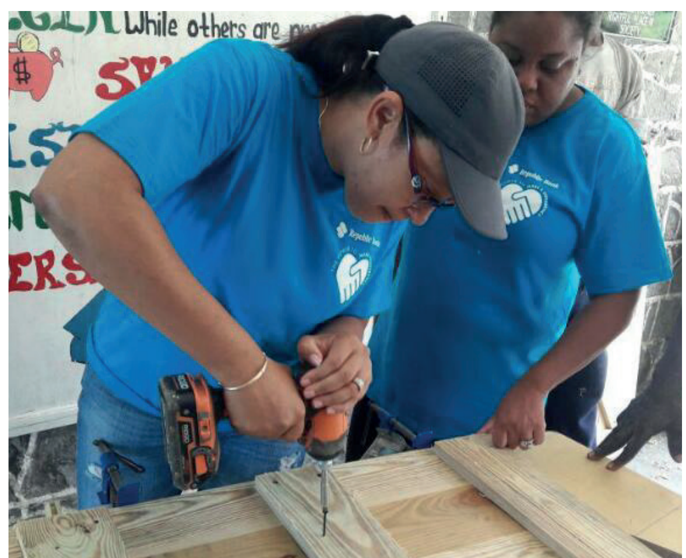


SAVING LIVES - Surgeons, Dr. Nicholas Inston and Dr. Margaret O'Shea perform life-saving kidney transplants as part of the Transplant Links Community's Kidney Transplant programme in Barbados.

ALL SMILES - Surinamese students from one of the 85 participating primary schools, display their cards during the promotional tour for healthy lifestyles, hosted by the SPAOGS and Republic Bank.



THE LIFEBLOOD OF OUR ORGANISATION - Staff volunteers in Ghana provide much needed assistance at the annual blood drive hosted by the National Blood Bank.



BUILDING COMMUNITIES - True Blue staff volunteers work together to upgrade the learning environment at the Sallee Government School in Grenada.

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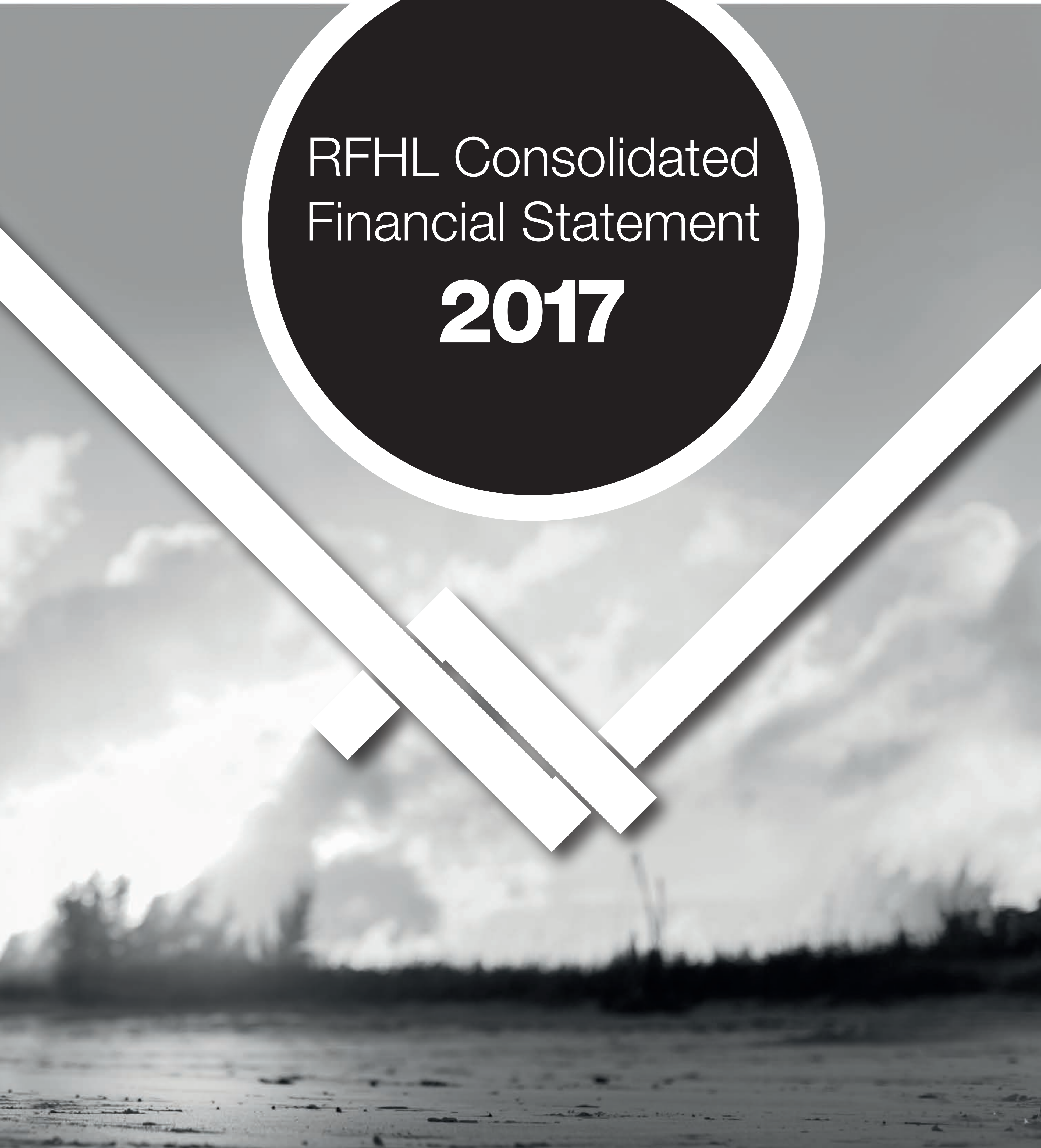

Independent Auditor's Report

To the Shareholders of Republic Financial Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Republic Financial Holdings Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at September 30, 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Loan loss provisions	
Refer to Note 4. Advances comprise 51.5% of the Group's total assets. The appropriateness of loan loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The disclosures relating to Advances are considered important to users of the consolidated financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Group's process and documented policy for loan loss provisioning. For loan loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. We performed an independent assessment of a sample of commercial loan files to assess accurate and timely assignment of loan risk ratings and compliance with management's rating policy. We also tested the aging of the loan portfolios and consider the completeness of the loan book assessed for impairment. For loan loss provisions calculated on a collective basis, we reviewed management's inherent risk provision estimate, with a focus on the reasonableness of the factors applied and assumptions used, considering the economic changes in the respective territories. Finally we focused on the adequacy of the Group's financial statement disclosures regarding Advances and the related loan loss provisions.

Key Audit Matter	How our audit addressed the key audit matter
Fair value measurement of investment securities and related disclosures	
Refer to Notes 5 and 23. The Group invests in various investment securities, of which $10.3 billion is carried at fair value. Of these assets, $6.9 billion relates to investments for which no published prices in active markets are available and has been classified as Level 2 and Level 3 assets in the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the determination of fair value of Level 2 and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. These assets are regularly assessed for impairment.	We independently tested the pricing on quoted securities, and we used our EY valuation specialists to assess the appropriateness of pricing models used by the Group. This included: - An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines. - Testing of the inputs used, including cash flows and other market based data. - An evaluation of the reasonableness of other assumptions applied such as credit spreads. - The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. - An assessment of management's impairment analysis. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk.

Key Audit Matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
Refer to Note 8. The Group has goodwill of $393 million. Goodwill impairment assessment is very subjective as it requires the use of projected financial information and assumptions. Under IAS 36 Impairment of Assets, goodwill needs to be tested for impairment annually. The purpose of the impairment review is to ensure that goodwill is not carried at an amount greater than its recoverable amount. The recoverable amount is compared with the carrying value of the asset to determine if the asset is impaired. Recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU); the underlying concept being that an asset should not be carried at more than the amount it could raise, either from selling it now or from using it.	We evaluated and tested the Group's process for goodwill impairment assessment. We involved our EY valuation specialists team to assist us in the review of the assumptions, cash flows and discount rate used to ensure that they are reasonable. We also assessed whether appropriate and complete disclosures have been included in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Republic Financial Holdings Limited

Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Pria Narinesingh.

Ernst + Young

Port of Spain
TRINIDAD:
November 8, 2017

Republic Financial Holdings Limited
Consolidated Statement of Financial Position
As at September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

ASSETS	Notes	2017	2016
Cash and cash equivalents		803,686	793,703
Statutory deposits with Central Banks		5,517,607	5,787,709
Due from banks		5,166,205	5,340,734
Treasury Bills		5,224,816	5,886,143
Investment interest receivable		108,822	95,535
Advances	4	35,464,448	34,292,693
Investment securities	5	12,056,865	10,265,047
Investment in associated companies	6	79,139	75,491
Premises and equipment	7	2,350,322	2,188,528
Intangible assets	8	405,449	416,931
Pension assets	9	968,751	1,010,851
Deferred tax assets	10 (a)	287,763	211,868
Taxation recoverable		73,598	82,820
Other assets	11	385,408	411,490
TOTAL ASSETS		**68,892,879**	**66,859,543**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		343,700	167,481
Customers' current, savings and deposit accounts	12	50,402,800	49,631,274
Other fund raising instruments	13	4,221,180	3,843,646
Debt securities in issue	14	1,105,478	1,148,792
Pension liability	9	87,376	67,360
Provision for post-retirement medical benefits	9	474,691	430,929
Taxation payable		218,454	160,274
Deferred tax liabilities	10 (b)	432,536	394,194
Accrued interest payable		105,051	104,676
Other liabilities	15	1,355,608	1,368,222
TOTAL LIABILITIES		**58,746,874**	**57,316,848**
EQUITY			
Stated capital	16	780,950	765,950
Statutory reserves		1,243,151	1,212,651
Other reserves	17	881,832	951,932
Retained earnings		6,779,447	6,194,078
Attributable to equity holders of the parent		9,685,380	9,124,611
Non-controlling interest		460,625	418,084
TOTAL EQUITY		**10,146,005**	**9,542,695**
TOTAL LIABILITIES AND EQUITY		**68,892,879**	**66,859,543**

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

These financial statements were approved by the Board of Directors on November 8, 2017 and signed on its behalf by:

Ronald F. deC. Harford,
Chairman

Nigel M. Baptiste,
President

William P. Lucie-Smith,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Financial Holdings Limited
Consolidated Statement of Income
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

	Notes	2017	2016
Interest income	18 (a)	3,796,975	3,610,566
Interest expense	18 (b)	(568,842)	(553,419)
Net interest income		**3,228,133**	**3,057,147**
Other income	18 (c)	1,461,376	1,413,741
		4,689,509	**4,470,888**
Operating expenses	18 (d)	(2,736,433)	(2,613,040)
Share of profit/(loss) of associated companies	6	6,444	(1,045)
Operating profit		**1,959,520**	**1,856,803**
Goodwill impairment expense	8	–	(107,309)
Loan impairment expense, net of recoveries	4 (b), 25	(158,689)	(412,622)
Net profit before taxation		**1,800,831**	**1,336,872**
Taxation expense	19	(483,742)	(393,759)
Net profit after taxation		**1,317,089**	**943,113**
Attributable to:			
Equity holders of the parent		1,252,128	946,307
Non-controlling interest		(64,961)	(3,194)
		1,317,089	**943,113**
Earnings per share ($)			
Basic		$7.75	$5.87
Diluted		$7.74	$5.86
Weighted average number of shares ('000)			
Basic	16	161,540	161,342
Diluted	16	161,679	161,592

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

Republic Financial Holdings Limited
Consolidated Statement of Comprehensive Income
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Note	2017	2016
Net profit after taxation		**1,317,089**	**943,113**
Other comprehensive income: *Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):*			
Net gain on available-for-sale investments		2,439	61,465
Translation adjustments		10,751	29,168
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**13,190**	**90,633**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Net remeasurement losses on defined benefit plans		(48,593)	(143,231)
Share of changes recognised directly in associate's equity	6	–	(626)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(48,593)**	**(143,857)**
Total other comprehensive loss for the year, net of tax		**(35,403)**	**(53,224)**
Total comprehensive income for the year, net of tax		**1,281,686**	**889,889**
Attributable to:			
Equity holders of the parent		1,221,382	876,069
Non-controlling interest		60,304	13,820
		1,281,686	**889,889**

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

Republic Financial Holdings Limited

Republic Financial Holdings Limited
Consolidated Statement of Changes in Equity

For the year ended September 30, 2017

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, 2015	**739,125**	**1,194,889**	**636,543**	**6,361,538**	**8,932,095**	**478,514**	**9,410,609**
Total comprehensive income for the year	–	–	71,806	804,263	876,069	13,820	889,889
Issue of shares	22,752	–	–	–	22,752	–	22,752
Share-based payment	4,073	–	–	–	4,073	–	4,073
Shares purchased for profit sharing scheme	–	–	(78,461)	–	(78,461)	–	(78,461)
Allocation of shares	–	–	54,762	–	54,762	–	54,762
Transfer to general contingency reserve	–	–	267,282	(267,282)	–	–	–
Transfer to statutory reserves	–	17,762	–	(17,762)	–	–	–
Acquisition of non-controlling interest	–	–	–	16,442	16,442	(54,960)	(38,518)
Dividends (Note 28)	–	–	–	(704,965)	(704,965)	–	(704,965)
Dividends paid to non-controlling interest	–	–	–	–	–	(20,175)	(20,175)
Other	–	–	–	1,844	1,844	885	2,729
Balance at September 30, 2016	**765,950**	**1,212,651**	**951,932**	**6,194,078**	**9,124,611**	**418,084**	**9,542,695**
Total comprehensive income for the year	–	–	17,580	1,203,802	1,221,382	60,304	1,281,686
Issue of shares	14,275	–	–	–	14,275	–	14,275
Share-based payment	725	–	–	–	725	–	725
Shares purchased for profit sharing scheme	–	–	(17,837)	–	(17,837)	–	(17,837)
Allocation of shares	–	–	45,662	–	45,662	–	45,662
Transfer from general contingency reserve	–	–	(115,505)	115,505	–	–	–
Transfer to statutory reserves	–	30,500	–	(30,500)	–	–	–
Acquisition of non-controlling interest	–	–	–	271	271	748	1,019
Dividends (Note 28)	–	–	–	(705,985)	(705,985)	–	(705,985)
Dividends paid to non-controlling interest	–	–	–	–	–	(19,279)	(19,279)
Other	–	–	–	2,276	2,276	768	3,044
Balance at September 30, 2017	**750,950**	**1,243,151**	**881,832**	**6,779,447**	**9,685,380**	**460,625**	**10,146,005**

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

Republic Financial Holdings Limited

Consolidated Statement of Cash Flows

For the year ended September 30, 2017

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

	Notes	2017	2016
Operating activities			
Net profit before taxation		1,800,831	1,336,872
Adjustments for:			
Depreciation	7	188,959	165,627
Loan impairment expense, net of recoveries	4 (b)(ii)	158,689	412,622
Goodwill impairment expense, net of negative goodwill	8 (a)	–	106,573
Investment securities impairment expense		12,260	65,507
Amortisation of intangibles	8 (b)	11,482	16,267
Translation difference		(19,148)	258,260
Loss on sale of premises and equipment		4,297	6,286
Realised loss/(gain) on investment securities		407	(11,359)
Share of net (profit)/loss of associated companies	6	(6,444)	1,045
Stock option expense	16	725	4,073
Increase in employee benefits		58,398	90,493
Increase in advances		(1,330,470)	(1,694,495)
Increase in customers' deposits and other fund raising instruments		1,149,061	1,176,768
Decrease/(increase) in statutory deposits with Central Banks		270,102	(160,417)
Decrease in other assets and investment interest receivable		48,694	63,050
Decrease in other liabilities and accrued interest payable		(12,237)	(28,561)
Taxes paid, net of refund		(468,884)	(463,257)
Cash provided by operating activities		**1,866,722**	**1,345,354**
Investing activities			
Purchase of investment securities		(7,929,920)	(7,681,348)
Redemption of investment securities		6,382,303	5,652,267
Acquisition of additional interest in a subsidiary	32	(720)	(38,518)
Dividends from associated companies	6	2,826	1,705
Additions to premises and equipment	7	(417,597)	(438,756)
Proceeds from sale of premises and equipment		22,130	5,388
Cash used in investing activities		**(1,940,978)**	**(2,499,262)**

	Notes	2017	2016
Financing activities			
Increase/(decrease) in balances due to other banks		176,219	(386,654)
Repayment of debt securities		(43,314)	(44,160)
Proceeds from share issue	16	14,275	22,752
Shares purchased for profit sharing scheme	17	(17,837)	(78,461)
Allocation of shares to profit sharing plan	17	45,662	54,762
Dividends paid to shareholders of the parent	28	(705,985)	(704,965)
Dividends paid to non-controlling shareholders of the subsidiaries		(19,279)	(20,176)
Cash used in financing activities		**(550,259)**	**(1,156,902)**
Net decrease in cash and cash equivalents		**(624,515)**	**(2,310,810)**
Net foreign exchange difference		41,782	(384,171)
Cash and cash equivalents at beginning of year		10,797,135	13,492,116
Cash and cash equivalents at end of year		**10,214,402**	**10,797,135**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		803,686	793,703
Due from banks		5,166,205	5,340,734
Treasury Bills - original maturities of three months or less		3,870,764	4,330,354
Bankers' acceptances - original maturities of three months or less		373,747	332,344
		10,214,402	**10,797,135**
Supplemental information:			
Interest received during the year		3,740,319	3,589,431
Interest paid during the year		(568,468)	(517,335)
Dividends received	18 (c)	1,693	1,257

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

1. Corporate information

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

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities mainly in the Caricom region and Ghana. A full listing of the Group's subsidiary companies is detailed in Note 30 while associate companies are listed in Note 6.

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 Financial Holdings 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 which used twelve months to August 31 and Republic Bank (Suriname) N.V. which used fourteen months from August 1, 2016 to September 30, 2017, 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, has 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.

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

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

Non-controlling interest represents interest in subsidaries not held by the Group.

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, 2016, except for the adoption of new standards and interpretations below.

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

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. The adoption and amendment to these standards had no impact on the Group.

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 Consolidated Financial Statements.

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. 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 adoption and amendment to these standards had no impact on the Group.

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 adoption and amendment to these standards had no impact on the Group.

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 Business Combinations, 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.

2. Significant accounting policies (continued)

2.3 Changes in accounting policies (continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective January 1, 2016) (continued)

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 adoption and amendment to these standards had no impact on the Group.

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

2.4 Standards in issue not yet effective

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

IFRS 16 Leases (effective January 1, 2019)

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

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

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

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

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

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

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

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

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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

The amendment addresses concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions, for the use of the property does not provide evidence of a change in use.

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

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

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

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

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 January 1, 2017:

IFRS	Subject of Amendment
IFRS 12	Disclosure of Interest in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

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, Republic Bank Limited is required to maintain with the Central Bank of Trinidad and Tobago, statutory balances in relation to the deposit liabilities of the institution. Other than Statutory Deposits of $4.3 billion, the Bank also holds Treasury Bills and other deposits of $2.1 billion with the Central Bank of Trinidad and Tobago as at September 30, 2017. Interest earned on these balances for the year was $20.7 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.

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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

c) Financial instruments (continued)

ii) Investment securities (continued)

Available-for-sale (continued)

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.

Any subsequent increases in value of previously impaired securities are taken to OCI.

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 consolidated statement of changes in equity.

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

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.

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each 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.

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

The depreciation rates used are as follows:

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

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)
- Intangible assets (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 consolidated 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 consolidated 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, Republic Bank Limited took the actuary's advice regarding a pension holiday, effective January 1999.

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

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

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

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

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

a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
b) Net interest expense or income

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

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

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

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

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

iv) Share-based payments

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

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 for RBL. In accordance with the Trinidad and Tobago Financial Institutions Act 2008, RBL 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, 2017, totalled $33.3 billion (2016: $32.0 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) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

q) Revenue recognition

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

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

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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

q) Revenue recognition (continued)

Fee and commission income

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

Dividends

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

r) 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, where fair values 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.

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 are based on a current yield curve appropriate for the remaining term to maturity.

The fair values of the floating rate debt securities in issue are 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.

s) 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.

t) 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) Risk management (Note 21)
b) Capital management (Note 22)

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

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

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 4b)

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.

Goodwill (Note 8a)

The Group's consolidated financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2017, 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/plans and is therefore not deemed to be in control of any of the mutual funds and retirement plans.

4. Advances

a) Advances	**2017** Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	6,205,714	15,314,994	13,090,191	34,610,899
Non-performing advances	197,735	804,487	592,934	1,595,156
	6,403,449	16,119,481	13,683,125	36,206,055
Unearned interest/finance charges	(49,807)	(44,772)	–	(94,579)
Accrued interest	7,713	113,214	34,212	155,139
	6,361,355	16,187,923	13,717,337	36,266,615
Allowance for impairment losses - Note 4 (b)	(165,688)	(464,545)	(171,934)	(802,167)
Net advances	**6,195,667**	**15,723,378**	**13,545,403**	**35,464,448**

	2016 Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	6,064,381	15,002,423	12,302,217	33,369,021
Non-performing advances	166,155	1,107,463	516,231	1,789,849
	6,230,536	16,109,886	12,818,448	35,158,870
Unearned interest/finance charges	(51,310)	(50,883)	–	(102,193)
Accrued interest	7,569	80,436	28,327	116,332
	6,186,795	16,139,439	12,846,775	35,173,009
Allowance for impairment losses - Note 4 (b)	(128,738)	(600,417)	(151,161)	(880,316)
Net advances	**6,058,057**	**15,539,022**	**12,695,614**	**34,292,693**

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 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.

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

4. Advances (continued)

b) Allowance for impairment losses (continued)

(i) Impairment assessment (continued)

Collectively assessed allowances (continued)

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

2017	**Retail lending**	**Commercial and Corporate lending**	**Mortgages**	**Total**
Balance brought forward	128,738	600,417	151,161	880,316
Translation adjustment	(1,633)	(31,206)	4,637	(28,202)
Charge-offs and write-offs	(53,747)	(148,287)	(6,602)	(208,636)
Loan impairment expense	134,010	131,089	46,434	311,533
Loan impairment recoveries	(41,680)	(87,468)	(23,696)	(152,844)
Balance carried forward	**165,688**	**464,545**	**171,934**	**802,167**
Individual impairment	136,853	402,750	132,312	671,915
Collective impairment	28,835	61,795	39,622	130,252
	165,688	**464,545**	**171,934**	**802,167**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**197,735**	**804,487**	**592,934**	**1,595,156**
2016				
Balance brought forward	116,142	360,283	135,062	611,487
Translation adjustment	1,508	(6,103)	(2,553)	(7,148)
Charge-offs and write-offs	(65,596)	(68,205)	(2,844)	(136,645)
Loan impairment expense	100,602	391,690	40,975	533,267
Loan impairment recoveries	(23,918)	(77,248)	(19,479)	(120,645)
Balance carried forward	**128,738**	**600,417**	**151,161**	**880,316**
Individual impairment	102,981	520,954	121,820	745,755
Collective impairment	25,757	79,463	29,341	134,561
	128,738	**600,417**	**151,161**	**880,316**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**166,155**	**1,107,463**	**516,231**	**1,789,849**

c) Net investment in leased assets included in net advances	**2017**	**2016**
Gross investment	209,547	242,768
Unearned finance charge	(29,231)	(38,259)
Net investment in leased assets	**180,316**	**204,509**

d) Net investment in leased assets has the following maturity profile	**2017**	**2016**
Within one year	6,825	3,150
One to five years	51,181	39,449
Over five years	122,310	161,910
	180,316	**204,509**

5. Investment securities

	2017	**2016**
a) Available-for-sale		
Government securities	4,838,798	4,658,321
State-owned company securities	1,483,426	1,242,790
Corporate bonds/debentures	4,268,628	3,435,703
Bankers' acceptances	507,747	469,696
Equities and mutual funds	34,924	34,060
	11,133,523	**9,840,570**
b) Held to Maturity		
Government securities	115,441	366,668
State-owned company securities	738,446	–
Corporate bonds/debentures	21,659	9,142
Equities and mutual funds	14,747	21,769
	890,293	**397,579**
c) Designated at fair value through profit or loss		
Held for trading		
Quoted securities	33,049	26,898
Total investment securities	**12,056,865**	**10,265,047**

6. Investment in associated companies

	2017	**2016**
Balance at beginning of year	75,491	142,066
Share of current year profit/(loss)	6,444	(1,045)
Dividends received	(2,826)	(1,705)
Exchange adjustments	30	(1,358)
Share of revaluation reserves	–	(626)
Investment impairment	–	(61,841)
Balance at end of year	**79,139**	**75,491**

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

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

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

	2017	**2016**
Total assets	5,382,197	9,546,404
Total liabilities	4,943,327	8,756,973
Net assets/equity	438,870	789,431
Group's share of associates' net assets	79,139	75,491
Profit/(loss) for the period	88,862	(10,404)
Group's share of profit/(loss) of associated companies after tax for the period	6,444	(1,045)
Group's share of revaluation reserves of associated companies	–	(626)
Dividends received during the year	2,826	1,705

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

7. Premises and equipment

2017	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	402,304	1,494,818	194,606	1,752,293	3,844,021
Exchange and other adjustments	393	(34,294)	(5,515)	(1,862)	(41,278)
Additions at cost	303,964	9,450	9,217	94,966	417,597
Disposal of assets	–	(16,027)	(3,489)	(36,083)	(55,599)
Transfer of assets	(203,753)	88,897	25,311	89,545	–
	502,908	**1,542,844**	**220,130**	**1,898,859**	**4,164,741**
Accumulated depreciation					
At beginning of year	–	195,852	102,577	1,357,064	1,655,493
Exchange and other adjustments	–	241	(208)	721	754
Charge for the year	–	21,103	12,580	155,276	188,959
Disposal of assets	–	(51)	(1,640)	(29,096)	(30,787)
	–	**217,145**	**113,309**	**1,483,965**	**1,814,419**
Net book value	**502,908**	**1,325,699**	**106,821**	**414,894**	**2,350,322**

2016	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	254,583	1,356,920	196,243	1,660,794	3,468,540
Exchange and other adjustments	1,738	735	1,493	(4,339)	(373)
Additions at cost	332,420	18,872	1,813	85,651	438,756
Disposal of assets	–	–	(12,950)	(49,952)	(62,902)
Transfer of assets	(186,437)	118,291	8,007	60,139	–
	402,304	**1,494,818**	**194,606**	**1,752,293**	**3,844,021**
Accumulated depreciation					
At beginning of year	–	181,145	101,126	1,268,399	1,550,670
Exchange and other adjustments	–	(4,952)	848	(5,471)	(9,575)
Charge for the year	–	19,659	7,531	138,437	165,627
Disposal of assets	–	–	(6,928)	(44,301)	(51,229)
	–	**195,852**	**102,577**	**1,357,064**	**1,655,493**
Net book value	**402,304**	**1,298,966**	**92,029**	**395,229**	**2,188,528**

Capital commitments	**2017**	**2016**
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	329,020	520,904
Other capital expenditure authorised by the Directors but not yet contracted for	30,357	77,016

8. Intangible Assets

		2017	**2016**
a)	Goodwill	393,009	393,009
b)	Core Deposits	12,440	23,922
		405,449	**416,931**

a) Goodwill

Goodwill on acquisition brought forward	393,009	499,582
Negative goodwill taken to income	–	736
Goodwill written off during the year	–	(107,309)
	393,009	**393,009**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited and HFC Bank (Ghana) Limited 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:

	HFC Bank (Ghana) Limited TT$ million	Republic Bank (Barbados) Limited TT$ million	Republic Bank (Cayman) Limited TT$ million	Republic Bank (Guyana) Limited TT$ million	Total TT$ million
Carrying amount of goodwill	124	144	32	92	393
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	
Discount rate	18%	13%	9%	15%	
Cash flow projection term	10 yrs	10 yrs	10 yrs	5 yrs	
Terminal Growth rate	3.5%	2.0%	2.6%	3.0%	

Using these assumptions, in 2016, the value in use of the cash-generating units exceeded the carrying values except for HFC Bank (Ghana) Limited which was determined to be lower than the carrying value of the company. A goodwill impairment expense of $107 million was recorded in 2016 for the Group's investment in HFC Bank (Ghana) Limited.

b) Core Deposits	**2017**	**2016**
Cost		
At beginning and end of year	40,189	40,189
Accumulated amortisation		
At beginning of year	16,267	–
Amortisation	11,482	16,267
	27,749	**16,267**
Net book value	**12,440**	**23,922**

Core deposit intangibles acquired through business combinations in 2015 have been determined to have a life of 3.5 years from acquisition date.

9. Employee benefits

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

	Defined benefit pension plans			
	Pension assets		Pension liability	
	2017	**2016**	**2017**	**2016**
Present value of defined benefit obligation	(2,934,444)	(2,790,586)	(366,774)	(359,827)
Fair value of plan assets	3,913,740	3,811,946	348,594	292,467
Surplus/(deficit)	979,296	1,021,360	(18,180)	(67,360)
Effect of asset ceiling	(10,545)	(10,509)	(69,196)	–
Net asset/(liability) recognised in the consolidated statement of financial position	**968,751**	**1,010,851**	**(87,376)**	**(67,360)**

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

9. Employee benefits (continued)

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

	Post-retirement medical benefits	
	2017	**2016**
Present value of defined benefit obligation	(474,691)	(430,929)
Fair value of plan assets	–	–
Net liability recognised in the consolidated statement of financial position	**(474,691)**	**(430,929)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Opening defined benefit obligation	3,150,413	2,918,889	430,929	406,171
Exchange adjustments	6,413	19,707	430	1,444
Current service cost	124,730	114,328	21,374	18,056
Interest cost	182,203	166,674	23,496	21,799
Members' contributions	1,412	1,221	–	–
Past service cost	3,546	13,229	(11,815)	11,419
Remeasurements:				
- Experience adjustments	(21,200)	18,735	22,047	(23,513)
- Actuarial (losses)/gains from change in demographic assumptions	(26,165)	14,050	(1,755)	1,259
- Actuarial losses from change in financial assumptions	(863)	–	(1,634)	–
Benefits paid	(119,271)	(116,420)	(2,677)	(284)
Premiums paid by the Group	–	–	(5,704)	(5,422)
Closing defined benefit obligation	**3,301,218**	**3,150,413**	**474,691**	**430,929**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Defined benefit obligation at prior year end	943,491	1,170,552	430,929	406,171
Exchange adjustments	(2,635)	(2,399)	433	1,443
Opening defined benefit obligation	940,856	1,168,153	431,362	407,614
Net pension cost	(78,491)	(67,166)	33,055	51,274
Remeasurements recognised in other comprehensive income	(26,535)	(190,813)	18,655	(22,253)
Contributions / Premiums	45,545	33,317	(8,381)	(5,706)
Closing net pension asset	**881,375**	**943,491**	**474,691**	**430,929**

d) Liability profile

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

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	61% to 83%	70% to 84%
- Deferred members	4% to 8%	N/A
- Pensioners	13% to 33%	16% to 30%

The weighted duration of the defined benefit obligation ranged from 11.9 to 19.7 years. 28% to 46% of the defined benefit obligation for active members was conditional on future salary increases. 19% to 100% of the benefits for active members were vested.

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

	Defined benefit pension plans	
	2017	**2016**
Opening fair value of plan assets	4,104,413	4,100,765
Exchange adjustments	3,785	17,308
Interest income	211,276	212,203
Return on plan assets, excluding interest income	17,079	(142,130)
Contributions by employer	45,545	33,317
Members' Contributions	1,412	1,221
Benefits paid	(119,271)	(116,420)
Expense Allowance	(1,905)	(1,851)
Closing fair value of plan assets	**4,262,334**	**4,104,413**
Actual return on plan assets	**196,571**	**64,029**

f) Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		% Allocation	
	2017	**2016**	**2017**	**2016**
Equity securities	1,815,823	1,904,453	42.73%	46.40%
Debt securities	1,907,419	1,950,027	44.88%	47.51%
Property	13,760	13,323	0.32%	0.32%
Mortgages	6,382	6,939	0.15%	0.17%
Money market instruments/cash	506,274	229,671	11.91%	5.60%
Total fair value of plan assets	**4,249,658**	**4,104,413**	**100.0%**	**100.0%**

As at September 30, 2017, plan assets of $12.7 million for one of the Group's subsidiaries are held by an insurance company and are not separately identifiable. This plan asset allocation is maintained by the insurance company.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Current service cost	124,730	114,328	21,374	18,056
Interest on defined benefit obligation	(47,577)	(62,242)	23,496	21,799
Past service cost	3,546	13,229	(11,815)	11,419
Administration expenses	(2,208)	1,851	–	–
Total included in staff costs	**78,491**	**67,166**	**33,055**	**51,274**

h) Remeasurements recognised in other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Experience (losses)/gains	(27,077)	(192,251)	(18,655)	22,253
Effect of asset ceiling	542	1,438	–	–
Total included in other comprehensive income	**(26,535)**	**(190,813)**	**(18,655)**	**22,253**

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

9. Employee benefits (continued)

i) Summary of principal actuarial assumptions as at September 30

	2017 %	2016 %
Discount rate	4.20 - 7.75	5.50 - 7.75
Rate of salary increase	4.00 - 10.50	4.00 - 6.75
Pension increases	0.00 - 3.00	0.00 - 2.40
Medical cost trend rates	3.00 - 7.00	5.75 - 7.00
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, 2017, are as follows:

	Defined benefit pension plans 2017	2016
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	14.6 to 24.6	14.6 to 24.5
- Female	18.4 to 26.8	18.4 to 26.8
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	14.6 to 36.2	14.6 to 26.2
- Female	18.4 to 42.1	18.4 to 27.6

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, 2017, would have changed as a result of a change in the assumptions used:

	Defined benefit pension plans		Post-retirement medical benefits	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
- Discount rate	(442,082)	581,329	(100,078)	134,845
- Future salary increases	231,448	(197,737)	344	(297)
- Future pension cost increases	271,126	(267,042)	24,087	(16,579)
- Medical cost increases	–	–	110,751	(81,310)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2017 by $73.76 million and the post-retirement medical benefit by $28.32 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 plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $25.26 million to the pension plan in the 2018 financial year.

The Group operates the post-retirement medical benefit plan 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 $10.6 million to the medical plan in the 2018 financial year.

10. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

			Credit/(Charge)		
	Opening balance 2016	Exchange and other adjustments	Consolidated statement of income	Other comprehensive income	Closing balance 2017
Post-retirement medical benefits	139,614	121	16,974	24,808	181,517
Leased assets	11,158	(7,089)	(694)	–	3,375
Unrealised reserve	4,965	26	1,146	(4,366)	1,771
Unearned loan origination fees	39,139	23	5,994	–	45,156
Tax losses	–	6,397	28,272	–	34,669
Other	16,992	4	4,279	–	21,275
	211,868	(518)	55,971	20,442	287,763

b) Deferred tax liabilities

			Charge/(Credit)		
	Opening balance 2016	Exchange and other adjustments	Consolidated statement of income	Other comprehensive income	Closing balance 2017
Pension asset	304,462	30	9,162	25,738	339,392
Leased assets	29,542	–	(4,522)	–	25,020
Premises and equipment	38,464	(274)	(221)	950	38,919
Unrealised reserve	20,702	16	–	7,457	28,175
Other	1,024	6	–	–	1,030
	394,194	(222)	4,419	34,145	432,536

Net credit to consolidated statement of income (Note 19) 51,552

11. Other assets

	2017	2016
Accounts receivable and prepayments	271,550	259,634
Project financing reimbursables	2,080	795
Deferred commission & fees	7,466	13,424
Non-current assets held to maturity	–	26,103
Other	104,312	111,534
	385,408	411,490

12. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2017	2016
State	4,712,318	5,577,885
Corporate and commercial	13,305,499	13,404,015
Personal	29,347,394	28,221,625
Other financial institutions	2,777,740	2,197,692
Other	259,849	230,057
	50,402,800	49,631,274

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

13. Other fund raising instruments

At September 30, 2017, investment securities held to secure other fund raising instruments of the Group amounted to $3.2 billion (2016: $3.7 billion).

Concentration of other fund raising instruments	2017	2016
State	2,351,969	1,811,263
Corporate and commercial	22,418	102,170
Personal	630,841	151,416
Other financial institutions	1,031,201	1,778,797
Other	184,751	–
	4,221,180	**3,843,646**

14. Debt securities in issue

	2017	2016
Unsecured		
a) Fixed rate bonds	845,977	846,950
b) Floating rate bonds	32,879	60,275
	878,856	**907,225**
Secured		
a) Floating rate bonds	221,262	231,468
b) Fixed rate bonds	4,963	9,388
c) Mortgage pass-through certificates	397	711
	226,622	**241,567**
Total debt securities in issue	**1,105,478**	**1,148,792**

Unsecured obligations

a) Fixed rate bonds are denominated in Trinidad and Tobago dollars and include a subordinated bond issued by Republic Bank Limited in 2008 for a term of ten years at a fixed rate of interest of 8.55% per annum.
b) Floating rate bonds are denominated in Ghanaian cedis and includes three bonds issued by HFC Bank (Ghana) Limited at floating rates of interest linked to the Ghanaian 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

	2017	2016
Accounts payable and accruals	961,275	1,019,789
Unearned loan origination fees	141,809	142,124
Deferred income	10,709	7,808
Other	241,815	198,501
	1,355,608	**1,368,222**

16. Stated capital

Authorised
An unlimited number of shares of no par value

	2017	2016	2017	2016
	Number of ordinary shares ('000)			
Issued and fully paid				
At beginning of year	161,276	161,249	765,950	739,125
Shares issued/proceeds from shares issued	171	275	14,275	22,752
Shares purchased for profit sharing scheme	(163)	(700)	–	–
Share-based payment	–	–	725	4,073
Allocation of shares	388	452	–	–
At end of year	**161,672**	**161,276**	**780,950**	**765,950**

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

	2017	2016
Weighted average number of ordinary shares	161,540	161,342
Effect of dilutive stock options	139	250
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,679**	**161,592**

17. Other reserves

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2015	**38,412**	**(90,349)**	**641,699**	**46,781**	**636,543**
Realised gains transferred to net profit	–	–	–	(321)	(321)
Revaluation of available-for-sale investments	–	–	–	59,185	59,185
Translation adjustments	13,569	–	–	–	13,569
Share of changes recognised directly in associate's equity	(627)	–	–	–	(627)
Total income and expense for the year recognised directly in equity	12,942	–	–	58,864	71,806
Shares purchased for profit sharing scheme	–	(78,461)	–	–	(78,461)
Allocation of shares	–	54,762	–	–	54,762
Transfer from retained earnings	–	–	267,282	–	267,282
Balance at September 30, 2016	**51,354**	**(114,048)**	**908,981**	**105,645**	**951,932**
Realised gains transferred to net profit	–	–	–	(607)	(607)
Revaluation of available-for-sale investments	–	–	–	2,147	2,147
Translation adjustments	16,040	–	–	–	16,040
Total income and expense for the year recognised directly in equity	16,040	–	–	1,540	17,580
Shares purchased for profit sharing scheme	–	(17,837)	–	–	(17,837)
Allocation of shares	–	45,662	–	–	45,662
Transfer to retained earnings	–	–	(115,505)	–	(115,505)
Balance at September 30, 2017	**67,394**	**(86,223)**	**793,476**	**107,185**	**881,832**

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

17. Other reserves (continued)

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, 2017, the balance in the General contingency reserve of $793.5 million is part of Other reserves which totals $881.8 million.

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Financial Holdings Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2017, shares costing $86.2 million (2016: $114 million) remain unallocated from the profit sharing scheme. Refer to Note 27(a).

	No. of shares (000's)	
	2017	**2016**
Balance brought forward	998	750
Add shares purchased	163	700
Allocation of shares	(388)	(452)
Balance carried forward	**773**	**998**

18. Operating profit

	2017	**2016**
a) Interest income		
Advances	3,080,593	3,044,845
Investment securities	551,933	313,747
Liquid assets	164,449	251,974
	3,796,975	**3,610,566**
b) Interest expense		
Customers' current, savings and deposit accounts	375,935	367,707
Other fund raising instruments and debt securities in issue	161,390	164,895
Other interest bearing liabilities	31,517	20,817
	568,842	**553,419**
c) Other income		
Fees and commission from trust and other fiduciary activities	295,986	249,976
Other fees and commission income	717,307	722,081
Net exchange trading income	261,611	268,769
Dividends	1,693	1,257
Net gains from investments at fair value through profit or loss	125	–
Gains from disposal of available-for-sale investments	8,949	27,843
Other operating income	175,705	143,815
	1,461,376	**1,413,741**
d) Operating expenses		
Staff costs	1,037,771	1,037,029
Staff profit sharing - Note 27(a)	125,872	82,315
Employee benefits pension and medical contribution - Note 9(g)	111,546	118,440
General administrative expenses	944,602	840,821
Operating lease payments	61,894	40,789
Property related expenses	145,970	151,661
Depreciation expense - Note 7	188,959	165,627
Advertising and public relations expenses	84,232	81,721
Intangible amortisation expense	11,482	16,267
Investment impairment expense	12,260	65,507
Directors' fees	11,845	12,863
	2,736,433	**2,613,040**

e) Non-cancellable operating lease commitments	**2017**	**2016**
Within one year	36,930	24,261
One to five years	89,651	60,823
Over five years	19,391	21,660
	145,972	**106,744**

19. Taxation expense

	2017	**2016**
Corporation tax	535,294	447,164
Deferred tax	(51,552)	(53,405)
	483,742	**393,759**

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:

	2017	**2016**
Accounting profit	1,800,831	1,336,872
Tax at applicable statutory tax rates	529,658	358,909
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(34,576)	(36,347)
Non-deductible expenses	39,273	134,973
Allowable deductions	(51,552)	(53,405)
Change in tax rates	168	–
Provision for other taxes	771	(10,371)
	483,742	**393,759**

The Group has tax losses in three of its subsidiaries amounting to $240.9 million (2016: $165.2 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.

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.

	2017	**2016**
Advances, investments and other assets		
Directors and key management personnel	20,357	18,706
Other related parties	265,278	332,941
	285,635	**351,647**
Deposits and other liabilities		
Directors and key management personnel	85,588	76,759
Other related parties	373,987	142,483
	459,575	**219,242**
Interest and other income		
Directors and key management personnel	1,097	1,672
Other related parties	35,261	44,442
	36,358	**46,114**
Interest and other expense		
Directors and key management personnel	12,469	13,536
Other related parties	19,520	7,803
	31,989	**21,339**

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

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

20. Related parties *(continued)*

	2017	2016
Key management compensation		
Short-term benefits	37,873	34,437
Post employment benefits	4,474	19,495
Share-based payment	1,992	4,074
	44,339	**58,006**

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.

In 2016, a Group Enterprise Risk Management unit, headed by a Chief Risk Officer, was formed with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

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, 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.

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 2017	2016
Statutory deposits with Central Banks	5,517,607	5,787,709
Due from banks	5,166,205	5,340,734
Treasury Bills	5,224,816	5,886,143
Investment interest receivable	108,822	95,535
Advances	35,464,448	34,292,693
Investment securities	11,974,145	10,182,319
Total	**63,456,043**	**61,585,133**
Undrawn commitments	6,078,901	5,882,547
Acceptances	1,081,292	1,050,603
Guarantees and indemnities	227,111	277,114
Letters of credit	229,362	231,387
Total	**7,616,666**	**7,441,651**
Total credit risk exposure	**71,072,709**	**69,026,784**

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.

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

21. Risk management *(continued)*

21.2 Credit risk *(continued)*

21.2.2 Risk Concentration 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:

	2017	2016
Trinidad and Tobago	41,917,706	42,188,341
Barbados	9,082,530	8,390,365
Eastern Caribbean	1,713,010	1,969,617
Guyana	4,587,187	4,521,953
United States	5,031,568	2,853,410
Europe	1,354,843	786,755
Suriname	1,168,790	2,713,115
Ghana	2,601,602	2,456,498
Other Countries	3,615,473	3,146,730
	71,072,709	**69,026,784**

(b) Industry sectors

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

	2017	2016
Government and Central Government Bodies	21,430,212	20,983,381
Financial sector	9,461,456	9,133,643
Energy and mining	1,664,237	1,663,986
Agriculture	302,337	300,844
Electricity and water	407,356	485,652
Transport, storage and communication	963,729	644,140
Distribution	4,541,774	4,869,925
Real estate	3,836,913	3,155,974
Manufacturing	2,277,527	2,113,988
Construction	1,967,375	2,204,606
Hotel and restaurant	1,737,362	1,891,120
Personal	16,894,212	16,364,418
Other services	5,588,219	5,215,107
	71,072,709	**69,026,784**

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
- 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.

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

	Superior	Desirable	Acceptable	Total
2017	1,467,059	3,527,273	171,873	5,166,205
2016	2,673,633	2,487,087	180,014	5,340,734

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:

Advances - Commercial and Corporate

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.

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

21. Risk management *(continued)*

21.2 Credit risk *(continued)*

21.2.3 Credit quality per category of financial assets

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

	Superior	Desirable	Acceptable	Sub-standard	Total
2017	436,810	2,699,930	11,962,086	624,552	15,723,378
2016	365,749	2,375,785	11,914,350	883,138	15,539,022

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
2017	71,906	48,186	38,035	64,689	401,736	624,552
2016	110,119	84,076	79,072	23,362	586,509	883,138

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
2017	17,570,594	909,465	209,175	216,283	314,050	521,503	19,741,070
2016	15,113,175	2,481,520	212,197	138,541	350,653	457,585	18,753,671

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					
2017	8,503,309	2,003,990	510,936	80,364	11,098,599
2016	7,209,120	1,812,011	754,379	31,000	9,806,510
Held to Maturity					
2017	853,887	21,659	–	–	875,546
2016	–	375,810	–	–	375,810

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 consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Customers' current, savings and deposit accounts	41,782,897	8,378,196	327,481	–	50,488,574
Other fund raising instruments	–	4,057,552	125,661	94,820	4,278,033
Debt securities in issue	–	869,806	209,232	96,799	1,175,837
Due to banks	26,066	1,367,768	–	–	1,393,834
Other liabilities	406,234	198,567	–	6,159	610,960
Total undiscounted financial liabilities	**42,215,197**	**14,871,889**	**662,374**	**197,778**	**57,947,238**
2016					
Customers' current, savings and deposit accounts	42,082,957	7,907,820	184,356	–	50,175,133
Other fund raising instruments	–	3,453,904	346,781	104,873	3,905,558
Debt securities in issue	–	132,471	1,105,751	134,800	1,373,022
Due to banks	85,739	88,501	–	–	174,240
Other liabilities	502,019	196,133	–	–	698,152
Total undiscounted financial liabilities	**42,670,715**	**11,778,829**	**1,636,888**	**239,673**	**56,326,105**

Financial liabilities - off consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Acceptances	214,501	657,932	208,233	626	1,081,292
Guarantees and indemnities	38,038	140,277	16,191	32,605	227,111
Letters of credit	151,864	77,498	–	–	229,362
Total	**404,403**	**875,707**	**224,424**	**33,231**	**1,537,765**
2016					
Acceptances	359,646	400,081	289,949	927	1,050,603
Guarantees and indemnities	42,980	171,570	37,631	24,933	277,114
Letters of credit	126,263	105,124	–	–	231,387
Total	**528,889**	**676,775**	**327,580**	**25,860**	**1,559,104**

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

An interest rate sensitivity analysis was performed to determine the impact on net profit 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:

	Change in basis points	Impact on net profit 2017 Increase	2017 Decrease	2016 Increase	2016 Decrease
TT$ Instruments	+/- 50	47,422	(47,422)	45,601	(45,601)
US$ Instruments	+/- 50	5,896	(5,896)	5,668	(5,668)
BDS$ Instruments	+/- 50	4,594	(4,594)	7,057	(7,057)
GHS Instruments	+/- 300	2,538	(2,538)	5,597	(5,597)
Other Currency Instruments	+/- 50	343	(343)	308	(308)

	Change in basis points	Impact on equity 2017 Increase	2017 Decrease	2016 Increase	2016 Decrease
TT$ Instruments	+/- 50	(62,064)	52,664	(55,329)	58,663
US$ Instruments	+/- 50	(216,160)	217,591	(31,455)	32,136
EC$ Instruments	+/- 25	(118)	120	(150)	151
BDS$ Instruments	+/- 50	(8,720)	9,040	(9,585)	10,650
Other Currency Instruments	+/- 50	(101)	83	(110)	107

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

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

2017	TTD	USD	BDS	GHS	Other	Total
Financial assets						
Cash and cash equivalents	368,861	62,496	91,917	105,981	174,431	803,686
Statutory deposits with Central Banks	4,265,188	10,675	296,785	209,929	735,030	5,517,607
Due from banks	644,740	2,893,983	47,405	45,606	1,534,471	5,166,205
Treasury Bills	1,993,883	–	1,753,909	123,139	1,353,885	5,224,816
Investment interest receivable	43,229	46,159	2,411	12,344	4,679	108,822
Advances	20,262,707	5,634,594	5,018,424	784,889	3,763,834	35,464,448
Investment securities	5,538,595	4,891,974	431,215	897,685	297,396	12,056,865
Total financial assets	**33,117,203**	**13,539,881**	**7,642,066**	**2,179,573**	**7,863,726**	**64,342,449**
Financial liabilities						
Due to banks	174,353	70,669	12,002	64,264	22,412	343,700
Customers' current, savings and deposit accounts	25,732,180	9,289,817	6,213,946	1,490,926	7,675,931	50,402,800
Other fund raising instruments	2,678,480	872,093	248,222	422,385	–	4,221,180
Debt securities in issue	1,027,421	7,179	–	70,878	–	1,105,478
Interest payable	33,172	15,078	2,388	51,240	3,174	105,051
Total financial liabilities	**29,645,606**	**10,254,836**	**6,476,558**	**2,099,693**	**7,701,517**	**56,178,209**
Net currency risk exposure		**3,285,045**	**1,165,508**	**79,880**	**162,209**	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**32,850**	**11,655**	**2,396**	**1,622**	

2016	TTD	USD	BDS	GHS	Other	Total
Financial assets						
Cash and equivalents	359,822	61,660	96,830	69,071	206,320	793,703
Statutory deposits with Central Banks	4,265,042	–	661,330	171,086	690,251	5,787,709
Due from banks	1,264,401	2,333,573	11,767	141,183	1,589,810	5,340,734
Treasury Bills	2,782,962	–	1,633,400	–	1,469,781	5,886,143
Investment interest receivable	44,142	34,308	2,428	11,928	2,729	95,535
Advances	19,620,214	4,948,836	4,730,935	1,593,771	3,398,937	34,292,693
Investment securities	5,205,892	4,084,608	471,725	424,403	78,419	10,265,047
Total financial assets	**33,542,475**	**11,462,985**	**7,608,415**	**2,411,442**	**7,436,247**	**62,461,564**
Financial liabilities						
Due to banks	–	93,063	9,206	35,768	29,444	167,481
Customers' current, savings and deposit accounts	24,962,190	9,012,864	6,117,686	2,100,767	7,437,767	49,631,274
Other fund raising instruments	3,234,203	174,684	332,589	102,170	–	3,843,646
Debt securities in issue	1,041,580	–	–	107,212	–	1,148,792
Interest payable	37,408	9,090	4,709	50,581	2,888	104,676
Total financial liabilities	**29,275,381**	**9,289,701**	**6,464,190**	**2,396,498**	**7,470,099**	**54,895,869**
Net currency risk exposure		**2,173,284**	**1,144,225**	**14,944**	**(33,852)**	
Reasonably possible change in currency rate		1%	1%	3%	1%	
Effect on profit before tax		**21,733**	**11,442**	**448**	**(339)**	

21.5 Operational risk

The growing sophistication of the financial industry has made the Group's operational risk profile more complex. Operational risk is inherent within all business activities and 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 $603.3 million to $10.15 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.

RFHL and its main subsidiary, Republic Bank Limited (RBL), have commenced the preparatory work for the implementation of the Basel II and III framework. While the new requirements in its current form will require banks to hold substantially more capital, RFHL and RBL with their existing strong capital base, will meet the new requirements.

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

22. Capital management (continued)

Capital adequacy ratio	2017	2016
Republic Bank Limited	20.13%	21.18%
Republic Bank (Cayman) Limited	26.18%	26.72%
Republic Bank (Grenada) Limited	14.57%	15.50%
Republic Bank (Guyana) Limited	25.20%	22.38%
Republic Bank (Barbados) Limited	16.21%	16.48%
Republic Bank (Suriname) N.V.	11.42%	9.40%
HFC Bank (Ghana) Limited	15.98%	12.08%
Atlantic Financial Limited	42.72%	50.80%

At September 30, 2017, 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:

2017	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	11,194,707	11,194,707	–
Investment interest receivable	108,822	108,822	–
Advances	35,464,448	34,420,933	(1,043,515)
Investment securities	12,056,865	12,056,865	–
Other financial assets	271,550	271,550	–
Financial liabilities			
Customers' current, savings and deposit accounts	50,402,800	50,404,131	(1,331)
Borrowings and other fund raising instruments	4,564,880	4,564,880	–
Debt securities in issue	1,105,478	1,125,518	(20,040)
Accrued interest payable	105,051	105,051	–
Other financial liabilities	961,275	961,275	–
Total unrecognised change in unrealised fair value			**(1,064,886)**

2016	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	12,020,580	12,020,580	–
Investment interest receivable	95,535	95,535	–
Advances	34,292,693	33,441,973	(850,720)
Investment securities	10,265,047	10,265,047	–
Other financial assets	259,634	259,634	–
Financial liabilities			
Customers' current, savings and deposit accounts	49,631,274	49,630,366	908
Borrowings and other fund raising instruments	4,011,127	4,011,127	–
Debt securities in issue	1,148,792	1,210,049	(61,257)
Accrued interest payable	104,676	104,676	–
Other financial liabilities	1,019,789	1,019,789	–
Total unrecognised change in unrealised fair value			**(911,069)**

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
2017				
Financial assets measured at fair value				
Investment securities	4,340,951	7,707,155	8,759	12,056,865
Financial assets for which fair value is disclosed				
Advances	–	–	34,420,933	34,420,933
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	50,404,131	50,404,131
Debt securities in issue	–	1,125,518	–	1,125,518

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

	Level 1	Level 2	Level 3	Total
2016				
Financial assets measured at fair value				
Investment securities	3,351,302	6,904,994	8,751	10,265,047
Financial assets for which fair value is disclosed				
Advances	–	–	33,441,973	33,441,973
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	49,630,366	49,630,366
Debt securities in issue	–	1,010,158	199,891	1,210,049

23.2.2 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, as at September 30, 2017, are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	3.0% - 35.2%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.0% - 16%

23.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2017, no assets were transferred between Level 1 and Level 2.

23.2.4 Reconciliation of movements in Level 3 investment securities 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	69	11	(3)	77
Investment securities-available-for-sale	8,682	–	–	8,682
	8,751	**11**	**(3)**	**8,759**

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	2017	2016
HFC Bank (Ghana) Limited	Ghana	42.89%	42.89%
Republic Bank (Guyana) Limited	Guyana	49.00%	49.00%
Accumulated balances of material non-controlling interest:			
HFC Bank (Ghana) Limited		102,755	91,086
Republic Bank (Guyana) Limited		290,995	265,164
(Profit)/loss allocated to material non-controlling interest:			
HFC Bank (Ghana) Limited		17,886	(50,039)
Republic Bank (Guyana) Limited		43,349	41,594

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

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

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	Eliminations	Total
2017							
Interest income	2,258,590	480,305	240,035	381,168	485,159	(48,282)	3,796,975
Interest expense	(242,079)	(24,566)	(18,571)	(79,242)	(252,666)	48,282	(568,842)
Net interest income	2,016,511	455,739	221,464	301,926	232,493	–	3,228,133
Other income	1,993,930	157,195	90,318	144,581	124,855	(1,049,503)	1,461,376
Share of profits of associates	6,373	–	–	71	–	–	6,444
Operating income	4,016,814	612,934	311,782	446,578	357,348	(1,049,503)	4,695,953
Investment impairment expense	–	(13,482)	–	1,222	–	–	(12,260)
Other operating expenses	(1,641,630)	(358,501)	(153,364)	(255,225)	(328,990)	13,537	(2,724,173)
Operating profit	2,375,184	240,951	158,418	192,575	28,358	(1,035,966)	1,959,520
Loan impairment expense, net of recoveries	(101,895)	(15,744)	(21,827)	(22,084)	2,861	–	(158,689)
Net profit before taxation	**2,273,289**	**225,207**	**136,591**	**170,491**	**31,219**	**(1,035,966)**	**1,800,831**
Taxation	(399,237)	(33,022)	(48,123)	(12,485)	9,125	–	(483,742)
Net profit after taxation	**1,874,052**	**192,185**	**88,468**	**158,006**	**40,344**	**(1,035,966)**	**1,317,089**
Investment in associated companies	78,199	–	–	940	–	–	79,139
Total assets	52,252,060	9,475,542	4,733,894	9,235,730	2,946,385	(9,750,732)	68,892,879
Total liabilities	40,261,263	7,964,529	4,142,778	6,921,353	2,701,050	(3,244,099)	58,746,874
Depreciation	107,760	28,285	14,528	15,546	21,562	1,278	188,959
Capital expenditure on premises and equipment	303,670	17,834	32,170	37,645	26,278	–	417,597
Cash flow from operating activities	1,709,009	387,087	(190,436)	358,856	669,160	(1,066,954)	1,866,722
Cash flow from investing activities	(1,003,506)	(34,835)	155,961	(567,718)	(563,141)	72,261	(1,940,978)
Cash flow from financing activities	(1,317,241)	(187,402)	(40,382)	(9,769)	12,673	991,862	(550,259)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname, and Eastern Caribbean	Ghana	Eliminations	Total
2016							
Interest income	2,117,656	465,714	232,696	329,685	503,753	(38,938)	3,610,566
Interest expense	(216,194)	(38,378)	(18,949)	(65,320)	(253,516)	38,938	(553,419)
Net interest income	1,901,462	427,336	213,747	264,365	250,237	–	3,057,147
Other income	1,397,829	141,977	81,141	121,657	105,886	(434,749)	1,413,741
Share of (loss)/profits of associates	(1,661)	–	–	616	–	–	(1,045)
Operating income	3,297,630	569,313	294,888	386,638	356,123	(434,749)	4,469,843
Investment impairment expense	(61,841)	–	–	(3,666)	–	–	(65,507)
Other operating expenses	(1,613,015)	(333,285)	(136,410)	(235,802)	(294,814)	65,793	(2,547,533)
Operating profit	1,622,774	236,028	158,478	147,170	61,309	(368,956)	1,856,803
Goodwill impairment expense	(107,309)	–	–	–	–	–	(107,309)
Loan impairment expense, net of recoveries	(139,463)	(42,030)	(24,699)	(37,685)	(168,745)	–	(412,622)
Net profit before taxation	**1,376,002**	**193,998**	**133,779**	**109,485**	**(107,436)**	**(368,956)**	**1,336,872**
Taxation	(307,617)	(25,147)	(48,893)	(1,690)	(10,412)	–	(393,759)
Net profit after taxation	**1,068,385**	**168,851**	**84,886**	**107,795**	**(117,848)**	**(368,956)**	**943,113**
Investment in associated companies	74,653	–	–	838	–	–	75,491
Total assets	50,455,735	9,453,132	4,865,530	8,213,823	2,723,546	(8,852,223)	66,859,543
Total liabilities	38,848,413	7,917,525	4,328,955	6,190,711	2,496,722	(2,465,478)	57,316,848
Depreciation	91,837	25,835	12,000	13,524	20,897	1,534	165,627
Capital expenditure on premises and equipment	300,400	23,290	45,664	33,168	36,234	–	438,756
Cash flow from operating activities	(362,992)	677,417	143,317	954,766	228,262	(295,416)	1,345,354
Cash flow from investing activities	(1,373,752)	(332,163)	(160,749)	(331,604)	(291,341)	(9,653)	(2,499,262)
Cash flow from financing activities	(1,258,691)	(57,113)	(41,446)	(34,975)	(18,528)	253,851	(1,156,902)

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

25. Segmental information (continued)

ii) By class of business

	Retail and commercial banking	Merchant banking	Eliminations	Total
2017				
Interest income	3,480,252	365,006	(48,283)	3,796,975
Interest expense	(523,791)	(93,334)	48,283	(568,842)
Net interest income	2,956,461	271,672	–	3,228,133
Other income	2,350,110	160,770	(1,049,504)	1,461,376
Share of profit of associates	6,444	–	–	6,444
Operating income	5,313,015	432,442	(1,049,504)	4,695,953
Investment impairment expense	(12,260)	–	–	(12,260)
Other operating expenses	(2,689,806)	(47,903)	13,536	(2,724,173)
Operating profit	2,610,949	384,539	(1,035,968)	1,959,520
Loan impairment expense, net of recoveries	(152,649)	(6,040)	–	(158,689)
Net profit before taxation	**2,458,300**	**378,499**	**(1,035,968)**	**1,800,831**
Taxation	(426,449)	(57,293)	–	(483,742)
Net profit after taxation	**2,031,851**	**321,206**	**(1,035,968)**	**1,317,089**
Investment in associated companies	79,139	–	–	79,139
Total assets	69,674,188	8,969,423	(9,750,732)	68,892,879
Total liabilities	55,306,639	6,684,334	(3,244,099)	58,746,874
Depreciation	187,121	560	1,278	188,959
Capital expenditure on premises and equipment	416,584	1,013	–	417,597
Cash flow from operating activities	2,227,341	706,335	(1,066,954)	1,866,722
Cash flow from investing activities	(1,800,887)	(212,352)	72,261	(1,940,978)
Cash flow from financing activities	(623,508)	(918,613)	991,862	(550,259)
2016				
Interest income	3,352,525	296,979	(38,938)	3,610,566
Interest expense	(516,842)	(75,515)	38,938	(553,419)
Net interest income	2,835,683	221,464	–	3,057,147
Other income	1,719,192	129,298	(434,749)	1,413,741
Share of loss of associates	(1,045)	–	–	(1,045)
Operating income	4,553,830	350,762	(434,749)	4,469,843
Investment impairment expense	(65,507)	–	–	(65,507)
Other operating expenses	(2,568,986)	(44,340)	65,793	(2,547,533)
Operating profit	1,919,337	306,422	(368,956)	1,856,803
Goodwill impairment expense	(107,309)	–	–	(107,309)
Loan impairment expense, net of recoveries	(396,391)	(16,231)	–	(412,622)
Net profit before taxation	**1,415,637**	**290,191**	**(368,956)**	**1,336,872**
Taxation	(349,740)	(44,019)	–	(393,759)
Net profit after taxation	**1,065,897**	**246,172**	**(368,956)**	**943,113**
Investment in associated companies	75,491	–	–	75,491
Total assets	66,973,580	8,738,186	(8,852,223)	66,859,543
Total liabilities	53,129,955	6,652,371	(2,465,478)	57,316,848
Depreciation	163,502	591	1,534	165,627
Capital expenditure on premises and equipment	388,490	50,266	–	438,756
Cash flow from operating activities	267,486	1,373,284	(295,416)	1,345,354
Cash flow from investing activities	6,302,823	(8,792,432)	(9,653)	(2,499,262)
Cash flow from financing activities	(218,254)	(1,192,499)	253,851	(1,156,902)

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. See 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
2017			
ASSETS			
Cash and cash equivalents	803,686	–	803,686
Statutory deposits with Central Banks	5,517,607	–	5,517,607
Due from banks	5,166,205	–	5,166,205
Treasury Bills	5,224,816	–	5,224,816
Investment interest receivable	108,822	–	108,822
Advances	9,944,220	25,520,228	35,464,448
Investment securities	2,374,905	9,681,960	12,056,865
Investment in associated companies	–	79,139	79,139
Premises and equipment	–	2,350,322	2,350,322
Intangible assets	–	405,449	405,449
Net pension asset	–	968,751	968,751
Deferred tax assets	–	287,763	287,763
Taxation recoverable	–	73,598	73,598
Other assets	352,099	33,309	385,408
	29,492,360	**39,400,519**	**68,892,879**
LIABILITIES			
Due to banks	343,700	–	343,700
Customers' current, savings and deposit accounts	50,077,451	325,349	50,402,800
Other fund raising instruments	4,221,180	–	4,221,180
Debt securities in issue	800,624	304,854	1,105,478
Net pension liability	–	87,376	87,376
Provision for post-retirement medical benefits	–	474,691	474,691
Taxation payable	218,454	–	218,454
Deferred tax liabilities	–	432,536	432,536
Accrued interest payable	105,051	–	105,051
Other liabilities	1,094,711	260,897	1,355,608
	56,861,171	**1,885,703**	**58,746,874**
2016			
ASSETS			
Cash and cash equivalents	793,703	–	793,703
Statutory deposits with Central Banks	5,787,709	–	5,787,709
Due from banks	5,340,734	–	5,340,734
Treasury Bills	5,886,143	–	5,886,143
Investment interest receivable	95,535	–	95,535
Advances	10,419,928	23,872,765	34,292,693
Investment securities	2,198,826	8,066,221	10,265,047
Investment in associated companies	–	75,491	75,491
Premises and equipment	–	2,188,528	2,188,528
Intangible assets	–	416,931	416,931
Net pension asset	–	1,010,851	1,010,851
Deferred tax assets	–	211,868	211,868
Taxation recoverable	219	82,601	82,820
Other assets	383,768	27,722	411,490
	30,906,565	**35,952,978**	**66,859,543**
LIABILITIES			
Due to banks	167,481	–	167,481
Customers' current, savings and deposit accounts	49,449,444	181,830	49,631,274
Other fund raising instruments	3,601,167	242,479	3,843,646
Debt securities in issue	–	1,148,792	1,148,792
Net pension liability	–	67,360	67,360
Provision for post-retirement medical benefits	–	430,929	430,929
Taxation payable	160,274	–	160,274
Deferred tax liabilities	–	394,194	394,194
Accrued interest payable	104,676	–	104,676
Other liabilities	1,120,427	247,795	1,368,222
	54,603,469	**2,713,379**	**57,316,848**

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

27. Equity compensation benefits

a) Profit sharing scheme

It is estimated that approximately $107.9 million (2016: $89.5 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 $126 million (2016: $82 million). Refer to Note 18. During the 2017 financial year, $17.8 million in advances were made by Republic Bank Limited for purchase of shares to the staff profit sharing scheme (2016: $78 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 Financial Holdings 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 RFHL'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.

The movement in outstanding options is outlined below:

	Weighted average exercise price		Number of shares	
	2017	2016	2017	2016
At the beginning of the year	$100.91	$93.39	1,952,038	1,811,265
Granted	$112.05	$121.74	10,878	415,912
Exercised	$83.49	$82.87	(170,993)	(275,139)
At end of year	**$102.64**	**$100.91**	**1,791,923**	**1,952,038**
Exercisable at end of year	**$95.83**	**$89.85**	**1,203,570**	**1,022,954**

Expiry date	Exercise price	2017	2016
15-Dec-18	$78.78	21,539	31,841
20-Dec-19	$90.19	68,622	88,127
20-Dec-20	$86.75	76,349	104,156
20-Dec-21	$80.00	56,885	94,324
20-Dec-22	$101.80	11,876	11,876
13-Dec-23	$85.94	69,151	89,551
8-Dec-24	$72.99	133,810	164,363
14-Dec-25	$92.67	228,686	253,673
14-Dec-26	$104.41	342,415	342,415
11-Dec-27	$110.03	355,800	355,800
11-Dec-28	$121.74	415,912	415,912
9-Dec-29	$112.05	10,878	–
		1,791,923	**1,952,038**

As at September 30, 2017, 1,125,005 (2016: 415,912) 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 has been determined using a binomial option-pricing model. The assumptions used in the calculation of the fair value are as follows:

Grant date	December 21, 2016
Number granted	10,878
Exercise price	$112.05
Share price at grant date	$108.44
Risk free interest rate	3.5% per annum
Expected volatility	7.5% per annum
Dividend yield	4.0% per annum
Exercise term	Option exercised when share price is 150% of the exercise price
Fair value	$5.99

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 $83.49. For options outstanding at September 30, 2017, the exercise price ranged from $72.99 to $121.74 and the weighted average remaining contractual life was 8.2 years.

The total expense for the share option plan was $1.992 million (2016: $3.951 million).

28. Dividends paid and proposed

	2017	2016
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: $3.10 (2015: $3.10)	503,050	502,195
First dividend for 2017: $1.25 (2016: $1.25)	202,935	202,770
Total dividends paid	**705,985**	**704,965**
Proposed equity dividends on ordinary shares:		
Final dividend for 2017: $3.15 (2016: $3.10)	**511,703**	**503,050**

29. Contingent liabilities

a) Litigation

As at September 30, 2017, 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

	2017	2016
Acceptances	1,081,292	1,050,603
Guarantees and indemnities	227,111	277,114
Letters of credit	229,362	231,387
	1,537,765	**1,559,104**

c) Sectoral information

	2017	2016
State	142,867	233,463
Corporate and commercial	1,306,813	1,242,660
Personal	29,104	39,736
Other financial institutions	41,440	43,195
Other	17,541	50
	1,537,765	**1,559,104**

29. Contingent liabilities (continued)

d) Pledged assets

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

	Carrying amount		Related liability	
	2017	2016	2017	2016
Financial investments - available-for-sale	3,162,775	3,776,434	2,861,491	3,725,755

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.

30. Subsidiary companies

Name of Company	Country of incorporation	% Equity interest
Republic Bank (Barbados) Limited *Commercial Bank*	Barbados	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
HFC Bank (Ghana) Limited *Commercial Bank*	Ghana	57.11%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	75.55%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%
Republic Caribbean Investments Limited *Investment 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%
Republic Bank Limited *Commercial Bank*	Trinidad and Tobago	100.00%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00%
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%

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, 2017, the Group earned $16.0 million (2016: $8.8 million) in management fees from the retirement plans and $87.3 million (2016: $63.8 million) from the mutual funds.

The Group holds an interest of $26.9 million (2016: $21.0 million) in sponsored funds as at September 30, 2017. 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, 2017.

32. Business combinations

Acquisition of additional interest in Republic Bank (Grenada) Limited

Over the period October 2016 to March 2017, the Group acquired an additional 1.43% interest in the voting shares of Republic Bank (Grenada) Limited, increasing its ownership interest to 75.55%. This acquisition was through increased shareholding via a rights issue and other acquisitions. Cash consideration of $0.72 million was paid to the non-controlling shareholders. The following is a schedule of additional interest acquired in Republic Bank (Grenada) Limited:

	$000's
Cash consideration paid	720
Carrying value of the additional interest in Republic Bank (Grenada) Limited	(991)
Difference recognised in retained earnings	**(271)**
Carrying value of additional interest acquired	(991)
Additional interest acquired through rights issue	1,739
	748

Acquisition of additional interest in Republic Bank (Suriname) N.V.

In June 2017, $46.8 million was injected into Republic Bank Suriname N.V.

RBL Consolidated Financial Statement

2017

Independent Auditor's Report

To the Shareholders of Republic Bank Limited and its Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Republic Bank Limited and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs')

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst + Young

Port of Spain,
TRINIDAD:
November 6, 2017

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Financial Position

As at September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
ASSETS			
Cash on hand		391,532	392,990
Statutory deposits with Central Bank		4,265,186	4,265,041
Due from banks		4,512,801	4,243,059
Treasury Bills		1,966,501	2,534,403
Investment interest receivable		58,075	48,059
Advances	4	24,619,527	23,673,643
Investment securities	5	6,531,231	5,789,563
Investment in associated companies	6	44,596	41,031
Premises and equipment	7	1,537,713	1,347,846
Net pension assets	8	951,219	992,803
Deferred tax assets	9(a)	220,588	181,826
Taxation recoverable		32,824	32,987
Other assets	10	211,526	257,107
TOTAL ASSETS		**45,343,319**	**43,800,358**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		247,461	469,769
Customers' current, savings and deposit accounts	11	32,468,096	31,687,895
Other fund raising instruments	12	3,812,957	3,408,887
Debt securities in issue	13	1,027,422	1,041,580
Provision for post-retirement medical benefits	8	439,647	394,271
Taxation payable		187,836	9,359
Deferred tax liabilities	9(b)	398,881	359,778
Accrued interest payable		40,387	39,867
Other liabilities	14	979,924	934,557
TOTAL LIABILITIES		**39,602,611**	**38,345,963**
EQUITY			
Stated capital	15	769,777	769,777
Statutory reserves		1,112,096	1,112,096
Other reserves	16	355,442	295,909
Retained earnings		3,503,393	3,276,613
TOTAL EQUITY		**5,740,708**	**5,454,395**
TOTAL LIABILITIES AND EQUITY		**45,343,319**	**43,800,358**

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

These financial statements were approved by the Board of Directors on November 6, 2017 and signed on its behalf by:

Nigel Baptiste,
Managing Director

Ronald F. deC. Harford,
Chairman

Peter Inglefield,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Bank
We're the One for you!

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Income

For the year ended September 30, 2017

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

	Notes	2017	2016
Interest income	17(a)	2,289,100	1,652,538
Interest expense	17(b)	(224,124)	(154,641)
Net interest income		2,064,976	1,497,897
Other income	17(c)	971,177	730,926
Share of profits of associated companies	6	6,373	6,507
		3,042,526	2,235,330
Operating expenses	17(d)	(1,588,734)	(1,141,912)
Operating profit		1,453,792	1,093,418
Loan impairment expense	4(b)(ii)	(107,934)	(143,235)
Net profit before taxation		1,345,858	950,183
Taxation expense	18	(400,064)	(248,549)
Net profit after taxation		**945,794**	**701,634**

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

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2017

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

	2017	2016
Net profit after taxation	**945,794**	**701,634**
Other comprehensive income:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain on available-for-sale investments	13,561	25,961
Translation adjustments	5,513	50,460
Net other comprehensive income that may be reclassified to profit in subsequent periods	19,074	76,421
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Net re-measurement losses on defined benefit plans	(25,667)	(120,474)
Net other comprehensive loss that will not be reclassified to profit or (loss) in subsequent periods:	**(25,667)**	**(120,474)**
Total other comprehensive loss for the year, net of tax	**(6,593)**	**(44,053)**
Total comprehensive income for the year, net of tax	**939,201**	**657,581**

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

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended September 30, 2017

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

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at September 30, 2015	**30,000**	**34,982**	**8,706**	**267,085**	**340,773**
Amount transferred from vesting	739,777	1,077,114	233,054	2,564,445	4,614,390
Total comprehensive income for the year	–	–	76,421	581,160	657,581
Transfer from general contingency reserve (Note 16)	–	–	(22,272)	22,272	–
Dividends (Note 25)	–	–	–	(158,349)	(158,349)
Balance at September 30, 2016	**769,777**	**1,112,096**	**295,909**	**3,276,613**	**5,454,395**
Total comprehensive income for the year	–	–	19,074	920,127	939,201
Transfer to general contingency reserve (Note 16)	–	–	40,459	(40,459)	–
Dividends (Note 25)	–	–	–	(652,888)	(652,888)
Balance at September 30, 2017	**769,777**	**1,112,096**	**355,442**	**3,503,393**	**5,740,708**

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

Republic Bank
We're the One for you!

Republic Bank Limited and its Subsidiaries

Consolidated Statement of Cash Flows

For the year ended September 30, 2017

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

	Notes	2017	2016
Operating activities			
Net profit before taxation		1,345,858	950,183
Adjustments for:			
Depreciation	7	107,508	57,002
Loan impairment expense	4(b)(ii)	106,456	143,235
Translation difference		(4,270)	(43,794)
Loss on sale of premises and equipment		2,054	2,192
Share of net profits of associated companies	6	(6,373)	(6,507)
Decrease in employee benefits		74,011	216,978
Increase in advances		(1,052,338)	(501,551)
Increase in customers' deposits and other fund raising instruments		1,184,272	135,215
(Increase)/decrease in statutory deposits with Central Bank		(146)	150,062
Decrease in other assets and investment interest receivable		35,564	90,072
Increase in other liabilities and accrued interest payable		45,889	26,333
Taxes paid, net of refund		(241,677)	(244,097)
Cash provided by operating activities		1,596,808	975,323
Investing activities			
Purchase of investment securities		(3,096,462)	(3,509,186)
Redemption of investment securities		2,422,969	2,613,185
Dividends from associated companies	6	2,808	1,706
Additions to premises and equipment	7	(303,613)	(250,611)
Proceeds from sale of premises and equipment		4,183	2,309
Net change in the composition of the Group		–	8,630,083
Cash (used in)/provided by investing activities		(970,115)	7,487,486
Financing activities			
Decrease in balances due to other banks		(222,307)	(891,740)
Repayment of debt securities		(14,158)	(12,598)
Dividends paid to shareholders of the parent	25	(652,888)	(158,349)
Cash used in financing activities		(889,353)	(1,062,687)
Net (decrease)/increase in cash and cash equivalents		(262,660)	7,400,122
Net foreign exchange difference		4,446	–
Cash and cash equivalents at beginning of year		7,502,795	102,673
Cash and cash equivalents at end of year		**7,244,581**	**7,502,795**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		391,532	392,990
Due from banks		4,512,801	4,243,059
Treasury Bills - original maturities of three months or less		1,966,501	2,534,403
Bankers' acceptances - original maturities of three months or less		373,747	332,343
		7,244,581	**7,502,795**
Supplemental information:			
Interest received during the year		2,248,577	1,536,454
Interest paid during the year		(223,604)	(153,981)
Dividends received		157,802	73,427

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

Republic Bank Limited and its Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

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

1. Corporate information

On December 16, 2015 the business of Republic Bank Limited (RBL) was transferred and vested into Republic Finance and Merchant Bank Limited (FINCOR), after which FINCOR was renamed Republic Bank Limited. As a result, the Separate Statement of Income for RBL for the year ended September 30, 2016 reflects the following:

- Twelve months of results for FINCOR and all subsidiaries for the period October 1, 2015 to September 30, 2016
- Nine months of RBL post-vesting results for the period January 1 to September 30, 2016

The results for the year ending September 30, 2017, reflect a full year of income and expenses for RBL, FINCOR and all subsidiaries for the period October 1, 2016 to September 30, 2017. As such, the results as at September 2017 are not fully comparable with the results as at September 2016.

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

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

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 2016 consolidated statement of income included the results of the banking business of RBL that was vested into FINCOR for the nine months to September 30, 2016, plus the full year's results for FINCOR's existing business. Conversely, the consolidated results for the year ending September 30, 2017, reflect a full year of income and expenses for RBL and each subsidiary for the period October 1, 2016 to September 30, 2017.

2.2 Basis of consolidation

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. 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.

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

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

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

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

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

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2. Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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

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

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

2.3 Changes in accounting policies

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 consolidated financial statements for the year ended September 30, 2016 except for the adoption of new standards and interpretations that follow.

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 consolidated statements of income and other comprehensive income (OCI) and the consolidated statement of financial position may be disaggregated

- That entities have flexibility as to the order in which they present the notes to consolidated 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 consolidated statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statements of income and OCI. The adoption and amendment to this standard had no impact on the Group.

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. The adoption and amendment to these standards had no impact on the Group.

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.

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 adoption and amendment to these standards had no impact on the Group.

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 adoption and amendment to these standards had no impact on the Group.

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 adoption and amendment to these standards had no impact on the Group.

2.4 Standards in issue not yet effective

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

IFRS 16 Leases (effective January 1, 2019)

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

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

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

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

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

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

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

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

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 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

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

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

The amendment addresses concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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

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

OR

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

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 January 1, 2017:

IFRS	Subject of Amendment
IFRS 12 -	Disclosure of Interest in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1 -	First-time Adoption of International Financial Reporting Standards-Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28 -	Investments in Associates and Joint Ventures-Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

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 Bank

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, Republic Bank Limited is required to maintain with the Central Bank of Trinidad and Tobago, statutory balances in relation to the deposit liabilities of the institution. Other than statutory deposits of $4.3 billion, the Bank also holds Treasury Bills and other deposits of $2.1 billion with the Central Bank of Trinidad and Tobago as at September 30, 2017. Interest earned on these balances for the year was $20.7 million.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

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.

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

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.

Any subsequent increases in value of previously impaired securities are taken to OCI.

e) Investment in associated companies

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

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

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

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.

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

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

The depreciation rates used are as follows:

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

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)

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) Employee benefits

i) Pension obligations

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

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

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

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

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

b) The date that the Group recognises related restructuring costs

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

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

b) Net interest expense or income

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

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

The full results of the valuation exercise are disclosed in Note 8 to these consolidated financial statements.

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

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

iv) Share-based payments

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

j) Taxation

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

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

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

k) 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, RBL is also required to maintain statutory reserves of at least 20 times deposit liabilities.

l) 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, 2017, totalled $33.4 billion (2016: $30.9 billion).

m) Foreign currency translation

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 consolidated 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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

n) Revenue Recognition

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

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

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

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

o) Fair Value

The Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 22 to the consolidated financial statements.

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

i) In the principal market for the asset or liability, or

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

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

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

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

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

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

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

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

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.

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segments of an entity.

The Group has determined the Managing Director as its chief operating decision-maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income and other income less impairment losses and operating expenses which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. The Group primarily operates in Trinidad and Tobago and its operations are mainly comprised of retail and commercial banking.

q) 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 26 (b) of these consolidated financial statements.

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

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

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of 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) Risk management (Note 20)

b) Capital 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 consolidated 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 4b)
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 8)
In conducting valuation exercises to measure the effect of employee benefit plans throughout the Group, the Group's independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plans.

Deferred taxes (Note 9)
In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

In the process of applying the 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. 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
2017				
Performing advances	4,820,393	10,640,008	8,971,430	24,431,831
Non-performing advances	73,866	246,165	140,674	460,705
	4,894,259	10,886,173	9,112,104	24,892,536
Unearned interest/ finance charge	(2,875)	(44,771)	–	(47,646)
Accrued interest	1,508	72,099	18,594	92,201
	4,892,892	10,913,501	9,130,698	24,937,091
Allowance for impairment losses - Note 4 (b)	(81,724)	(195,106)	(40,734)	(317,564)
Net advances	**4,811,168**	**10,718,395**	**9,089,964**	**24,619,527**
2016				
Performing advances	4,791,050	10,444,313	8,340,253	23,575,616
Non-performing advances	45,474	233,882	66,047	345,403
	4,836,524	10,678,195	8,406,300	23,921,019
Unearned interest/ finance charge	(2,987)	(50,882)	–	(53,869)
Accrued interest	2,141	49,528	10,025	61,694
	4,835,678	10,676,841	8,416,325	23,928,844
Allowance for impairment losses - Note 4 (b)	(62,721)	(156,685)	(35,795)	(255,201)
Net advances	**4,772,957**	**10,520,156**	**8,380,530**	**23,673,643**

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.

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

4. Advances (continued)

b) Allowance for impairment losses (continued)

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

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2017				
Balance brought forward	62,721	156,685	35,795	255,201
Charge-offs and write-offs	(39,977)	(4,904)	(690)	(45,571)
Loan impairment expense	90,463	55,234	16,339	162,036
Loan impairment recoveries	(31,483)	(11,909)	(10,710)	(54,102)
Balance carried forward	**81,724**	**195,106**	**40,734**	**317,564**
Individual impairment	72,850	174,047	27,139	274,036
Collective impairment	8,874	21,059	13,595	43,528
	81,724	**195,106**	**40,734**	**317,564**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**73,866**	**246,165**	**140,674**	**460,705**
2016				
Balance brought forward	–	6,043	–	6,043
Transferred on vesting	39,300	73,826	30,436	143,562
Charge-offs and write-offs	(22,205)	(14,723)	(711)	(37,639)
Loan impairment expense	55,767	106,994	10,804	173,565
Loan impairment recoveries	(10,141)	(15,455)	(4,734)	(30,330)
Balance carried forward	**62,721**	**156,685**	**35,795**	**255,201**
Individual impairment	55,259	137,923	26,785	219,967
Collective impairment	7,462	18,762	9,010	35,234
	62,721	**156,685**	**35,795**	**255,201**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**45,474**	**233,882**	**66,047**	**345,403**

c) Net investment in leased assets included in net advances

	2017	2016
Gross investment	209,547	242,768
Unearned finance charge	(29,231)	(38,259)
Net investment in leased assets	**180,316**	**204,509**

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

	2017	2016
Within one year	6,825	3,150
One to five years	51,181	39,449
Over five years	122,310	161,910
	180,316	**204,509**

5. Investment securities

Available-for-sale

	2017	2016
Government securities	3,890,026	3,719,038
State owned company securities	722,456	621,137
Corporate bonds/debentures	1,386,454	955,909
Other	532,295	493,479
	6,531,231	**5,789,563**

6. Investment in associated companies

	2017	2016
Balance at beginning of year	41,031	–
Transferred from vesting	–	36,230
Share of current year profit	6,373	6,507
Dividends received	(2,808)	(1,706)
Balance at end of year	**44,596**	**41,031**

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

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

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

	Total investment in associates 2017	2016
Total assets	202,916	186,262
Total liabilities	23,265	21,108
Net assets/equity	179,651	165,154
Dividends received during the year	2,808	1,706

7. Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
2017					
Cost					
At beginning of year	307,593	935,774	85,666	1,146,034	2,475,067
Exchange and other adjustments	–	–	–	68	68
Additions at cost	270,005	200	–	33,408	303,613
Disposal of assets	–	(256)	(1,956)	(19,259)	(21,471)
Transfer of assets	(127,007)	50,449	15,447	61,111	–
	450,591	**986,167**	**99,157**	**1,221,362**	**2,757,277**
Accumulated depreciation					
At beginning of year	–	150,090	73,532	903,599	1,127,221
Exchange and other adjustments	–	–	(11)	80	69
Charge for the year	–	12,089	8,218	87,201	107,508
Disposal of assets	–	(51)	(1,501)	(13,682)	(15,234)
	–	**162,128**	**80,238**	**977,198**	**1,219,564**
Net book value	**450,591**	**824,039**	**18,919**	**244,164**	**1,537,713**
2016					
Cost					
At beginning of year	–	–	1,065	1,079	2,144
Transferred on vesting	273,970	812,971	83,210	1,078,879	2,249,030
Additions at cost	218,650	4,512	443	27,006	250,611
Disposal of assets	–	–	(7,059)	(19,659)	(26,718)
Transfer of assets	(185,027)	118,291	8,007	58,729	–
	307,593	**935,774**	**85,666**	**1,146,034**	**2,475,067**
Accumulated depreciation					
At beginning of year	–	–	880	861	1,741
Transferred on vesting	–	142,723	74,290	873,682	1,090,695
Charge for the year	–	7,367	4,346	45,289	57,002
Disposal of assets	–	–	(5,984)	(16,233)	(22,217)
	–	**150,090**	**73,532**	**903,599**	**1,127,221**
Net book value	**307,593**	**785,684**	**12,134**	**242,435**	**1,347,846**

Capital commitments	**2017**	**2016**
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	180,825	394,901
Other capital expenditure authorised by the Directors but not yet contracted for	6,454	14,689

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

8. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Present value of defined benefit obligation	(2,881,624)	(2,739,852)	(439,647)	(394,271)
Fair value of plan assets	3,843,388	3,743,164	–	–
Surplus/(deficit)	961,764	1,003,312	(439,647)	(394,271)
Effect of asset ceiling	(10,545)	(10,509)	–	–
Net asset/(liability) recognised in the consolidated statement of financial position	**951,219**	**992,803**	**(439,647)**	**(394,271)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Opening defined benefit obligation	(2,739,852)	–	(394,271)	–
Transferred from vesting	–	(2,559,413)	–	(372,796)
Current service cost	(102,919)	(103,408)	(19,646)	(17,582)
Interest cost	(150,920)	(138,953)	(20,880)	(20,985)
Past service cost	(3,546)	(13,229)	11,815	(11,419)
Re-measurements:				
- Experience adjustments	21,101	(18,538)	(22,369)	23,089
Benefits paid	94,512	93,689	–	–
Premiums paid by the Group	–	–	5,704	5,422
Closing defined benefit obligation	**(2,881,624)**	**(2,739,852)**	**(439,647)**	**(394,271)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Defined benefit obligation at prior year end	992,803	–	(394,271)	–
Transferred from vesting	–	1,206,155	–	(372,796)
Net pension cost	(56,153)	(52,630)	(28,711)	(49,986)
Re-measurements recognised in other comprehensive income	9,420	(160,722)	(22,369)	23,089
Premiums paid by the Group	–	–	5,704	5,422
Bank contributions paid	5,149	–	–	–
Closing net pension asset / (medical liability)	**951,219**	**992,803**	**(439,647)**	**(394,271)**

d) Liability profile

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

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	61%	70%
- Deferred members	6%	0%
- Pensioners	33%	30%

The weighted duration of the defined benefit obligation was 16.9 years for the pension benefit and 23.1 years for the medical benefit

38% of the defined benefit obligation for active members was conditional on future salary increases.

99% of the pension benefits and 38% of the medical benefits for active members were vested.

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

	Defined benefit pension plans	
	2017	**2016**
Opening fair value of plan assets	3,743,164	–
Transferred from vesting	–	3,776,892
Interest income	203,406	205,145
Return on plan assets, excluding interest income	(12,223)	(143,622)
Contributions by employer	5,149	–
Benefits paid	(94,512)	(93,689)
Expense allowance	(1,596)	(1,562)
Closing fair value of plan assets	**3,843,388**	**3,743,164**
Actual return on plan assets	**191,183**	**61,523**

f) Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair value		Allocation	
	2017	**2016**	**2017**	**2016**
Equity securities	1,698,908	1,806,329	44.20%	48.26%
Debt securities	1,767,216	1,777,978	45.98%	47.50%
Property	13,760	13,323	0.36%	0.36%
Mortgages	197	285	0.01%	0.01%
Money market instruments/cash	363,307	145,249	9.45%	3.87%
Total fair value of plan assets	**3,843,388**	**3,743,164**	**100.00%**	**100.00%**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Current service cost	(102,919)	(103,408)	(19,646)	(17,582)
Interest on defined benefit obligation	51,908	65,569	(20,880)	(20,985)
Past service cost	(3,546)	(13,229)	11,815	(11,419)
Administration expenses	(1,596)	(1,562)	–	–
Total included in staff costs	**(56,153)**	**(52,630)**	**(28,711)**	**(49,986)**

h) Re-measurements recognised in Other Comprehensive Income:

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	**2016**	**2017**	**2016**
Experience gains/(losses)	8,878	(162,160)	(22,369)	23,089
Effect of asset ceiling	542	1,438	–	–
Total included in Other Comprehensive Income	**9,420**	**(160,722)**	**(22,369)**	**23,089**

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

	2017	**2016**
	%	%
Discount rate	5.50	5.50
Rate of salary increase	5.50	5.50
Pension increases	2.40	2.40
Medical cost trend rates	5.75	5.75

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

	Defined benefit pension plans	
	2017	**2016**
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	21.4	21.4
- Female	25.4	25.4

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

8. Employee benefits (continued)

j) Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2017, would have changed as a result of a change in the assumptions used.

	Defined benefit pension plans		Post-retirement medical benefits	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
	$'000	$'000	$'000	$'000
2017				
- Discount rate	(406,000)	524,000	(81,000)	108,000
- Future salary increases	205,000	(176,000)	–	–
- Future pension cost increases	256,000	(256,000)	–	–
- Medical cost increases	–	–	109,000	(80,000)
2016				
- Discount rate	(386,000)	499,000	(73,000)	98,000
- Future salary increases	195,000	(167,000)	–	–
- Future pension cost increases	244,000	(244,000)	–	–
- Medical cost increases	–	–	97,000	(73,000)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2017, by $61 million and the post-retirement medical benefit by $16 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 nothing to the pension plans in the 2017 financial year.

The Group operates the post-retirement medical benefit plan 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 $6 million to the medical plan in the 2017 financial year.

9. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

		Credit/(charge)		
	Opening balance 2016	Consolidated Statement of income	OCI	Closing balance 2017
Post-retirement medical benefits	118,281	21,569	14,026	153,876
Leased assets	4,070	(694)	–	3,376
Unearned loan origination fees	35,390	5,496	–	40,886
Other	24,085	(1,634)	–	22,451
	181,826	**24,736**	**14,026**	**220,588**

b) Deferred tax liabilities

		(Credit)/charge		
	Opening balance 2016	Consolidated Statement of income	OCI	Closing balance 2017
Pension asset	297,841	8,342	26,744	332,927
Leased assets	29,541	(4,522)	–	25,019
Premises and equipment	13,003	661	–	13,664
Unrealised reserve	19,393	–	7,878	27,271
	359,778	**4,481**	**34,622**	**398,881**
Net charge to statement of income/OCI		**(20,255)**	**20,596**	

10. Other assets

	2017	2016
Accounts receivable and prepayments	209,446	256,312
Project financing reimbursables	2,080	795
	211,526	**257,107**

11. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2017	2016
State sector	1,409,540	2,037,958
Corporate and commercial sector	9,646,535	9,206,502
Personal sector	20,136,999	19,515,638
Other financial institutions	1,275,022	927,797
	32,468,096	**31,687,895**

12. Other fund raising instruments

At September 30, 2017, investment securities held to secure other fund raising instruments of the Group amounted to $3.8 billion (2016: $3.4 billion).

Concentration of other fund raising instruments	2017	2016
State	1,986,493	1,478,674
Personal	375,260	151,416
Other financial institutions	1,266,453	1,778,797
Other	184,751	–
	3,812,957	**3,408,887**

13. Debt securities in issue

	2017	2016
Unsecured		
Fixed rate bonds	800,800	800,013
Secured		
Floating rate bonds		
a) Floating rate bond	221,262	231,467
b) Fixed rate bonds	4,963	9,388
c) Mortgage pass-through certificates	397	711
Total debt securities in issue	**1,027,422**	**1,041,580**

Unsecured obligations

Fixed rate bonds are denominated in Trinidad and Tobago Dollars and is a subordinated 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%.

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

13. Debt securities in issue (continued)

Secured obligations

a) The floating rate bonds are denominated in Trinidad and Tobago Dollars and are unconditional secured obligations of the Parent. The Parent 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.

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.

14. Other liabilities

	2017	2016
Accounts payable and unearned income	861,381	795,278
Unearned loan origination fees	116,816	117,966
Other liabilities	1,727	21,313
	979,924	**934,557**

15. Stated capital

	2017	2016	2017	2016
	Number of ordinary shares ('000)			
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	79,572	6,000	769,777	30,000
Transferred on vesting	–	73,572	–	739,777
At end of year	**79,572**	**79,572**	**769,777**	**769,777**

16. Other reserves

	Translation reserves	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2015	**–**	**249**	**8,457**	**8,706**
Transferred from vesting	9,232	214,579	9,242	233,053
Revaluation of available-for-sale investments	–	–	25,961	25,961
Translation adjustments	50,461	–	–	50,461
General contingency reserve	–	(22,272)	–	(22,272)
Balance at September 30, 2016	**59,693**	**192,556**	**43,660**	**295,909**
Revaluation of available-for-sale investments	–	–	13,561	13,561
Translation adjustments	5,513	–	–	5,513
General contingency reserve	–	40,459	–	40,459
Balance at September 30, 2017	**65,206**	**233,015**	**57,221**	**355,442**

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, 2017, the balance in the General contingency reserve of $233 million (2016: $192.6 million) is part of Other reserves which totals $355.4 million (2016: $295.9 million).

17. Operating profit

	2017	2016
a) Interest income		
Advances	2,018,759	1,460,943
Investment securities	214,965	191,595
Liquid assets	55,376	–
	2,289,100	**1,652,538**
b) Interest expense		
Customers' current, savings and deposit accounts	69,336	36,232
Other fund raising instruments and debt securities in issue	135,964	113,167
Other interest bearing liabilities	18,824	5,242
	224,124	**154,641**
c) Other income		
Fees and commission from trust and other fiduciary activities	234,654	193,773
Other fees and commission income	505,838	359,944
Net exchange trading income	137,072	98,999
Gains from disposal of available-for-sale investments	5,365	7,382
Other operating income	88,248	70,828
	971,176	**730,926**
d) Operating expenses		
Staff costs	583,775	397,635
Staff profit sharing - Note 24 (a)	107,891	82,315
Employee benefits pension and medical contribution - Note 8 (g)	84,864	102,616
General administrative expenses	527,711	357,258
Operating lease payments	45,509	5,085
Property related expenses	74,022	95,494
Depreciation - Note 7	107,508	57,002
Advertising and public relations	55,861	43,756
Directors fees	1,592	750
	1,588,734	**1,141,912**
e) Non-cancellable operating lease commitments		
Within one year	33,726	19,221
One to five years	83,133	52,071
Over five years	19,296	21,565
	136,155	**92,857**

18. Taxation expense

	2017	2016
Corporation tax	420,320	249,470
Deferred tax	(20,255)	(921)
	400,064	**248,549**

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:

	2017	2016
Accounting profit	1,345,858	950,183
Tax at applicable statutory tax rates	434,378	251,788
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(55,791)	(22,349)
Non-deductible expenses	71,943	24,066
Allowable deductions	(60,092)	(922)
Provision for Green Fund Levy and other taxes	9,627	(4,033)
	400,064	**248,549**

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

19. Related parties

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

	2017	2016
Advances, investments and other assets		
Directors and key management personnel	10,484	9,406
Other related parties	202,643	197,837
	213,127	**207,243**
Deposits and other liabilities		
Directors and key management personnel	54,487	51,516
Other related parties	80,433	18,569
	134,920	**70,085**
Interest and other income		
Directors and key management personnel	573	476
Other related parties	12,537	9,878
	13,110	**10,354**
Interest and other expense		
Directors and key management personnel	2,331	1,505
Other related parties	3,124	3,242
	5,455	**4,747**

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

Key management compensation	2017	2016
Short-term benefits	15,216	13,355
Post employment benefits	4,219	19,177
	23,654	**32,532**

20. Risk management

20.1 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.

In 2016, a Group Enterprise Risk Management unit, headed by a Chief Risk Officer, was formed with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

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 Committee 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:

20.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the 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

20. Risk management (continued)

20.2 Credit risk (continued)

20.2.1 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 2017	2016
Statutory deposits with Central Bank	4,265,186	4,265,041
Due from banks	4,512,801	4,243,059
Treasury Bills	1,966,501	2,534,403
Investment interest receivable	58,075	48,059
Advances	24,619,527	23,673,643
Investment securities	6,506,683	5,765,779
Total	**41,928,773**	**40,529,983**
Undrawn commitments	4,521,350	4,820,275
Acceptances	1,081,293	1,050,602
Guarantees and indemnities	121	121
Letters of credit	133,809	108,308
Total	**5,736,573**	**5,979,306**
Total credit risk exposure	**47,665,346**	**46,509,289**

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.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

20.2.2 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:

i) 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:

	2017	2016
Trinidad and Tobago	41,320,243	41,734,758
Barbados	723,538	123,239
Eastern Caribbean	196,485	618,655
Guyana	100,980	97,924
United States	2,435,423	1,739,511
Europe	848,851	235,533
Ghana	22,501	–
Suriname	270,630	129,639
Other Countries	1,746,694	1,830,030
	47,665,346	**46,509,289**

ii) Industry sectors

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

	2017	2016
Government and Central Government Bodies	14,921,018	15,550,608
Financial sector	5,453,087	4,312,956
Energy and mining	947,370	945,451
Agriculture	179,097	165,561
Electricity and water	101,973	142,325
Transport, storage and communication	574,037	410,058
Distribution	3,519,912	3,309,659
Real estate	2,495,857	1,878,696
Manufacturing	1,726,256	1,693,038
Construction	1,682,387	1,850,644
Hotel and restaurant	753,907	975,839
Personal	11,206,553	10,818,000
Other services	4,103,892	4,456,454
	47,665,346	**46,509,289**

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

20.2.3 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 Bank
- Balances due from banks
- Advances
- Investment securities

Treasury Bills and Statutory deposits with Central Bank

These funds are placed with the Central Bank of Trinidad and Tobago 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.

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

	Superior	Desirable	Acceptable	Total
2017	922,276	2,322,247	1,268,279	4,512,801
2016	1,069,715	2,832,946	340,398	4,243,059

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

20. Risk management (continued)

20.2 Credit risk (continued)

20.2.3 Credit quality per category of financial assets (continued)

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 a proven track record.

Desirable: These counterparties have good financial position. Facilities are reasonably secured and the 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
2017	129,136	1,371,793	9,145,347	72,118	10,718,395
2016	149,801	1,206,568	9,063,064	100,722	10,520,155

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
2017	–	–	–	–	72,118	72,118
2016	–	–	–	4,763	95,959	100,722

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
2017	12,791,843	580,210	129,362	106,765	178,401	114,551	13,901,132
2016	10,655,681	2,173,713	93,823	51,453	149,340	29,477	13,153,487

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:

Available-for-sale	Superior	Desirable	Acceptable	Sub-standard	Total
2017	5,971,802	523,910	10,971	–	6,506,683
2016	5,202,605	550,126	13,047	–	5,765,778

20.3 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.

20.3.1 Analysis of financial liabilities by remaining contractual maturities

The following table summarises the maturity profile of the Group's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position. Refer to Note 23 for a maturity analysis of assets and liabilities.

Financial liabilities - on consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Customers' current, savings and deposit accounts	29,610,885	2,798,323	70,967	–	32,480,175
Other fund raising instruments	–	3,525,821	–	–	3,525,821
Debt securities in issue	–	869,806	209,232	13,513	1,092,551
Due to banks	–	247,461	–	–	247,461
Other liabilities	271,863	13,345	–	–	285,208
Total undiscounted financial liabilities	**29,882,748**	**7,454,756**	**280,199**	**13,513**	**37,631,216**
2016					
Customers' current, savings and deposit accounts	28,904,662	2,740,924	51,217	–	31,696,803
Other fund raising instruments	–	3,692,516	–	–	3,692,516
Debt securities in issue	–	112,208	1,065,217	27,587	1,205,012
Due to banks	–	75,978	–	–	75,978
Other liabilities	327,714	48,140	–	–	375,854
Total undiscounted financial liabilities	**29,232,376**	**6,669,766**	**1,116,434**	**27,587**	**37,046,163**

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

20. Risk management (continued)

20.3 Liquidity risk (continued)

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

Financial liabilities - off consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Acceptances	214,503	657,932	208,233	625	1,081,293
Guarantees and indemnities	121	–	–	–	121
Letters of credit	133,809	–	–	–	133,809
Total	**348,433**	**657,932**	**208,233**	**625**	**1,215,223**
2016					
Acceptances	359,646	400,081	289,949	927	1,050,603
Guarantees and indemnities	121	–	–	–	121
Letters of credit	108,308	–	–	–	108,308
Total	**468,075**	**400,081**	**289,949**	**927**	**1,159,032**

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

20.4 Market risk

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

20.4.1 Interest rate risk

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

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

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

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonably possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on equity 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			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	46,427	(46,427)	43,463	(43,463)
USD Instruments	+/- 50	4,523	(4,523)	4,104	(4,104)

		Impact on equity			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	(64,858)	55,625	(56,700)	60,103
USD Instruments	+/- 50	(12,293)	12,429	(8,921)	9,122

20.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The 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 tables below indicate the currencies to which the Group had significant exposure at September 30, on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Trinidad and Tobago Dollar, with all other variables held constant.

2017	TTD	USD	BDS	Other	Total
Financial assets					
Cash on hand	368,700	12,709	1,210	8,913	391,532
Statutory deposits with Central Bank	4,265,186	–	–	–	4,265,186
Due from banks	605,840	3,172,281	3,186	731,494	4,512,801
Treasury Bills	1,966,501	–	–	–	1,966,501
Investment interest receivable	40,372	17,200	–	503	58,075
Advances	20,262,706	4,177,538	–	179,283	24,619,527
Investment securities	5,187,645	1,343,586	–	–	6,531,231
Total financial assets	**32,696,950**	**8,723,314**	**4,396**	**920,193**	**42,344,853**
Financial liabilities					
Due to banks	174,348	68,231	–	4,882	247,461
Customers' current, savings and deposit accounts	25,761,092	5,993,547	–	713,457	32,468,096
Other fund raising instruments	2,678,481	1,019,489	–	114,987	3,812,957
Debt securities in issue	1,027,422	–	–	–	1,027,422
Interest payable	33,172	5,838	–	1,377	40,387
Other liabilities	977,198	1,711	–	1,015	979,924
Total financial liabilities	**30,651,712**	**7,088,816**	**–**	**835,718**	**38,576,246**
Net currency risk exposure		**1,634,498**	**4,396**	**84,475**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**16,345**	**44**	**845**	

2016	TTD	USD	BDS	Other	Total
Financial assets					
Cash on hand	359,606	23,409	1,051	8,924	392,990
Statutory deposits with Central Bank	4,265,041	–	–	–	4,265,041
Due from banks	1,248,614	2,215,922	1,125	777,398	4,243,059
Treasury Bills	2,534,403	–	–	–	2,534,403
Investment interest receivable	41,146	6,777	–	136	48,059
Advances	19,682,992	3,913,174	–	77,477	23,673,643
Investment securities	4,841,254	948,309	–	–	5,789,563
Total financial assets	**32,973,056**	**7,107,591**	**2,176**	**863,935**	**40,946,758**
Financial liabilities					
Due to banks	200,587	260,907	–	8,275	469,769
Customers' current, savings and deposit accounts	24,976,306	6,048,434	–	663,155	31,687,895
Other fund raising instruments	3,234,203	174,684	–	–	3,408,887
Debt securities in issue	1,041,580	–	–	–	1,041,580
Interest payable	37,408	2,378	–	81	39,867
Other liabilities	912,247	17,662	120	4,528	934,557
Total financial liabilities	**30,402,331**	**6,504,065**	**120**	**676,039**	**37,582,555**
Net currency risk exposure		**603,525**	**2,056**	**187,896**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**6,035**	**21**	**1,879**	

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

20. Risk management (continued)

20.5 Operational risk

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

The Group recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The 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.

21. 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 $286 million to $5.7 billion during the year under review.

Capital adequacy is monitored by the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Central Bank of Trinidad and Tobago 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.

Republic Bank Limited (RBL) the main subsidiary of the Group, has commenced the preparatory work for the implementation of the Basel II and III framework. While the new requirements in its current form will require banks to hold substantially more capital, RBL with its existing strong capital base, will meet the new requirements.

	2017	2016
Capital adequacy ratio - RBL	20.15%	21.18%

At September 30, 2017, the Parent exceeded the minimum level required for adequately capitalised institutions (2016: exceeded).

22. Fair Value

22.1 Carrying values and fair values

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

	Carrying value	Fair value	Unrecognised gain/(loss)
2017			
Financial assets			
Cash, due from banks and Treasury Bills	6,870,834	6,870,834	–
Investment interest receivable	58,075	58,075	–
Advances	24,619,527	24,427,408	(192,119)
Investment securities	6,531,231	6,531,231	–
Other financial assets	2,342	2,342	–
Financial liabilities			
Customers' current, savings and deposit accounts	32,468,096	32,468,096	–
Borrowings and other fund raising instruments	4,060,419	4,060,419	–
Debt securities in issue	1,027,422	1,047,462	20,040
Accrued interest payable	40,387	40,387	–
Other financial liabilities	273,857	273,857	–
Total unrecognised change in unrealised fair value			**(172,079)**

	Carrying value	Fair value	Unrecognised gain/(loss)
2016			
Financial assets			
Cash, due from banks and Treasury Bills	7,170,452	7,170,452	–
Investment interest receivable	48,059	48,059	–
Advances	23,673,643	23,599,193	(74,450)
Investment securities	5,789,563	5,789,563	–
Other financial assets	3,231	3,231	–
Financial liabilities			
Customers' current, savings and deposit accounts	31,687,895	31,687,895	–
Borrowings and other fund raising instruments	3,878,655	3,878,655	–
Debt securities in issue	1,041,580	1,102,837	61,257
Accrued interest payable	39,867	39,867	–
Other financial liabilities	352,418	352,418	–
Total unrecognised change in unrealised fair value			**(13,193)**

22.2 Fair value and fair value hierarchies

22.2.1 Determination of fair value and fair value hierarchies

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

	Level 1	Level 2	Level 3	Total
2017				
Financial assets measured at fair value				
Investment securities	1,340,403	5,182,146	8,682	6,531,231
Financial assets for which fair value is disclosed				
Advances	–	–	24,427,408	24,427,408
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	32,468,096	32,468,096
Debt securities in issue	–	1,047,462	–	1,047,462
2016				
Financial assets measured at fair value				
Investment securities	880,860	4,900,021	8,682	5,789,563
Financial assets for which fair value is disclosed				
Advances	–	–	23,599,193	23,599,193
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	31,687,895	31,687,895
Debt securities in issue	–	1,010,158	92,679	1,102,837

Republic Bank

We're the One for you!

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

22. Fair Value (continued)

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

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2017, are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted-average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	2.97% - 10.50%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.05% - 1.30%

22.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2017, no assets were transferred between Level 1 and Level 2 (2016: None).

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

	Balance at beginning of year	Vesting adjustments	Additions	Disposals /transfers to Level 2	Balance at end of year
2017					
Investment Securities - available-for-sale	**8,682**	**–**	**–**	**–**	**8,682**
2016					
Investment Securities - available-for-sale	**195**	**8,606**	**–**	**(119)**	**8,682**

23. 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 20.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2017	**Within one year**	**After one year**	**Total**
ASSETS			
Cash and cash equivalents	391,532	–	391,532
Statutory deposits with Central Bank	4,265,186	–	4,265,186
Due from banks	4,512,801	–	4,512,801
Treasury Bills	1,966,501	–	1,966,501
Investment interest receivable	58,075	–	58,075
Advances	8,276,148	16,343,379	24,619,527
Investment securities	1,067,267	5,463,964	6,531,231
Investment in associated companies	–	44,596	44,596
Premises and equipment	–	1,537,713	1,537,713
Net pension asset	–	951,219	951,219
Deferred tax assets	–	220,588	220,588
Taxation recoverable	–	32,824	32,824
Other assets	208,534	2,992	211,526
	20,746,044	**24,597,275**	**45,343,319**
LIABILITIES			
Due to banks	247,461	–	247,461
Customers' current, savings and deposit accounts	32,397,868	70,228	32,468,096
Other fund raising instruments	3,812,957	–	3,812,957
Debt securities in issue	800,624	226,798	1,027,422
Provision for post-retirement medical benefits	–	439,647	439,647
Taxation payable	187,836	–	187,836
Deferred tax liabilities	–	398,881	398,881
Accrued interest payable	40,387	–	40,387
Other liabilities	787,013	192,911	979,924
	38,274,146	**1,328,465**	**39,602,611**

2016	**Within one year**	**After one year**	**Total**
ASSETS			
Cash on hand	392,990	–	392,990
Statutory deposits with Central Bank	4,265,041	–	4,265,041
Due from banks	4,243,059	–	4,243,059
Treasury Bills	2,534,403	–	2,534,403
Investment interest receivable	48,059	–	48,059
Advances	8,355,421	15,318,222	23,673,643
Investment securities	1,097,386	4,692,177	5,789,563
Investment in associated companies	–	41,031	41,031
Premises and equipment	–	1,347,846	1,347,846
Net pension asset	–	992,803	992,803
Deferred tax assets	–	181,826	181,826
Taxation recoverable	–	32,987	32,987
Other assets	253,010	4,097	257,107
	21,189,369	**22,610,989**	**43,800,358**
LIABILITIES			
Due to banks	469,769	–	469,769
Customers' current, savings and deposit accounts	31,636,939	50,956	31,687,895
Other fund raising instruments	3,408,887	–	3,408,887
Debt securities in issue	–	1,041,580	1,041,580
Provision for post-retirement medical benefits	–	394,271	394,271
Taxation payable	9,359	–	9,359
Deferred tax liabilities	–	359,778	359,778
Accrued interest payable	39,867	–	39,867
Other liabilities	816,485	118,072	934,557
	36,381,306	**1,964,657**	**38,345,963**

24. Equity compensation benefits

a) Profit sharing scheme

It is estimated that approximately $107.9 million (2016: $82.3 million) will be allocated to staff from the profit sharing scheme in the current financial year. Refer to Note 17. During the 2017 financial year $17.8 million was advanced to the staff profit sharing scheme (2016: $78.5 million).

b) Stock option plan

The options are issued using the shares of RFHL. RBL refunds RFHL on an annual basis for the cost of options determined by a qualified actuary. In 2017 the cost of the options expensed in the consolidated statement of income was $1.992 million (2016: $2.5 million).

25. Dividends paid and proposed

During the period, the Board approved and issued dividends to its shareholder, in the amount of $158.3 million (2016: $158.3 million).

Declared and paid during the year	**2017**	**2016**
Final dividend for 2016: $6.21 (2015: Nil)	**494,539**	**–**
First dividend for 2017: $1.99 (2016: $1.99)	**158,349**	**158,349**
Total dividends paid	**652,888**	**158,349**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2017: $6.59 (2016: $6.21)	**524,391**	**494,539**

26. Contingent liabilities

a) Litigation

As at September 30, 2017, 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.

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

26. Contingent liabilities (continued)

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

	2017	**2016**
Acceptances	1,081,293	1,050,603
Guarantees and indemnities	121	121
Letters of credit	133,809	108,308
	1,215,223	**1,159,032**

c) Sectoral information

State	110,666	200,235
Corporate and commercial	1,063,163	917,669
Personal	20,055	20,406
Other financial institutions	8,250	20,672
Other	13,089	50
	1,215,223	**1,159,032**

d) Pledged assets

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

	Carrying amount		**Related liability**	
	2017	**2016**	**2017**	**2016**
Advances	127,380	–	129,382	–
Financial investments - available-for-sale	3,162,775	3,698,474	2,861,791	3,647,795

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.

27. Subsidiary companies

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

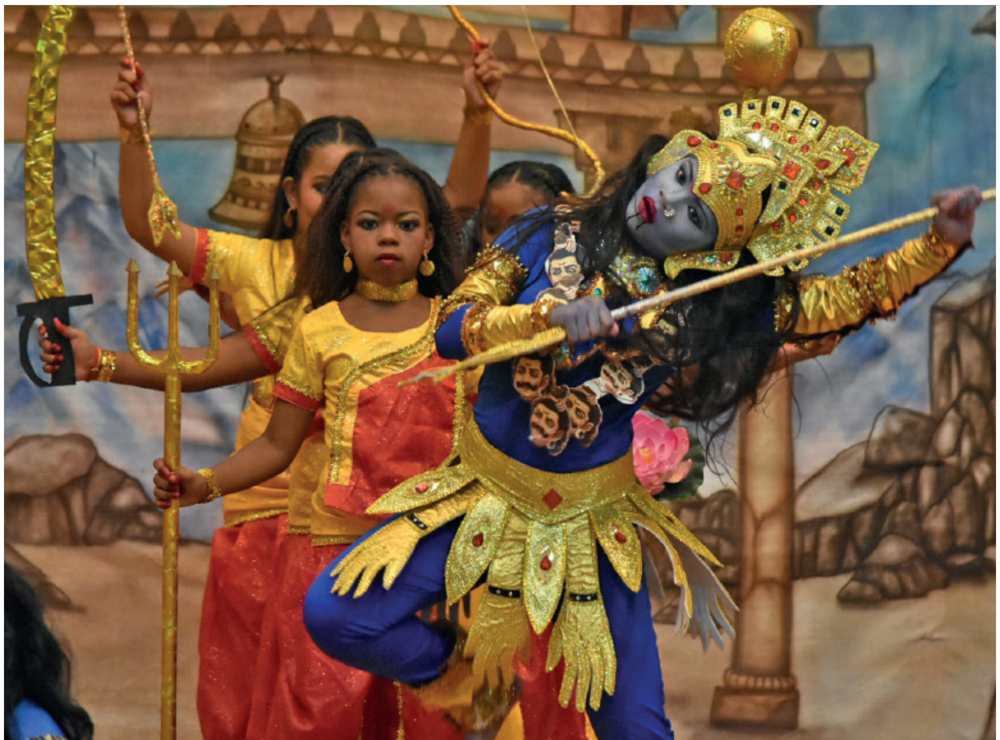
28. Structured entities

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

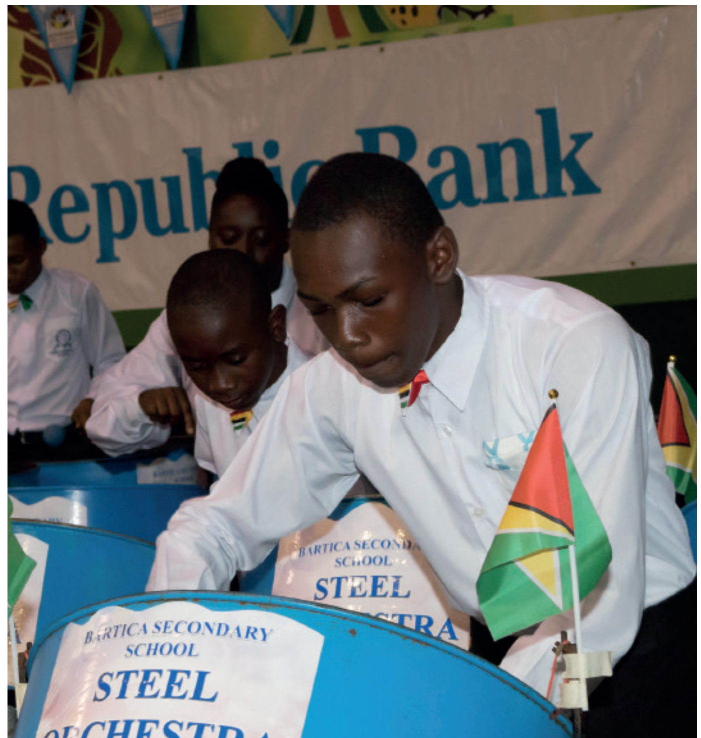
These structured entities include Mutual Funds and Retirement Benefit Plans which are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2017, the Group earned $16.04 million (2016: $8.8million) in management fees from the retirement plans and $86.13 million (2016: $62.6 million) from the mutual funds.

The Group holds an interest of $20.91 million in sponsored funds as at September 30, 2017 (2016: $15.1 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Group. These values are all included in the Investment securities portfolio of the Group as at September 30, 2017.

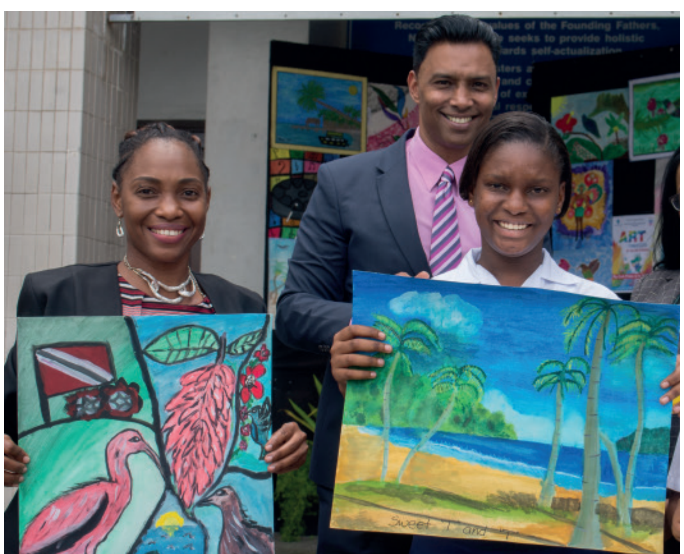
Stronger together through Teamwork



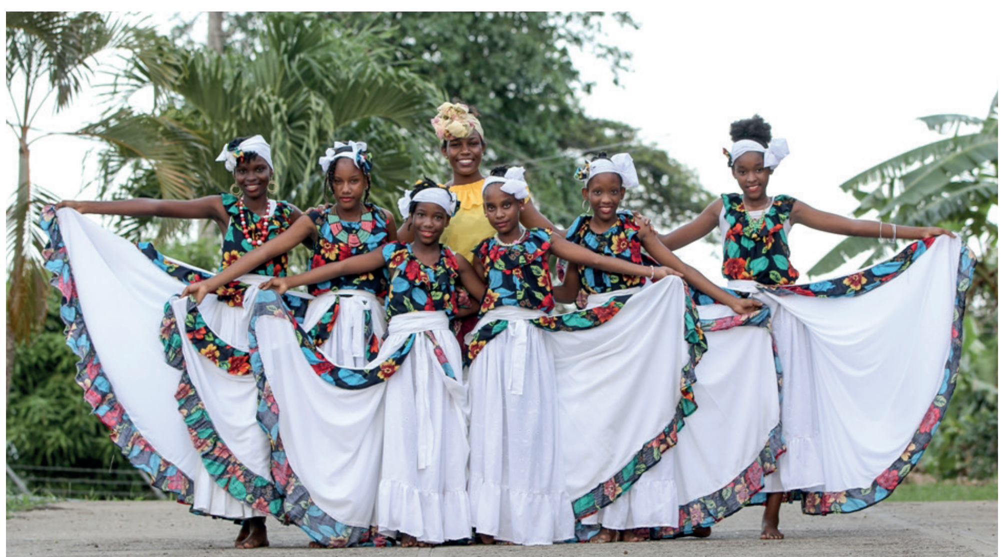
LEARNING THROUGH CULTURE - Students of Spring Village Hindu School display traditional Hindu customs at the 9th Baal Vikas Vihaar.



SWEET SOUNDS OF PAN - Bartica Secondary School makes their debut at the Annual Republic Bank Mashramani Panorama Steel-Band Competition in Guyana.



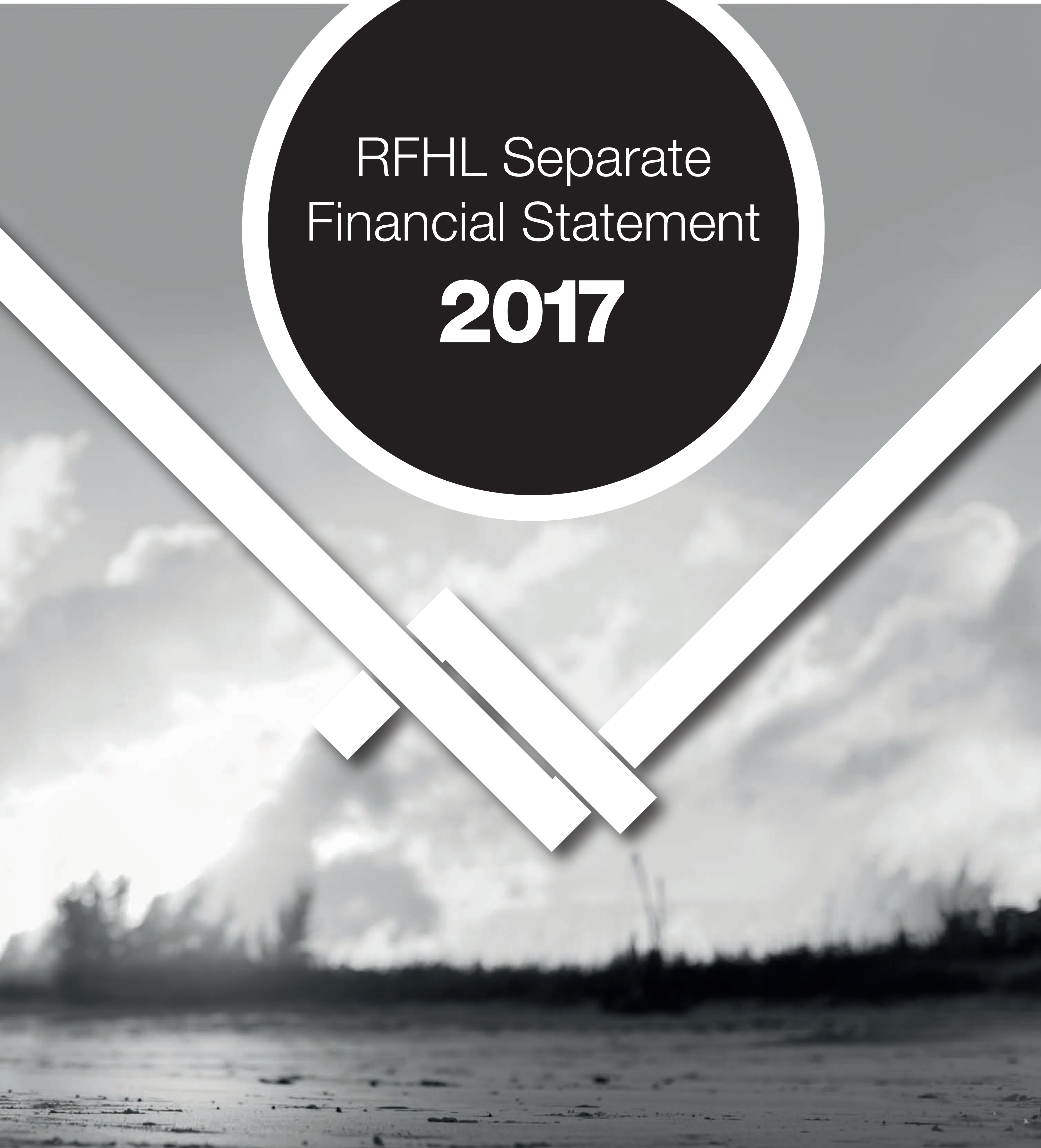
STOKING THE CREATIVE FIRES WITHIN - The winners of the Rapid Fire Kidz Foundation's 2017 Art Competition for kids with disabilities.



MAKING THE RIGHT CHOICE - Youth of the St. David's Parish, Grenada pose in full costume as part of the Proactive Nation Builders' Performing Arts Programme.

RFHL Separate Financial Statement

2017



Independent Auditor's Report

To the Shareholders of Republic Financial Holdings Limited

Report on the Audit of the Separate Financial Statements

Opinion
We have audited the separate financial statements of Republic Financial Holdings Limited ('the Company'), which comprise the separate statement of financial position as at September 30, 2017, and the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

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

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

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

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

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

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

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

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

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

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

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

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

Ernst + Young

Port of Spain,
TRINIDAD:
November 8, 2017

Republic Financial Holdings Limited

Separate Statement of Financial Position

As at September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
ASSETS			
Cash and cash equivalents		437,261	10,095
Treasury Bills		–	198,867
Investment interest receivable		894	1,702
Investment securities	4	160,016	396,700
Investment in associated companies	5 (a)	33,602	33,602
Investment in subsidiaries	5 (b)	6,045,593	5,985,521
Deferred tax assets	6 (a)	–	990
Taxation recoverable		5,362	4,954
Other assets	7	2,378	2,560
TOTAL ASSETS		**6,685,106**	**6,634,991**
LIABILITIES AND EQUITY			
LIABILITIES			
Taxation payable		–	118,778
Deferred tax liabilities	6 (b)	5	–
Other liabilities	8	92,485	58,717
TOTAL LIABILITIES		**92,490**	**177,495**
EQUITY			
Stated capital	9	780,954	764,685
Statutory reserves		780,954	764,685
Net unrealised gains/(losses)		11	(2,310)
Retained earnings		5,030,697	4,930,436
TOTAL EQUITY		**6,592,616**	**6,457,496**
TOTAL LIABILITIES AND EQUITY		**6,685,106**	**6,634,991**

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

These separate financial statements were approved by the Board of Directors on November 8, 2017, and signed on its behalf by:

Ronald F. deC. Harford,
Chairman

Nigel M. Baptiste,
President

William P. Lucie-Smith,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Financial Holdings Limited
Separate Statement of Income
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
Interest income	10 (a)	5,516	484,925
Interest expense	10 (b)	–	(38,046)
Net interest income		5,516	446,879
Other income	10 (c)	863,623	592,381
		869,139	1,039,260
Operating expenses	10 (d)	(50,395)	(635,851)
Operating profit		818,744	403,409
Loan impairment expense, net of recoveries		–	(12,458)
Net profit before taxation		818,744	390,951
Net taxation write-back/(expense)	11	1,538	(59,170)
Net profit after taxation		**820,282**	**331,781**

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

Republic Financial Holdings Limited
Separate Statement of Comprehensive Income
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2017	2016
Net profit after taxation	**820,282**	**331,781**
Other comprehensive income:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain/(loss) on available-for-sale investments	2,321	(9,705)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	2,321	(9,705)
Total other comprehensive gain/(loss) for the year, net of tax	**2,321**	**(9,705)**
Total comprehensive income for the year, net of tax	**822,603**	**322,076**

Republic Financial Holdings Limited
Separate Statement of Changes in Equity
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Net unrealised gains/(losses)	Retained earnings	Total equity
Balance at September 30, 2015	**737,980**	**1,077,115**	**96,663**	**4,861,701**	**6,773,459**
Total comprehensive (loss)/income for the year	–	–	(9,705)	331,781	322,076
Issue of shares	22,754	–	–	–	22,754
Share-based payment	3,951	–	–	–	3,951
Shares purchased for profit sharing scheme	–	–	(16,384)	–	(16,384)
Allocation of shares	–	–	54,761	–	54,761
Transfer from general contingency reserve	–	–	34,304	(34,304)	–
Transfer to statutory reserves	–	24,908	–	(24,908)	–
Vesting adjustments	–	(337,338)	(161,949)	499,287	–
Dividends (Note 18)	–	–	–	(704,965)	(704,965)
Other	–	–	–	1,844	1,844
Balance at September 30, 2016	**764,685**	**764,685**	**(2,310)**	**4,930,436**	**6,457,496**
Total comprehensive income for the year	–	–	2,321	820,282	822,603
Issue of shares	14,277	–	–	–	14,277
Share-based payment	1,992	–	–	–	1,992
Transfer to statutory reserves	–	16,269	–	(16,269)	–
Dividends (Note 18)	–	–	–	(705,985)	(705,985)
Other	–	–	–	2,233	2,233
Balance at September 30, 2017	**780,954**	**780,954**	**11**	**5,030,697**	**6,592,616**

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

Republic Financial Holdings Limited

Separate Statement of Cash Flows

For the year ended September 30, 2017

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

	Notes	2017	2016
Operating activities			
Net profit before taxation		818,744	390,951
Adjustments for:			
Depreciation		–	34,510
Loan impairment expense, net of recoveries		–	12,458
Investment securities impairment expense		–	232,726
Translation difference		–	(9,932)
Loss on sale of premises and equipment		–	124
Stock option expense	9	–	3,951
Increase in employee benefits		–	17,849
Increase in advances		–	(594,334)
Decrease in customers' deposits and other fund raising instruments		–	(1,108,476)
Increase in statutory deposits with Central Bank		–	(50,924)
Decrease in other assets and investment interest receivable		990	933,777
Increase in other liabilities and accrued interest payable		33,768	1,105,931
Taxes paid, net of refund		(117,648)	(120,449)
Cash provided by operating activities		735,854	848,162
Investing activities			
Purchase of investment securities		–	(622,392)
Redemption of investment securities		240,000	292,077
Net change in the composition of the Company		(60,072)	(7,487,655)
Net cash outflow from the purchase of interests in subsidiary		–	(38,518)
Additions to premises and equipment		–	(49,739)
Proceeds from sale of premises and equipment		–	1,218
Cash provided by/(used in) investing activities		179,928	(7,905,009)
Financing activities			
Decrease in balances due to other banks		–	(369,676)
Share-based payment	9	1,992	–
Repayment of debt securities		–	(199,107)
Proceeds from share issue	9	14,277	22,754
Shares purchased for profit sharing scheme		–	(16,384)
Dividends paid to shareholders		(703,752)	(703,121)
Cash used in financing activities		(687,483)	(1,210,773)
Net increase/(decrease) in cash and cash equivalents		228,299	(8,267,620)
Cash and cash equivalents at beginning of year		208,962	8,476,582
Cash and cash equivalents at end of year		**437,261**	**208,962**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		437,261	10,095
Treasury Bills - original maturities of three months or less		–	198,867
		437,261	**208,962**
Supplemental information:			
Interest received during the year		5,516	553,320
Interest paid during the year		–	55,468
Dividends received	10 (c)	863,148	352,379

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

Republic Financial Holdings Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2017

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

1. Corporate information

On December 16, 2015, by Legal Notice no. 215 of 2015, the business of Republic Bank Limited was transferred and vested into Republic Finance and Merchant Bank Limited (FINCOR). FINCOR was renamed Republic Bank Limited and Republic Bank Limited was renamed Republic Financial Holdings Limited.

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

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

2. Significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below.

2.1 Basis of preparation

The separate statement of income for the year ended September 2017 includes the financial performance for RFHL in its business as a holding company. The comparative separate statement of income for the year ended September 2016 includes the results of RBL before vesting for the three month period ended December 31, 2015, plus nine months of results for RFHL's business as a holding company. As a result, the financial statements of the current year are not fully comparable to the prior year.

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

2.2 Changes in accounting policies

New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended September 30, 2016, except for the adoption of new standards and interpretations below.

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 separate statement of income and other comprehensive income (OCI) and the separate statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to separate 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 separate statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the separate statement of financial position and the separate statement of income and OCI. The adoption and amendment to this standard had no impact on the Company.

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. The adoption and amendment to these standards had no impact on the Company.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New accounting policies/improvements adopted (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)

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 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.

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 adoption and amendment to these standards had no impact on the Company.

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 adoption and amendment to these standards had no impact on the Company.

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

2.3 Standards in issue not yet effective

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

IFRS 16 Leases (effective January 1, 2019)

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

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

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

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

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

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

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

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

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of separate financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

2.3 Standards in issue not yet effective (continued)

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

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

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

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

The amendment addresses concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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

(i) The beginning of the reporting period in which the entity first applies the interpretation
OR
(ii) The beginning of a prior reporting period presented as comparative information in the separate financial statements of the reporting period in which the entity first applies the interpretation

2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2017:

IFRS	**Subject of Amendment**
IFRS 12 -	Disclosure of Interest in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1 -	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28 -	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

2.5 Summary of significant accounting policies

a) Cash and cash equivalents

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

b) Financial instruments

The Company's financial assets and financial liabilities are recognised in the separate 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 Company 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.

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

i) Investment securities

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 separate statement of income as an impairment expense on investment securities.

c) Impairment of financial assets

The Company assesses, at each separate 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) Investment securities

The Company 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 separate 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 Company'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 Company'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 Company's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairments.

Any subsequent increases in value of previously impaired securities are taken to OCI.

d) Investment in Associates

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

The investments in associates are initially recognised at cost and adjusted to recognise changes in the Company'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.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

d) Investment in Associates (continued)

The separate statement of income reflects the Company'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 Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate the Company recognises its share of any changes, when applicable, in the separate statement of changes in equity.

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

e) Impairment of non-financial assets

The Company 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 Company 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 group 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 all assets, 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 Company estimates the asset's or CGU's recoverable amount.

f) Employee benefits

i) Profit sharing scheme

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

ii) Share-based payments

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

g) Taxation

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

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

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

h) 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.

i) Foreign currency translation

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

The assets and liabilities of subsidiary companies are translated into Trinidad and Tobago dollars at the mid-rates of exchange ruling at the separate 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.

j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

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

Interest income and expense

Interest income and expense are recognised in the separate 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.

Dividends

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

k) Fair value

The Company measures financial instruments at fair value at each separate statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or fair values that are disclosed are shown in Note 15 to the separate financial statements.

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

k) Fair Value (continued)

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

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

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Company 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 Company'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 Company 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, other assets and other liabilities.

3. Significant accounting judgements, estimates and assumptions in applying the Company's accounting policies

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

Other disclosures relating to the Company's exposure to risks and uncertainties include:
a) Risk management (Note 13)
b) Capital management (Note 14)

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

Impairment of financial assets
Management makes judgements at each separate 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.

Valuation of investments (Note 4)
The Company 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.

Deferred taxes (Note 6)
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 Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the separate financial statements:

Assessment of control
Management uses judgement in performing a control assessment review on all mutual funds and retirement plans sponsored by the Company. This assessment revealed that the Company 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.

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

4. Investment securities

	2017	2016
Available-for-sale		
Government securities	160,016	196,700
Corporate bonds	–	200,000
Total investment securities	**160,016**	**396,700**

5. Investment in associated and subsidiary companies

a) Investment in associated companies

	2017	2016
Balance at beginning of year	33,602	93,409
Investment impairment	–	(56,396)
Transferred on vesting	–	(3,411)
Balance at end of year	**33,602**	**33,602**

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

	Country of incorporation	Reporting year-end of associate	Proportion of issued capital held
East Caribbean Financial Holding Company Limited (ECFH)	St. Lucia	December	19.30%

Summarised published financial information in respect of the Company's associated company for the half-year period ended June 30, 2017 are as follows:

	2017	2016
Total assets	5,173,348	9,360,142
Total liabilities	4,917,888	8,735,865
Net assets/equity	255,460	624,277

b) Investment in subsidiaries

	2017	2016
Republic Bank Limited (formerly Republic Finance and Merchant Bank Limited)	4,213,507	4,213,507
Republic Bank (Barbados) Limited	1,020,993	1,020,993
HFC Bank (Ghana) Limited	287,424	287,424
Republic Suriname Holdings Limited	335,477	288,634
Republic Bank (Guyana) Limited	102,784	102,784
Republic Bank (Grenada) Limited	61,694	48,465
Republic Bank Trinidad and Tobago (Barbados) Limited	12,598	12,598
Republic Securities Limited	10,171	10,171
Republic Insurance Company (Cayman) Limited	945	945
	6,045,593	**5,985,521**

Reconciliation of movement in investment in subsidiaries

Balance at beginning of year	5,985,521	2,623,364
Additional capital issued by subsidiaries	60,072	4,202,845
Acquisition of controlling interest in a subsidiary	–	38,518
Investment in subsidiary transferred on vesting	–	(702,876)
Impairment of carrying value on subsidiary	–	(176,330)
	6,045,593	**5,985,521**

6. Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2016	Credit/(charge) Separate Statement of income	OCI	Closing balance 2017
Unrealised reserve	990	–	(990)	–
	990	**–**	**(990)**	**–**

b) Deferred tax liabilities

	Opening balance 2016	(Credit)/charge Separate Statement of income	OCI	Closing balance 2017
Unrealised reserve	–	–	5	5
	–	**–**	**5**	**5**
Net charge to separate statement of income/OCI		**–**	**(995)**	

7. Other assets

	2017	2016
Due from related parties	**2,378**	**2,560**

8. Other liabilities

	2017	2016
Accounts payable and accruals	**92,485**	**58,717**

9. Stated capital

	2017 Number of ordinary shares ('000)	2016 Number of ordinary shares ('000)	2017	2016
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	161,276	161,249	764,685	737,980
Shares issued/proceeds from shares issued	171	275	14,277	22,754
Shares purchased for profit sharing scheme	(164)	(700)	–	–
Share-based payment	–	–	1,992	3,951
Allocation of shares	388	452	–	–
At end of year	**161,671**	**161,276**	**780,954**	**764,685**

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

	2017	2016
Weighted average number of ordinary shares	161,540	161,342
Effect of dilutive stock options	139	250
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,679**	**161,592**

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

10. Operating profit

	2017	2016
a) Interest income		
Advances	–	453,885
Investment securities	4,471	16,976
Liquid assets	1,045	14,064
	5,516	**484,925**
b) Interest expense		
Customers' current, savings and deposit accounts	–	15,215
Other fund raising instruments and debt securities in issue	–	22,446
Other interest bearing liabilities	–	385
	–	**38,046**
c) Other income		
Fees and commission from trust and other fiduciary activities	–	36,922
Other fees and commission income	–	121,434
Net exchange trading income	–	53,561
Dividends	863,148	352,379
Gains from disposal of available-for-sale investments	–	3,868
Other operating income	475	24,217
	863,623	**592,381**
d) Operating expenses		
Staff costs	–	131,014
Staff profit sharing	–	28,530
Employee benefits pension and medical contribution	–	17,849
General administrative expenses	41,895	148,801
Net exchange trading loss	4,200	–
Operating lease payments	–	1,231
Property related expenses	–	23,929
Depreciation expense	–	34,510
Advertising and public relations expenses	–	12,981
Investment impairment expense (subsidiary and associate)	–	232,726
Directors' fees	4,300	4,280
	50,395	**635,851**

11. Taxation expense

	2017	2016
Corporation tax	(1,538)	115,076
Deferred tax	–	(55,906)
	(1,538)	**59,170**

Reconciliation between taxation expense and accounting profit

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

	2017	2016
Accounting profit	**818,744**	**390,951**
Tax at 25%	250	97,738
Tax at 30%	245,323	–
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(258,944)	(89,832)
Non-deductible expenses	14,611	107,278
Allowable deductions	(2,778)	(55,387)
Provision for Green Fund Levy and other taxes	–	(627)
	(1,538)	**59,170**

12. 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.

	2017	2016
Advances, investments and other assets		
Republic Bank Limited	439,631	213,199
Directors and key management personnel	–	9,406
Other related parties	–	140,799
	439,631	**363,404**
Deposits and other liabilities		
Republic Bank Suriname N.V.	10,307	10,307
Directors and key management personnel	–	51,516
Other related parties	–	18,569
	10,307	**80,392**
Interest and other income		
Directors and key management personnel	–	424
Other related parties	–	9,872
	–	**10,296**
Interest and other expense		
Directors and key management personnel	4,300	5,087
Other related parties	–	87
	4,300	**5,174**

13. Risk management

13.1 Introduction

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

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

In 2016, a Group Enterprise Risk Management unit, headed by a Chief Risk Officer, was formed with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

The Internal Audit function audits Risk Management processes throughout the Company by examining both the adequacy of the procedures and the Company'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 Company's activities are primarily related to the use of financial instruments. The Company receives dividends from subsidiaries 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, while maintaining sufficient liquidity to meet all claims that might fall due.

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

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

13. Risk management (continued)

13.2 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 Company's credit risk management function is to maximise the Company'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 Company.

The Company'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 Company'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 Company 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 Company'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 Company 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.

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

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

	Gross maximum exposure 2017	2016
Treasury Bills	–	198,867
Investment interest receivable	894	1,702
Investment securities	160,016	396,700
Total credit risk exposure	**160,910**	**597,269**

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 Company 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 Company 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.

13.2.2 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 Company'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:

	2017	2016
Trinidad and Tobago	**160,910**	**597,269**

(b) Industry sectors

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

	2017	2016
Government and Central Government Bodies	160,910	396,682
Financial sector	–	200,587
	160,910	**597,269**

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

13.2.3 Credit quality per category of financial assets

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

- Treasury Bills
- Investment securities

Treasury Bills

These funds are currently placed with the Government of Trinidad and Tobago and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

Investment securities

The debt securities within the Company'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

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

13. Risk management (continued)

13.2 Credit risk (continued)

13.2.3 Credit quality per category of financial assets (continued)

Investment securities (continued)

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

	Superior	Desirable	Acceptable	Sub-standard	Total
Available -for-sale					
2017	160,016	–	–	–	160,016
2016	196,700	200,000	–	–	396,700

13.3 Liquidity risk

Liquidity risk is defined as the risk that the Company 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 Company has sufficient funds to meet all of its obligations.

Financial liabilities - on separate statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Other liabilities	–	–	92,485	–	92,485
Total undiscounted financial liabilities	**–**	**–**	**92,485**	**–**	**92,485**
2016					
Other liabilities	–	–	58,717	–	58,717
Total undiscounted financial liabilities	**–**	**–**	**58,717**	**–**	**58,717**

13.4 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.

13.4.1 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 Company 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 Company. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Company, 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 Company 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 Company's separate statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

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

		Impact on net profit			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	800	(800)	2,000	(2,000)

		Impact on equity			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	(16)	32	(735)	735

13.4.2 Currency risk

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

Changes in foreign exchange rates affect the Company'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 TT dollars. Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognised in reserves. Gains or losses on related foreign currency funding are recognised in the separate statement of income.

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

The tables below indicate the currencies to which the Company 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.

2017	TTD	USD	Total
Financial assets			
Cash and cash equivalents	8,371	428,890	437,261
Investment interest receivable	894	–	894
Investment securities	160,016	–	160,016
Total financial assets	**169,281**	**428,890**	**598,171**
Net currency risk exposure		**428,890**	
Reasonably possible change in currency rate		1%	
Effect on profit before tax		**4,289**	

2016	TTD	USD	Total
Financial assets			
Cash and cash equivalents	2,750	7,345	10,095
Treasury Bills	198,867	–	198,867
Investment interest receivable	1,702	–	1,702
Investment securities	396,700	–	396,700
Total financial assets	**600,019**	**7,345**	**607,364**
Net currency risk exposure		**7,345**	
Reasonably possible change in currency rate		1%	
Effect on profit before tax		**73**	

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

13. Risk management (continued)

13.5 Operational risk

The growing sophistication of the banking industry has made the Company'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 Company 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 operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Company 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.

14. Capital management

The Company's policy is to diversify its sources of capital, to allocate capital within the Company efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $151 million to $6.6 billion during the year under review.

Capital adequacy is monitored by the Company, 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.

RFHL and its main subsidiary, Republic Bank Limited (RBL), have commenced the preparatory work for the implementation of the Basel II and III framework. While the new requirements in its current form will require banks to hold substantially more capital, RFHL and RBL with their existing strong capital base, will meet the new requirements.

Capital adequacy ratio	2017	2016
Republic Financial Holdings Limited	24.80%	24.71%

At September 30, 2017 the Company exceeded the minimum levels required for adequately capitalised institutions.

15. Fair value

15.1 Carrying values and fair values

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

2017	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash and cash equivalents	437,261	437,261	–
Investment interest receivable	894	894	–
Investment securities	160,016	160,016	–
Total unrecognised change in unrealised fair value			–
2016			
Financial assets			
Cash, due from banks and Treasury Bills	208,962	208,962	–
Investment interest receivable	1,702	1,702	–
Investment securities	396,700	396,700	–
Total unrecognised change in unrealised fair value			–

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

	Level 1	Level 2	Level 3	Total
2017				
Financial assets measured at fair value				
Investment securities	–	160,016	–	160,016
2016				
Financial assets measured at fair value				
Investment securities	–	396,700	–	396,700

15.1.1 Transfers between Level 1 and 2

For the year ended September 30, 2017, no assets were transferred between Level 1 and Level 2.

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

For the year end September 30, 2017, there were no movements in Level 3 Financial Instruments.

16. Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Company based on the remaining period at September 30 to the contractual maturity date. See Note 13.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Within one year	After one year	Total
2017			
ASSETS			
Cash and cash equivalents	437,261	–	437,261
Investment interest receivable	894	–	894
Investment securities	160,016	–	160,016
Investment in associated companies	–	33,602	33,602
Investment in subsidiaries	–	6,045,593	6,045,593
Taxation recoverable	–	5,362	5,362
Other assets	–	2,378	2,378
	598,171	**6,086,935**	**6,685,106**
LIABILITIES			
Other liabilities	–	92,485	92,485
	–	**92,485**	**92,485**
2016			
ASSETS			
Cash and cash equivalents	10,095	–	10,095
Treasury Bills	198,867	–	198,867
Investment interest receivable	1,702	–	1,702
Investment securities	200,000	196,700	396,700
Investment in associated companies	–	33,602	33,602
Investment in subsidiaries	–	5,985,521	5,985,521
Deferred tax assets	–	990	990
Taxation recoverable	–	4,954	4,954
Other assets	–	2,560	2,560
	410,664	**6,224,327**	**6,634,991**
LIABILITIES			
Taxation payable	118,778	–	118,778
Other liabilities	–	58,717	58,717
	118,778	**58,717**	**177,495**

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

17. Equity compensation benefits

a) Stock option plan

The Company 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 Financial Holdings 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.

The movement in outstanding options is outlined below:

	2017	2016	2017	2016
	Weighted average exercise price		Number of shares	
At the beginning of the year	$100.91	$93.39	1,952,038	1,811,265
Granted	$112.05	$121.74	10,878	415,912
Exercised	$83.49	$82.87	(170,993)	(275,139)
At end of year	**$102.64**	**$93.39**	**1,791,923**	**1,952,038**
Exercisable at end of year	**$95.83**	**$83.41**	**1,301,080**	**1,022,954**

Expiry date	Exercise price	2017	2016
15-Dec-18	$78.78	21,539	31,841
20-Dec-19	$90.19	68,622	88,127
20-Dec-20	$86.75	76,349	104,156
20-Dec-21	$80.00	56,885	94,324
20-Dec-22	$101.80	11,876	11,876
13-Dec-23	$85.94	69,151	89,551
8-Dec-24	$72.99	133,810	164,363
14-Dec-25	$92.67	228,686	253,673
14-Dec-26	$104.41	342,415	342,415
11-Dec-27	$110.03	355,800	355,800
11-Dec-28	$121.74	415,912	415,912
9-Dec-29	$112.05	10,878	–
		1,791,923	**1,952,038**

As at September 30, 2017, 1,125,005 (2016: 415,912) 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 21, 2016
Number granted	10,878
Exercise price	$112.05
Share price at grant date	$108.44
Risk free interest rate	3.5% per annum
Expected volatility	7.5% per annum
Dividend yield	4.0% per annum
Exercise term	Option exercised when share price is 150% of the exercise price
Fair value	$5.99

The expected volatility is based on historical volatility of the share price.

The weighted average share price for share options exercised during the year was $83.49. For options outstanding at September 30, 2017 the exercise price ranged from $72.99 to $121.74 and the weighted average remaining contractual life was 8.2 years.

The total expense for the share option plan was $1.992 million (2016: $3.95 million).

18. Dividends paid and proposed

	2017	2016
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: $3.10 (2015: $3.10)	503,050	502,199
First dividend for 2017: $1.25 (2016: $1.25)	202,935	202,766
Total dividends paid	**705,985**	**704,965**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2017: $3.15 (2016: $3.10)	**511,703**	**503,050**

19. Contingent liabilities

a) Litigation

As at September 30, 2017 there were certain tax and legal proceedings outstanding against the Company. 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.

20. Subsidiary companies

Name of Company	Country of incorporation	% equity interest
Republic Bank (Barbados) Limited *Commercial Bank*	Barbados	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
HFC Bank (Ghana) Limited *Commercial Bank*	Ghana	57.11%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	75.55%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%
Republic Suriname Holdings Limited *Investment Company*	St. Lucia	100.00%
Republic Bank (Suriname) N.V. *Commercial Bank*	Suriname	100.00%
Republic Bank Limited *Commercial Bank*	Trinidad and Tobago	100.00%

Over the period October 1, 2016 to September 30, 2017, the Company acquired an additional 1.43% interest in the voting shares of Republic Bank (Grenada) Limited, increasing its ownership interest to 75.55%. Cash consideration of $13.23 million was paid for this increased shareholding.

In June 2017, the Company injected $46.8 million into the share capital of its wholly-owned subsidary, Republic Suriname Holdings Limited.

RBL Separate Financial Statement

2017

Independent Auditor's Report

To the Shareholders of Republic Bank Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Republic Bank Limited ('the Bank'), which comprise the separate statement of financial position as at September 30, 2017, and the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

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

Responsibilities of Management and the Audit Committee for the Separate Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Ernst + Young

Port of Spain,
TRINIDAD:
November 6, 2017

Republic Bank Limited

Separate Statement of Financial Position

As at September 30, 2017

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

	Notes	2017	2016
ASSETS			
Cash and cash equivalents		391,532	392,990
Statutory deposits with Central Bank		4,265,186	4,265,041
Due from banks		3,711,239	3,441,009
Treasury Bills		1,616,833	1,903,709
Investment interest receivable		32,574	28,159
Advances	4	24,039,646	23,205,544
Investment securities	5	3,671,197	3,053,859
Investment in associated companies	6(a)	3,411	3,411
Investment in subsidiaries	6(b)	702,893	702,893
Premises and equipment	7	1,537,713	1,347,846
Net pension assets	8(a)	951,219	992,803
Deferred tax assets	9(a)	219,281	174,737
Taxation recoverable		27,003	27,168
Other assets	10	701,651	264,199
TOTAL ASSETS		**41,871,378**	**39,803,368**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		247,461	75,978
Customers' current, savings and deposit accounts	11	32,510,628	31,772,969
Other fund raising instruments	12	845,793	174,684
Debt securities in issue	13	1,150,397	1,149,924
Provision for post-retirement medical benefits	8(a)	439,647	394,271
Taxation payable		176,188	2,755
Deferred tax liabilities	9(b)	359,918	320,789
Accrued interest payable		25,254	20,555
Other liabilities	14	1,005,455	1,026,539
TOTAL LIABILITIES		**36,760,741**	**34,938,464**
EQUITY			
Stated capital	15	769,777	769,777
Statutory reserves		1,112,096	1,112,096
Other reserves	16	257,695	214,166
Retained earnings		2,971,069	2,768,865
TOTAL EQUITY		**5,110,637**	**4,864,904**
TOTAL LIABILITIES AND EQUITY		**41,871,378**	**39,803,368**

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

These separate financial statements were approved by the Board of Directors on November 6, 2017 and signed on its behalf by:

Nigel Baptiste,
Managing Director

Ronald F. deC. Harford,
Chairman

Peter Inglefield,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Bank
We're the One for you!

Republic Bank Limited
Separate Statement of Income
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
Interest income	17(a)	2,079,925	1,489,388
Interest expense	17(b)	(172,799)	(118,133)
Net interest income		1,907,126	1,371,255
Other income	17(c)	1,045,281	724,464
		2,952,407	2,095,719
Operating expenses	17(d)	(1,585,326)	(1,139,310)
Operating profit		1,367,081	956,409
Loan impairment expense	4(b)(ii)	(101,893)	(127,004)
Net profit before taxation		1,265,188	829,405
Taxation expense	18	(343,971)	(204,701)
Net profit after taxation		**921,217**	**624,704**

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

Republic Bank Limited
Separate Statement of Comprehensive Income
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2017	2016
Net profit after taxation	**921,217**	**624,704**
Other comprehensive income:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain on available-for-sale investments	3,071	19,581
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Net remeasurement losses on defined benefit plans	(25,667)	(120,474)
Total other comprehensive loss for the year, net of tax	**(22,596)**	**(100,893)**
Total comprehensive income for the year, net of tax	**898,621**	**523,811**

Republic Bank Limited
Separate Statement of Changes in Equity
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at September 30, 2015	**30,000**	**34,982**	**8,706**	**224,319**	**298,007**
Transferred from vesting	(3,463,068)	1,077,114	208,300	2,177,654	–
Total comprehensive income for the year	–	–	19,581	504,230	523,811
Issue of shares	4,202,845	–	–	–	4,202,845
Transfer from general contingency reserve (Note 16)	–	–	(22,272)	22,272	–
Other	–	–	(149)	(1,261)	(1,410)
Dividends (Note 25)	–	–	–	(158,349)	(158,349)
Balance at September 30, 2016	**769,777**	**1,112,096**	**214,166**	**2,768,865**	**4,864,904**
Total comprehensive income for the year	–	–	3,071	895,550	898,621
Transfer to general contingency reserve (Note 16)	–	–	40,458	(40,458)	–
Transfer to statutory reserves	–	–	–	–	–
Other	–	–	–	–	–
Dividends (Note 25)	–	–	–	(652,888)	(652,888)
Balance at September 30, 2017	**769,777**	**1,112,096**	**257,695**	**2,971,069**	**5,110,637**

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

Republic Bank
We're the One for you!

Republic Bank Limited
Separate Statement of Cash Flows
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2017	2016
Operating activities			
Net profit before taxation		1,265,188	829,405
Adjustments for:			
Depreciation	7	107,508	57,002
Loan impairment expense	4(b)(ii)	101,893	127,004
Translation difference		(5,332)	(44,320)
Loss on sale of premises and equipment		2,054	2,192
Increase in employee benefits		74,011	79,345
Increase in advances		(935,995)	(429,020)
Increase/(decrease) in customers' deposits and other fund raising instruments		1,408,768	(2,238,645)
(Increase)/decrease in statutory deposits with Central Bank		(145)	150,061
(Increase)/decrease in other assets and investment interest receivable		(441,867)	337,979
(Decrease)/increase in other liabilities and accrued interest payable		(16,386)	85,082
Taxes paid, net of refund		(191,887)	(210,693)
Cash provided by/(used in) operating activities		1,367,810	(1,254,608)
Investing activities			
Purchase of investment securities		(2,682,030)	(2,334,186)
Redemption of investment securities		2,076,477	2,115,129
Net change in the composition of the Group		–	7,529,725
Additions to premises and equipment	7	(303,613)	(250,611)
Proceeds from sale of premises and equipment		4,183	2,309
Cash (used in)/provided by investing activities		(904,983)	7,062,366
Financing activities			
Increase in balances due to other banks		171,483	51,674
Repayment of debt securities		(138)	–
Dividends paid to shareholders of the parent	25	(652,888)	(158,349)
Amortised prepaid cost		612	174
Cash used in financing activities		(480,931)	(106,501)
Net (decrease)/increase in cash and cash equivalents		(18,104)	5,701,257
Cash and cash equivalents at beginning of year		5,737,708	36,451
Cash and cash equivalents at end of year		**5,719,604**	**5,737,708**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		391,532	392,990
Due from banks		3,711,239	3,441,009
Treasury Bills - original maturities of three months or less		1,616,833	1,903,709
		5,719,604	**5,737,708**
Supplemental information:			
Interest received during the year		2,045,003	1,404,851
Interest paid during the year		168,100	98,597
Dividends received	17 (c)	157,802	73,427

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

Republic Bank Limited
Notes to the Separate Financial Statements
For the year ended September 30, 2017
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

1. Corporate information

On December 16, 2015, the business of Republic Bank Limited (RBL) was transferred and vested into Republic Finance and Merchant Limited (FINCOR), after which FINCOR was renamed Republic Bank Limited. As a result, the Separate Statement of Income for RBL for the year ended September 30, 2016 reflects the following:

- Twelve months of FINCOR results for the period October 1, 2015 to September 30, 2016
- Nine months of RBL post-vesting results for the period January 1 to September 30, 2016

The results for the year ending September 30, 2017, reflect a full year of income and expenses for RBL and FINCOR for the period October 1, 2016 to September 30, 2017. As such, the balances as at September 2017 are not fully comparable with the results as at September 2016.

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

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

2. Significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below.

2.1 Basis of preparation

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

2.2 Changes in accounting policies

New accounting policies/improvements adopted
The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2016, except for the adoption of new standards and interpretations below.

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

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. The adoption and amendment to these standards had no impact on the Bank.

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

2.2 Changes in accounting policies (continued)

New accounting policies/improvements adopted (continued)

IFRS 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 Consolidated Financial Statements.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting 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.

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 adoption and amendment to these standards had no impact on the Bank.

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 adoption and amendment to these standards had no impact on the Bank.

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 adoption and amendment to these standards had no impact on the Bank.

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

2.3 Standards in issue not yet effective

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

IFRS 16 Leases (effective January 1, 2019)

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

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

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

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

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

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

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

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

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

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

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

2.3 Standards in issue not yet effective (continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

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

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

The amendment addresses concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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

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

OR

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

2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2017:

IFRS	Subject of Amendment
IFRS 12 -	Disclosure of Interest in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1 -	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28 -	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

2.5 Summary of significant accounting policies

a) Cash and cash equivalents

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

b) Statutory deposits with Central Bank

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, the Bank is required to maintain with the Central Bank of Trinidad and Tobago statutory balances in relation to the deposit liabilities of the institution. Other than Statutory Deposits of $4.3 billion (2016: $4.3 billion), the Bank also holds Treasury Bills and other deposits of $2.1 billion (2016: $2.9 billion) with the Central Bank of Trinidad and Tobago as at September 30, 2017. Interest earned on these balances for the year was $20.7 million (2016: $29.2 million).

c) Financial instruments

The Bank's financial assets and financial liabilities are recognised in the separate 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 Bank 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.

For purposes of subsequent measurement financial assets are classified in 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 separate statement of income. The losses arising from impairment are recognised in the separate statement of income in 'Loan impairment expense'.

ii) Investment securities

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 separate statement of income as an impairment expense on investment securities.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

c) Financial instruments (continued)

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 Bank assesses, at each separate 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 Bank 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 separate 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 Bank'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.

If an available-for-sale equity security is impaired based upon the Bank'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 Bank's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairments.

Any subsequent increases in value of previously impaired securities are taken to OCI.

e) Investment in associates

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

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

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

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 separate statement of financial position under advances.

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

g) Premises and equipment

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

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

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

The depreciation rates used are as follows:

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

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)

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

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

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

i) Employee benefits

i) Pension obligations

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

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

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

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

i) **Employee benefits** (continued)

i) **Pension obligations** (continued)

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

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

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

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

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

The full results of the valuation exercise are disclosed in Note 8 to these separate financial statements.

ii) **Other post-retirement obligations**

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

iii) **Profit sharing scheme**

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

iv) **Share-based payments**

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

j) **Taxation**

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

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

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

k) **Statutory reserves**

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

l) **Fiduciary assets**

The Bank provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these separate financial statements as they are not the assets of the Bank. These assets under administration at September 30, 2017, totaled $33.3 billion (2016: $30.9 billion).

m) **Foreign currency translation**

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

n) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank 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 Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

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

Interest income and expense

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

Dividends

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

o) **Fair value**

The Bank measures financial instruments at fair value at each separate statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 22 to the separate financial statements.

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

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

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

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

o) Fair value (continued)

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 Bank's own models whereby the majority of assumptions are market observable.

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

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

Where the Bank's 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 Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for 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 are 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.

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

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Bank's separate statement of financial position but are detailed in Note 26(b) of these separate financial statements.

3. Significant accounting judgements, estimates and assumptions in applying the Bank's accounting policies

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

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

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

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

Impairment of financial assets
Management makes judgements at each separate 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 separate 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 Bank 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 8)
In conducting valuation exercises to measure the effect of the employee benefit plan to the Bank, the Bank's independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the plan.

Deferred taxes (Note 9)
In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

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

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

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

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

4. Advances

a) Advances

2017	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	4,820,393	10,011,101	8,971,430	23,802,924
Non-performing advances	73,866	223,617	140,674	438,157
	4,894,259	10,234,718	9,112,104	24,241,081
Unearned interest/finance charge	(2,875)	(2,347)	–	(5,222)
Accrued interest	1,508	72,099	18,594	92,201
	4,892,892	10,304,470	9,130,698	24,328,060
Allowance for impairment losses - Note 4 (b)	(81,724)	(165,956)	(40,734)	(288,414)
Net advances	**4,811,168**	**10,138,514**	**9,089,964**	**24,039,646**
2016				
Performing advances	4,791,050	9,922,491	8,340,253	23,053,794
Non-performing advances	45,474	215,551	66,047	327,072
	4,836,524	10,138,042	8,406,300	23,380,866
Unearned interest/finance charge	(2,987)	(1,813)	–	(4,800)
Accrued interest	2,141	49,528	10,025	61,694
	4,835,678	10,185,757	8,416,325	23,437,760
Allowance for impairment losses - Note 4 (b)	(62,721)	(133,700)	(35,795)	(232,216)
Net advances	**4,772,957**	**10,052,057**	**8,380,530**	**23,205,544**

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 Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances
The Bank 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. The impairment allowance is then reviewed by Risk Management to ensure alignment with the Bank's overall policy.

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

2017	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	62,721	133,700	35,795	232,216
Charge-offs and write-offs	(39,979)	(5,026)	(690)	(45,695)
Loan impairment expense	90,464	49,191	16,339	155,994
Loan impairment recoveries	(31,482)	(11,909)	(10,710)	(54,101)
Balance carried forward	**81,724**	**165,956**	**40,734**	**288,414**
Individual impairment	72,850	154,854	27,139	254,843
Collective impairment	8,874	11,102	13,595	33,571
	81,724	**165,956**	**40,734**	**288,414**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**73,866**	**223,617**	**140,674**	**438,157**
2016				
Transferred from vesting	41,599	73,826	30,436	145,861
Charge-offs and write-offs	(24,504)	(15,434)	(711)	(40,649)
Loan impairment expense	55,767	90,763	10,804	157,334
Loan impairment recoveries	(10,141)	(15,455)	(4,734)	(30,330)
Balance carried forward	**62,721**	**133,700**	**35,795**	**232,216**
Individual impairment	55,259	122,440	26,785	204,484
Collective impairment	7,462	11,260	9,010	27,732
	62,721	**133,700**	**35,795**	**232,216**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**45,474**	**215,551**	**66,047**	**327,072**

c) Net investment in leased assets included in net advances

	2017	2016
Gross investment	51,997	55,577
Unearned finance charge	(1,415)	(1,713)
Net residual option price	2,353	3,308
Net investment in leased assets	**52,935**	**57,172**

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

	2017	2016
Within one year	1,754	3,150
One to five years	51,181	39,449
Over five years	–	14,573
	52,935	**57,172**

5. Investment securities

Available-for-sale	2017	2016
Government securities	1,863,974	1,790,135
State owned company securities	396,222	284,031
Corporate bonds/debentures	1,386,453	955,909
Equities and mutual funds	24,548	23,784
	3,671,197	**3,053,859**

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

6. Investment in associated and subsidary companies

(a) Investment in associated companies

	2017	2016
Balance at beginning of year	3,411	–
Transferred from vesting	–	3,411
Balance at end of year	**3,411**	**3,411**
G4S Holdings (Trinidad) Limited	858	858
InfoLink Services Limited	2,553	2,553
	3,411	3,411

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

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

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

	Total investment in associates	
	2017	2016
Total assets	202,916	186,262
Total liabilities	23,265	21,108
Net assets/equity	179,651	165,154
Dividends received during the year	2,808	1,706

(b) Investment in subsidiaries

	2017	2016
Republic Caribbean Investments Limited	654,140	654,140
Others	48,753	48,753
	702,893	**702,893**

Reconciliation of movement in investment in subsidiaries

	2017	2016
Balance at beginning of year	702,893	18
Investment in subsidiary transferred on vesting	–	702,875
	702,893	**702,893**

7. Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2017					
Cost					
At beginning of year	307,593	935,774	85,678	1,146,022	2,475,067
Exchange and other adjustments	–	–	(11)	79	68
Additions at cost	270,005	200	–	33,408	303,613
Disposal of assets	–	(256)	(1,956)	(19,259)	(21,471)
Transfer of assets	(127,007)	50,449	15,447	61,111	–
	450,591	**986,167**	**99,158**	**1,221,361**	**2,757,277**
Accumulated depreciation					
At beginning of year	–	150,090	73,532	903,599	1,127,221
Exchange and other adjustments	–	–	(11)	80	69
Charge for the year	–	12,089	8,218	87,201	107,508
Disposal of assets	–	(51)	(1,501)	(13,682)	(15,234)
	–	**162,128**	**80,238**	**977,198**	**1,219,564**
Net book value	**450,591**	**824,039**	**18,920**	**244,163**	**1,537,713**

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2016					
Cost					
At beginning of year	–	–	1,065	1,079	2,144
Transferred from vesting	273,970	812,971	83,210	1,078,879	2,249,030
Additions at cost	218,650	4,512	443	27,006	250,611
Disposal of assets	–	–	(7,047)	(19,671)	(26,718)
Transfer of assets	(185,027)	118,291	8,007	58,729	–
	307,593	**935,774**	**85,678**	**1,146,022**	**2,475,067**
Accumulated depreciation					
At beginning of year	–	–	880	861	1,741
Transferred from vesting	–	142,723	74,290	873,682	1,090,695
Charge for the year	–	7,367	4,346	45,289	57,002
Disposal of assets	–	–	(5,984)	(16,233)	(22,217)
	–	**150,090**	**73,532**	**903,599**	**1,127,221**
Net book value	**307,593**	**785,684**	**12,146**	**242,423**	**1,347,846**

Capital commitments	**2017**	**2016**
Contracts for outstanding capital expenditure not provided for in the separate financial statements	180,825	394,901
Other capital expenditure authorised by the Directors but not yet contracted for	6,454	14,689

8. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Present value of defined benefit obligation	(2,881,624)	(2,739,852)	(439,647)	(394,271)
Fair value of plan assets	3,843,388	3,743,164	–	–
Surplus/(deficit)	961,764	1,003,312	(439,647)	(394,271)
Effect of asset ceiling	(10,545)	(10,509)	–	–
Net asset/(liability) recognised in the separate statement of financial position	**951,219**	**992,803**	**(439,647)**	**(394,271)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Opening defined benefit obligation	(2,739,852)	–	(394,271)	–
Transferred from vesting	–	(2,559,413)	–	(372,796)
Current service cost	(102,919)	(103,408)	(19,646)	(17,582)
Interest cost	(150,920)	(138,953)	(20,880)	(20,985)
Past service cost	(3,546)	(13,229)	11,815	(11,419)
Remeasurements:				
- Experience adjustments	21,101	(18,538)	(22,369)	23,089
Benefits paid	94,512	93,689	–	–
Premiums paid by the Bank	–	–	5,704	5,422
Closing defined benefit obligation	**(2,881,624)**	**(2,739,852)**	**(439,647)**	**(394,271)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Opening defined benefit obligation	992,803	–	(394,271)	–
Transferred from vesting	–	1,206,155	–	(372,796)
Net pension cost	(56,153)	(52,630)	(28,711)	(49,986)
Remeasurements recognised in other comprehensive income	9,420	(160,722)	(22,369)	23,089
Premiums paid by the Bank	–	–	5,704	5,422
Bank contributions	5,149	–	–	–
Closing net pension asset	**951,219**	**992,803**	**(439,647)**	**(394,271)**

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

8. Employee benefits (continued)

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%	70%
- Deferred members	6%	N/A
- Pensioners	33%	30%

The weighted duration of the defined benefit obligation was 16.9 years for the pension benefit and 23.1 years for the medical benefit

38% of the defined benefit obligation for active members was conditional on future salary increases.

99% of the pension benefits and 38% of the medical benefits for active members were vested.

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

	Defined benefit pension plans	
	2017	2016
Opening fair value of plan assets	3,743,164	–
Transferred from vesting	–	3,776,892
Interest income	203,406	205,145
Return on plan assets, excluding interest income	(12,223)	(143,622)
Bank contributions	5,149	–
Benefits paid	(94,512)	(93,689)
Expense allowance	(1,596)	(1,562)
Closing fair value of plan assets	**3,843,388**	**3,743,164**
Actual return on plan assets	**191,183**	**61,523**

f) Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair value		Allocation	
	2017	2016	2017	2016
Equity securities	1,698,908	1,806,329	44.20%	48.26%
Debt securities	1,767,216	1,777,978	45.99%	47.50%
Property	13,957	13,608	0.36%	0.36%
Money market instruments/cash	363,307	145,249	9.45%	3.88%
Total fair value of plan assets	**3,843,388**	**3,743,164**	**100.0%**	**100.0%**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Current service cost	(102,919)	(103,408)	(19,646)	(17,582)
Interest on defined benefit obligation	51,908	65,569	(20,880)	(20,985)
Past service cost	(3,546)	(13,229)	11,815	(11,419)
Administration expenses	(1,596)	(1,562)	–	–
Total included in staff costs	**(56,153)**	**(52,630)**	**(28,711)**	**(49,986)**

h) Remeasurements recognised in Other Comprehensive Income:

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Experience gains/(losses)	8,878	(162,160)	(22,369)	23,089
Effect of asset ceiling	542	1,438	–	–
Total included in other comprehensive income	**9,420**	**(160,722)**	**(22,369)**	**23,089**

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

	2017 %	2016 %
Discount rate	5.50	5.50
Rate of salary increase	5.50	5.50
Pension increases	2.40	2.40
Medical cost trend rates	5.75	5.75
NIS ceiling rates	0.00	0.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2017, are as follows:

	Defined benefit pension plans	
	2017	2016
Life expectancy at age 60 - 65 for current pensioners in years:		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	21.4	21.4
- Female	25.4	25.4

j) Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2017, would have changed as a result of a change in the assumptions used.

	Defined benefit pension plans		Post-retirement medical benefits	
	1% p.a. increase $'000	1% p.a. decrease $'000	1% p.a. increase $'000	1% p.a. decrease $'000
- Discount rate	(406,000)	524,000	(81,000)	108,000
- Future salary increases	205,000	(176,000)	–	–
- Future pension cost increases	256,000	(256,000)	–	–
- Medical cost increases	–	–	109,000	(80,000)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2017, by $61 million and the post-retirement medical benefit by $16 million.

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

k) Funding

The Bank meets the entire cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay nothing to the pension plan in the 2018 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Bank 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 Bank expects to pay $6 million to the medical plan in the 2018 financial year.

9. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

		Credit/(charge)		
	Opening balance 2016	Statement of income	OCI	Closing balance 2017
Post-retirement medical benefits	118,281	21,569	14,026	153,876
Leased assets	4,069	(694)	–	3,375
Unearned loan origination fees	35,390	5,496	–	40,886
Other	16,997	4,147	–	21,144
	174,737	**30,518**	**14,026**	**219,281**

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9. Deferred tax assets and liabilities (continued)

Components of deferred tax assets and liabilities (continued)

b) Deferred tax liabilities

	Opening balance 2016	Charge/(credit) Statement of income	Charge/(credit) OCI	Closing balance 2017
Pension asset	297,841	8,342	26,744	332,927
Premises and equipment	13,003	661	–	13,664
Unrealised reserve	9,945	–	3,382	13,327
	320,789	**9,003**	**30,126**	**359,918**
Net credit/(charge) to separate statement of income/OCI		**21,515**	**(16,100)**	

10. Other assets

	2017	2016
Accounts receivable and prepayments	208,491	254,083
Due from related parties	493,160	10,116
	701,651	**264,199**

11. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2017	2016
State	1,409,540	2,037,958
Corporate and commercial	9,689,067	9,291,576
Personal	20,136,999	19,515,637
Other financial institutions	1,275,022	927,798
	32,510,628	**31,772,969**

12. Other fund raising instruments

At September 30, 2017, investment securities held to secure other fund raising instruments of the Bank amounted to $845.8 million (2016: $174.7 million).

Concentration of other fund raising instruments	2017	2016
State	827,715	156,716
Other financial institutions	18,078	17,968
	845,793	**174,684**

13. Debt securities in issue

	2017	2016
Unsecured		
Fixed rate bonds	999,824	999,213
Secured		
a) Floating rate bonds	150,000	150,000
b) Mortgage pass-through certificates	573	711
	150,573	150,711
Total debt securities in issue	**1,150,397**	**1,149,924**

Unsecured obligations

Fixed rate bonds are denominated in Trinidad and Tobago dollars and include a subordinated bond issued by Republic Bank Limited in 2008 for a term of ten years at a fixed rate of interest of 8.55% per annum.

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.

b) 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.

14. Other liabilities

	2017	2016
Accounts payable and accruals	888,639	908,573
Unearned loan origination fees	116,816	117,966
	1,005,455	**1,026,539**

15. Stated capital

Authorised
An unlimited number of shares of no par value

	2017 Number of ordinary shares ('000)	2016 Number of ordinary shares ('000)	2017	2016
Issued and fully paid				
At beginning of year	79,572	6,000	769,777	30,000
Transferred from vesting	–	73,572	–	739,777
At end of year	**79,572**	**79,572**	**769,777**	**769,777**

16. Other reserves

	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2015	**249**	**8,457**	**8,706**
Transferred from vesting	214,579	(6,279)	208,300
Revaluation of available-for-sale investments	–	19,581	19,581
General contingency reserve	(22,272)	–	(22,272)
Other	–	(149)	(149)
Balance at September 30, 2016	**192,556**	**21,610**	**214,166**
Revaluation of available-for-sale investments	–	3,071	3,071
General contingency reserve	40,458	–	40,458
Balance at September 30, 2017	**233,014**	**24,681**	**257,695**

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 separate 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 Bank's non-distributable capital base. As at September 30, 2017, the balance in the General contingency reserve of $233 million (2016: $192.6 million) is part of Other reserves which totals $257.7 million (2016: $214.2 million).

17. Operating profit

	2017	2016
a) Interest income		
Advances	1,950,211	1,405,514
Investment securities	102,044	63,169
Liquid assets	27,670	20,705
	2,079,925	**1,489,388**
b) Interest expense		
Customers' current, savings and deposit accounts	78,533	53,312
Other fund raising instruments and debt securities in issue	94,098	64,818
Other interest bearing liabilities	168	3
	172,799	**118,133**
c) Other income		
Fees and commission from trust and other fiduciary activities	158,887	121,045
Other fees and commission income	503,708	356,419
Net exchange trading income	132,046	99,052
Dividends	157,802	73,427
Other operating income	92,838	74,521
	1,045,281	**724,464**

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

17. Operating profit (continued)

d) Operating expenses

	2017	2016
Staff costs	582,066	395,807
Staff profit sharing - Note 24(a)	107,891	82,315
Employee benefits pension and medical contribution - Note 8(g)	84,864	102,616
General administrative expenses	526,105	356,633
Operating lease payments	45,509	5,085
Property related expenses	74,022	95,494
Depreciation expense - Note 7	107,508	57,002
Advertising and public relations expenses	55,861	43,756
Directors' fees	1,500	602
	1,585,326	**1,139,310**

e) Non-cancellable operating lease commitments

	2017	2016
Within one year	33,726	21,455
One to five years	83,133	53,484
Over five years	19,296	21,565
	136,155	**96,504**

18. Taxation expense

	2017	2016
Corporation tax	365,486	209,868
Deferred tax - Note 9 (b)	(21,515)	(5,167)
	343,971	**204,701**

Reconciliation between taxation expense and accounting profit

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

	2017	2016
Accounting profit	**1,265,188**	**829,405**
Tax at applicable statutory tax rates	379,556	207,351
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(55,156)	(21,238)
Non-deductible expenses	71,520	43,998
Allowable deductions	(39,836)	(28,896)
Change in tax rates	1,585	(34,156)
Provision for other taxes	(13,698)	37,642
	343,971	**204,701**

19. Related parties

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

	2017	2016
Advances, investments and other assets		
Republic Financial Holdings Limited	965,062	332,142
Directors and key management personnel	10,484	9,406
Other related parties	166,719	140,799
	1,142,265	**482,347**
Deposits and other liabilities		
Republic Financial Holdings Limited	1,134,345	876,685
Directors and key management personnel	54,409	51,516
Other related parties	27,276	18,569
	1,216,030	**946,770**
Interest and other income		
Republic Financial Holdings Limited	20,179	19,969
Directors and key management personnel	466	424
Other related parties	12,533	9,872
	33,178	**30,265**

	2017	2016
Interest and other expense		
Republic Financial Holdings Limited	22,720	19,922
Directors and key management personnel	2,331	1,409
Other related parties	193	87
	25,244	**21,418**

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

Key management compensation	2017	2016
Short-term benefits	15,110	13,355
Post employment benefits	4,219	19,177
	19,329	**32,532**

20. Risk management

20.1 Introduction

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

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

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

In 2017, a Group Enterprise Risk Management unit headed by a Chief Risk Officer, was formed with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

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

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

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

20.2 Credit risk

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

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

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

20. Risk management (continued)

20.2 Credit risk (continued)

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

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

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

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

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

	Gross maximum exposure 2017	2016
Statutory deposits with Central Bank	4,265,186	4,265,041
Due from banks	3,711,239	3,441,009
Treasury Bills	1,616,833	1,903,709
Investment interest receivable	32,574	28,159
Advances	24,039,646	23,205,544
Investment securities	3,646,649	3,030,075
Total	**37,312,127**	**35,873,537**
Undrawn commitments	4,521,350	4,820,275
Acceptances	1,589,041	1,520,298
Guarantees and indemnities	121	121
Letters of credit	133,809	108,308
Total	**6,244,321**	**6,449,002**
Total credit risk exposure	**43,556,448**	**42,322,539**

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 Bank 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 Bank 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.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

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

	2017	2016
Trinidad and Tobago	37,716,968	37,917,693
Barbados	724,181	123,239
Eastern Caribbean	196,485	618,655
Guyana	97,404	97,924
United States	2,435,423	1,739,511
Europe	848,851	235,533
Suriname	270,630	129,639
Ghana	23,286	–
Other Countries	1,243,220	1,460,345
	43,556,448	**42,322,539**

b) Industry sectors

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

	2017	2016
Government and Central Government Bodies	12,403,503	12,829,248
Financial sector	4,469,396	3,377,254
Energy and mining	947,370	945,451
Agriculture	179,097	165,561
Electricity and water	101,973	142,325
Transport, storage and communication	574,037	410,058
Distribution	3,342,012	3,107,869
Real estate	2,495,857	1,878,696
Manufacturing	1,688,250	1,689,667
Construction	1,391,972	1,554,447
Hotel and restaurant	753,907	975,839
Personal	11,206,553	10,818,000
Other services	4,002,521	4,428,124
	43,556,448	42,322,539

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

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

20. Risk management (continued)

20.2 Credit risk (continued)

20.2.3 Credit quality per category of financial assets

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

- Treasury Bills and Statutory deposits with Central Bank
- Balances due from banks
- Advances
- Investment securities

Treasury Bills and Statutory deposits with Central Bank

These funds are placed with Central Bank 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 Bank 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.

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

	Superior	Desirable	Acceptable	Total
2017	919,720	2,320,942	470,577	3,711,239
2016	1,067,173	2,043,555	330,281	3,441,009

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
2017	1,756	1,262,367	8,805,630	68,761	10,138,514
2016	2,464	1,196,667	8,759,814	93,112	10,052,057

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
2017	–	–	–	–	68,761	68,761
2016	–	–	–	–	93,112	93,112

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
2017	12,791,843	580,210	129,362	106,765	178,401	114,551	13,901,132
2016	10,655,681	2,173,713	93,823	51,453	149,340	29,477	13,153,487

Investment securities

The debt securities within the Bank'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:

Available-for-sale	Superior	Desirable	Acceptable	Sub-standard	Total
2017	3,619,515	16,163	10,971	–	3,646,649
2016	2,936,596	80,430	13,049	–	3,030,075

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

20. Risk management (continued)

20.3 Liquidity risk

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

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

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

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

20.3.1 Analysis of financial liabilities by remaining contractual maturities

The following table summarises the maturity profile of the Bank's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the separate statement of financial position. Refer to Note 23 for a maturity analysis of assets and liabilities.

Financial liabilities – on separate statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Customers' current, savings and deposit accounts	29,653,418	2,798,323	70,967	–	32,522,708
Other fund raising instruments	–	847,340	–	–	847,340
Debt securities in issue	–	1,049,761	152,936	–	1,202,697
Due to banks	–	247,461	–	–	247,461
Other liabilities	271,863	–	–	–	271,863
Total undiscounted financial liabilities	**29,925,281**	**4,942,885**	**223,903**	**–**	**35,092,069**
2016					
Customers' current, savings and deposit accounts	28,989,736	2,740,924	51,217	–	31,781,877
Other fund raising instruments	–	174,704	–	–	174,704
Debt securities in issue	–	92,728	1,202,715	–	1,295,443
Due to banks	–	75,978	–	–	75,978
Other liabilities	327,714	–	–	–	327,714
Total undiscounted financial liabilities	**29,317,450**	**3,084,334**	**1,253,932**	**–**	**33,655,716**

Financial liabilities – off separate statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Acceptances	214,503	1,165,679	208,233	626	1,589,041
Guarantees and indemnities	121	–	–	–	121
Letters of credit	133,809	–	–	–	133,809
Total	**348,433**	**1,165,679**	**208,233**	**626**	**1,722,971**
2016					
Acceptances	359,645	869,777	289,949	927	1,520,298
Guarantees and indemnities	121	–	–	–	121
Letters of credit	108,308	–	–	–	108,308
Total	**468,074**	**869,777**	**289,949**	**927**	**1,628,727**

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

20.4 Market risk

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

20.4.1 Interest rate risk

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

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

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

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

		Impact on net profit			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	45,194	(45,194)	42,141	(42,141)
USD Instruments	+/- 50	4,523	(4,523)	4,104	(4,104)

		Impact on equity			
		2017		2016	
	Change in basis points	Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	(17,520)	18,081	(13,593)	13,803
USD Instruments	+/- 50	(12,293)	12,429	(8,921)	9,121

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

20. Risk management (continued)

20.4 Market risk (continued)

20.4.2 Currency risk

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

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

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

2017	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	368,700	12,709	1,210	8,913	391,532
Statutory deposits with Central Bank	4,265,186	–	–	–	4,265,186
Due from banks	602,179	2,374,380	3,186	731,494	3,711,239
Treasury Bills	1,616,833	–	–	–	1,616,833
Investment interest receivable	21,523	10,790	–	261	32,574
Advances	20,175,577	3,837,826	–	26,243	24,039,646
Investment securities	2,327,611	1,343,586	–	–	3,671,197
Total financial assets	**29,377,609**	**7,579,291**	**4,396**	**766,911**	**37,728,207**
Financial liabilities					
Due to banks	174,348	68,231	–	4,882	247,461
Customers' current, savings and deposit accounts	25,774,707	6,007,694	–	728,227	32,510,628
Other fund raising instruments	–	845,793	–	–	845,793
Debt securities in issue	1,150,397	–	–	–	1,150,397
Interest payable	20,685	4,207	–	362	25,254
Other liabilities	257,864	9,781	171	4,047	271,863
Total financial liabilities	**27,378,001**	**6,935,706**	**171**	**737,518**	**35,051,396**
Net currency risk exposure		**643,585**	**4,225**	**29,393**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**6,436**	**42**	**294**	

2016	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	359,606	23,409	1,051	8,924	392,990
Statutory deposits with Central Bank	4,265,041	–	–	–	4,265,041
Due from banks	1,238,498	1,496,296	1,125	705,090	3,441,009
Treasury Bills	1,903,709	–	–	–	1,903,709
Investment interest receivable	22,036	6,050	–	73	28,159
Advances	19,518,467	3,686,813	–	264	23,205,544
Investment securities	2,105,550	948,309	–	–	3,053,859
Total financial assets	**29,412,907**	**6,160,877**	**2,176**	**714,351**	**36,290,311**
Financial liabilities					
Due to banks	–	67,704	–	8,274	75,978
Customers' current, savings and deposit accounts	25,029,231	6,071,387	–	672,351	31,772,969
Other fund raising instruments	–	174,684	–	–	174,684
Debt securities in issue	1,149,924	–	–	–	1,149,924
Interest payable	18,095	2,378	–	82	20,555
Other Liabilities	305,404	17,662	120	4,528	327,714
Total financial liabilities	**26,502,654**	**6,333,815**	**120**	**685,235**	**33,521,824**
Net currency risk exposure		**(172,938)**	**2,056**	**29,116**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**(1,729)**	**21**	**291**	

20.5 Operational risk

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

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

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

21. Capital management

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $245.7 million to $5.1 billion during the year under review.

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

RBL have commenced the preparatory work for the implementation of the Basel II and III framework. While the new requirements in its current form will require banks to hold substantially more capital, RBL with their existing strong capital base, will meet the new requirements.

	2017	2016
Capital adequacy ratio	20.15%	21.18%

At September 30, 2017, the Bank exceeded the minimum level required for adequately capitalised institutions (2016: exceeded).

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

22. Fair value

22.1 Carrying values and fair values

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

2017	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	5,719,604	5,719,604	–
Investment interest receivable	32,574	32,574	–
Advances	24,039,646	23,846,405	(193,241)
Investment securities	3,671,197	3,671,197	–
Financial liabilities			
Customers' current, savings and deposit accounts	32,510,628	32,510,628	–
Borrowings and other fund raising instruments	845,793	845,793	–
Debt securities in issue	1,150,397	1,174,015	23,618
Accrued interest payable	25,254	25,254	–
Other financial liabilities	271,863	271,863	–
Total unrecognised change in unrealised fair value			**(169,623)**

2016	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	5,737,708	5,737,708	–
Investment interest receivable	28,159	28,159	–
Advances	23,205,544	23,083,398	(122,146)
Investment securities	3,053,859	3,053,859	–
Financial liabilities			
Customers' current, savings and deposit accounts	31,772,969	31,772,969	–
Borrowings and other fund raising instruments	174,684	174,684	–
Debt securities in issue	1,149,924	1,223,720	73,796
Accrued interest payable	20,555	20,555	–
Other financial liabilities	327,714	327,714	–
Total unrecognised change in unrealised fair value			**(48,350)**

22.2 Fair value and fair value hierarchies

22.2.1 Determination of fair value and fair value hierarchies

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

2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	1,340,403	2,322,112	8,682	3,671,197
Financial assets for which fair value is disclosed				
Advances	–	–	23,846,405	23,846,405
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	32,510,628	32,510,628
Debt securities in issue	–	1,174,015	–	1,174,015

2016	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	880,861	2,164,316	8,682	3,053,859
Financial assets for which fair value is disclosed				
Advances	–	–	23,083,398	23,083,398
Financial liabilities measured at fair value				
Customers' current, savings and deposit accounts	–	–	31,772,969	31,772,969
Debt securities in issue	–	1,223,720	–	1,223,720

22.2.2 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2017, are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted-average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	2.97% - 10.50%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.05% - 1.30%

22.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2017, no assets were transferred between Level 1 and Level 2 (2016: None).

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

	Balance at beginning of year	Disposals /transfers to Level 2	Balance at end of year
Investment Securities - available-for-sale	8,682	–	8,682

23. Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Bank based on the remaining period at September 30, to the contractual maturity date. Refer to Note 20.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2017	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	391,532	–	391,532
Statutory deposits with Central Bank	4,265,186	–	4,265,186
Due from banks	3,711,239	–	3,711,239
Treasury Bills	1,616,833	–	1,616,833
Investment interest receivable	32,574	–	32,574
Advances	7,829,596	16,210,050	24,039,646
Investment securities	1,067,267	2,603,930	3,671,197
Investment in associated companies	–	3,411	3,411
Investment in subsidiaries	–	702,893	702,893
Premises and equipment	–	1,537,713	1,537,713
Net pension asset	–	951,219	951,219
Deferred tax assets	–	219,281	219,281
Taxation recoverable	–	27,003	27,003
Other assets	698,662	2,989	701,651
	19,612,888	**22,258,489**	**41,871,378**

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

23. Maturity analysis of assets and liabilities (continued)

2017	Within one year	After one year	Total
LIABILITIES			
Due to banks	247,461	–	247,461
Customers' current, savings and deposit accounts	32,440,400	70,228	32,510,628
Other fund raising instruments	845,793	–	845,793
Debt securities in issue	999,824	150,573	1,150,397
Provision for post-retirement medical benefits	–	439,647	439,647
Taxation payable	176,188	–	176,188
Deferred tax liabilities	–	359,918	359,918
Accrued interest payable	25,254	–	25,254
Other liabilities	894,529	110,926	1,005,455
	35,629,449	1,131,292	36,760,741

2016	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	392,990	–	392,990
Statutory deposits with Central Bank	4,265,041	–	4,265,041
Due from banks	3,441,009	–	3,441,009
Treasury Bills	1,903,709	–	1,903,709
Investment interest receivable	28,159	–	28,159
Advances	8,002,020	15,203,524	23,205,544
Investment securities	528,413	2,525,446	3,053,859
Investment in associated companies	–	3,411	3,411
Investment in subsidiaries	–	702,893	702,893
Premises and equipment	–	1,347,846	1,347,846
Net pension asset	–	992,803	992,803
Deferred tax assets	–	174,737	174,737
Taxation recoverable	27,168	–	27,168
Other assets	260,102	4,097	264,199
	18,848,611	20,954,757	39,803,368
LIABILITIES			
Due to banks	75,978	–	75,978
Customers' current, savings and deposit accounts	31,722,014	50,955	31,772,969
Other fund raising instruments	174,684	–	174,684
Debt securities in issue	–	1,149,924	1,149,924
Provision for post-retirement medical benefits	–	394,271	394,271
Taxation payable	2,755	–	2,755
Deferred tax liabilities	–	320,789	320,789
Accrued interest payable	20,555	–	20,555
Other liabilities	908,469	118,070	1,026,539
	32,904,455	2,034,009	34,938,464

24. Equity compensation benefits

a) Profit sharing scheme

It is estimated that approximately $107.9 million (2016: $82.3 million) will be allocated to staff from the profit sharing scheme in the current financial year. Refer to Note 17. During the 2017 financial year $17.8 million was advanced to the staff profit sharing scheme (2016: $78.5 million).

b) Stock option plan

The options are issued using the shares of RFHL. RBL refunds RFHL on an annual basis for the cost of options determined by a qualified actuary. In 2017 the cost of the options expensed in the separate statement of income was $1.992 million (2016: $2.5 million).

25. Dividends paid and proposed

	2017	2016
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: $6.21	494,539	–
First dividend for 2017: $1.99 (2016: $1.99)	158,349	158,349
Total dividends paid	**652,888**	**158,349**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2017: $6.59 (2016: $6.21)	**524,391**	**493,881**

26. Contingent liabilities

a) Litigation

As at September 30, 2017, there were certain tax and legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2017	2016
Acceptances	1,589,041	1,520,298
Guarantees and indemnities	121	121
Letters of credit	133,809	108,308
	1,722,971	1,628,727

c) Sectoral information

	2017	2016
State	110,666	200,235
Corporate and commercial	1,063,163	917,668
Personal	20,055	20,406
Other financial institutions	515,997	490,368
Other	13,090	50
	1,722,971	1,628,727

d) Pledged assets

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

	Carrying amount		Related liability	
	2017	2016	2017	2016
Financial investments - available-for-sale	150,000	150,000	150,000	150,000

The assets pledged by the Bank 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 Bank once the total value of the pool exceeds the value of the liability. In the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

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

27. Subsidiary companies

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

28. Structured entities

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

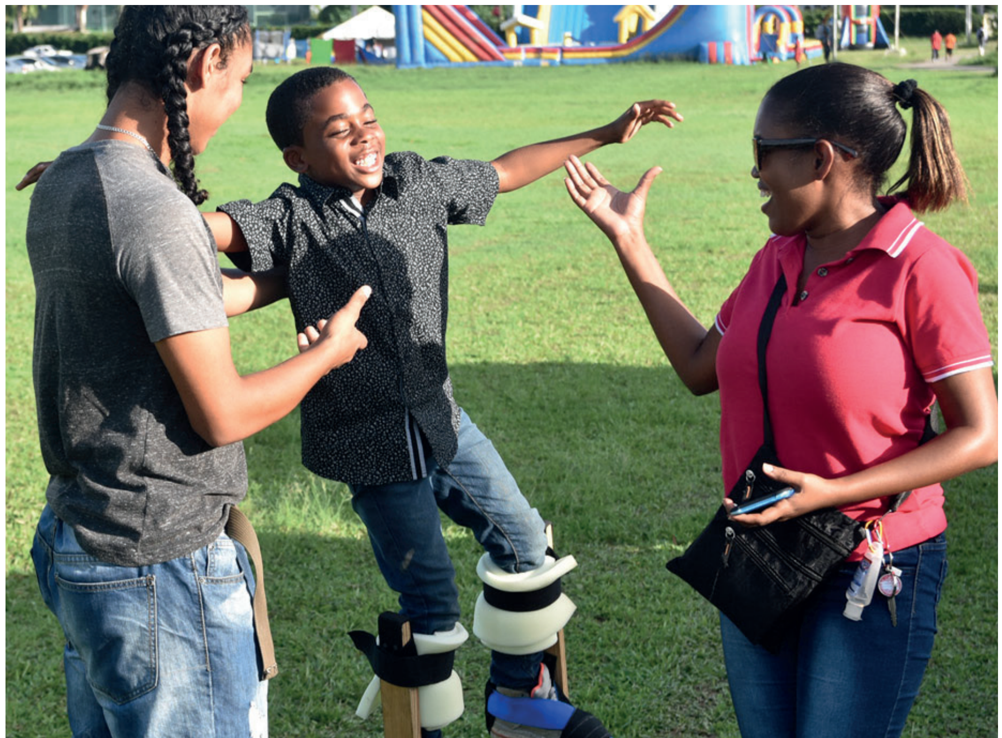
These structured entities include Mutual Funds and Retirements Benefit Plans which are financed through the issue of units to investors in the funds. The Bank generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2017, the Bank earned $86.1 million (2016: $62.6 million) in management fees from the retirement plans and $16 million (2016: $8.8 million) from the mutual funds.

The Bank holds an interest of $15.9 million in sponsored funds as at September 30, 2017 (2016: $15.1 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Bank. These values are all included in the Investment securities portfolio of the Bank as at September 30, 2017.

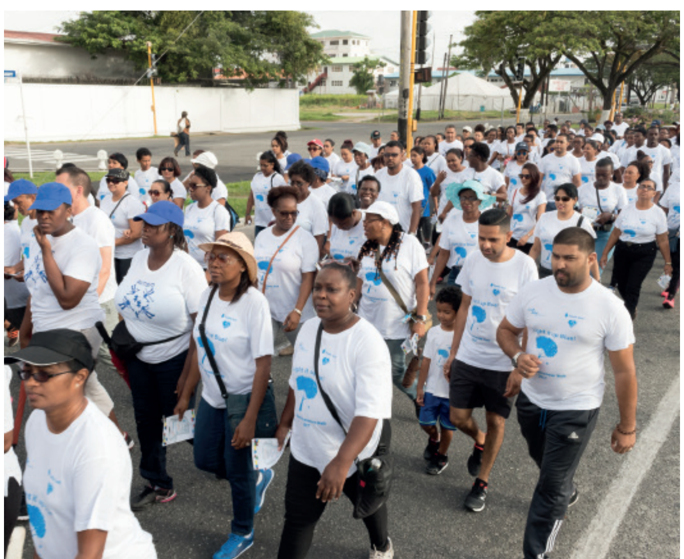
Republic Bank

Stronger together through Teamwork

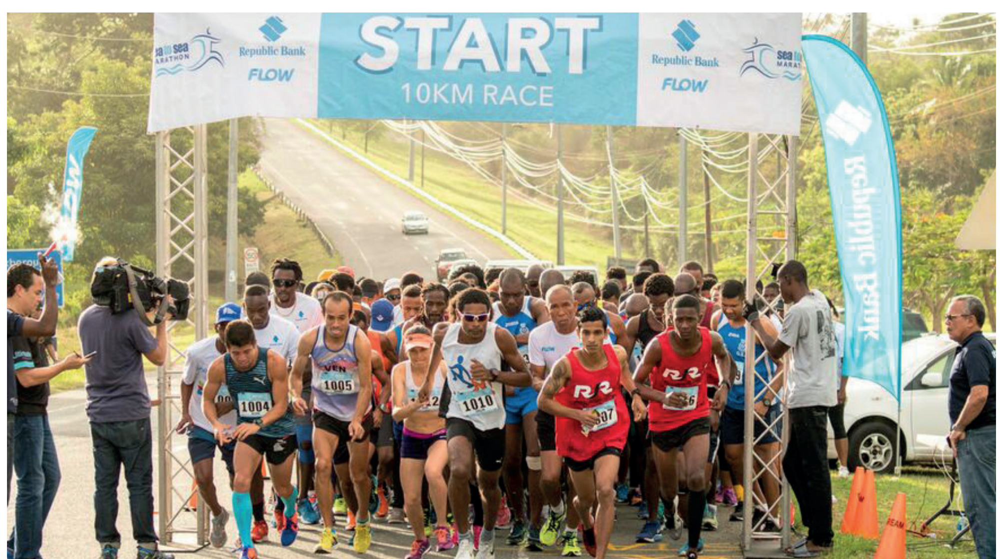
DANCE MAMA DANCE!- Les Coteaux performers show their skill at the annual Tobago Heritage Festival.



WALKING TALL - A young Moko Jumbie trainee 'finds' his legs at the Culture House Arts and Spoken Word Community Outreach Caravan in Aranguez, Trinidad.



LIGHT IT UP BLUE!- Hundreds turn up in support of the Step by Step Foundation's second annual Autism Awareness Walk in Guyana.



OPENING BORDERS MILE BY MILE - Local and international runners trek along the Tobago coastline at the Sea to Sea marathon.

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