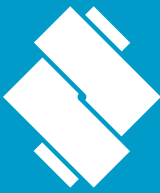




Annual Report
2016



Republic Financial Holdings Limited



Deep connections...extending to a past nearly two centuries ago and evolving to a present filled with milestones and achievements. Broad network... stretching across seas through our subsidiaries and the sum of the parts of our Holding Company. Unshakeable links...indelibly connecting us to our stakeholders and to the lives of those in the communities we serve. Motivated by progress, our vision for moving forward has always been a united one; and as Republic Financial Holdings Limited, that vision is even clearer now than before. Empowered by growth, achievement and success, we continue our journey into the future.



Republic Financial Holdings Limited

CONNECT

Our Vision

Republic Financial Holdings, the Caribbean Financial Services Group of Choice for our Staff, Customers and Shareholders. We set the Standard of Excellence in Customer Satisfaction, Employee Engagement, Social Responsibility and Shareholder Value, while building successful societies.

Our Mission

Our mission is to provide Personalised, Efficient and Competitively-priced Financial Services and to implement Sound Policies which will redound to the benefit of our Customers, Staff, Shareholders and the Communities we serve.

Our Values

- Customer Focus
- Integrity
- Respect for the Individual
- Professionalism
- Results Orientation

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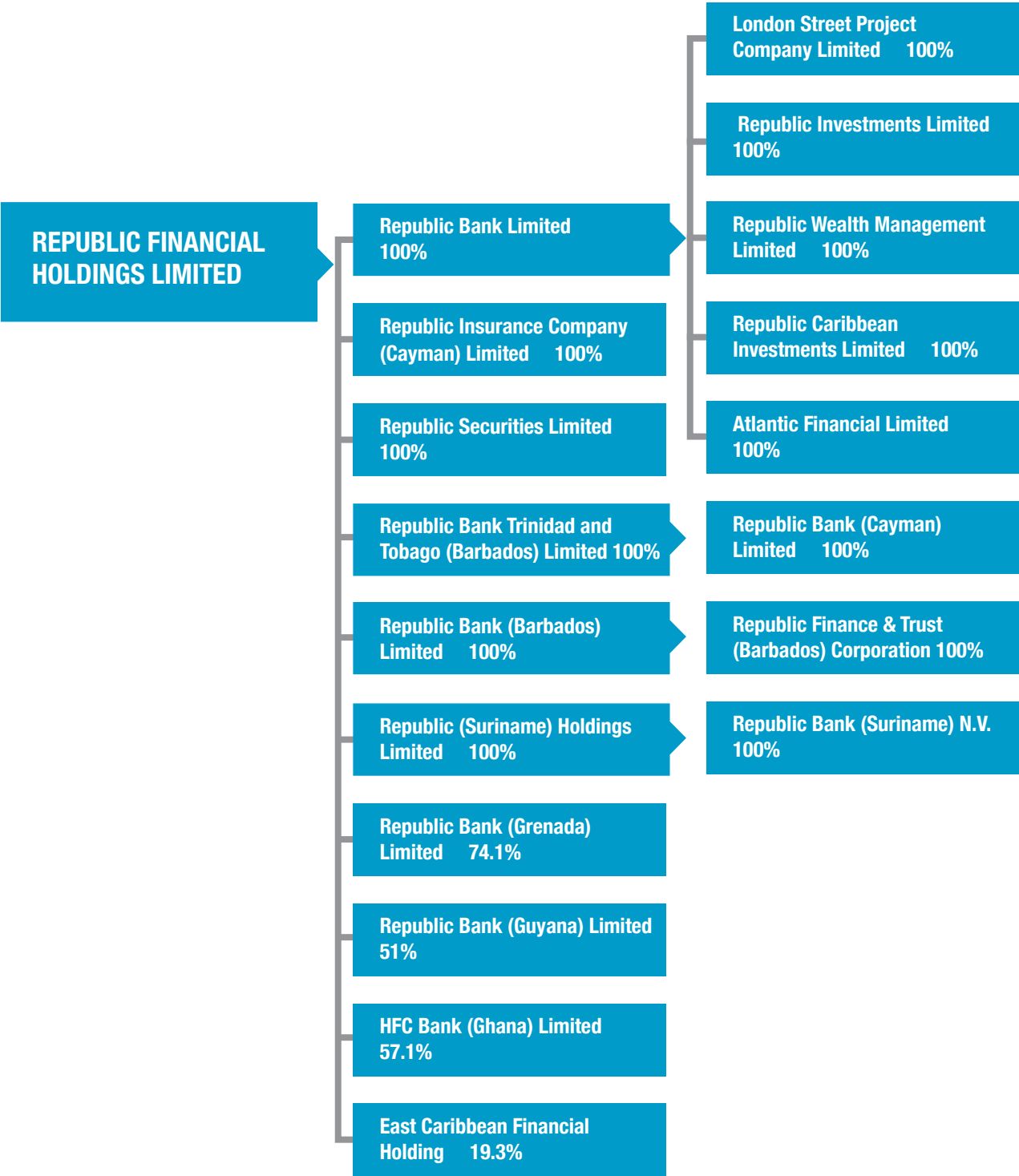


1

CORPORATE INFORMATION

Linked to Growth

OUR CORPORATE STRUCTURE



THE COUNTRIES IN WHICH WE OPERATE



OUR MILESTONES IN HISTORY

1937

The Colonial Bank, the first commercial bank in Trinidad, opened its doors for business. With The Colonial Bank Act of 1925, the Bank was amalgamated with the National Bank of South Africa Limited and the Anglo-Egyptian Bank to become Dominion, Colonial and Overseas D.C.O. was renamed Barclays Bank International Limited. The following year, the Bank's operations were localised and the institution was renamed Barclay's Bank of Trinidad and Tobago.

1981

The passing of a special resolution at an Extraordinary General Meeting of the Company, the Bank took the name Republic Bank Limited.

1992

Purchased a 51% shareholding in the National Commercial Bank of Grenada Limited (NCB).

1997

Acquired 51% shareholding in National Bank of Industry and Commerce Limited (NBIC), the largest commercial bank in Guyana.

After purchasing 23% of Bank of Commerce Trinidad and Tobago Limited in 1994, 1997 showed the successful completion of integration of Bank of Commerce with Republic Bank Limited. Acquisition was one of the largest and most successful organisational transformations within the Caribbean and resulted in the Bank having the largest branch and ABM networks in Trinidad and Tobago.

2003

National Bank of Industry & Commerce (NBIC), the Bank's subsidiary in Guyana, acquired the assets of Guyana National Co-operative Bank (GNCB).

Acquired a 57.23% majority shareholding in Barbados National Bank Inc. (BNB). Shareholding later increased to 65.1%.

Acquired a 99% shareholding in Banco Mercantil S.A. in the Dominican Republic.

Acquired a 20% shareholding in East Caribbean Financial Holding Company Limited (ECFH), the Parent Company of the Bank of Saint Lucia Limited, one of the few regional banks providing development banking services to assist in the expansion of the productive and social sectors of St. Lucia.

2006

National Commercial Bank of Grenada Limited re-branded to Republic Bank (Grenada) Limited.

Acquired the operations of Dextra Bank and Trust Company through Republic Bank Trinidad and Tobago (Cayman) Limited.

National Bank of Industry and Commerce Ltd. re-branded to Republic Bank (Guyana) Limited.

Republic Bank (DR) S.A. sold retail portfolio.

2012

Republic Bank celebrates 175th Anniversary

Barbados National Bank Inc. re-branded to Republic Bank (Barbados) Limited.

2015

From the 2013 acquisition of 40% of HFC Bank (Ghana) Limited, acquired an additional 19.25% shareholding. This increased the shareholdings to a 57.11% majority.

Acquired 100% shareholding in RBC Suriname N.V. which was re-branded Republic Bank (Suriname) N.V.

Acquired 100% shareholding in Royal Overseas Holdings (St. Lucia) Limited which was re-branded Republic Suriname Holdings Limited.

The Group was restructured which resulted in Republic Bank Financial Holdings Limited being established.

NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the First Annual Meeting of Republic Financial Holdings Limited will be held at the Ballroom of the Hilton Trinidad and Conference Centre, Lady Young Road, Port of Spain on Monday December 12, 2016 at 9:30 a.m. for the following purposes:-

- 1 To receive the Audited Financial Statements of Republic Financial Holdings Limited for the year ended September 30, 2016 and the Reports of the Directors and Auditors thereon.
- 2 To take note of the Dividends paid for the twelve-month period ended September 30, 2016.
- 3 To elect Directors.
- 4 To re-appoint the Auditors, Ernst & Young and to authorise the Directors to fix their remuneration.
- 5 Any other business.

By order of the Board



JACQUELINE H.C. QUAMINA
Corporate Secretary

November 3, 2016

NOTES

Persons Entitled to Notice

In accordance with Section 110(2) of the Companies Act Chap. 81:01, the Directors of the Company have fixed November 14, 2016 as the Record Date for the determination of shareholders who are entitled to receive notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Office of the Registrar during usual business hours.

Proxies

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, and in a poll, vote instead of them. A proxy need not be a shareholder. Any instrument appointing a proxy must be received at the Registrar's Office not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes lodged with the Registrar will be excluded.

Dividend

A final dividend of \$3.10 declared for the financial year ended September 30, 2016 will be payable on December 1, 2016 to shareholders at the close of business on November 14, 2016.

Republic Financial Holdings Limited

This is the First Annual Meeting of Republic Financial Holdings Limited since the Republic Bank Limited Vesting Order (Legal Notice #215 of 2015) and the change of name from Republic Bank Limited to Republic Financial Holdings Limited.

Documents Available for Inspection

No service contracts were granted by the Company or Subsidiary Companies, to any Director or Proposed Director of the Company.

CORPORATE INFORMATION

DIRECTORS

Chairman

Ronald F. deC. Harford, *CMT, FCIB, FIBAF, FCABFI, LLD*

President

Nigel M. Baptiste, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*

Directors

Shazan Ali, *BSc (Mechanical Eng.)*

Dawn Callender, *FCCA, CPA, MBA*

Terrence W. Farrell, *PhD, LLB, LEC*

Alison Lewis, *MOM, BA (Econ. and Mgmt.)*

William P. Lucie-Smith, *MA (Oxon), FCA*

Russell Martineau, *CMT, SC, LLM (Lond.)*

Robert Riley, *CMT, BSc (Agri. Sc.), LLB, LEC, EMBA*

Kristine Thompson, *B.Comm., MBA*

Gregory I. Thomson, *BSc (Math and Physics), MBA*

EXECUTIVE MANAGEMENT

Chief Financial Officer

Parasram Salickram, *FCCA, ACMA, CGMA, CA, CFA*

Chief Risk Officer

Anthony C. Subero, *Dip. (Business Mgmt.), IMIS, PMP, MBA*

Chief Internal Auditor

Riah Dass-Mungal, *BSc (Acct.), FCCA*

Group General Counsel/Corporate Secretary

Jacqueline H.C. Quamina, *LLB, MA, MBA, FIBF*

REGISTERED OFFICE

Republic House

4th Floor

9-17 Park Street, Port of Spain

Trinidad and Tobago, West Indies

GROUP HEAD OFFICE

Republic House

4th Floor

9-17 Park Street, Port of Spain

Trinidad and Tobago, West Indies

Tel: (868) 625-4411, 623-1056

Fax: (868) 624-1323

Swift: RBNKTPX

Email: email@republictt.com

Website: www.republicfinancialholdings.com

REGISTRAR

Trinidad and Tobago Central Depository Limited

10th Floor, Nicholas Tower

63-65 Independence Square, Port of Spain

Trinidad and Tobago, West Indies

ATTORNEYS-AT-LAW

Pollonais, Blanc, de la Bastide & Jacelon

Pembroke Court

17-19 Pembroke Street, Port of Spain

Trinidad and Tobago, West Indies

J.D. Sellier & Company

129-131 Abercromby Street, Port of Spain

Trinidad and Tobago, West Indies

Hobsons

Hobsons Court

13-17 Keate Street, San Fernando

Trinidad and Tobago, West Indies

AUDITORS

Ernst & Young

5-7 Sweet Briar Road

St. Clair, Port of Spain

Trinidad and Tobago, West Indies

CONSOLIDATED FINANCIAL SUMMARY

All figures are in thousands of Trinidad and Tobago dollars (\$'000)

	2016	2015	2014	2013	2012
Total assets	66,859,543	66,001,576	59,371,516	57,612,365	51,626,290
Advances	34,292,693	33,007,998	27,095,407	25,235,517	23,317,199
Customers' deposits	49,631,274	49,711,582	43,770,760	42,098,310	37,090,139
Stated capital	765,950	739,125	704,871	649,932	628,150
Equity	9,542,695	9,410,609	8,746,323	8,516,034	8,510,350
Actual number of shares in issue	162,274	161,999	161,663	161,111	160,929
Weighted average number of shares - diluted	161,592	161,662	161,467	160,768	159,776
Profit after taxation and non-controlling interest	946,307	1,223,648	1,193,390	1,151,021	1,158,968
Dividends based on the results of the financial year	705,820	704,665	686,865	683,527	683,950
Dividends paid during the year	704,967	687,597	685,251	683,028	642,819
Dividend per share based on the results of the financial year	\$4.35	\$4.35	\$4.25	\$4.25	\$4.25
Dividend per share paid during the year	\$4.35	\$4.25	\$4.25	\$4.25	\$3.65
Earnings per share (basic)	\$5.87	\$7.59	\$7.42	\$7.18	\$7.27
Return on average assets	1.42%	1.97%	2.10%	2.16%	2.48%
Return on average equity	10.49%	14.09%	14.33%	14.33%	15.48%

GROUP FINANCIAL CALENDAR

DIVIDEND PAYMENTS

Final dividend for year ended September 30, 2016

December 2016

Dividend for half year ending March 31, 2017

May 2017

RESULTS

Publication of results for first quarter to December 31, 2016

February 2017

Publication of results for half year to March 31, 2017

May 2017

Publication of results for third quarter to June 30, 2017

August 2017

Publication of results for year ending September 30, 2017

November 2017

Report and Accounts mailing

November 2017

Annual Meeting

December 2017



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BOARD OF DIRECTORS & EXECUTIVES

On Course Together

BOARD OF DIRECTORS



RONALD F. deC. HARFORD
CMT, FCIB, FIBAF, FCABFI, LLD
Chairman,
Republic Financial Holdings
Limited

NIGEL M. BAPTISTE
BSc (Econ.) (Hons.), MSc (Econ.), ACIB
President,
Republic Financial Holdings
Limited,
Managing Director,
Republic Bank Limited

SHAZAN ALI
BSc (Mechanical Eng.)
Chief Executive Officer,
TOSL Engineering Limited

DAWN CALLENDER
FCCA, CPA, MBA
Director,
Finance and Risk Management,
Power Generation Company
of Trinidad and Tobago

TERRENCE W. FARRELL
PhD, LLB, LEC
Consultant

ALISON LEWIS
MOM, BA (Economics and Management)
Consultant

WILLIAM P. LUCIE-SMITH
MA (Oxon), FCA
Retired Chartered
Accountant

RUSSELL MARTINEAU
CMT, SC, LLM (Lond.)
Senior Counsel

BOARD OF DIRECTORS



ROBERT RILEY

CMT, BSc (Agri. Sc.), LLB, LEC, EMBA

**Executive Director,
Robert Riley Leadership
and Energy Consulting**

KRISTINE THOMPSON

B.Comm, MBA

Entrepreneur

GREGORY I. THOMSON

BSc (Math and Physics), MBA

Consultant

RONALD F. deC. HARFORD

Age 71

CMT, FCIB, FIBAF, FCABFI, LLD

Chairman, Republic Financial Holdings Limited

Ronald F. deC. Harford, Chairman of Republic Financial Holdings Limited and Republic Bank Limited, is a career banker, who has celebrated over 53 years of service with Republic Bank Limited.

Mr. Harford is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago and the Caribbean Association of Banking and Finance. He is the Chairman of Republic Bank (Barbados) Ltd., (formerly Barbados National Bank Inc.), Republic Bank Trinidad and Tobago (Barbados) Limited, Republic Bank (Grenada) Limited and the Campaign Cabinet for Habitat for Humanity Trinidad and Tobago. He is also the Deputy Chairman of the Arthur Lok Jack Graduate School of Business – UWI, a Director of Caribbean Information & Credit Rating Services Limited and a former Director of the Grenada Industrial Corporation. He is a past President of the Bankers Association of Trinidad and Tobago and the Trinidad & Tobago Red Cross Society and the former Chairman of The University of the West Indies (UWI) Development and Endowment Fund, having served on the Board for over two decades.

Mr. Harford is a former founding Director of the Trinidad and Tobago Debates Commission and led the private sector funding that enabled the Commission to be established and hold a successful political debate on Local Government.

On August 31, 2010 Mr. Harford was awarded the Chaconia Medal Gold by the Government of Trinidad and Tobago for his meritorious contribution to banking and the business community.

Mr. Harford was conferred an Honorary Degree of Doctor of Laws (LLD) by the University of the West Indies on October 26, 2012 and was inducted to the Trinidad and Tobago Chamber of Industry and Commerce Business Hall of Fame on November 10, 2012.

NIGEL M. BAPTISTE

Age 50

BSc (Econ.) (Hons.), MSc (Econ.), ACIB

**President, Republic Financial Holdings Limited
Managing Director, Republic Bank Limited**

Nigel M. Baptiste was appointed President, Republic Financial Holdings Limited and Managing Director of Republic Bank Limited on February 11, 2016.

He was first appointed to the Board in 2005, as Executive Director. He is a First Class Honours Graduate of The University of the West Indies, an Associate of the Chartered Institute of Banking in England and a graduate of the Stonier Graduate School of Banking in the United States of America. Mr. Baptiste serves on the Boards of Republic Bank (Guyana) Limited, HFC Bank (Ghana) Limited and other entities within the Republic Bank Group.

SHAZAN ALI

Age 69

BSc (Mechanical Eng.)

Chief Executive Officer, TOSL Engineering Limited

Shazan Ali joined the Board of Directors of the Republic Group in 2010. He is the Chief Executive Officer of TOSL Engineering Limited. He has a wealth of experience in the energy industry and spent the last 34 years developing TOSL Engineering into a world-class operation with interests in the wider Caribbean, the Guianas and Sub-Saharan Africa.

External Appointments

Mr. Ali is the Chairman of Eagle Ibis Consulting Limited and a Council Member of the Energy Chamber of Trinidad and Tobago (ECTT). In these roles, he aims to fashion a more proactive energy services sector that will redound more financial benefits to the Trinidad and Tobago economy.

DAWN CALLENDER

Age 59

FCCA, CPA, MBA

**Director, Finance and Risk Management,
Power Generation Company of Trinidad and Tobago**

Dawn Callender joined the Board of Directors of the Republic Group in 2011. She heads the Corporate Strategy Function at the Power

BOARD OF DIRECTORS

Generation Company of Trinidad and Tobago (Powergen). She also holds the position of Director of Finance and Risk Management, and has worked in the UK, US and Zimbabwe in the fields of business management, strategic financial management and implementation of business systems. With over ten years of experience at the executive management level, Ms. Callender is a Fellow of the Association of Chartered Certified Accountants (UK) and a Certified Public Accountant. She holds an MBA from Henley Management College in the UK and has research interest in the fields of strategy and leadership.

External Appointments

Ms. Callender is a Director of Trinidad Dry Dock Company Limited.

TERRENCE W. FARRELL

Age 63

PhD, LLB, LEC

Consultant

Terrence W. Farrell is Principal of Farrell Law and Mediation, which provides legal advice as well as mediation and arbitration services. He is also the Principal Consultant of Terrayanna Investments Limited, which provides business development and strategy consulting services. In 2008, he was appointed to the Board of Directors of the Republic Group.

Dr. Farrell is a former Deputy Governor of the Central Bank of Trinidad and Tobago. Within the private sector, he has held senior executive positions at Guardian Holdings Limited and One Caribbean Media Limited (Group Chief Executive Officer). He studied Economics at the University of the West Indies, and at the University of Toronto where he obtained his PhD in 1979. He also holds an LLB (London) degree, as well as the LEC (Hugh Wooding Law School). He is a Fellow of the Institute of Banking and Finance of Trinidad and Tobago. He has published several scholarly articles in Economics, written a book on Central Banking in Trinidad and Tobago, and co-edited a book on Caribbean Monetary Integration. His latest book, "The Under-Achieving Society: Development Policy and Strategy in Trinidad and Tobago, 1958 - 2008" was published by UWI Press in 2013.

External Appointments

Dr. Farrell is a director of CREDI and Chairman of the Economic Development Advisory Board.

ALISON LEWIS

Age 62

MOM, BA (Econ. and Mgmt.)

Consultant

Alison Lewis was appointed to the Republic Group Board of Directors in 2014. She is a member on the Economic Development Advisory Board and a Director at Trinidad Cement Limited.

In August 2015, Ms. Lewis was awarded the Public Service Medal of Merit (Gold) by the Government of Trinidad and Tobago for her meritorious and outstanding service. She was a governor of the Heritage and Stabilisation Fund. She has worked as an Advisor in the office of Executive Director World Bank, as Permanent Secretary of the Ministry of Finance and was a former Commissioner on the Securities and Exchange Commission. Over the last two decades, Ms. Lewis sat on several Boards of Directors, including those of the Central Bank of Trinidad and Tobago and the Sovereign Wealth Funds Group.

WILLIAM P. LUCIE-SMITH

Age 65

MA (Oxon), FCA

Retired Chartered Accountant

William P. Lucie-Smith is a retired Senior Partner of PricewaterhouseCoopers Trinidad where he headed its Corporate Finance and Recoveries practice. He joined the Board of Directors of Republic Group in 2005. A Chartered Accountant by profession, Mr. Lucie-Smith holds an MA in Philosophy, Politics and Economics from Oxford University. He has extensive experience in mergers and acquisitions, valuation and taxation.

External Appointments

Mr. Lucie-Smith currently serves as a Non-Executive Director on a number of Boards including Massy Holdings Ltd. and Sagicor Financial Corporation.

RUSSELL MARTINEAU

Age 71

CMT, SC, LLM (Lond.)

Senior Counsel

Russell Martineau joined the Republic Group Board of Directors in 1999. He has been Senior Counsel since 1993 and is a member of the Bar in England and Wales, Barbados, Antigua, St. Lucia, St. Vincent,

Grenada, Dominica and Trinidad and Tobago. He is Chairman of the A.N.R. Robinson Library, Museum and Ethics Centre; a former Attorney General of Trinidad and Tobago and a former President of the Law Association of Trinidad and Tobago. In August 2012, Mr. Martineau was awarded the Chaconia Medal (Gold) by the Government of Trinidad and Tobago for his meritorious contribution to the field of law.

External Appointments

Mr. Martineau is a member of the Board of Directors of Caribbean Finance Company Limited.

ROBERT RILEY

Age 59

CMT, BSc (Agri. Sc.), LLB, LEC, EMBA

Executive Director, Robert Riley Leadership and Energy Consulting

Robert Riley joined the Board of Directors, Republic Financial Holdings Limited, on October 1, 2016.

During his professional career, which spans more than three decades, Mr. Riley has held a number of executive management and senior legal positions, including Group Head of Safety and Operation Risk, BP PLC (London); Chairman and Chief Executive Officer, BP Trinidad and Tobago; Business Unit Leader, BP Amoco Trinidad; Vice President, Legal and Government Affairs, Amoco and BP/Amoco; General Counsel and Corporate Secretary, BWIA; Attorney, Legal and Government Affairs, Amoco Trinidad; and Advocate Attorney-at-Law, JD Sellier & Co.

An Attorney-at-Law, admitted to the Supreme Court in 1987, Mr. Riley holds a Consortium Executive MBA from the Thunderbird American Graduate School of International Management; a Bachelor of Laws (Hons.) from the University of the West Indies, Barbados; and BSc. (Hons) in Agricultural Science from the University of the West Indies, St. Augustine, Trinidad. In 2003, he was awarded a Chaconia Medal (Gold) for Contribution to National Development, and in 2009, he was awarded a Doctor of Laws Honoris Causa from the University of the West Indies, St. Augustine.

External Appointments

Mr. Riley has served as Chairman, Amoco Trinidad and Tobago LLC and other Amoco Entities; Executive Director, Titan Methanol; Executive

Chairman, BP Trinidad and Tobago LLC; Executive Director, Atlantic LNG Boards; Executive Director, PowerGen; Director, Bank of Nova Scotia Trinidad and Tobago Limited; Founder Director, University of Trinidad and Tobago (UTT); and Director, Caribbean Airlines Limited. Currently, Mr. Riley serves as Director, Sequis LLC (Internet Software Company); and Non-Executive Director, Massy Holdings Limited.

KRISTINE THOMPSON

Age 45

B. Comm., MBA

Entrepreneur

Kristine Thompson joined the Republic Group Board of Directors in 2011. She owns and operates the Chuck E. Cheese's family restaurant franchise in Trinidad. Prior to this, she was heavily involved in project development, particularly in the energy sector, and has extensive experience in the fields of finance, private equity, mergers and acquisitions and general management. The early years of her career were spent in management consulting with the Boston Consulting Group (BCG) where she advised Fortune 500 companies, with stints at BCG's Toronto, New York, Buenos Aires and Melbourne offices. She then headed the business development function at Guardian Holdings for many years. She holds a Bachelor of Commerce degree from Queen's University in Canada and a Master's Degree in Business Administration from the Harvard Business School.

External Appointments

Mrs. Thompson currently serves as a Non-Executive Director on the Boards of the Caribbean Communications Network (CCN) and the Arthur Lok Jack Graduate School of Business.

GREGORY I. THOMSON

Age 64

BSc (Math and Physics), MBA

Consultant

Gregory I. Thomson has over 35 years of experience in Banking and Finance. He was the Deputy Managing Director of Republic Bank Limited for seven years and retired from this position in 2012. Mr. Thomson joined the Board of Directors in 2014. Mr. Thomson holds a Bachelor of Science Degree in Mathematics and Physics from The University of the West Indies and a Master of Business Administration (MBA) degree from the University of Western Ontario, Canada.

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the year ended September 30, 2016.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Group's profit after taxation and non-controlling interest for the year ended September 30, 2016 amounted to \$946.3 million.

The Directors have declared a dividend of \$3.10 per share for the year ended September 30, 2016. A half-year dividend of \$1.25 per share was paid on June 1, 2016, making a total dividend on each share of \$4.35 (2015: \$4.35).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2016 together with their connected parties and our ten (10) largest shareholders.

DIRECTORS AND SENIOR OFFICERS

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	11,212	
Nigel M. Baptiste	17,070	
Dawn Callender	1,000	
Terrence W. Farrell	-	
Ronald F. deC. Harford	4,574	
Alison Lewis	-	
William P. Lucie-Smith	-	7,500
Russell Martineau	-	1,000
Robert Riley	1,000	
Kristine Thompson	-	
Gregory I. Thomson	15,917	
Jacqueline H.C. Quamina	29,197	2,702
Parasram Salickram	10,183	
Anthony C. Subero	9,294	
Riah Dass-Mungal	4,283	

There has been no change in these interests occurring between the end of the Company's year and one month prior to the date convening the Annual Meeting.

10 LARGEST SHAREHOLDERS

Shareholder	Ordinary Shares	%
CLICO Trust Corporation Ltd.	40,072,299	24.69
National Insurance Board	29,104,942	17.94
CLICO Investment Bank Ltd. (In liquidation)	16,196,905	9.98
Trintrust Limited	14,687,491	9.05
First Company Limited	13,191,640	8.13
Colonial Life Insurance Company Ltd.	11,786,000	7.26
RBC Trust Limited	5,728,833	3.53
First Citizens Trust & Merchant Bank Ltd.	4,444,069	2.74
Trinidad & Tobago Unit Trust Corporation	2,265,290	1.40
Guardian Life of the Caribbean Ltd.	2,166,998	1.34

DIRECTORS

In accordance with By-law No. 1, Paragraph 4.4, Messrs. Shazan Ali, William P. Lucie-Smith and Mrs. Kristine Thompson retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

Mr. Robert Riley was appointed a Director on October 1, 2016 to fill a casual vacancy. In accordance with By-law No. 1, Paragraph 4.4.5, Mr. Riley, having been appointed since the last meeting, retires from the Board and being eligible, offers himself for re-election for a term expiring at the close of the second annual meeting following this appointment.

COMMUNITY INVOLVEMENT

The Power to Make A Difference

With the first steps under a new banner as Republic Financial Holdings Limited, the Group's commitment to serve – the very heart of the Power to Make A Difference – gained even greater momentum as relationships were strengthened with diverse societies across the English-speaking Caribbean and bonds formed in South America and Africa.

The journey that started more than a decade ago in collaboration with non-governmental and charitable communities to alleviate social ills, through investment and collaboration, continues to define the Group as a responsible corporate citizen in every market that Republic Financial Holdings Limited now calls home. In this new era, the goal remains to reach out to an even wider cross section of people in providing much-needed assistance in the fight for poverty alleviation, youth development through sport, culture, the arts, and education, advocating the rights of the differently able, and providing a better standard of life for the sick, the socially marginalised, and elderly.

Regionally, flagship youth empowerment investments – the Republic Bank Youth Link Apprenticeship Programme, Republic Cup Youth Football and the Republic Bank Pan Minors Music Literacy Programme were maintained. Adding to that, new territory in literacy and education was charted, thanks to partnerships with the Cropper Foundation and their Teen Writer's Workshop (Trinidad), the T.A. Marryshow Community College with the revamping of its Mirabeau Campus computer room (Grenada), the University of Guyana on their National Development Scholarship Programme, and with the YMCA on their redevelopment project (Barbados).

DIRECTORS' REPORT

The Group remained steadfast in support of raising awareness around health and social issues like cancer, diabetes, autism and dyslexia, as once again strong ties were forged with the Trinidad and Tobago Cancer Society, the Grenada Cancer Society, the Autistic Society of Trinidad and Tobago (ALTA), Step-by-Step Foundation – School for Autistic Children (Guyana), the Dyslexia Association (Trinidad and Tobago), the National Centre for Persons with Disabilities, Women Across Differences (Guyana), the Dorothy Hopkin Centre for the Disabled (Grenada), Persons Associated with Visual Impairment (P.A.V.I.), and the Irving Wilson School for the Blind and the Deaf (Barbados).

Committed to championing social investment by example, staff members channelled their time, energy, and effort – that unique Republic spirit of kinship – into the Group's staff volunteerism programme, working hand-in-hand with charities across the region to make a difference. They worked together to provide and refurbish homes for families, orphans, and senior citizens in need, refurbish a pediatric ward, and repair and restore a library and a basketball court for a diversity of communities across the region.

Without a doubt, as the drive to accentuate corporate citizenship, under the banner of Republic Financial Holding Limited, takes us into uncharted but familiar territories, in this new phase, the Group looks forward to working together as one with employees, customers, and communities across the diversity of markets. The Group will make a greater push toward sustainable development; one where new opportunities to build will arise, and existing relationships strengthened as the best possible way to create a meaningful, long-lasting impact and contribute to a thriving, sustainable tomorrow.

AUDITORS

The retiring Auditors, Ernst & Young have expressed their willingness to be re-appointed and a resolution to that effect will be proposed at the Annual Meeting.

By order of the Board



JACQUELINE H.C. QUAMINA
Corporate Secretary

CHAIRMAN'S REVIEW



RONALD F. deC. HARFORD

RESULTS

Republic Financial Holdings Limited (RFHL) and its subsidiaries, recorded core profits attributable to equity holders of the parent of \$1.18 billion for the year ended September 30, 2016, an increase of \$8.4 million or 0.7% over the core profits of the prior year. However, when the impact of the following one-off items totalling \$236.9 million is accounted for, we achieved profits after tax of \$946.3 million, a decrease of \$277.3 million or 22.7% from the prior year. The three items were:

- 1 Goodwill impairment of \$107.3 million recognised on investment in HFC Bank (Ghana) Limited (HFC);
- 2 A loss of \$117.8 million recorded by HFC, of which RFHL's 57.11% share is \$67.8 million and;
- 3 A \$61.8 million impairment charge of RFHL's 19.3% stake in East Caribbean Financial Holdings Limited (ECFH).

A full discussion of these three items can be found in the President's Discussion and Analysis contained on pages 27 to 38 of this report.

Based on these results, the Board of Directors has declared a final dividend of \$3.10 (2015: \$3.10), which brings the total dividend for the fiscal year to \$4.35 (2015: \$4.35). This final dividend, which represents a payout ratio of 74.6% (2015: 57.4%), will be paid on December 1, 2016 to all shareholders on record at November 14, 2016.

KEY HIGHLIGHTS FOR THE YEAR

Holding Company

On December 16, 2015, Republic Financial Holdings Limited (RFHL) was created, the umbrella company for all of our main banking subsidiaries. The holding company structure will better enable us to segregate and isolate the risk among the various group companies, will allow for a more efficient deployment of capital, and will bring us in line with international best practice.

Acquisitions

In the last quarter of the Fiscal 2016, RFHL acquired a further 23.12% shareholding in Republic Bank (Grenada) Limited, increasing our total shareholding from 51% to 74.12%. This larger shareholding is in

CHAIRMAN’S REVIEW

keeping with our focus of deepening our footprint across the region and creating the platform for greater operational synergies across the Group.

During the year, we continued the integration process of our new subsidiaries in Ghana and Suriname through implementation of common policies and procedures and secondment and cross-training of staff.

Regulations

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

THE GLOBAL ECONOMY

The global economy is expected to expand by 3.1% in 2016, marginally down from 2015 (3.2%). Growth in 2016 was restrained by Brexit and the weaker-than-expected growth in the US economy. Advanced economies recorded a weak performance during the year, with GDP projected to ease to 1.6% compared to 2.1% in 2015.

Emerging market and developing economies are expected to expand by 4.2% in 2016 compared to 4% in 2015. Despite this slight improvement, the slowdown in the Chinese economy provides substantial downside risks for these economies going forward. China’s GDP is expected to slow further in 2016, to 6.6%, as it continues its efforts to rebalance its economy.

THE REGIONAL ECONOMY

In 2016, the divergence between tourism-dependent and commodity-exporting countries continued. Economic activity in tourism-dependent economies is anticipated to expand by 2.2% in 2016, up from 1.2% in 2015. Conversely, the economies of commodity exporters are projected to contract by an estimated 0.6% in 2016, following a slide of 0.9% in 2015.

Trinidad and Tobago

After a GDP contraction of 3% year-on-year in the fourth quarter of 2015, continued weak performances in both the energy and non-energy sectors ensured that the domestic economy remained in the doldrums in 2016. Real GDP is projected to decline by 2.3%

in 2016. The performance of the energy sector was suppressed by weak global energy prices and lower domestic production. Oil prices averaged US\$42.78 in 2016, compared to US\$56.49 in 2015, while oil output fell from 81,059 barrels per day (b/d) to average 71,182 b/d for the first eight months of 2016. Natural gas output contracted by more than 11% compared to 2015, thereby placing a damper on the downstream sector. Similarly, the non-energy sector struggled, with the manufacturing sub-sector negatively impacted by the closure of the country’s largest iron and steel plant, Arcelor Mittal. Construction activity fell substantially, while the distribution sector contracted for a third successive year.

The fiscal deficit widened from 1.8% of GDP in fiscal 2015 to 5% of GDP in fiscal 2016. Given its current fiscal constraints, the Government embarked on, and successfully completed, an initiative to raise debt financing; raising in excess of \$10 billion on the domestic and international markets in 2016. Net public sector debt has now increased from 50.9% of GDP in fiscal 2015 to 60.8% of GDP in fiscal 2016.

Looking ahead, the domestic economy may experience a boost in construction activity, as the government plans to commence a number of projects in the next fiscal. However, the energy sector is expected to face continued challenges in the new fiscal, with global energy prices forecasted to remain weak. In this regard, the plan by the current administration to provide incentives to encourage the recovery of an estimated 3 billion barrels of “stranded oil” is timely. Gas production is likely to receive a boost in 2017, with new output expected to be released to the market.

Barbados

Economic activity picked up slightly in 2015, with growth of 0.9%, driven largely by an increase in private investment and a 14% surge in tourism arrivals. Barbados’ economy grew by a further 1.3% in the first half of 2016; mainly due to the tourism sector, which saw a 5.3% increase in long-stay visitors. Growth is expected to reach 1.5% in 2016 as some major projects got off the ground. In spite of the improved economic performance, the 2016 fiscal deficit worsened to 7.4% of GDP, while total debt to GDP stood at 108% by June 30th. International reserves fell by \$43 million in the first half of 2016 to \$884 million, equivalent to 13.6 weeks of import cover.

In April 2016, Moody’s Investor Services lowered Barbados’ credit rating from B3 to Caa1 with a ‘stable’ outlook. Later in the year,

Standard and Poor’s (S&P) also lowered its long-term foreign and local currency sovereign ratings on Barbados to B- from B with a “negative” outlook for the island.

Ghana

The Ghanaian economy expanded by 3.9% in 2015 and is projected to grow by 3.3% in 2016. In 2015, the main drivers for growth were the services, trade and information and communication sectors. Slower growth is expected in 2016 due to disruptions in oil production and a subdued non-energy sector. The fiscal deficit was 6.9% of GDP in 2015 and this deficit is projected to fall to 5.2% of GDP in 2016. Fiscal consolidation was challenging in 2016, due to low domestic revenues resulting from the weaker performance of the oil-sector and overall weak economic activity. However, the Government was able to cut expenditure by reducing capital spending and transfers during the first half of 2016. Total Public Sector Debt is forecasted to be 70.4% of GDP in 2016, but the government’s ongoing fiscal consolidation programme is expected to gradually reduce this figure in coming years. Crucially, the Cedi which had depreciated by 18% in 2015, displayed considerably more stability in 2016 with only a 4% depreciation recorded up to October 28, 2016.

Oil production is likely to be boosted in 2017 with the coming online of a second Tweneboa, Enyenra, Ntomme (TEN) oilfield. On the other hand, the non-oil sector will remain subdued, given tight fiscal measures and strict monetary policies. The country’s fiscal accounts are expected to improve under the IMF’s Extended Credit Facility Arrangement.

Grenada

Grenada recorded economic growth of 4.6% in 2015, due largely to the expansion of agriculture, tourism and tourism-related construction. Stay-over tourist arrivals increased by 5.6% in 2015, but this growth created relatively few jobs, resulting in little improvement in the unemployment rate which stands around 30%. Grenada’s tourist arrivals remained strong in 2016 with an estimated 10.3% increase in arrivals during the first half of this year. Initiatives to enhance tax collection resulted in Grenada achieving a fiscal surplus of 2.2% of GDP in 2015 - its first surplus in a decade. The discipline and determination continued in 2016 with a 3% fiscal surplus in the first half of the year. Ongoing debt restructuring efforts have seen the country’s debt to GDP ratio fall from 101.4% in 2014 to 85% in June 2016. The IMF expects Grenada’s economic growth to moderate to a more sustainable rate of 3% in 2016 and 2.7% in 2017.

Guyana

Guyana’s economy achieved growth of 3% in 2015. While protracted low prices for gold and alumina weakened the revenue stream from these commodities, economic activity and output were boosted in the last third of the year with the September start-up of the Aurora gold mine in Cuyuni-Mazaruni, followed by the opening of the Karouni gold mine in the Essequibo region in October. The Government’s fiscal balance improved markedly from a deficit of 5.6% of GDP in 2014 to a deficit of just 0.2% in 2015. Debt to GDP also improved to 48.2% by year’s end. International reserves remained at around 3.5 months of import cover as weaker reserve accumulation was offset by a lower oil import bill.

Guyana’s economy grew by 2% in the first half of 2016 largely due to the mining and quarrying sector, driven again by strong outputs of gold, diamonds and bauxite. Nonetheless, revenue from diamonds and bauxite declined overall due to lower world market prices. Growth for 2016 is expected to reach 4% as additional gold mining projects come on stream, agriculture output improves and oil-related investment picks up. The IMF projects a similar level of growth in 2017.

Suriname

Suriname’s economy continued to be challenged by the fall in international commodity prices and the shutdown of its alumina industry. The ensuing drop in revenue inflows combined with an increase of government spending resulted in a deterioration of the country’s fiscal balance to -8.8% of GDP in 2015. Foreign reserves fell by almost 50% to US\$355 million at the end of 2015, and, in an attempt to arrest this slide, the Surinamese dollar was devalued by 21% in November 2015. In March 2016, the authorities floated the dollar, leading to a depreciation of roughly 60% and a cumulative depreciation of 90% from October 2015.

As a result of the significant deterioration in a number of its key indicators, in May 2016, Moody’s lowered Suriname’s credit rating from Ba3 to B1 with a ‘stable’ outlook. This followed downgrades by Fitch Ratings in February 2016 (from BB- to B+, Negative outlook) and Standard and Poor’s in April 2016 (from BB- to B+, Negative outlook).

Following growth of 0.1% in 2015, Suriname’s economy is expected to contract by 2% in 2016, as a result of the significant weakening of its key drivers, while its debt-to-GDP ratio is likely to increase to a still respectable 46% in 2016 before declining thereafter. The IMF has

CHAIRMAN’S REVIEW

forecasted growth of 2.5% for Suriname in 2017, driven by increased economic activity associated with the coming on stream of the Newmont Gold Mine and the Staatsolie Oil refinery upgrade.

OUTLOOK

Global oil prices are expected to remain weak in 2017, while European and British interest rates are expected to remain unchanged. Interest rates in the US are expected to increase in the short term, albeit marginally. This environment along with the continued possibility of more de-risking by major international banks, will adversely impact economic fortunes in emerging markets generally, and the Caribbean, in particular.

Despite economic challenges in several of the countries in which we operate, we are optimistic that given our strong asset base and sound risk management policies, we will achieve a satisfactory performance in 2017.

I wish to acknowledge and thank Mr. David Dulal-Whiteway, President, who retired in February 2016, for his sterling service to the Group for over 25 years; 10 of which was served in the capacity of Managing Director of the Bank. I also welcome Mr. Nigel Baptiste, who assumed the role of President following Mr. David Dulal-Whiteway's retirement.

I wish to recognise and thank Mr. Chandrabhan Sharma for over 19 years dedicated service to the Group. I also take this opportunity to warmly welcome Mr. Robert Riley, who joined the Board in October 2016.

I thank all our valued stakeholders of RFHL and its subsidiaries for their continued commitment, loyalty and support throughout the year.

PRESIDENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

Republic Financial Holdings Limited (RFHL) and its subsidiaries recorded profit attributable to equity holders of the parent of \$946.3 million for the year ended September 30, 2016, a decrease of \$277.3 million or 22.7% compared to the prior year. These results were affected by three major one-off items which occurred in the last quarter of the fiscal.

Excluding these one-off items, profit attributable to equity holders of the parent grew by \$8.4 million or 0.7%, comparable with the growth rate reported in the first three quarters. This is analysed in the following table:



NIGEL M. BAPTISTE

PRESIDENT’S DISCUSSION AND ANALYSIS

NET PROFIT

All figures are in TT\$ Millions	Notes	2016	2015	Change	% Change
Profits attributable to equity holders of the parent, excluding one-off items		1,183.2	1,174.8	8.4	0.7%
One-off items in 2016 (after-tax):					
- Goodwill impairment expense - HFC	1	(107.3)			
- RFHL Share of HFC loss	2	(67.8)			
- Write-down of investment in ECFH	3	(61.8)			
Net one-off losses - 2016		(236.9)			
One-off items in 2015 (after-tax):					
- One-off recovery on a non-performing corporate loan	4		123.4		
- Goodwill impairment - RBL Cayman	4		(31.5)		
- RFHL Share of HFC loss	4		(43.0)		
Net one-off gains - 2015			48.9		
Profits attributable to equity holders of the parent, as reported		946.3	1,223.6	(277.3)	-22.7%

- 1 The acquisition of a controlling interest of 57.11% in HFC Bank (Ghana) Limited (HFC) over the period November 2012 to April 2015 gave rise to a final goodwill position of \$230 million after recognising intangible assets of \$40.2 million. As required by International Financial Reporting Standards, the goodwill was tested for impairment and an amount of \$107.3 million was considered to be impaired. The following were the major reasons for the impairment:
- a At the time of the first investment in HFC, the Ghana Cedi per US Dollar was 1.89, and at September 2016, it was 4.03; a depreciation of 114%. It means, therefore, that the level of earnings, when converted to Trinidad and Tobago dollars, will be less than half of what was originally envisaged.
- b The level of non-performing loans (NPL's) increased after acquisition mainly due to large unexpected losses in the corporate sector. NPL's to gross loans at September 30, 2016 is 31.3%, compared with 11.4% at the time of gaining controlling interest.
- 2 HFC's profits before loan losses grew by \$35 million or 219% over the prior year. However, loan losses of \$169 million, mainly on loans to the energy distribution sector, resulted in a loss of \$117.8 million, of which RFHL's 57.11% share is \$67.8 million.
- 3 RFHL's 19.3% stake in East Caribbean Financial Holdings Limited (ECFH) was written down by \$61.8 million after an assessment of the carrying value. ECFH's recorded losses, significant variability in earnings over the last five years, and less optimistic growth outlook resulted in the write-down.

- 4 In 2015, profits were boosted by a recovery of \$123.4 million (after tax) on a non-performing facility, which were offset somewhat by goodwill impairment of \$31.5 million for our Cayman operations and losses at HFC of \$43 million (RFHL's share).

Based on these results, the Board of Directors has declared a final dividend of \$3.10 per share for the year ended September 30, 2016. When combined with the interim dividend of \$1.25 per share, this brings the total dividend for the year to \$4.35 per share.

The following is a detailed discussion and analysis of the financial results of RFHL and its subsidiaries. This should be read in conjunction with the audited financial statements contained on pages 84 to 164 of this report. All amounts are stated in Trinidad and Tobago dollars.

HFC became a subsidiary on May 1, 2015, and Republic Bank Suriname NV (RBSR) on July 31, 2015. The financial results of these two subsidiaries were fully consolidated in 2016, but in 2015, the Group results included three months of income and expense from HFC, and no income and expense items from RBSR. We have excluded the effect of these two subsidiaries for income and expense line items, where practical, to make the comparison more meaningful.

REVIEW OF THE CONSOLIDATED STATEMENT OF INCOME

NET INTEREST INCOME AND NET INTEREST MARGINS

All figures are in TT\$ Millions	2016	2015	Change	% Change
Interest Income	3,611	2,779	832	29.9%
Interest Expense	(553)	(326)	(228)	69.9%
Net Interest Income	3,057	2,453	604	24.6%
Trinidad and Tobago	1,901	1,688	214	12.7%
Barbados	427	366	62	16.9%
Guyana	214	192	22	11.4%
Cayman/Eastern Caribbean	182	166	16	9.5%
Suriname	83	–	83	100.0%
Ghana	250	42	208	495.3%
Total	3,057	2,453	604	24.6%
Average Total Assets	66,431	62,682	3,749	6.0%
Net interest margin	4.60%	3.91%		

Overall, net interest income increased by \$604 million or 24.6% in 2016. However, excluding the operations in Ghana and Suriname, which were not subsidiaries for the whole of the comparative period in 2015, the growth was \$313 million or 13%.

PRESIDENT’S DISCUSSION AND ANALYSIS

- In Trinidad and Tobago, the loan portfolio grew by \$991 million or 4.5%, and the related increase in interest income was \$224 million. Investment securities increased by \$1.1 billion, resulting in a \$30.9 million increase in interest income. Despite a \$1.8 billion decline in the deposit portfolio in Trinidad and Tobago, increased interest rates on deposit products resulted in a \$10 million rise in interest expense, while a \$1.5 billion increase in other fund raising instruments resulted in a \$25.3 million increase in interest paid on those instruments.
- In Barbados, the loan portfolio increased by \$146 million, resulting in a \$10 million increase in interest income and the removal of the minimum savings rate resulted in reduced interest expenses of \$52 million. The combination of these factors resulted in a \$62 million increase in net interest income.
- A \$283 million increase in total advances in Guyana resulted in a \$20 million increase in interest income.

While average total assets increased by \$3.7 billion or 6% in 2016, the 24.6% increase in net interest income and higher spreads in Ghana and Suriname resulted in an increase in net interest margin, from 3.9% in 2015 to 4.6% in 2016.

OTHER INCOME

All figures are in TT\$ Millions	2016	2015	Change	% Change
Fees and commission income	1,011	827	184	-22.2%
Net exchange trading income	230	283	(52)	-18.6%
Gains from disposal of investments	28	28	–	-0.7%
Other operating income	145	201	(57)	-28.1%
Total Other Income	1,414	1,339	75	5.6%
Trinidad and Tobago	972	1,008	(36)	-3.5%
Barbados	142	142	–	0.3%
Guyana	81	89	(8)	-8.8%
Cayman/Eastern Caribbean	71	66	5	6.9%
Suriname	51	–	51	100.0%
Ghana	106	45	61	135.6%
Inter-company eliminations	(9)	(11)	2	19.0%
Total	1,414	1,339	75	5.6%

Other Income increased by \$75 million or 5.6% in 2016 over 2015; however, excluding Ghana and Suriname, this area actually declined by \$36 million or 2.8%.

This decline was in Trinidad and Tobago and is the net effect of the following:

- Fees and commissions increased by \$44 million, of which commissions from credit card services increased by \$34.5 million, and fees from Trustee services increased by \$16.5 million. These increases were slightly offset by a \$7 million decline in fees from customer account services.
- Exchange earnings declined by \$46.7 million or 23% as a result of reduced trading volumes and declining spreads.
- Gains on the sale of investments declined by \$19 million and other operating income declined by \$15 million. These were mainly as a result of positive one-off items in 2015 which were not repeated in 2016.

CORE OPERATING EXPENSES

All figures are in TT\$ Millions	Consolidated 2016	Less Ghana and Suriname	2016 Excluding Ghana and Suriname	Consolidated 2015	Less Ghana and Suriname	2015 Excluding Ghana and Suriname	Change	% Change
Staff Costs	1,237.8	(203.2)	1,034.5	1,019.8	(36.4)	983.4	51.2	5.2%
General administrative expenses	827.2	(146.2)	681.0	706.3	(34.9)	671.4	9.6	1.4%
Property related expenses	151.7	(14.2)	137.4	120.4	–	120.4	17.0	14.1%
Depreciation	165.6	(25.7)	139.9	145.2	(4.5)	140.6	(0.7)	-0.5%
Advertising and public relations	81.7	(8.7)	73.0	76.0	(0.7)	75.3	(2.3)	-3.1%
Other	67.1	(9.2)	57.9	56.8	(3.5)	53.3	4.6	8.6%
Total core operating expenses (excluding Ghana and Suriname)	2,531.1	(407.3)	2,123.8	2,124.5	(79.9)	2,044.5	79.3	3.9%
Trinidad and Tobago	1,593.0	–	1,593.0	1,496.7	–	1,496.7	96.3	6.4%
Barbados	333.3	–	333.3	319.1	–	319.1	14.2	4.4%
Guyana	136.4	–	136.4	133.1	–	133.1	3.3	2.5%
Cayman/Eastern Caribbean	127.0	–	127.0	107.1	–	107.1	19.8	18.5%
Suriname	112.5	(112.5)	–	–	–	–	–	0.0%
Ghana	294.8	(294.8)	–	79.9	(79.9)	–	–	0.0%
Inter-company eliminations	(65.9)	–	(65.9)	(11.5)	–	(11.5)	(54.4)	474.5%
Total Core operating expenses	2,531.1	(407.3)	2,123.8	2,124.5	(79.9)	2,044.5	79.3	3.9%

Core operating expenses, excluding costs incurred by Ghana and Suriname in 2015 and 2016, increased by \$79.3 million or 3.9%.

The major contributor to this increase was staff costs, which increased by \$51.2 million or 5.2%, mainly due to union-negotiated salary increases in Trinidad and Tobago, Barbados and Grenada.

General administrative expenses increased by \$9.6 million or 1.4% mainly in Trinidad and Tobago, where increased costs were incurred for credit card rewards programs, regulatory fees, security and software license fees.

Increased provisions for rates and taxes and higher property rental and electricity in Trinidad and Tobago resulted in a \$17 million or 14.1% increase in Property-related expenses.

PRESIDENT’S DISCUSSION AND ANALYSIS

LOAN IMPAIRMENT EXPENSE

All figures are in TT\$ Millions	2016	2015	Change	% Change
Retail lending	76.7	62.6	14.1	22.5%
Corporate and commercial lending	314.4	69.4	245.0	352.9%
Mortgages	21.5	33.2	(11.7)	-35.3%
	412.6	165.3	247.4	149.7%
Trinidad and Tobago	139.5	(8.4)	147.9	1752.4%
Barbados	42.0	33.5	8.6	25.6%
Guyana	24.7	17.4	7.3	42.0%
Cayman/Eastern Caribbean	22.1	31.7	(9.5)	-30.1%
Suriname	15.5	–	15.5	100.0%
Ghana	168.7	91.2	77.6	85.1%
Total	412.6	165.3	247.4	149.7%

The Group’s loan impairment expense, net of recoveries, increased by \$247.4 million or 149.7%. The main contributors were the corporate and commercial sector, which increased by \$245 million, followed by the retail sector of \$14.1 million. Impairment on the mortgage portfolio reduced by \$11.7 million.

The increase in impairment expenses was in Trinidad and Tobago and Ghana and was concentrated among a few large loans in the Corporate and Commercial portfolio. In the case of Trinidad and Tobago, the change was exacerbated by the positive effect of a one-off write back in 2015.

The retail and mortgage portfolios continue to perform satisfactorily relative to the slowdown in our main market, Trinidad and Tobago.

REVIEW OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures are in TT\$ Millions	2016	2015	Change	% Change
Financial Position				
Total assets	66,860	66,002	858	1.3%
Total liquid assets	17,808	20,263	(2,455)	-12.1%
Total advances	34,293	33,008	1,285	3.9%
Total investments	10,265	8,094	2,171	26.8%
Total deposits	49,631	49,712	(80)	-0.2%
Total equity	9,543	9,411	132	1.4%

TOTAL ASSETS

As at September 30, 2016, total assets for the Group stood at \$66.9 billion; an increase of \$858 million or 1.3% over 2015. This growth in assets includes the net effect of a \$2.5 billion decline in liquid assets and increases of \$1.3 billion in advances and \$2.2 billion in investments.

Liquid assets & deposits and other fund raising instruments

The decline of \$2.5 billion or 12.1% in liquid assets emanated mainly from the Trinidad and Tobago operations, where excess liquidity was re-deployed into higher-yielding loans and investments. This resulted in a decline in the Group’s liquid assets ratio from 30.7% in 2015 to 26.6% in 2016. This reduction in liquidity is also evident in the decline of \$80 million or 0.2% in the deposit portfolio, of which the deposit portfolio in Trinidad and Tobago declined by \$1.8 billion or 5%. This decline in Trinidad and Tobago was however offset by increased deposit balances in Barbados (\$662 million), Guyana (\$471 million) and Ghana (\$883 million).

Other fund raising instruments increased by \$1.3 billion or 48.6% and were the major sources of funding the investment portfolio in Trinidad and Tobago.

Loans and advances

Loans and advances increased by \$1.3 billion or 3.9%, of which \$991 million was generated in Trinidad and Tobago (4.1% increase) and \$283 million (18% increase) in Guyana. In both these territories, growth in the loan portfolio was attributed mainly to increases in the mortgage and corporate sectors.

Investments

Total investments increased by \$2.1 billion or 26.8%, mainly due to increased investments in the Government Sector in Trinidad and Tobago in 2016, which resulted in a \$1.1 billion increase. The Group’s exposure to high-grade US dollar investments increased by \$0.5 billion and in Ghana, the investment portfolio also increased by \$0.3 billion as that subsidiary increased its investments in high-yielding assets in that region.

Total Equity

Total equity increased by \$132 million to \$9.5 billion at September 30, 2016. With a Group Capital adequacy ratio of 24.71% as at September 30, 2016, the Group continues to maintain sufficient capital levels to meet Basel I and Basel II capital requirements.

PRESIDENT’S DISCUSSION AND ANALYSIS

LOANS AND ADVANCES

All figures are in TT\$ Millions	2016	2015	Change	% Change
Retail lending	6,058	5,918	140	2.4%
Corporate and commercial lending	15,539	15,059	480	3.2%
Mortgages	12,696	12,031	665	5.5%
	34,293	33,008	1,285	3.9%
Trinidad and Tobago	23,307	22,386	921	4.1%
Barbados	4,731	4,585	146	3.2%
Guyana	1,875	1,592	283	17.8%
Cayman/Eastern Caribbean	1,809	1,647	162	9.8%
Suriname	976	1,414	(437)	-30.9%
Ghana	1,594	1,384	209	15.1%
Total	34,293	33,008	1,285	3.9%

Loans and advances across the Group increased by \$1.3 billion or 3.9% for the year ended September 30, 2016. \$665 million or 52% of this growth was in the mortgage sector and \$480 million or 37% in the corporate and commercial sector.

Trinidad and Tobago and Guyana contributed \$1.2 billion to the total growth in the loan portfolio through growth in the mortgages and corporate and commercial sectors. In Suriname, however, while that territory also enjoyed a 52% increase in total loans advanced for the year, the depreciation of that currency by over 136% during the fiscal resulted in an effective decline of \$437 million or 31% when converted to Trinidad and Tobago dollars.

LOANS AND ADVANCES BY TERRITORY

All figures are in TT\$ Millions	Trinidad and Tobago	Barbados	Guyana	Cayman and East Caribbean	Suriname	Ghana	Total 2016	Total 2015
Performing loans	23,212	4,347	1,788	1,756	954	1,325	33,383	32,370
Non-performing loans (NPL's)	327	559	114	134	52	603	1,790	1,250
Gross loans	23,540	4,906	1,903	1,889	1,007	1,929	35,173	33,619
Loan provision	(232)	(175)	(27)	(80)	(30)	(335)	(880)	(611)
Net loans	23,307	4,731	1,875	1,809	976	1,594	34,293	33,008
Contingency reserve	134	394	89	2	22	269	909	642
Non-performing loans to gross loans	1.4%	11.4%	6.0%	7.1%	5.2%	31.3%	5.1%	3.7%
Loan provision as a % of NPL's	71.0%	31.4%	24.0%	59.9%	58.1%	55.5%	49.2%	48.9%
Provision and contingency reserves as a % of Non-performing loans	111.9%	101.8%	102.2%	61.2%	100.0%	100.0%	100.0%	100.3%

The Group's non-performing loans (NPL's) to gross loans ratio stands at 5.1% as at September 30, 2016, up by 1.4% from 3.7% in 2015. This resulted from increased NPL's in Ghana where NPL's to gross loans increased from 14.3% in 2015 to 31.3% in 2016. We continue to work with that subsidiary as they transition from their locally-established policies to the Group's risk management policies.

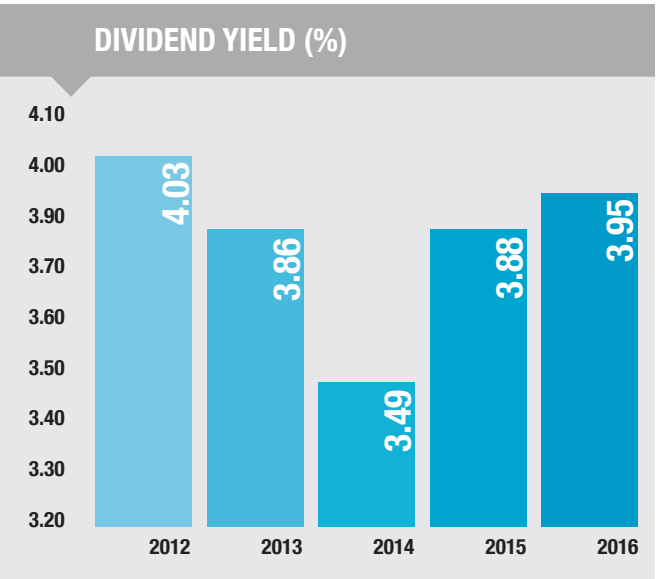
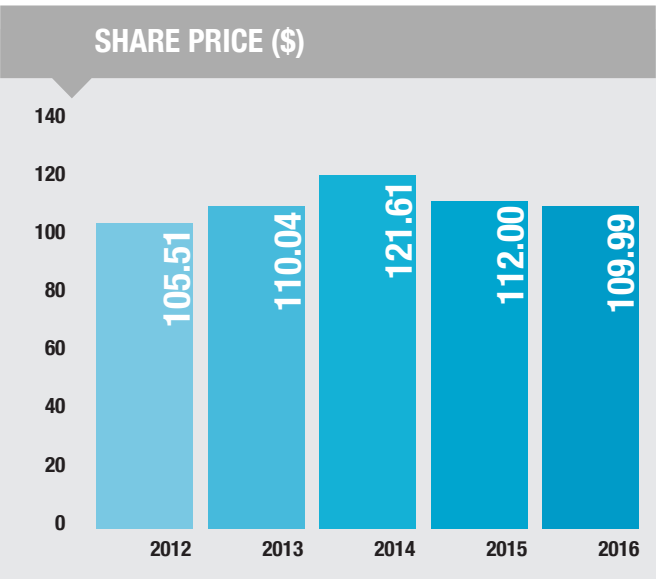
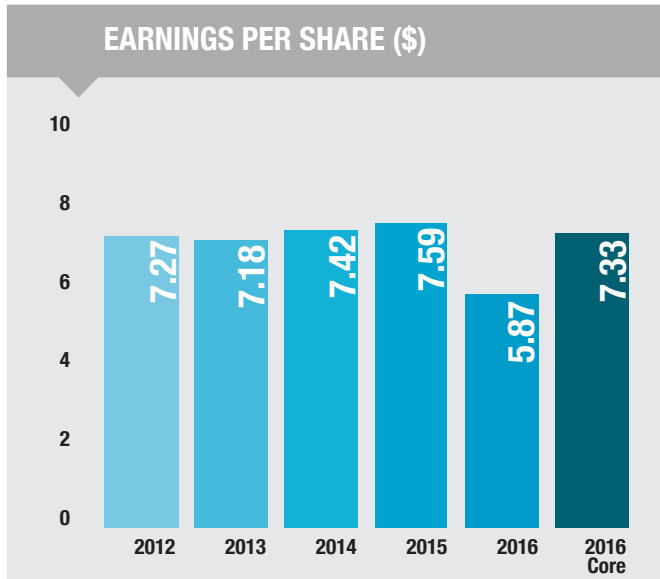
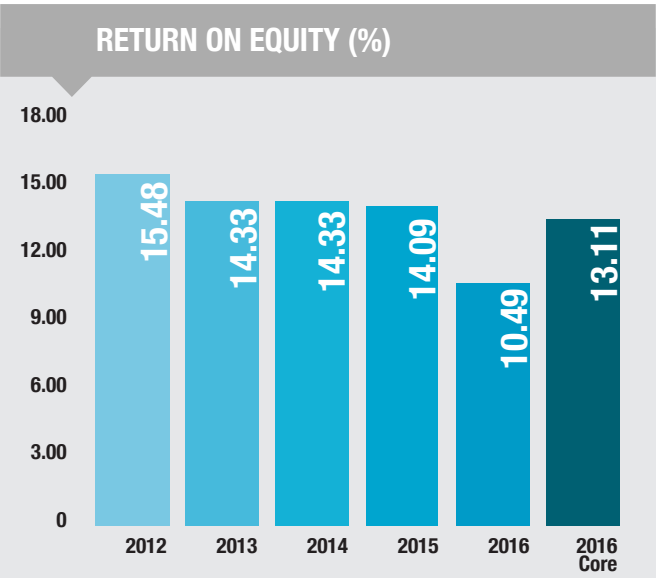
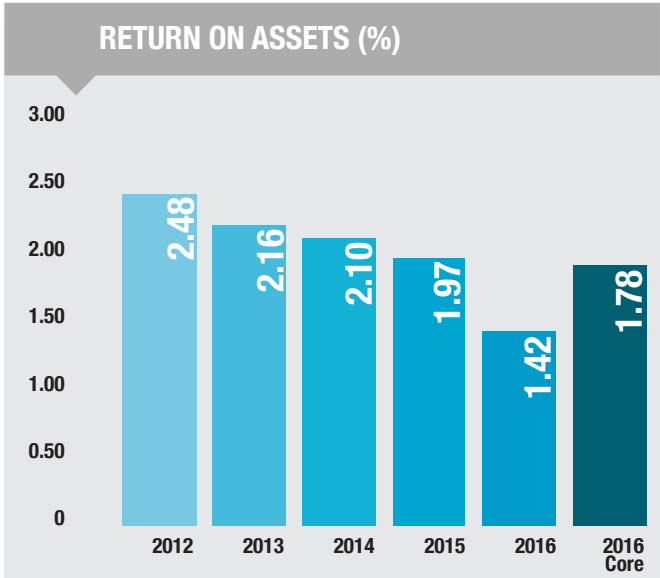
The level of NPL's in Trinidad and Tobago remains very low at 1.4% and the level of provision coverage at 71% is considerable. In Barbados, the NPL ratio declined by 0.2% to 11.4%.

The increase in the level of provisions booked across the Group also resulted in an increase in the Group's loan provision coverage ratio from 48.9% in 2015 to 49.2% in 2016.

The Group provides for 100% of non-performing loans by recording specific and inherent risk provisions in the consolidated statement of income and the difference via transfers to a general contingency reserve which is a component of equity. As at September 30, 2016, the combination of specific and general provisions is in line with target at 100% of NPL's.

PRESIDENT’S DISCUSSION AND ANALYSIS

PERFORMANCE RATIOS



The 22.7% decline in overall profits resulted in a fall in the Return on Average assets (ROA) ratio from 1.97% in 2015 to 1.42% in 2016.

The reduced profits, combined with a 3.9% increase in average equity, also resulted in a decrease in the Return on Average Equity (ROE) ratio from 14.09% in 2015 to 10.48% in 2016.

Excluding the one-off items, ROA in 2016 would be 1.78% and ROE 13.11%.

Earnings per Share (EPS) also declined from \$7.59 in 2015 to \$5.87 in 2016. Assessed against a share price of \$109.99 as at September 30, 2016, the decline in EPS resulted in an increase in the trailing price/earnings (P/E) ratio from 14.8 times in 2015 to 18.8 times in 2016. EPS on core profits for 2016 would be \$7.33, resulting in a P/E ratio of 15.0 times.

Despite the reduced profitability, the dividend payment of \$4.35 per share was the same as in 2015. This represents a dividend yield to shareholders, using a closing share price of \$109.99, of 3.95%; an increase of 7 basis points over the 3.88% yield of 2015. However, over the year the share price declined by \$2.01 or 1.8%.

CAPITAL STRUCTURE

Capital adequacy ratio (under Basel I)	2016	2015
Republic Bank Limited	21.18%	21.72%
Republic Bank (Cayman) Limited	26.72%	26.74%
Republic Bank (Grenada) Limited	15.50%	15.60%
Republic Bank (Guyana) Limited	22.38%	22.85%
Republic Bank (Barbados) Limited	16.48%	19.78%
Republic Bank (Suriname) N.V.	9.40%	15.37%
HFC Bank (Ghana) Limited	12.08%	14.20%
Atlantic Financial Limited	50.80%	52.73%

PRESIDENT'S DISCUSSION AND ANALYSIS

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. 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 risk-based capital guidelines under the Basel I accord require a minimum ratio of core capital (Tier I) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier II) ratio of 8%. Core (Tier I) capital comprises mainly of shareholders' equity.

The Group continues to maintain a strong capital base, reflected in a total capital adequacy ratio of 24.71%, well in excess of the 8% minimum requirement under Basel I. Preliminary estimates indicate that this excess will be eroded under the increased capital requirements of the Basel II accord which is carded for adoption by the Central Bank of Trinidad and Tobago in 2017. However, the Group capital will remain above both the new 10% minimum requirement as well as the 12% requirement being considered for systemically important financial institutions.

The decline in Republic Bank Suriname N.V.'s capital ratio is due to the depreciation of the currency, which resulted in the upward revision of the value of its foreign currency assets although its equity remained constant. While the ratio is above the minimum of 8%, we are considering various avenues to strengthen the capitalisation of the Bank.

All of the companies within the Group have capital ratios in excess of the regulatory requirement. While the Group has historically maintained a dividend payout ratio of between 40% and 60% of net earnings, the reduced profits in 2016 resulted in a payout ratio of 74.6% in 2016, up from the 57.5% payout ratio in 2015, given that the dividend per share at \$4.35 per share in 2016 was kept at the 2015 level.

OUTLOOK

While economic challenges remain in several of the economies in which we operate, especially our main market, Trinidad and Tobago, we believe that the Group, with its strong asset base, geographical and segmental diversification, excess capital, high levels of liquidity and strong risk management policies, is well positioned to withstand and overcome these challenges.

The banking industry is at a very interesting juncture in its evolution, with technology redefining expectations and revolutionising the way that business is done. We are excited by the prospects, and I am privileged to have an outstanding team to lead the Group and sector into the future of banking.

As discussed, one-off items did impact the profitability of the Group in 2016, though without these items, there would have been a small increase in profit. We will continue to manage and focus on these pockets of concern, but do not anticipate recurrence in 2017. In particular, with Ghana, given the projected growth rates for the Ghanaian economy, the stabilisation of the exchange rate and opportunities in the banking sector, we expect performance to improve in the medium to long term. The long term outlook for this market remains positive and we will continue our efforts to strengthen the governance and align its systems and procedures towards establishing the platform to benefit from Ghana's future growth.

In this, my first year as President of Republic Financial Holdings Limited, I acknowledge David Dulal-Whiteway, my predecessor, for his contribution to the organisation and thank the Board of Directors for their support and sound guidance. I thank our staff for their hard work and dedication over the course of this challenging year and our customers and shareholders for their continued support and loyalty.

The President's Discussion and Analysis was reviewed and adopted at the Meeting of November 3, 2016.

RONALD F. deC. HARFORD
Chairman

NIGEL M. BAPTISTE
President

3

THE GROUP SUBSIDIARIES

Aligned in Strength

REPUBLIC BANK LIMITED

Republic Bank is one of the largest and most successful indigenous banks in Trinidad and Tobago, offering a diverse portfolio of products and services designed to satisfy the growing needs of its retail banking customers, corporate clients and governments. The Bank has a network of 41 branches – the largest in the Nation – and the most extensive ABM network in the island, with 125 ABMs in 82 locations. The Bank is also the nation’s largest credit card operator.

Registered Office

Republic House, 9-17 Park Street, Port of Spain
Trinidad and Tobago, West Indies
Tel: (868) 625-4411, 623-1056
Fax: (868) 624-1323
Swift: RBNKTPX
Email: email@republictt.com
Website: www.republictt.com

President, Republic Financial Holdings Limited;

Managing Director, Republic Bank Limited

Nigel M. Baptiste, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*

Nigel M. Baptiste was appointed President, Republic Financial Holdings Limited and Managing Director of Republic Bank Limited on February 11, 2016.

He was first appointed to the Board in 2005, as Executive Director. He is a First Class Honours Graduate of The University of the West Indies, an Associate of the Chartered Institute of Banking in England and a graduate of the Stonier Graduate School of Banking in the United States of America.

Mr. Baptiste serves on the Boards of Republic Financial Holdings Limited, Republic Bank Limited, Republic Bank (Guyana) Limited, and other entities within the Republic Bank Group.



NIGEL M. BAPTISTE
President,
Republic Financial Holdings Limited;
Managing Director,
Republic Bank Limited

EXECUTIVE DIRECTORS



IAN R. DE SOUZA Managing Director and Chief Executive Officer, Republic Bank (Barbados) Limited	DERWIN M. HOWELL Executive Director, Republic Bank Limited	JACQUELINE H.C. QUAMINA Executive Director, Group General Counsel/ Corporate Secretary, Republic Bank Limited	ROOPNARINE OUMADE SINGH Executive Director, Republic Bank Limited	ROBERT LE HUNTE Managing Director, HFC Bank (Ghana) Limited
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REPUBLIC BANK LIMITED

EXECUTIVE MANAGEMENT



FARID ANTAR General Manager, Corporate Operations and Process Improvement	RIAH DASS-MUNGAL General Manager, Internal Audit	ANNA-MARÍA GARCÍA-BROOKS General Manager, Group Human Resources	HILTON HYLAND General Manager, Commercial and Retail Banking	CHARLES A. MOUTTET General Manager, Treasury	MICHELLE PALMER-KEIZER General Manager, Group Marketing and Communications	VIJAI RAGOONANAN General Manager, Risk Management	ALDRIN RAMGOOLAM General Manager, Information Technology Management	DAVID ROBINSON General Manager, Wealth Management	PARASRAM SALICKRAM General Manager, Planning and Financial Control
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REPUBLIC BANK LIMITED EXECUTIVE MANAGEMENT



ANTHONY C. SUBERO
General Manager,
Enterprise Risk
Management

ANTHONY WONG
General Manager,
Electronic Channels
and Payments

KAREN YIP CHUCK
General Manager,
Corporate and
Investment Banking

REPUBLIC BANK (BARBADOS) LIMITED

One of the longest serving banks in Barbados, Republic Bank (Barbados) Limited has been in existence for over 30 years. Formerly Barbados National Bank Inc. (BNB), it boasts one of the largest ABM networks on the island and 10 conveniently located branches. The Bank offers an array of financial services such as personal and commercial lending and premium, corporate and investment banking. Its wholly-owned subsidiaries, Republic Finance & Trust (Barbados) Corporation and Republic Funds (Barbados) Limited, offer funds management, lease financing and merchant banking services.

Registered Office
Independence Square, Bridgetown
Barbados, West Indies
Tel: (246) 431-5999
Fax: (246) 429-2606
Swift: BNBABBBB
Email: info@republicbarbados.com
Website: www.republicbarbados.com

Managing Director and Chief Executive Officer
Ian R. De Souza, *BSc (Econ), Post-Grad Dip. Mgmt, MBA, CPA - CMA, CA, CIRA*
Ian R. De Souza, Managing Director and Chief Executive Officer of Republic Bank (Barbados) Limited, has been a banker for more than 30 years. He is a graduate of The University of the West Indies (UWI), a Certified Professional Accountant (Canadian) and a Certified Insolvency and Restructuring Advisor (American).



IAN R. DE SOUZA
Chief Executive Officer

REPUBLIC BANK (BARBADOS) LIMITED

GENERAL MANAGERS



SEAN HUSAIN
General Manager,
Corporate and Commercial
Credit

HAMANT LALLA
Corporate Controller

SUSAN TORRY
General Manager,
Operations

SHARON ZEPHIRIN
General Manager,
Retail Banking

REPUBLIC BANK (CAYMAN) LIMITED

Republic Bank (Cayman) Limited is a private bank offering comprehensive wealth management service to clients in the Caribbean region and beyond. This service includes banking in most currencies, investment management and formation of private investment holding companies and trustee services. Republic Bank (Cayman) Limited continues to be a strong contributor to the Group's profits and allows the network to offer a full range of Offshore Wealth Management Services to its clients.

Registered Office

Suite #308, Smith Road Centre, 150 Smith Road
P.O. Box 2004, KY1-1104
George Town, Grand Cayman
Tel: (345) 949-7844
Fax: (345) 949-2795

Managing Director

Carlton Barclay, FCCA, MBA

Carlton Barclay, Managing Director, Republic Bank (Cayman) Limited, has over 20 years' experience in the banking and insurance industry, with a career that spans the fields of audit, financial control and strategic planning.

He has held other senior management positions in other financial services organisations in the Caribbean, namely Jamaica National Building Society in Jamaica and Grand Cayman. He has a strong knowledge of both the Cayman market and the emerging compliance environment.

Mr. Barclay holds an MBA in Business from Northwestern University, and a Diploma in Business Administration from the University of Technology in Jamaica. He is a member and Fellow of the Association of Chartered Accounts (FCCA, ACCA).



CARLTON BARCLAY
Managing Director

REPUBLIC BANK (GRENADA) LIMITED

Incorporated on October 12, 1979, Republic Bank (Grenada) Limited is considered the leading bank in Grenada with the largest market share in assets, loans and deposits. It also boasts the widest network of branches (6), and automated banking machines (11). In 2008, Republic Bank (Grenada) Limited became the first Grenadian corporation to list its shares on the Eastern Caribbean Securities Exchange (ECSE).

As at September 30, 2016 Republic Bank (Grenada) Limited's equity base stood at US\$36.2 million and asset base at US\$328.2 million.

Registered Office
P.O. BOX 857 Grand Anse, St. George
Grenada, West Indies
Tel: (473) 444-BANK (2265)
Fax: (473) 444-5501
Swift: NCBGGDGD
Email: info@republicgrenada.com
Website: www.republicgrenada.com

Managing Director
Keith A. Johnson, *BSc (Accountancy), MBA, AICB*
Keith A. Johnson, Managing Director of Republic Bank (Grenada) Limited, is a career banker with over 30 years' experience. In 2009, he was seconded to his current role from Republic Bank (Guyana) Limited. Mr. Johnson holds an Executive Master's Degree in Business Administration (MBA) from The University of the West Indies (UWI) (Cave Hill) and a BSc in Accountancy from the University of Guyana, and is an Associate of the Institute of Canadian Bankers.



KEITH A. JOHNSON
Managing Director

REPUBLIC BANK (GRENADA) LIMITED GENERAL MANAGERS



NAOMI E. DE ALLIE
General Manager,
Credit



CLIFFORD D. BAILEY
General Manager,
Operations

REPUBLIC BANK (GUYANA) LIMITED

Established in 1836, Republic Bank (Guyana) Limited is one of Guyana’s longest-serving institutions and is a recognised leader in the provision of financial services. Over the past year, the Bank has concentrated on growing its lending portfolio, with particular emphasis on Small and Medium Enterprises. The Bank remains committed to providing customised, efficient and competitively-priced financial services, and maintaining a philosophy of social investment in Guyana.

At September 30, 2016, Republic Bank (Guyana) Limited’s equity base stood at US\$81.3 million and asset base at US\$737.6 million.

Registered Office

Promenade Court, 155-156 New Market Street
North Cummingsburg
Georgetown, Guyana
Tel: (592) 223-7938-49
Fax: (592) 233-5007
SWIFT: RBGL GYGG
Email: email@republicguyana.com
Webite: www.republicguyana.com

Managing Director

Richard Sammy, BSc (Mgmt. Studies) (Hons.), MBA

Mr. Richard S. Sammy is an outstanding banker with significant experience in corporate and investment banking. He previously served as the Regional Manager, Corporate Business Centre – South and Regional Manager, Investment Banking Division at Republic Bank Limited. Prior to joining Republic Bank Limited, he served as Senior Manager, Business Development at Sagicor Merchant Limited and Risk Manager, Deals Management and Regional Manager, Capital Markets at RBTT Merchant Bank Limited. Mr. Sammy holds an MBA from the Warwick Business School in the United Kingdom and a Bachelor of Science Degree (Hons.) in Management Studies from the University of the West Indies, St. Augustine. He is well-respected in the banking field and continues to provide excellent leadership to the Republic Bank (Guyana) Limited team since assuming the position of Managing Director on July 1, 2015.



RICHARD SAMMY
Managing Director

REPUBLIC (GUYANA) LIMITED GENERAL MANAGERS



DENISE HOBBS
General Manager,
Corporate and Management
Services



PARBATIE KHAN
General Manager,
Credit

REPUBLIC BANK (SURINAME) N.V.

On July 31, 2015, Republic Bank welcomed Republic Bank (Suriname) N.V. into its expanding financial Group. Republic Bank acquired RBC Royal Bank (Suriname) N.V. from RBC Financial (Caribbean) Limited through the purchase of Royal Overseas Holdings (St. Lucia) Limited. The Suriname bank has a network of five branches in the capital of Paramaribo and one in Nickerie, and assets of approximately US\$389 million, as at September 30, 2016.

Registered Office

Kerkplein 1, Paramaribo
Suriname
Tel: (597) 471555
Fax: (597) 425709
Email: email@republicbanksr.com
Webite: www.republicbanksr.com

Managing Director

Gloria Anthony, ACIB, MBA

Gloria Anthony, Managing Director, Republic Bank (Suriname) N.V. is a career banker with extensive experience in Corporate and Retail Banking. During the last 15 years, she has performed in key Senior Managerial positions in the Parent Company including Corporate Manager, Area Credit Manager, Regional Sales Manager and General Manager Commercial and Retail Banking. She previously sat on the boards of Bank of St. Lucia Limited, G4S Secure Solutions Services, Trinidad and the Caribbean Association of Banks. Mrs. Anthony holds a Master's Degree in Business Administration from Heriot-Watt University in the UK and an Associate Degree in Banking from the IFS School of Finance, UK. She is a member of the American Management Association and an Associate of the Chartered Institute of Bankers.



GLORIA ANTHONY
Managing Director

REPUBLIC BANK (SURINAME) N.V. GENERAL MANAGERS



PETER NG A THAM
Deputy Managing Director



MONTAGUE D. MC LEOD
Director,
Corporate Banking



LILIAN LEE FLANG
Director,
Retail Banking

HFC BANK (GHANA) LIMITED

In May, 2015, following a successful mandatory takeover of HFC Bank (Ghana) Limited, Republic Bank increased its shareholding in HFC Bank to 57.11%. This gave Republic Bank majority ownership. HFC Bank (Ghana) was licensed as a commercial bank in 2003 and today operates 42 branches throughout Ghana, providing a wide range of banking services, including mortgages and real estate services, commercial banking, investment banking, microfinance, private equity and venture capital fund management.

Registered Office

‘Ebankese’
35 Sixth Avenue, North Ridge
P.O.Box CT 4603, Cantonments, Accra
Ghana
Tel: (233) 302 242090-4
Fax: (233) 302 242095
SWIFT: HFCAGHAC
Email: hfcomp@hfcbank.com.gh
Website: www.hfcbank.com.gh

Managing Director

Robert Le Hunte, BA (Econ.), MSc (Acct.), CA, MBA

Robert Le Hunte is the Managing Director of HFC Bank Ghana Limited. He has over 30 years of experience in the financial services sector and has served Republic Bank in key executive positions such as, General Manager, Planning and Financial Control; General Manager, Corporate and Investment Banking and Chief Executive Officer and Managing Director of Republic Bank (Barbados) Limited. He was a Director of National Enterprises from June 1, 2012 to November 30, 2013. Mr. Le Hunte holds a Master’s Degree in Business Administration from the University of Manchester and a Master of Science degree in Accounting from The University of the West Indies (UWI), together with a Bachelor of Arts Degree in Economics from the University of Western Ontario, Canada. He is a member of the Institute of Chartered Accountants of Trinidad and Tobago and is a graduate of The Advanced Management Program at Harvard Business School.



ROBERT LE HUNTE
Managing Director

HFC BANK (GHANA) LIMITED GENERAL MANAGERS



BENJAMIN DZOBOKU
General Manager,
Finance and Strategy

PAULA BALDWIN
General Manager,
Retail Banking and
Marketing and
Communications

ANTHONY JORDAN
General Manager,
Risk Management

**CHARLES AGYEMAN
BONSU**
General Manager,
Technology and
Business Systems
Support

JOSEPH NKETSIAH
General Manager,
Treasury

REPUBLIC SECURITIES LIMITED

Republic Securities Limited is a full-service stock broking firm that trades on the local stock exchange and has execution capabilities for international stocks on the New York Stock Exchange. The company provides investment advisory services and specialises in financial planning, portfolio management and retirement planning.

Registered Office

2nd Floor, Promenade Centre
72 Independence Square, Port of Spain
Trinidad and Tobago, West Indies
Tel: (868) 623-0435
Fax: (868) 623-0441
Email: rsinfo@republictt.com
Website: www.rsltt.com

Chief Executive Officer

Godfrey Gosein, *BSc (Ind. Mgmt.), MBA*

Godfrey Gosein, Chief Executive Officer of Republic Securities Limited, is a Registered Representative with the Securities and Exchange Commission and a Registered stockbroker with the Trinidad and Tobago Stock Exchange. He has been involved in the Trinidad and Tobago capital market for over 25 years. He sits on the boards of the Trinidad and Tobago Stock Exchange and the Securities Dealers Association of Trinidad and Tobago. He is a graduate of The University of the West Indies (UWI) and holds an MBA from the Arthur Lok Jack Graduate School of Business.



GODFREY GOSEIN
Chief Executive Officer

REPUBLIC WEALTH MANAGEMENT LIMITED

Republic Bank's Trust and Asset Management Division (TRAM), which was established in 1938, was disaggregated on July 1, 2014. The investment management services provided to individual investors, to corporate pension and savings plan clients and to Republic Bank's suite of proprietary funds are now housed at Republic Wealth Management Limited, which is registered under the Securities Act, 2012 as an Investment Adviser.

Registered Office

Republic House
9-17 Park Street, Port of Spain
Trinidad and Tobago, West Indies
Tel: (868) 625-3617
Fax: (868) 625-3617 Ext. 3178
Email: email@republictt.com
Website: www.republictt.com

Head

Steve Roberts, *BSc (Mgmt. Studies) (Hons.)*

Steve Roberts, Head of Republic Wealth Management Limited, has been a banker for over 35 years and has gained extensive knowledge in the asset management and trust disciplines over the course of his career. In 1997, Mr. Roberts joined Republic Bank Limited and in 1998, was transferred to the Trust and Asset Management Division where he was appointed as an Investment Manager in 2001. Mr. Roberts, who holds a BSc in Industrial Management from the University of the West Indies, was appointed Head of Republic Wealth Management Limited on its formation on July 1, 2014.



STEVE ROBERTS
Head

CORPORATE GOVERNANCE

INTRODUCTION

This is the first report on Corporate Governance for Republic Financial Holdings Limited. The information describes the corporate governance framework for Republic Financial Holdings Limited (the ‘Republic Group’ or the ‘Group’) and the performance of its Board of Directors during the financial year 2016.

Significant growth over the years, through the acquisition of several subsidiaries, resulted in Republic Bank Limited performing the dual role of a licensed commercial bank and holding company for the subsidiary companies. While the roles were being well managed, the Group needed a more sustainable structure to facilitate even more effective management and good governance given the Group’s current and future strategies. The formation of Republic Financial

Holdings Limited took place on December 16, 2015. The restructuring of the Republic Group was effected by a Vesting Order under the Financial Institutions Act, Chap 79:09, of the Laws of Trinidad and Tobago, successfully bringing the structure of the Republic Group in line with international best practices to facilitate future growth.

Following the change, Republic Financial Holdings Limited is now the financial holding company and parent of all the banks in the Group Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, HFC Bank (Ghana), Republic Bank (Suriname) N.V and Republic Bank (Cayman) Limited. Republic Financial Holdings Limited is also the parent of the other Companies shown in the Chart below.

The Board of Directors continues to be committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update as necessary our internal systems in order to ensure standards reflect best international practice tailored to the specific needs of the members of the Group. In this regard, Republic Financial Holdings Limited has adopted the Trinidad and Tobago Corporate Governance Code on the ‘apply or explain basis.’

OBJECTIVES

The role of the Board of Directors (“the Board”) is to provide leadership, enterprise, integrity and good judgment in guiding the Group to achieve growth and deliver long term sustainable shareholder value. The Board sets the strategic objectives for the Group and provides oversight and control. Implementation of the strategy is delegated to management under the leadership of the President of Republic Financial Holdings Limited.

Entrepreneurial leadership is encouraged within a framework of prudent and effective controls that enable risk to be assessed and managed. Short term objectives are balanced carefully against the necessity of achieving long term growth.

The Board acts in the best interests of the Company and its stakeholders, guided by a philosophy that is based on good governance, transparency, accountability and responsibility. The Group’s Core Values of Customer Focus, Integrity, Respect for the Individual, Professionalism, and Results Orientation are set by the Board to ensure that the Group’s obligations to its shareholders, employees, customers and the societies it serves are met. Integrity and trust are the cornerstones of the business of banking and finance and the Board will manage the Group and make decisions that uphold these ideals at all times.

We recognise that it is the quality of our people that differentiates us from our competitors, and creates value for our customers and investors. As a Board, we are responsible for ensuring that our people do things in the right way by setting the required tone from the top, by living the Republic culture and upholding the Core Values in everything that we do and reflected in the decisions we make. We hold the Group Executive Management to account for, and uphold, these Core Values, thereby creating a culture in which doing the right thing is integral to the we operate globally. Ethics and Operating Principles confirm the commitment of the Board to strive for the highest standards of conduct within the Group.

RESPONSIBILITIES

The Group has 10 principles of corporate governance that summarise the objectives of the Board and provide a framework for the manner in which it functions and discharges its responsibilities:-

Principles

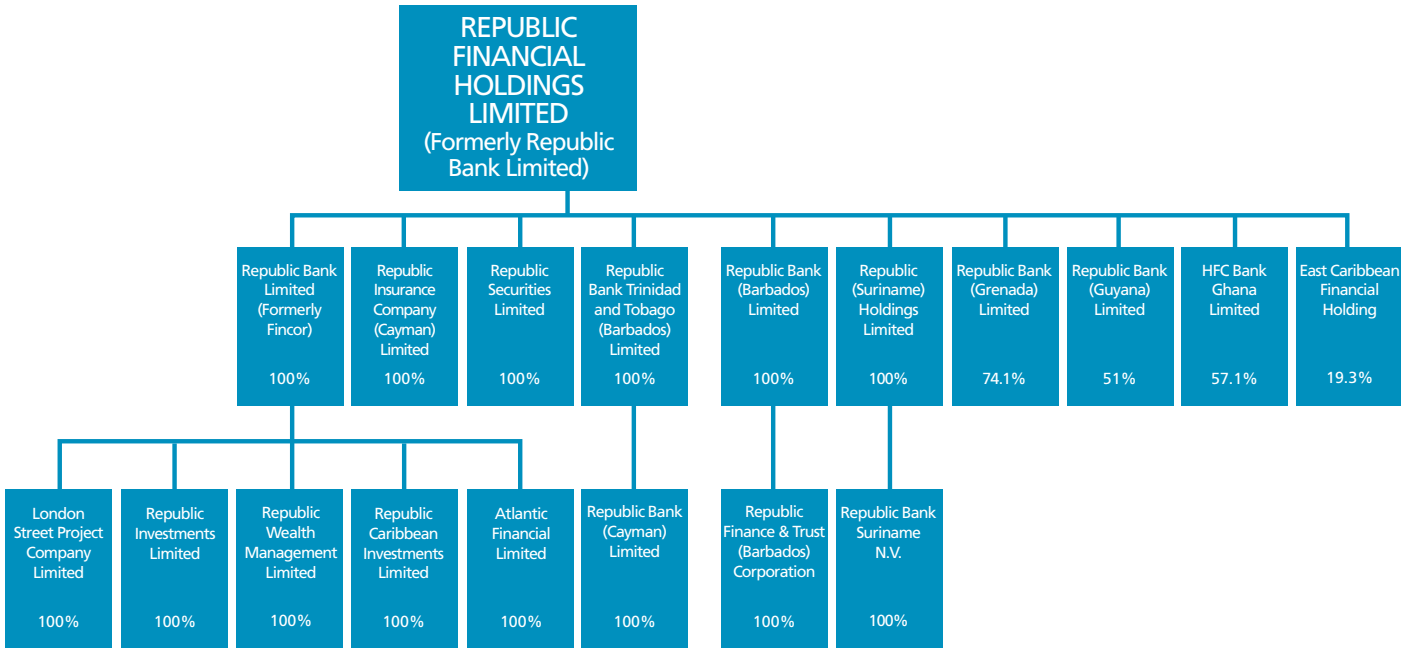
- 1 Lay solid foundation for management and oversight
- 2 Structure the Board to add value
- 3 Promote ethical and responsible decision making
- 4 Safeguard integrity in financial reporting
- 5 Make timely and balanced disclosure
- 6 Respect the rights of shareholders
- 7 Recognise and manage risk
- 8 Encourage enhanced performance
- 9 Remunerate fairly and responsibly
- 10 Recognise the legitimate interests of shareholders

Within the scope of these Principles the responsibility of the Board of Directors is further refined to include the following duties:-

- Setting the Strategic aims and reviewing and approving corporate strategy
- Selecting, compensating and monitoring, and where necessary, replacing key executives and overseeing succession planning
- Ensuring the Group has the appropriate organisational structure in place to achieve its objectives
- Approval of an overall risk appetite framework for the Group reviewing and approving systems of risk management and internal compliance and control and legal compliance
- Monitoring the effectiveness of corporate governance practices and updating organisational rules and policies in step with industry changes
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures
- Ensuring the integrity of accounting, financial and non-financial reporting
- Establishing Values for the Group and approving of Codes of Conduct and Ethics

The Board is committed to facilitating the ownership rights of all shareholders, including minority shareholders and institutional investors. Provision is made for shareholders to have the opportunity to engage with the Group and participate effectively in Annual and

REPUBLIC FINANCIAL HOLDINGS ORGANISATION CHART



CORPORATE GOVERNANCE

Special Meetings through the provision of proxies. External Auditors and members of Senior Management and the Board are available at meetings with shareholders to respond to shareholder questions.

The Group's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner which is precise and tangible both to the Board and Management. In turn, these performance expectations and business plans are disseminated to each subsidiary. The Group's affairs are subject to comprehensive assessment against accurate and relevant information, both financial and non-financial as appropriate, obtainable not only from the Group's internal reporting systems but from external sources as well, so that informed assessment can be made of issues facing the Board.

The Board of Directors complies with the Model Code for Securities Transaction by Insiders of Listed Companies issued by the Trinidad and Tobago Stock Exchange Limited. Strict guidelines are provided by the Group for the occasions when it may be perceived that Directors and Officers have special knowledge, and dealing in the entity's shares during these occasions is prohibited. The purchase or sale of shares by an insider requires the prior consent of the Corporate Secretary, and transactions are tabled for the information of the Board of Directors. All Directors are routinely reminded of their obligations under the Code for Dealing in the Republic Financial Holdings Limited Group securities.

The Board also has a disclosure policy designed to provide for accurate, timely and balanced disclosure of all material matters concerning the Group.

COMPOSITION

The Board shall comprise a maximum of 15 Directors, of which no more than two shall be Executive Directors. The Chairman shall be a Non-Executive Director. There shall be a Senior Non-Executive Director to be known as the Senior Independent Director.

The majority of the Directors shall be independent. It shall be for the Board to review the criteria to be considered in determining whether a Director is independent, both in character and judgment. The Board may take into account any direct or indirect relationship that a Director has within the Group that may be likely to interfere with the exercise of independent, unbiased judgment.

This balance between independent Non-Executive Directors and Executive Directors throughout the Group ensures that the Board as well as other subsidiary boards are able to exercise independent judgment with sufficient management information to enable proper and objective assessment of issues facing the Group.

The Board considers certain core characteristics important in any nominee for Director. They must: (i) be individuals of the highest character and integrity, (ii) demonstrate a breadth and depth of management and/or leadership experience, preferably in a senior leadership role in a large or recognised organisation or governmental entity; (iii) possess financial literacy or other professional or business experience relevant to an understanding of the Group and its business; and (iv) have a demonstrated ability to think and act independently as well as the ability to work constructively in a collegial environment. In identifying nominees for the position of Director, the Governance and Nomination Committee shall determine whether an individual meets the characteristics approved by the Board, assess any gaps identified in a skills matrix and also consider the current composition of the Board in light of the diverse communities and geographies served by the Group.

The Board considers that the quality, skills and experience of its Directors enhance the Board's effectiveness, and the core set of skills and experience identified effectively provide the Group with appropriate leadership and guidance, necessary to tackle the risks and opportunities facing the Group.

The Non-Executive Directors on this board, as well as on the subsidiary boards, reflect a diverse cross-section of the professional and business community and are highly respected, independent individuals with significant experience in their respective fields. It is also critical that all Directors have sufficient time available to devote to the performance of their duties.

Non-Executive Directors, including the Chairman, shall not participate in performance-based incentive plans; their remuneration consists solely of cash. Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Executive Directors are not paid fees in respect of their Board or Committee membership.

The Board of Directors shall meet at least quarterly, while Special Board Meetings shall be called as the need arises.

INDEPENDENT ADVICE

The Board shall have access to the best possible banking, management and financial advice during its deliberations and, in that regard, the Board has access to the advice of the Group General Counsel/Corporate Secretary, as well as External Counsel. In addition, the Board of Directors may appoint or retain any other professional advisors it considers appropriate.

DELEGATED AUTHORITY

The Board is the principal decision making forum for decisions that impact the Group. The Board of Directors has delegated the responsibility for the operational and day to day activities in relation to the Group's business to the President of Republic Financial Holdings Limited. Explicit authorities and responsibilities of the President are documented and approved by the Board of Directors. Matters not specifically delegated are reserved to the Board.

The Board of Directors has also delegated authority to the following Board Committees:-

- Audit Committee
- Enterprise Risk Committee
- Governance and Nomination Committee

DIRECTOR TENURE

A Non- Executive Director shall retire from the Board after serving for a maximum of 15 years or on becoming 75 years of age whichever first occurs. However, the Board may in its discretion consider the exigencies of a particular situation. An Executive Director shall retire in accordance with the Bank's usual retirement policy.

Since the effective date of the restructuring of the Group into Republic Financial Holdings Limited, four (4) meetings were scheduled within the period January 2016 to September 2016:-

BOARD - 3 MEETINGS

SPECIAL BOARD - 1 MEETING

Directors	Attendance	Eligible to Attend
Shazan Ali	3	4
Nigel M. Baptiste	4	4
Dawn Callender	4	4
Terrence W. Farrell	4	4
Ronald F. deC. Harford	4	4
Alison Lewis	3	4
William P. Lucie-Smith	4	4
Russell Martineau	3	4
Kristine Thompson	2	4
Gregory I. Thomson	3	4

AUDIT COMMITTEE

This Committee meets quarterly to review the Group's financial statements, the system of internal control throughout the Group, management of financial risks, the Group audit process, the Group's process for monitoring compliance with laws and regulations and its own code of business. Three (3) meetings were held this fiscal.

The Committee comprises:-

Directors	Attendance
William P. Lucie-Smith, <i>Chairman</i>	3
Dawn Callender	3
Ronald F. deC. Harford	3
Alison Lewis	2
Gregory I. Thomson	3

ENTERPRISE RISK COMMITTEE

This Committee is responsible for providing oversight and advice to the Board on risk management in Republic Financial Holdings Limited and its subsidiaries and affiliates. This sub-committee considers and recommends for approval by the Board the Group's enterprise risk management policy, risk appetite statement, tolerance, limits and mandates taking into account the Group's capital adequacy and the external risk environment. It has oversight of strategic or material transactions including acquisitions or disposals, focusing on risk and implications for the risk appetite and tolerance of the Group. One (1) meeting was held this fiscal.

CORPORATE GOVERNANCE

The Committee comprises:-

Directors	Attendance
Terrence W. Farrell, <i>Chairman</i>	1
Nigel M. Baptiste	1
Dawn Callender	1
William P. Lucie-Smith	1
Gregory I. Thomson	1

GOVERNANCE AND NOMINATION COMMITTEE

This Committee is responsible for establishing formal and transparent procedures for the selection of Executive and Non-Executive Directors, reviewing the Group's Management Succession Plan, developing and implementing processes to assess and improve Board and Committee effectiveness, and addressing issues which from time to time may emerge, having implications for the good governance within the Group and meets as the need arises. This Committee is also responsible for reviewing the remuneration, performance and incentive rewards of Senior Executives to ensure that the remuneration framework is relevant and balanced. One (1) meeting was held for the fiscal year.

The Committee comprises:-

Directors	Attendance
Ronald F. deC. Harford, <i>Chairman</i>	1
Shazan Ali	Nil
Terrence W. Farrell	1
Russell Martineau	1
Kristine Thompson	1

At the Annual Meeting, one-third of the Directors retire and may offer themselves for re-election. At this Annual Meeting, Kristine Thompson, Shazan Ali, and William Lucie-Smith retire from the Board by rotation and being eligible, have offered themselves for re-election. With effect from October 1, 2016, we welcome Robert Riley who fills the casual vacancy created by the retirement of Chandrabhan Sharma. In accordance with the Company's By-laws, Mr. Riley will retire from the Board and will then be re-elected to the Board. The Board recommends that all the nominees be re-elected.

DIRECTOR TRAINING AND EVALUATION

The international environment and legislative and regulatory demands are becoming increasingly complex and challenging causing us to constantly review our systems and make use of technology to ensure that compliance is robust with minimal negative impact on our legitimate customers. In this context, the Group recognises its responsibility to continue to source training programmes for Directors that will enhance Directors' knowledge and improve effectiveness.

This fiscal year, our Board attended the "Distinguished Leadership and Innovation Conference" held at the Hyatt Regency Port of Spain and also attended a training session on Anti-Money Laundering/ Combatting Terrorist Financing, which was provided in-house, utilising an external facilitator.

Each new Director participates in an orientation of the Group. This orientation includes presentations by Senior Management on the Group's strategic plans, its significant financial, accounting and risk management policies and issues, its compliance programs, and other matters of importance to the Group.

The Board engages external consultants every three years to evaluate the performance of the Board of Directors, an independent review will be due in 2017. In the intervening years, 'self-evaluations' are conducted after which the Chairman will invite Directors to discuss areas identified in which performance can be improved.

ENTERPRISE RISK MANAGEMENT

Republic Financial Holdings Limited is committed to maintaining a robust enterprise risk management framework to ensure that it understands and monitors its risk environment and takes proactive measures to manage risk within acceptable levels consistent with its risk appetite. To this end, Republic Financial Holdings Limited has defined its risk management goals and objectives and supporting principles to effectively embed risk management throughout the Group into its strategic decisions and day-to-day business activities.

The Board of Directors (the Board) has overall accountability for the Group's enterprise risk profile. They approve and enforce the risk management framework, inclusive of the overall risk appetite and the Group's philosophy on risk taking.

The Group Chief Risk Officer (CRO) has been appointed with responsibility for ensuring consistent application of the risk management framework across the group and monitoring how effectively risk is being managed. The CRO reports to the Enterprise Risk Committee of the Board.

INTERNAL AUDIT

The Chief Internal Auditor provides an independent review of the Group's operations and validates that controls are working effectively. Under the leadership of the Chief Internal Auditor a professional cadre of Internal Auditors conducts periodic audits of all aspects of the Group's operations. External Auditors have full and free access to the Chairman of the Audit Committee, and meet periodically with the Audit Committee to discuss the audit and findings as to the integrity of the Group's accounting and financial reporting Internal Audit provides the Board/Audit Committee with independent assurance on the adequacy of the system of internal controls within the Group.

FINANCIAL REPORTING REQUIREMENTS

The Board of Directors of Republic Financial Holdings Limited is responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards and present a true and fair view of the financial affairs of Republic Financial Holdings Limited and the subsidiaries within the Group on a consolidated and individual basis. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors.

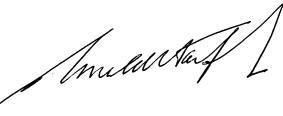
Responsibilities include:-

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors have always recognised the importance of the Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Group. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Group.

Signed on behalf of the Board



RONALD F. deC. HARFORD
Chairman

September 30, 2016



4

CORPORATE SOCIAL RESPONSIBILITY

A Flow of Support



Republic Bank Limited
*Inaugural Sea to Sea Marathon
held in Tobago*

THE POWER TO MAKE A DIFFERENCE

It is widely accepted that understanding the past is critical to charting the future; building the kinds of relationships that will stand the test of time and truly make a difference in the lives of many. As part of the Caribbean for more than 175 years, Republic Bank has always been committed to a vision of local and regional sustainable development. In many ways, the story of the Power to Make A Difference programme is the story of the Republic Group itself. As we have grown, forming strong bonds with diverse communities in the Caribbean and beyond, so too has our commitment to raising the bar of corporate social investment.

Guided by the belief in the Power to Make A Difference, we intend, as a financial institution of the people, to take our investment even further, under a new brand, Republic Financial Holdings Limited, as we chart the way forward in programmes that focus on youth empowerment through education, the arts, culture, and sport, advocate the rights of the differently able and socially marginalised, and foster a spirit of social activism through staff volunteerism.

Creating a Legacy of Teamwork and Caring

Through advocacy and collaboration, we have successfully expanded on the traditional model of sustainable investment beyond sponsorship, to help create a legacy of teamwork and caring; one that embraces the wider interests of the NGO and CBO communities, while inspiring us to pursue additional areas, previously unexplored, where we could provide even more meaningful assistance.

In 2015/2016, as Republic Financial Holdings Limited, we welcomed communities in Suriname and Ghana to the fold as we invested over TT\$30 million, carrying the Power to Make a Difference forward; directing our resources toward sustainable development through investment and staff volunteerism as we build upon existing partnerships and support new efforts for holistic social improvement.

Inspiring the Leaders of Tomorrow

The focus on youth empowerment through education, cultural development and sport starts with giving young achievers the encouragement and the avenues to succeed; viable options that they may not necessarily have an opportunity to make the most of. As we sought new ways to reconnect and inspire younger minds, we kept the spotlight on maintaining existing programmes that have proven their worth through longevity and sheer impact on a diverse array of communities.

Once again, in collaboration with a diversity of communities, the Group made strides in promoting greater literacy throughout the region, unlocking the potential within thousands of children through well-received initiatives like the successful launch of the groundbreaking Literacy Caravan in partnership with the Trinidad & Tobago National Commission for UNESCO and their ongoing cause to promote greater literacy among young achievers.

In a similar vein of youth empowerment through education, the RightStart Speech Contest, which entered its sixth successful year of investing in the futures of children, continues to improve the language skills of Barbadian primary school students between the ages of nine and 11. This year, 38 students from 20 public and private primary schools participated in the contest that helps develop strong communication skills, builds confidence, encourages reading, writing, and research, and improves speech delivery.

Across the diversity of the Region, sponsorship mainstays – the Republic Bank RightStart Youth Football Tournament, the Republic Bank Youth Link Apprenticeship Programme, and the Republic Bank Pan Minors Music Literacy Programme – continue to build upon our rich and ongoing history of programmes centred on youth empowerment through sport, culture, and the arts.

Keeping the focus on education as a means of social mobility, in 2015/2016, the Group strengthened the kinship shared with diverse communities thanks to dynamic partnerships with the Butler Institute of Learning and Labour afterschool programme, St Ann's/Cascade Motivational Programme, the Cropper Foundation, the Cotton Tree Foundation, the Adult Literacy Tutors Association, the Loveuntil Foundation, and the Archdiocesan Family Life Commission's Common Sense Parenting Programme.

Keeping the Promise to our Brothers and Sisters

The 2015/2016 phase of the Power to Make a Difference saw an even deeper, more focussed investment in the work of our partners, particularly those committed to championing the rights and standards of living for the social marginalised and the differently able; our brothers and sisters whom we have promised to protect.

January 2016 also signalled a huge milestone in the Group's commitment to sustainable social investment with the launch of Power to Make A Difference in Suriname; adding credence to

Republic Bank (Barbados) Limited
*Knowledge is power –
on the road testing with the
Diabetes Association of Barbados
and Republic Bank Mobile Unit*



Republic Bank (Suriname) Limited
*gives back to the nearly 60 inhabitants
of elderly home 'Fatima Oord',
by giving the garden of the home
a complete make-over*





HFC Bank (Ghana) Limited
Robert Le Hunte, Managing Director,
HFC Bank (Ghana) Limited,
addressing participants
at the Cocoa Summit

Republic Bank (Suriname) Limited
Gloria Anthony, Managing Director,
presents a cheque to Afke Fitz Jim,
Chief Financial Officer of the
Diakonessen Hospital,
at the launch of the Republic Bank
Power to Make a Difference
programme in Suriname



Republic Bank (Grenada) Limited
Partnership with Grenada Youth
Adventurers, and professional swim
trainers locally and internationally,
who volunteered their time
and skill to teach water safety.
Training was delivered in basic
water survival techniques

THE POWER TO MAKE A DIFFERENCE

an overall aim to truly have a positive impact on all the places the Republic Group calls home. In this inaugural phase, the first project was the renovation and upgrade of five rooms in the children's section at the Diakonessen Hospital. Thanks to this improvement, sick children will now have comfortable surroundings that will go a long way to improving their spirits, and quite possibly, even their health.

In 2015/2016, the connections formed through the years have raised awareness for developmental disabilities like Autism Spectrum Disorder and Dyslexia; helped continue to provide palliative care, testing, and vital assistance for those afflicted by cancer and diabetes; given succour to many young children awaiting medical attention and life-saving organ transplants; and offered hope to the differently able that they may be empowered to lead fulfilling lives in a world more in touch with their abilities.

These powerful alliances have resulted in thousands across the Caribbean receiving the help they need; laying the framework for successful collaboration as the key to realising an even stronger, more aware, and more caring environment, and providing the encouragement for others to become more involved as we aspire toward a brighter future for the region.

Providing hope for a better future is the philosophy behind our support of the revolutionary rehabilitation programme, Vision on Mission (VoM). Founded in 1995 to prepare inmates for release into the society and to facilitate their resettlement, VoM has evolved over the years to become an important part of the national machinery responsible for restorative justice in Trinidad and Tobago; serving the needs of hundreds of current and former male criminal offenders. Going a step further, Republic's investment toward the construction of a centre at Claxton Bay to cater to the needs of 120 socially marginalised women, between the ages of 16-65 years in Trinidad and Tobago, will help provide the right counselling, accommodation and meals, employment assessment and placement, and medical assistance necessary to facilitate these women's successful re-integration into our society.

So overwhelming has been the support for this project that staff members have stepped up in their numbers to assist with the painting and beautifying of the rooms for the residents.

Preserving Our Home

Our country is our home. As our home, we have a responsibility to provide for not only its well-being, and ultimately, its safety, we also have to provide so that future generations understand their role in keeping our country beautiful on all fronts – environmentally and culturally. Maintaining the beauty of our home extends beyond simply ensuring we have safe, clean, and comfortable spaces, it is as equally important to continue adding value to our people's cultural development.

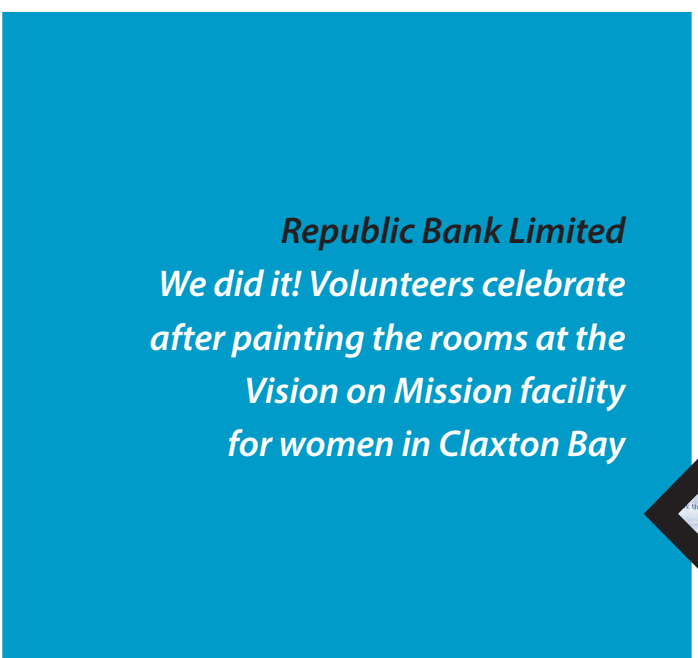
Having the power to make a difference in the reenergising of Grand Kadooment, the culmination of the annual Barbados Crop Over festival, has, since our involvement, resulted in increased numbers of costumed bands participating. Our support has also greatly contributed to the National Cultural Foundation achieving its objectives including, providing more meaningful prizes and opportunities for improving the skills of costume designers.

Similarly, the Group ushered in a new era of cultural development, celebrating milestones of investment in the Republic Bank Junior Parade of the Bands, the Baal Vikaas Vihaar Festival, and the Republic Bank Love Movement Youth Outreach, which have all continued to connect us with different people; developing and showcasing the talents of countless young achievers, as we joined hands in the pursuit of a culturally rich and expressive environment for all.

As bridges were formed with new communities in Ghana, so too were powerful initiatives to strengthen a nation that is finding its way in the agricultural and oil and gas sectors. Partnerships with the lobbyist group, Ghana Oil and Gas Service Providers Association (GOGSPA), and the Sekondi-Takoradi Chamber of Commerce and Industry further cemented the Group's commitment to working hand-in-hand with the country's industry leaders on an ongoing drive to augment upstream, midstream and downstream parts of the oil and gas sector. Similarly, during this period, HFC Bank (Ghana) focussed on other areas of sustainable development by successfully hosting the first ever Cocoa Summit as a way of offering support, a viable platform to engage a wider cross section of rural cocoa farmers and exporters, and additional avenues for increased employment and infrastructural development.



Republic Bank (Guyana) Limited
A Staff Volunteer engages children during a visit to the Save Our Children Orphanage



Republic Bank Limited
We did it! Volunteers celebrate after painting the rooms at the Vision on Mission facility for women in Claxton Bay



Republic Bank (Barbados) Limited
Finalists of the Republic Bank RightStart Speech Contest 2016

THE POWER TO MAKE A DIFFERENCE

Working beyond the regular work day

As our sponsorship and social programmes continue to make inroads in raising the standard of living in various communities, so too has our staff volunteerism programme laid down a blueprint of how to let our actions outside of the bank speak just as loudly as those inside. Beyond the dollars and cents of financial investment, comes the investment of human capital, energy, and most all, the belief in all hands working together to achieve the future we seek.

In February 2016, more than 20 Suriname team members led the way by joining forces to beautify the garden of the elderly home 'Fatima Oord'. In collaboration with some garden specialists, these "True Blue" volunteers gave the garden a complete makeover, much to the delight of the residents, who expressed their gratitude for helping to beautify and maintain such an important area of relaxation and activity for most of the senior citizens.

The 2015/2016 phase was a particularly memorable one as our "True Blue" teams once again showed their resourcefulness by successfully working together on national beautification and construction projects with the Habitat for Humanity and the United Way Trinidad and Tobago. The challenge, we have issued ourselves is to become more involved as we strive to do more with our time in pursuit of the common good.

On Mother's Day 2016, staff from HFC Bank (Ghana) spread joy to communities in Accra, Kumasi, Tamale, Koforidua and Cape Coast as part of "My Mother, My Joy" – a staff volunteerism drive to donate much needed toiletries, provisions, clothes, and toys to hundreds in need. Going further, Tamale Branch staff successfully raised funds to outfit the children's ward of the Seventh Day Adventist (SDA) hospital in Tamale, Tema branch staff worked together to renovate the Manhia Hospital's maternity ward, and the Adabraka team likewise helped refurbish the Accra Psychiatric Hospital.

Across the region, the relationships that we have made with various communities have come to define us as more than simply a financial institution of choice, but also as a collection of like-minded souls, dedicated to working together to help set the right foundation for the day when volunteerism becomes the norm and not the exception.

The Future Beckons

As we begin a new era as Republic Financial Holdings Limited, we look forward to the future of the Power to Make A Difference programme serving the communities across the regions we serve in the Caribbean, South America, and Africa. The promises we have built upon over the last decade will pave the way for new opportunities to enhance the well-being and future prospects of many. In this next phase of our evolution, the focus remains fixed on adding value to the ways we engage the community and leading by example, to uplift a multitude of people and societies.



*HFC Bank (Ghana) Limited
Young athletes displaying
athletic vests and medals presented
by HFC Bank to the Ghana Education
Service (GES) as part of a three-year
partnership programme*

*Republic Bank (Grenada) Limited
Partnership with the “Proactive
Nation Builders” to provide positive
alternatives for youth. Training in the
performing arts, music and dance,
activities that assist in the creation of
productive, socially healthy
and civic-minded youth, who can
make meaningful contribution
to the society*



*Republic Bank (Guyana) Limited
Young Steel Band Arrangers
demonstrate their playing skills
during the Graduation Ceremony
of the Republic Bank RightStart
Pan Minors Music Literacy
Programme*

5

FINANCIAL STATEMENTS

Processing Our Success

FINANCIAL REPORTING REQUIREMENTS

The Directors of Republic Bank Limited are responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards and present a true and fair view of the financial affairs of the company. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors.

General responsibilities include:-

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors have always recognised the importance of the Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Group. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Group.

The system of internal control is further supported by a professional staff of Internal Auditors who conducts periodic audits of all aspects of the Group's operations. External Auditors have full and free access to, and meet periodically with the Audit Committee to discuss their audit and findings as to the integrity of the Group's accounting and financial reporting and the adequacy of the system of internal controls.

Signed on behalf of the Board



RONALD F. deC. HARFORD

Chairman

September 30, 2016

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REPUBLIC FINANCIAL HOLDINGS LIMITED INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC FINANCIAL HOLDINGS LIMITED

We have audited the accompanying 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, 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

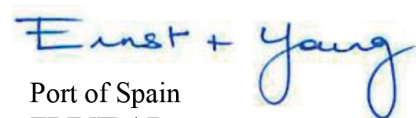
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain
TRINIDAD
November 3, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000)

	Notes	2016	2015
ASSETS			
Cash and cash equivalents		793,703	930,485
Statutory deposits with Central Banks		5,787,709	5,627,292
Due from banks		5,340,734	7,542,995
Treasury Bills		5,886,143	6,162,162
Investment interest receivable		95,535	74,400
Advances	4	34,292,693	33,007,998
Investment securities	5	10,265,047	8,094,392
Investment in associated companies	6	75,491	142,066
Premises and equipment	7	2,188,528	1,917,870
Intangible assets	8	416,931	539,771
Pension assets	9	1,010,851	1,223,147
Deferred tax assets	10 (a)	211,868	170,736
Taxation recoverable		82,820	72,586
Other assets	11	411,490	495,676
TOTAL ASSETS		66,859,543	66,001,576
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		167,481	554,135
Customers' current, savings and deposit accounts	12	49,631,274	49,711,582
Other fund raising instruments	13	3,843,646	2,586,569
Debt securities in issue	14	1,148,792	1,192,952
Pension liability	9	67,360	52,595
Provision for post-retirement medical benefits	9	430,929	406,171
Taxation payable		160,274	165,493
Deferred tax liabilities	10 (b)	394,194	420,011
Accrued interest payable		104,676	68,591
Other liabilities	15	1,368,222	1,432,868
TOTAL LIABILITIES		57,316,848	56,590,967

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

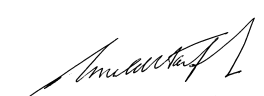
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000)

	Note	2016	2015
EQUITY			
Stated capital	16	765,950	739,125
Statutory reserves		1,212,651	1,194,889
Other reserves	17	951,932	636,543
Retained earnings		6,194,078	6,361,538
Attributable to equity holders of the parent		9,124,611	8,932,095
Non-controlling interest		418,084	478,514
TOTAL EQUITY		9,542,695	9,410,609
TOTAL LIABILITIES AND EQUITY		66,859,543	66,001,576

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

These financial statements were approved by the Board of Directors on November 3, 2016 and signed on its behalf by:


RONALD F. deC. HARFORD
Chairman


NIGEL M. BAPTISTE
President


WILLIAM P. LUCIE-SMITH
Director


JACQUELINE H.C. QUAMINA
Corporate Secretary

CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

	Notes	2016	2015
Interest income	18 (a)	3,610,566	2,778,731
Interest expense	18 (b)	(553,419)	(325,695)
Net interest income		3,057,147	2,453,036
Other income	18 (c)	1,413,741	1,462,399
		4,470,888	3,915,435
Operating expenses	18 (d)	(2,613,040)	(2,124,453)
Share of (loss)/profits of associated companies	6	(1,045)	39,276
Operating profit		1,856,803	1,830,258
Goodwill impairment expense	8	(107,309)	(31,510)
Loan impairment expense, net of recoveries	4 (b), 25	(412,622)	(165,264)
Net profit before taxation		1,336,872	1,633,484
Taxation expense	19	(393,759)	(396,740)
Net profit after taxation		943,113	1,236,744
Attributable to:			
Equity holders of the parent		946,307	1,223,648
Non-controlling interest		(3,194)	13,096
		943,113	1,236,744
Earnings per share (\$)			
Basic		\$5.87	\$7.59
Diluted		\$5.86	\$7.57
Weighted average number of shares ('000)			
Basic	16	161,342	161,279
Diluted	16	161,592	161,662

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000)

	Note	2016	2015
Net profit after taxation		943,113	1,236,744
Other comprehensive income:			
<i>Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net gain/(loss) on available-for-sale investments		61,465	(226,908)
Translation adjustments		29,168	138,388
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		90,633	(88,520)
<i>Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net re-measurement (losses)/gains on defined benefit plans		(143,231)	29,575
Share of changes recognised directly in associate's equity	6	(626)	(1,781)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		(143,857)	27,794
Total other comprehensive loss for the year, net of tax		(53,224)	(60,726)
Total comprehensive income for the year, net of tax		889,889	1,176,018
Attributable to:			
Equity holders of the parent		876,069	1,163,542
Non-controlling interest		13,820	12,476
		889,889	1,176,018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2016. 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, 2014	704,871	1,202,364	744,363	5,785,296	8,436,894	309,429	8,746,323
Total comprehensive (loss)/income for the year	–	–	(89,647)	1,253,189	1,163,542	12,476	1,176,018
Issue of shares	27,374	–	–	–	27,374	–	27,374
Share-based payment	6,880	–	–	–	6,880	–	6,880
Shares purchased for profit sharing scheme	–	–	(67,410)	–	(67,410)	–	(67,410)
Allocation of shares	–	–	49,195	–	49,195	–	49,195
Transfer to general contingency reserve	–	–	42	(42)	–	–	–
Transfer from statutory reserves	–	(7,475)	–	7,475	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	192,040	192,040
Dividends (Note 28)	–	–	–	(687,597)	(687,597)	–	(687,597)
Dividends paid to non-controlling interest	–	–	–	–	–	(35,431)	(35,431)
Other	–	–	–	3,217	3,217	–	3,217
Balance at September 30, 2015	739,125	1,194,889	636,543	6,361,538	8,932,095	478,514	9,410,609
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000)

	Notes	2016	2015
Operating activities			
Net profit before taxation		1,336,872	1,633,484
Adjustments for:			
Depreciation	7	165,627	145,159
Loan impairment expense, net of recoveries	4 (b)(ii)	412,622	165,264
Goodwill impairment expense, net of negative goodwill	8 (a)	106,573	31,510
Investment securities impairment expense		65,507	–
Amortisation of intangibles	8 (b)	16,267	–
Translation difference		258,259	151,407
Loss/(profit) on sale of premises and equipment		6,286	(11,661)
Realised gain on investment securities		(11,359)	(1,958)
Share of net loss/(profit) of associated companies	6	1,045	(39,276)
Stock option expense	16	4,073	6,880
Increase in employee benefits		90,493	32,023
Increase in advances		(1,694,495)	(3,375,831)
Increase in customers' deposits and other fund raising instruments		1,176,768	748,559
Increase in statutory deposits with Central Banks		(160,417)	(511,440)
Decrease in other assets and investment interest receivable		63,050	256,035
(Decrease)/increase in other liabilities and accrued interest payable		(28,561)	66,284
Taxes paid, net of refund		(463,257)	(331,570)
Cash provided by/(used in) operating activities		1,345,353	(1,035,131)
Investing activities			
Purchase of investment securities		(7,681,348)	(5,586,978)
Redemption of investment securities		5,652,267	5,800,181
Acquisition of controlling interest in a subsidiary	6	–	236,660
Acquisition of additional interest in a subsidiary	32 (c)	(38,518)	–
Acquisition of subsidiaries, net of cash acquired	32	–	959,092
Dividends from associated companies	6	1,705	5,638
Additions to premises and equipment	7	(438,756)	(287,338)
Proceeds from sale of premises and equipment		5,388	17,134
Cash (used in)/provided by investing activities		(2,499,262)	1,144,389

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

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000)

	Notes	2016	2015
Financing activities			
(Decrease)/increase in balances due to other banks		(386,654)	325,700
Repayment of debt securities		(44,160)	(12,510)
Proceeds from share issue	16	22,754	27,374
Shares purchased for profit sharing scheme	17	(78,461)	(67,410)
Allocation of shares to profit sharing plan	17	54,761	49,195
Dividends paid to shareholders of the parent	28	(704,965)	(687,597)
Dividends paid to non-controlling shareholders of the subsidiaries		(20,176)	(35,431)
Cash used in financing activities		(1,156,901)	(400,679)
Net decrease in cash and cash equivalents		(2,310,810)	(291,421)
Net foreign exchange difference		(384,171)	(7,140)
Cash and cash equivalents at beginning of year		13,492,116	13,790,677
Cash and cash equivalents at end of year		10,797,135	13,492,116
Cash and cash equivalents at end of year are represented by:			
Cash on hand		793,703	930,485
Due from banks		5,340,734	7,542,995
Treasury Bills - original maturities of three months or less		4,330,354	4,685,164
Bankers' acceptances - original maturities of three months or less		332,344	333,472
		10,797,135	13,492,116
Supplemental information:			
Interest received during the year		3,589,431	2,742,574
Interest paid during the year		(517,335)	(297,696)
Dividends received	18 (c)	1,257	442

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. 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 (RBL) 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 (RFHL).

The vesting of assets and liabilities between entities under common control did not meet the definition of a “business combination” and consequently did not result in any change of economic substance for the Group. Accordingly, the consolidated financial statements of RFHL are the continuation of the existing Group.

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 August 31, and Republic Bank (Suriname) N.V., which used July 31, using consistent accounting policies. The financial results of these two subsidiaries were fully consolidated in 2016, but in 2015, HFC Bank (Ghana) Limited included three months of income and expense while no income and expense items were included for Republic Bank (Suriname) N.V.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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 statement of income. Any investment retained is recognised at fair value.

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

2.3 Changes in accounting policies

New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended September 30, 2015. There were no new interpretations or standards which became effective in the current year.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. 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)

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.

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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards in issue not yet effective (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective January 1, 2016)

The 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*
2.4 Standards in issue not yet effective *(continued)*

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.

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, 2016.

IFRS	Subject of Amendment
IFRS 5	- Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	- Financial Instruments: Disclosures - Servicing contracts
IFRS 7	- Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	- Employee Benefits - Discount rate: regional market issue
IAS 34	- Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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 institutions. Other than Statutory Deposits of \$4.3 billion, the Bank also holds Treasury Bills and other deposits of \$2.9 billion with the Central Bank of Trinidad & Tobago as at September 30, 2016. Interest earned on these balances for the year was \$29.2 million.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

b) Statutory deposits with Central Banks *(continued)*

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

c) Financial instruments *(continued)*

ii) Investment securities *(continued)*

At fair value through profit or loss *(continued)*

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

Available-for-sale

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

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

iii) Debt securities and other fund raising instruments

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

d) Impairment of financial assets

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

i) Advances

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

d) Impairment of financial assets (continued)

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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%

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

h) Impairment of non-financial assets *(continued)*

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

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

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

i) Business combinations and goodwill

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

i) Business combinations and goodwill *(continued)*

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 statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the statement of income in subsequent periods.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

j) Employee benefits (continued)

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).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

l) Statutory reserves (continued)

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 require 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, 2016, totalled \$32.0 billion (2015: \$32.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

r) Fair Value *(continued)*

Level 3 (continued)

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

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)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimates and assumptions *(continued)*

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 financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2016, using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate perpetuity discount rate to calculate present value.

Deferred taxes (Note 10)

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

Judgements

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

Premises and Equipment (Note 7)

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

Assessment of control

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

4 ADVANCES

a) Advances

	Retail Lending	2016 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 charge	(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

	Retail Lending	2015 Commercial and Corporate Lending	Mortgages	Total
Performing advances	5,881,567	14,753,757	11,730,937	32,366,261
Non-performing advances	186,424	649,077	414,226	1,249,727
	6,067,991	15,402,834	12,145,163	33,615,988
Unearned interest/finance charge	(43,807)	(64,467)	–	(108,274)
Accrued interest	10,100	81,259	20,412	111,771
	6,034,284	15,419,626	12,165,575	33,619,485
Allowance for impairment losses	(116,142)	(360,283)	(135,062)	(611,487)
Net advances	5,918,142	15,059,343	12,030,513	33,007,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

4 ADVANCES (continued)

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.

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

	2016			
	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
Balance brought forward	116,142	360,283	135,062	611,487
Translation adjustment	1,510	(6,104)	(2,554)	(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	128,740	600,416	151,160	880,316

4 ADVANCES (continued)

b) Allowance for impairment losses (continued)

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

	2016			
	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
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

	2015			
	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
Balance brought forward	73,831	240,841	76,733	391,405
Acquisition of subsidiaries	11,106	80,529	27,125	118,760
Translation adjustment	136	963	208	1,307
Charge-offs and write-offs	(31,537)	(31,475)	(2,237)	(65,249)
Loan impairment expense	113,180	223,265	61,740	398,185
Loan impairment recoveries	(50,574)	(153,840)	(28,507)	(232,921)
Balance carried forward	116,142	360,283	135,062	611,487
Individual impairment	92,960	305,372	108,292	506,624
Collective impairment	23,182	54,911	26,770	104,863
	116,142	360,283	135,062	611,487
Gross amount of loans individually determined to be impaired, before deducting any allowance	186,424	649,077	414,226	1,249,727

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For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

4 ADVANCES (continued)

c) Net investment in leased assets included in net advances

	2016	2015
Gross investment	242,768	266,822
Unearned finance charge	(38,259)	(50,514)
Net investment in leased assets	204,509	216,308
d) Net investment in leased assets has the following maturity profile		
Within one year	3,150	1,387
One to five years	39,449	37,383
Over five years	161,910	177,538
	204,509	216,308

5 INVESTMENT SECURITIES

	2016	2015
a) Available-for-sale		
Government securities	4,658,321	3,099,999
State owned company securities	1,242,790	990,330
Corporate bonds/debentures	3,435,703	3,321,438
Bankers' acceptances	469,696	469,382
Equities and mutual funds	34,060	43,415
	9,840,570	7,924,564
b) Held to Maturity		
Government securities	366,668	120,251
Corporate bonds/debentures	9,142	2,240
Equities and mutual funds	21,769	25,109
	397,579	147,600
c) Designated at fair value through profit or loss		
Held for trading		
Quoted securities	26,898	22,228
Total investment securities	10,265,047	8,094,392

6 INVESTMENT IN ASSOCIATED COMPANIES

	2016	2015
Balance at beginning of year	142,066	345,942
Acquisition of controlling interest in a subsidiary	–	(236,660)
Acquisition of associate	–	927
Share of current year (loss)/profit	(1,045)	39,276
Dividends received	(1,705)	(5,638)
Exchange adjustments	(1,358)	–
Share of revaluation reserves	(626)	(1,781)
Investment impairment	(61,841)	–
Balance at end of year	75,491	142,066

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:

	Associate that is material to the Group ECFH	Other associates	Total Investment in Associates	
	2016	2016	2016	2015
Total assets	9,360,142	186,262	9,546,404	9,464,782
Total liabilities	8,735,865	21,108	8,756,973	8,655,483
Net assets/equity	624,277	165,154	789,431	809,299
Group's share of associates' net assets *	33,622	41,869	75,491	142,066
(Loss)/profit for the period	(21,142)	10,738	(10,404)	32,767
Group's share of (loss)/profit of associated companies after tax for the period	(8,168)	7,123	(1,045)	39,276
Group's share of revaluation reserves of associated companies	(626)	–	(626)	(1,781)
Dividends received during the year	–	1,705	1,705	5,638

* The Group's share of ECFH's net assets attributable to the equity holders is \$96.1 million. The balance of \$33.6 million is net of an impairment charge of \$61.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

7 PREMISES AND EQUIPMENT

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

7 PREMISES AND EQUIPMENT (continued)

2015	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	172,708	1,153,255	126,114	1,483,731	2,935,808
Acquisition of subsidiaries	827	102,175	64,895	126,478	294,375
Exchange and other adjustments	133	294	223	2,369	3,019
Additions at cost	223,954	6,281	1,908	55,195	287,338
Disposal of assets	–	(431)	(2,385)	(49,184)	(52,000)
Transfer of assets	(143,039)	95,346	5,488	42,205	–
	254,583	1,356,920	196,243	1,660,794	3,468,540
Accumulated depreciation					
At beginning of year	–	159,587	94,354	1,108,364	1,362,305
Acquisitions	–	9,030	2,801	80,058	91,889
Exchange and other adjustments	–	(4,198)	105	1,658	(2,435)
Charge for the year	–	16,739	6,251	122,169	145,159
Disposal of assets	–	(13)	(2,385)	(43,850)	(46,248)
	–	181,145	101,126	1,268,399	1,550,670
Net book value	254,583	1,175,775	95,117	392,395	1,917,870

Capital commitments

	2016	2015
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	520,904	378,100
Other capital expenditure authorised by the Directors but not yet contracted for	77,016	89,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

8 INTANGIBLE ASSETS

	2016	2015
a) Goodwill	393,009	499,582
b) Core Deposits	23,922	40,189
	416,931	539,771

a) Goodwill

	Note	2016	2015
Goodwill on acquisition brought forward		499,582	300,971
Translation adjustment		–	(153)
Goodwill arising on acquisition of subsidiaries (restated*)	32	–	230,274
Negative goodwill taken to income		736	–
Goodwill written off during the year		(107,309)	(31,510)
		393,009	499,582

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.

*The amount of goodwill is restated and does not correspond to the figures in 2015 financial statements since adjustments to the final valuation of acquisitions were made as detailed in Note 32.

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%	12%	9%	15%	
Cash flow projection term	10 yrs	7 yrs	10 yrs	3 yrs	
Terminal growth rate	3.5%	1.8%	3.0%	3.0%	

8 INTANGIBLE ASSETS (continued)

a) Goodwill (continued)

Impairment testing of goodwill (continued)

Using these assumptions, 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 for the Group’s investment in HFC Bank (Ghana) Limited:

Carrying Value of HFC Bank (Ghana) Limited	394,732
Present value of future cash flows	287,424
Impairment	107,309

b) Core Deposits

	Note	2016	2015
Cost			
At beginning of year		40,189	–
Acquisition of a subsidiary	32(a)	–	40,189
		40,189	40,189
Accumulated amortisation			
At beginning of year		–	–
Amortisation		16,267	–
		16,267	–
Net book value		23,922	40,189

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

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	
	2016	2015	2016	2015
Present value of defined benefit obligation	(2,790,586)	(2,606,449)	(359,827)	(312,440)
Fair value of plan assets	3,811,946	3,840,920	292,467	259,845
Surplus/(deficit)	1,021,360	1,234,471	(67,360)	(52,595)
Effect of asset ceiling	(10,509)	(11,324)	–	–
Net asset/(liability) recognised in the consolidated statement of financial position	1,010,851	1,223,147	(67,360)	(52,595)

	Post-retirement medical benefits	
	2016	2015
Present value of defined benefit obligation	(430,929)	(406,171)
Fair value of plan assets	–	–
Net liability recognised in the consolidated statement of financial position	(430,929)	(406,171)

9 EMPLOYEE BENEFITS (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Opening defined benefit obligation	2,918,889	3,008,883	406,171	423,502
Acquisition of a subsidiary	–	–	–	22,375
Exchange adjustments	19,707	1,783	1,444	(279)
Current service cost	114,328	114,659	18,056	19,953
Interest cost	166,674	156,820	21,799	21,332
Members' contributions	1,221	1,107	–	–
Past service cost	13,229	–	11,419	–
Re-measurements:				
- Experience adjustments	18,735	(51,076)	(23,513)	(34,388)
- Actuarial gains/(losses) from change in demographic assumptions	14,050	(4,471)	1,259	(6)
- Actuarial losses from change in financial assumptions	–	(214,058)	–	(43,432)
Benefits paid	(116,420)	(94,758)	(284)	126
Premiums paid by the Group	–	–	(5,422)	(3,012)
Closing defined benefit obligation	3,150,413	2,918,889	430,929	406,171

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Defined benefit obligation at prior year end	1,170,552	1,242,450	406,171	423,502
Acquisition of a subsidiary	–	–	–	22,375
Exchange adjustments	(2,399)	(190)	1,443	51
Opening defined benefit obligation	1,168,153	1,242,260	407,614	445,928
Net pension cost	(67,166)	(55,720)	51,274	41,282
Re-measurements recognised in other comprehensive income	(190,813)	(36,512)	(22,253)	(77,814)
Premiums paid by the Group	33,317	20,524	(5,706)	(3,225)
Closing net pension asset	943,491	1,170,552	430,929	406,171

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9 EMPLOYEE BENEFITS (continued)

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 6%	N/A
- Pensioners	13% to 33%	16% to 30%

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

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

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

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

	Defined benefit pension plans	
	2016	2015
Opening fair value of plan assets	4,100,765	4,265,504
Exchange adjustments	17,308	1,593
Interest income	212,203	202,220
Return on plan assets, excluding interest income	(142,130)	(293,752)
Contributions by employer	33,317	20,524
Members' contributions	1,221	1,107
Benefits paid	(116,420)	(94,758)
Expense allowance	(1,851)	(1,673)
Closing fair value of plan assets	4,104,413	4,100,765
Actual return on plan assets	64,029	205,347

f) Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		% Allocation	
	2016	2015	2016	2015
Equity securities	1,904,453	1,870,082	46.40%	45.60%
Debt securities	1,950,027	1,829,269	47.51%	44.62%
Property	13,323	25,117	0.32%	0.61%
Mortgages	6,939	5,818	0.17%	0.14%
Money market instruments/cash	229,671	370,479	5.60%	9.03%
Total fair value of plan assets	4,104,413	4,100,765	100.0%	100.0%

9 EMPLOYEE BENEFITS (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Current service cost	114,328	114,659	18,056	19,953
Interest on defined benefit obligation	(62,242)	(61,293)	21,799	21,329
Past service cost	13,229	-	11,419	-
Administration expenses	1,851	2,354	-	-
Total included in staff costs	67,166	55,720	51,274	41,282

h) Re-measurements recognised in other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2016	2015	2016	2015
Experience (losses)/gains	(192,251)	(40,068)	22,253	77,814
Effect of asset ceiling	1,438	3,556	-	-
Total included in other comprehensive income	(190,813)	(36,512)	22,253	77,814

i) Summary of principal actuarial assumptions as at September 30

	2016 %	2015 %
Discount rate	4.00 - 7.75	5.00 - 7.75
Rate of salary increase	4.00 - 6.75	4.00 - 6.75
Pension increases	0.00 - 2.40	0.00 - 2.50
Medical cost trend rates	5.75 - 7.00	5.00 - 6.00
NIS ceiling rates	3.00 - 5.00	3.00 - 5.00

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, 2016 are as follows:

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9 EMPLOYEE BENEFITS (continued)

i) Summary of principal actuarial assumptions as at September 30 (continued)

	Defined benefit pension plans	
	2016	2015
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	14.6 to 24.5	14.6 to 21.0
- Female	18.4 to 26.8	18.4 to 25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	14.6 to 26.2	14.6 to 21.4
- Female	18.4 to 27.6	18.4 to 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, 2016, 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	(391,061)	505,415	(74,715)	100,375
- Future salary increases	201,327	(171,480)	305	(261)
- Future pension cost increases	244,000	(244,000)	-	-
- Medical cost increases	-	-	98,668	(74,241)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2016 by \$54.51 million and the post-retirement medical benefit by \$13.38 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 \$9.3million to the pension plan 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 \$13.3 million to the medical plan in the 2017 financial year.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2015	Exchange and other adjustments	Credit/(charge)		Closing balance 2016
			Consolidated statement of income	OCI	
Post-retirement medical benefits	110,053	830	20,923	7,808	139,614
Leased assets	14,779	-	(3,621)	-	11,158
Unrealised reserve	7,812	422	24	(3,293)	4,965
Unearned loan origination fees	31,379	179	7,581	-	39,139
Other	6,713	-	10,279	-	16,992
	170,736	1,431	35,186	4,515	211,868

b) Deferred tax liabilities

	Opening balance 2015	Exchange adjustments	(Credit)/charge		Closing balance 2016
			Consolidated statement of income	OCI	
Pension asset	307,847	189	13,802	(17,376)	304,462
Leased assets	27,869	-	1,673	-	29,542
Premises and equipment	72,546	(388)	(33,694)	-	38,464
Unrealised reserve	9,475	46	-	11,181	20,702
Other	2,274	(1,245)	-	(5)	1,024
	420,011	(1,398)	(18,219)	(6,200)	394,194
Net credit to consolidated statement of income			53,405		

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For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

11 OTHER ASSETS

	2016	2015
Accounts receivable and prepayments	259,634	309,357
Project financing reimbursables	795	629
Deferred commission and fees	13,424	7,585
Non-current assets held to maturity	26,103	22,314
Other	111,534	155,791
	411,490	495,676

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2016	2015
State	5,577,885	6,487,239
Corporate and commercial	13,404,015	12,881,274
Personal	28,221,625	27,397,610
Other financial institutions	2,197,692	2,144,617
Other	230,057	800,842
	49,631,274	49,711,582

13 OTHER FUND RAISING INSTRUMENTS

At September 30, 2016 investment securities held to secure other fund raising instruments of the Group amounted to \$3.7 billion (2015: \$1.8 billion).

Concentration of other fund raising instruments

	2016	2015
State	1,811,263	1,117,763
Corporate and commercial	102,170	38,387
Personal	151,416	187,920
Other financial institutions	1,778,797	1,242,499
	3,843,646	2,586,569

14 DEBT SECURITIES IN ISSUE

	2016	2015
Unsecured		
a) Fixed rate bonds	800,012	814,583
b) Floating rate bonds	107,213	122,959
	907,225	937,542
Secured		
a) Floating rate bonds	231,468	241,239
b) Fixed rate bonds	9,388	13,334
c) Mortgage pass-through certificates	711	837
	241,567	255,410
Total debt securities in issue	1,148,792	1,192,952

Unsecured obligations

- a) Fixed rate bonds are denominated in Trinidad and Tobago dollars and include an unsubordinated bond issued by Republic Bank Limited in 2008 for a term of ten years at a fixed rate of interest of 8.55%.
- b) Floating rate bonds are denominated in Ghanaian cedis and include 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.

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15 OTHER LIABILITIES

	2016	2015
Accounts payable and accruals	1,019,789	1,148,978
Unearned loan origination fees	142,124	133,886
Deferred income	7,808	10,599
Other	198,501	139,406
	1,368,222	1,432,869

16 STATED CAPITAL

Authorised

An unlimited number of shares of no par value

	2016	2015	2016	2015
	Number of ordinary shares ('000)			
Issued and fully paid				
At beginning of year	161,249	161,052	739,125	704,871
Shares issued/proceeds from shares issued	275	336	22,752	27,374
Shares purchased for profit sharing scheme	(700)	(562)	–	–
Share-based payment	–	–	4,073	6,880
Allocation of shares	452	423	–	–
At end of year	161,276	161,249	765,950	739,125

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

	2016	2015
Weighted average number of ordinary shares	161,342	161,279
Effect of dilutive stock options	250	383
Weighted average number of ordinary shares adjusted for the effect of dilution	161,592	161,662

17 OTHER RESERVES

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2014	(94,538)	(72,134)	641,657	269,378	744,363
Realised gains transferred to net profit	–	–	–	(553)	(553)
Revaluation of available-for-sale investments	–	–	–	(222,044)	(222,044)
Translation adjustments	134,731	–	–	–	134,731
Share of changes recognised directly in associate's equity	(1,781)	–	–	–	(1,781)
Total income and expense for the year recognised directly in equity	132,950	–	–	(222,597)	(89,647)
Shares purchased for profit sharing scheme	–	(67,410)	–	–	(67,410)
Allocation of shares	–	49,195	–	–	49,195
Transfer to retained earnings	–	–	42	–	42
Balance at September 30, 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

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, 2016, the balance in the General contingency reserve of \$908.9 million is part of Other reserves which totals \$951.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

17 OTHER RESERVES (continued)

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, 2016, shares costing \$114 million (2015: \$90 million) remain unallocated from the profit sharing scheme. Refer to Note 27(a).

	No. of shares (000's)	
	2016	2015
Balance brought forward	750	610
Add shares purchased	700	562
Allocation of shares	(452)	(422)
Balance carried forward	998	750

18 OPERATING PROFIT

	2016	2015
a) Interest income		
Advances	3,044,845	2,357,816
Investment securities	345,503	306,980
Liquid assets	220,218	113,935
	3,610,566	2,778,731
b) Interest expense		
Customers' current, savings and deposit accounts	367,707	203,832
Other fund raising instruments and debt securities in issue	164,895	119,112
Other interest bearing liabilities	20,817	2,751
	553,419	325,695
c) Other income		
Fees and commission from trust and other fiduciary activities	249,976	238,357
Other fees and commission income	722,081	589,063
Net exchange trading income	268,769	282,633
Dividends	1,257	442
Net gains from investments at fair value through profit or loss	–	771
Gains from disposal of available-for-sale investments	27,843	26,885
Other operating income	143,814	324,248
	1,413,740	1,462,399

18 OPERATING PROFIT (continued)

d) Operating expenses

	2016	2015
Staff costs	992,413	804,835
Staff profit sharing - Note 27(a)	126,931	117,922
Employee benefits pension and medical contribution - Note 9(g)	118,440	97,002
General administrative expenses	840,821	706,193
Operating lease payments	40,789	46,368
Property related expenses	151,661	120,437
Depreciation expense - Note 7	165,627	145,159
Advertising and public relations expenses	81,721	76,005
Intangible amortisation expense	16,267	–
Investment impairment expense	65,507	–
Directors' fees	12,863	10,532
	2,613,040	2,124,453
e) Non-cancellable operating lease commitments		
Within one year	24,261	28,313
One to five years	60,823	19,084
Over five years	21,660	5,479
	106,744	52,876

19 TAXATION EXPENSE

	2016	2015
Corporation tax	447,164	415,222
Deferred tax	(53,405)	(18,482)
	393,759	396,740

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19 TAXATION EXPENSE (continued)

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:

	2016	2015
Accounting profit	1,336,872	1,633,484
Tax at applicable statutory tax rates	358,909	469,525
<i>Tax effect of items that are adjustable in determining taxable profit:</i>		
Tax exempt income	(36,347)	(91,799)
Non-deductible expenses	134,973	45,747
Allowable deductions	(53,405)	(18,481)
Provision for other taxes	(10,371)	(8,252)
	393,759	396,740

The Group has tax losses in two of its subsidiaries amounting to \$55.9 million (2015: \$128.9 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.

	2016	2015
Advances, investments and other assets		
Directors and key management personnel	18,706	20,695
Other related parties	216,923	101,095
	235,629	118,812
Deposits and other liabilities		
Directors and key management personnel	76,759	64,231
Other related parties	119,544	75,848
	196,303	139,282

20 RELATED PARTIES (continued)

	2016	2015
Interest and other income		
Directors and key management personnel	1,672	1,229
Other related parties	44,442	7,576
	46,114	8,805
Interest and other expense		
Directors and key management personnel	13,536	7,551
Other related parties	7,803	2,558
	21,339	10,109

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

Key management compensation

	2016	2015
Short-term benefits	34,437	30,508
Post employment benefits	19,495	1,750
Share-based payment	4,074	6,912
	58,006	39,170

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.

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For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

21 RISK MANAGEMENT *(continued)*
21.1 Introduction *(continued)*

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, 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.

21 RISK MANAGEMENT *(continued)*
21.2 Credit risk *(continued)*

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	
	2016	2015
Statutory deposits with Central Banks	5,787,709	5,627,292
Due from banks	5,340,734	7,542,995
Treasury Bills	5,886,143	6,162,162
Investment interest receivable	95,535	74,400
Advances	34,292,693	33,007,998
Investment securities	10,182,319	8,003,640
Total	61,585,133	60,418,487
Undrawn commitments	5,882,547	5,138,615
Acceptances	1,050,602	1,108,666
Guarantees and indemnities	277,114	301,161
Letters of credit	231,387	309,110
Total	7,441,650	6,857,552
Total credit risk exposure	69,026,783	67,276,039

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.

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For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

21 RISK MANAGEMENT (continued)

21.2 Credit risk (continued)

21.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

Collateral and other credit enhancements

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

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

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

21.2.2 Risk concentrations of the maximum exposure to credit risk

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

a) Geographical sectors

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

	2016	2015
Trinidad and Tobago	42,188,341	42,001,307
Barbados	8,390,365	7,307,155
Eastern Caribbean	1,969,617	1,499,065
Guyana	4,521,953	3,920,385
United States	2,853,410	3,944,367
Europe	786,755	757,070
Suriname	2,713,115	2,640,184
Ghana	2,456,498	2,139,890
Other Countries	3,146,729	3,066,616
	69,026,783	67,276,039

21 RISK MANAGEMENT (continued)

21.2 Credit risk (continued)

21.2.2 Risk concentrations of the maximum exposure to credit risk (continued)

b) Industry sectors

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

	2016	2015
Government and Central Government Bodies	20,983,381	21,031,567
Financial sector	9,133,643	9,161,190
Energy and mining	1,663,986	1,640,811
Agriculture	300,844	296,051
Electricity and water	485,652	433,797
Transport, storage and communication	644,140	673,403
Distribution	4,869,925	3,896,355
Real estate	3,155,974	3,706,672
Manufacturing	2,113,988	1,973,901
Construction	2,204,606	1,971,464
Hotel and restaurant	1,891,120	1,392,342
Personal	16,364,418	15,145,163
Other services	5,215,106	5,953,323
	69,026,783	67,276,039

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'.

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For the year ended September 30, 2016. 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 (continued)

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
2016	2,673,633	2,487,087	180,014	5,340,734
2015	3,160,390	4,020,141	362,464	7,542,995

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:

21 RISK MANAGEMENT (continued)

21.2 Credit risk (continued)

21.2.3 Credit quality per category of financial assets (continued)

- 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
2016	365,749	2,375,785	11,914,350	883,138	15,539,022
2015	511,989	2,700,543	11,223,828	622,983	15,059,343

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
2016	110,119	84,076	79,072	23,362	586,509	883,138
2015	111,371	27,805	38,032	111,850	333,925	622,983

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
2016	15,113,175	2,481,520	212,197	138,541	350,653	457,585	18,753,671
2015	14,595,102	2,367,694	96,336	163,463	365,763	360,297	17,948,655

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21 RISK MANAGEMENT (continued)

21.2 Credit risk (continued)

21.2.3 Credit quality per category of financial assets (continued)

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					
2016	7,209,125	1,812,011	754,379	31,000	9,806,515
2015	6,655,944	728,260	461,518	35,427	7,881,149
Held to Maturity					
2016	–	375,810	–	–	375,810
2015	–	122,491	–	–	122,491

21 RISK MANAGEMENT (continued)

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.

Financial liabilities - on consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
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 un-discounted financial liabilities	42,670,715	11,778,829	1,636,888	239,673	56,326,105

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For the year ended September 30, 2016. 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 (continued)

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Customers' current, savings and deposit accounts	41,764,069	7,802,633	221,511	–	49,788,213
Other fund raising instruments	341,887	1,941,627	269,544	124,185	2,677,243
Debt securities in issue	5,956	111,398	1,208,640	250,024	1,576,018
Due to banks	112,472	657,592	–	–	770,064
Other liabilities	532,364	83,309	2,256	2,306	620,235
Total undiscounted financial liabilities	42,756,748	10,596,559	1,701,951	376,515	55,431,773

Financial liabilities - off consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2016					
Acceptances	359,645	400,081	289,949	927	1,050,602
Guarantees and indemnities	42,980	171,570	37,631	24,933	277,114
Letters of credit	126,263	105,124	–	–	231,387
Total	528,888	676,775	327,580	25,860	1,559,103
2015					
Acceptances	391,149	389,352	327,499	666	1,108,666
Guarantees and indemnities	8,222	227,053	35,313	30,573	301,161
Letters of credit	85,533	223,577	–	–	309,110
Total	484,904	839,982	362,812	31,239	1,718,937

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

21 RISK MANAGEMENT (continued)

21.4 Market risk

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

21.4.1 Interest rate risk

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

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

The table below summarises the interest-rate exposure of the Group's 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			
		2016 Increase	2016 Decrease	2015 Increase	2015 Decrease
TT\$ Instruments	+/- 50	45,601	(45,601)	40,742	(40,742)
US\$ Instruments	+/- 50	5,668	(5,668)	12,135	(12,135)
BDS\$ Instruments	+/- 50	7,057	(7,057)	7,349	(7,349)
GHS Instruments	+/- 300	5,597	(5,597)	371	(371)
Other currency instruments	+/- 50	308	(308)	277	(277)

	Change in basis points	Impact on net equity			
		2016 Increase	2016 Decrease	2015 Increase	2015 Decrease
TT\$ Instruments	+/- 50	(55,329)	58,663	(42,211)	43,233
US\$ Instruments	+/- 50	(31,455)	32,136	(43,270)	37,833
EC\$ Instruments	+/- 25	(150)	151	(78)	78
BDS\$ Instruments	+/- 50	(9,585)	10,650	(8,106)	8,419
Other currency instruments	+/- 50	(110)	107	(180)	239

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For the year ended September 30, 2016. 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.

2016	TTD	USD	BDS	GHS	Other	Total
Financial assets						
Cash and cash equivalents	359,822	61,660	96,830	69,071	206,320	793,703
Statutory deposits						
with Central Banks	4,265,040	–	661,330	171,086	690,251	5,787,707
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	33,542,473	11,462,985	7,608,415	2,411,442	7,436,247	62,461,562

21 RISK MANAGEMENT (continued)

21.4 Market risk (continued)

21.4.2 Currency risk (continued)

2016	TTD	USD	BDS	GHS	Other	Total
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	29,275,391	9,289,701	6,464,190	2,396,498	7,470,089	54,895,869
Net currency risk exposure	2,173,284	1,144,225	14,944	(33,842)		
Reasonably possible change in currency rate (%)		1%	1%	3%	1%	
Effect on profit before tax	21,733	11,442	448	(338)		

2015	TTD	USD	BDS	GHS	Other	Total
Financial assets						
Cash and cash equivalents	352,743	186,847	108,247	91,262	191,386	930,485
Statutory deposits						
with Central Banks	4,364,178	17,871	464,920	86,771	693,552	5,627,292
Due from banks	2,611,970	3,324,254	8,535	43,291	1,554,945	7,542,995
Treasury Bills	3,485,001	–	1,200,164	–	1,476,997	6,162,162
Investment interest receivable	31,587	26,732	2,479	6,864	6,738	74,400
Advances	20,135,442	4,600,371	4,584,901	1,128,182	2,559,102	33,007,998
Investment securities	3,783,046	3,560,128	436,823	169,720	144,675	8,094,392
Total financial assets	34,763,967	11,716,203	6,806,069	1,526,090	6,627,395	61,439,724

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For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

21 RISK MANAGEMENT (continued)

21.4 Market risk (continued)

21.4.2 Currency risk (continued)

2015	TTD	USD	BDS	GHS	Other	Total
Financial liabilities						
Due to banks	386,010	11,846	–	24,929	131,350	554,135
Customers' current, savings and deposit accounts	25,976,898	10,115,620	5,446,552	823,041	7,349,471	49,711,582
Other fund raising instruments	1,839,374	66,870	333,440	346,885	–	2,586,569
Debt securities in issue	1,055,029	14,964	–	122,959	–	1,192,952
Interest payable	20,743	5,290	7,824	28,502	6,232	68,591
Total financial liabilities	29,278,054	10,214,590	5,787,816	1,346,316	7,487,053	54,113,829
Net currency risk exposure		1,501,613	1,018,253	179,774	(859,658)	
Reasonably possible change in currency rate (%)						
		1%	1%	3%	1%	
Effect on profit before tax		15,016	10,183	5,393	(8,597)	

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 \$132 million to \$9.52 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.

Capital adequacy ratio

	2016	2015
Republic Bank Limited	21.18%	21.72%
Republic Bank (Cayman) Limited	26.72%	26.74%
Republic Bank (Grenada) Limited	15.50%	15.60%
Republic Bank (Guyana) Limited	22.38%	22.85%
Republic Bank (Barbados) Limited	16.48%	19.78%
Republic Bank (Suriname) N.V.	9.40%	15.37%
HFC Bank (Ghana) Limited	12.08%	14.20%
Atlantic Financial Limited	50.80%	52.73%

At September 30, 2016, the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

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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:

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	104,675	104,099	576
Other financial liabilities	1,019,789	1,013,830	5,959
Total unrecognised change in unrealised fair value			(904,534)

2015	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	14,635,642	14,635,642	–
Investment interest receivable	74,400	74,400	–
Advances	33,007,998	32,806,167	(201,830)
Investment securities	8,094,392	8,094,392	–
Other financial assets	309,357	309,357	–
Financial liabilities			
Customers' current, savings and deposit accounts	49,711,582	49,729,973	(18,391)
Borrowings and other fund raising instruments	3,140,704	3,140,704	–
Debt securities in issue	1,192,952	1,292,125	(99,173)
Accrued interest payable	68,591	68,591	–
Other financial liabilities	1,148,978	1,148,978	–
Total unrecognised change in unrealised fair value			(319,394)

23 FAIR VALUE (continued)

23.2 Fair value and fair value hierarchies

23.2.1 Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the 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
2015				
Financial assets measured at fair value				
Investment securities	3,512,848	4,572,636	8,908	8,094,392
Financial assets for which fair value is disclosed				
Advances	–	–	32,806,167	32,806,167
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	49,729,973	49,729,973
Debt securities in issue	–	1,292,125	–	1,292,125

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For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

23 FAIR VALUE (continued)

23.2 Fair value and fair value hierarchies (continued)

23.2.2 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, 2016 are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	3.3% - 34%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.0% - 27%

23.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2016, 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	Disposals /Transfers to Level 2	Balance at end of year
Financial assets designated at fair value through profit or loss	107	(38)	69
Investments securities - available-for-sale	8,801	(119)	8,682
	8,908	(157)	8,751

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	2016	2015
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		91,086	141,499
Republic Bank (Guyana) Limited		265,164	228,330
(Loss)/profit allocated to material non-controlling interest:			
HFC Bank (Ghana) Limited		(50,039)	(32,263)
Republic Bank (Guyana) Limited		41,594	41,808

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

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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
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/(loss) 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/(loss) after taxation	1,068,385	168,851	84,886	107,795	(117,848)	(368,956)	943,113

25 SEGMENTAL INFORMATION (continued)

i) By geographic segment (continued)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
2016							
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	(295,417)	1,345,353
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)	253,852	(1,156,901)

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25 SEGMENTAL INFORMATION (continued)

i) By geographic segment (continued)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
2015							
Interest income	1,861,744	455,338	209,726	201,362	89,056	(38,495)	2,778,731
Interest expense	(174,145)	(89,771)	(17,872)	(35,378)	(47,024)	38,495	(325,695)
Net interest income	1,687,599	365,567	191,854	165,984	42,032	–	2,453,036
Other income	1,401,864	152,196	88,975	66,488	45,434	(292,558)	1,462,399
Share of profits of associates	39,276	–	–	–	–	–	39,276
Operating income	3,128,739	517,763	280,829	232,472	87,466	(292,558)	3,954,711
Other operating expenses	(1,496,698)	(319,100)	(133,068)	(107,131)	(79,932)	11,476	(2,124,453)
Operating profit	1,632,041	198,663	147,761	125,341	7,534	(281,082)	1,830,258
Goodwill impairment expense	–	–	–	(31,510)	–	–	(31,510)
Loan impairment expense, net of recoveries	8,440	(33,475)	(17,399)	(31,665)	(91,165)	–	(165,264)
Net profit/(loss) before taxation	1,640,481	165,188	130,362	62,166	(83,631)	(281,082)	1,633,484
Taxation	(337,107)	(21,174)	(45,039)	(1,827)	8,407	–	(396,740)
Net profit/(loss) after taxation	1,303,374	144,014	85,323	60,339	(75,224)	(281,082)	1,236,744

25 SEGMENTAL INFORMATION (continued)

i) By geographic segment (continued)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname and Eastern Caribbean	Ghana	Eliminations	Total
2015							
Investment in associated companies	142,066	–	–	–	–	–	142,066
Total assets	48,366,058	8,442,558	4,327,834	8,498,266	2,234,069	(5,867,209)	66,001,576
Total liabilities	41,003,885	7,050,274	3,865,036	6,516,471	1,887,016	(3,731,715)	56,590,967
Depreciation	94,156	25,924	12,430	8,137	4,512	–	145,159
Capital expenditure on premises and equipment	251,604	10,338	14,194	4,695	6,507	–	287,338
Cash flow from operating activities	(697,874)	129,792	356,654	(122,230)	(79,805)	(621,668)	(1,035,131)
Cash flow from investing activities	(1,167,865)	452,981	(79,589)	193,731	89,672	1,655,459	1,144,389
Cash flow from financing activities	(525,247)	(67,066)	(31,769)	6,710	(55,881)	272,574	(400,679)

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25 SEGMENTAL INFORMATION (continued)

ii) By class of business

	Retail and commercial banking	Merchant banking	Eliminations	Total
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	(295,417)	1,345,353
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)	253,852	(1,156,901)

25 SEGMENTAL INFORMATION (continued)

ii) By class of business

	Retail and commercial banking	Merchant banking	Eliminations	Total
2015				
Interest income	2,530,533	286,693	(38,495)	2,778,731
Interest expense	(316,100)	(48,090)	38,495	(325,695)
Net interest income	2,214,433	238,603	–	2,453,036
Other income	1,619,835	135,122	(292,558)	1,462,399
Share of profits of associates	39,276	–	–	39,276
Operating income	3,873,544	373,725	(292,558)	3,954,711
Other operating expenses	(2,092,314)	(43,615)	11,476	(2,124,453)
Operating profit	1,781,230	330,110	(281,082)	1,830,258
Goodwill impairment expense	–	(31,510)	–	(31,510)
Loan impairment expense, net of recoveries	(143,929)	(21,335)	–	(165,264)
Net profit before taxation	1,637,301	277,265	(281,082)	1,633,484
Taxation	(351,478)	(45,262)	–	(396,740)
Net profit after taxation	1,285,823	232,003	(281,082)	1,236,744
Investment in associated companies	142,066	–	–	142,066
Total assets	63,862,604	8,006,181	(5,867,209)	66,001,576
Total liabilities	54,513,068	5,809,614	(3,731,715)	56,590,967
Depreciation	144,567	592	–	145,159
Capital expenditure on premises and equipment	573	286,765	–	287,338
Cash flow from operating activities	(702,825)	289,362	(621,668)	(1,035,131)
Cash flow from investing activities	(1,281,493)	770,423	1,655,459	1,144,389
Cash flow from financing activities	(395,540)	(277,713)	272,574	(400,679)

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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
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

26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Within one year	After one year	Total
2015			
ASSETS			
Cash and cash equivalents	930,485	–	930,485
Statutory deposits with Central Banks	5,627,292	–	5,627,292
Due from banks	7,542,995	–	7,542,995
Treasury Bills	6,162,162	–	6,162,162
Investment interest receivable	74,400	–	74,400
Advances	10,311,719	22,696,279	33,007,998
Investment securities	1,745,178	6,349,214	8,094,392
Investment in associated companies	–	142,066	142,066
Premises and equipment	–	1,917,870	1,917,870
Intangible assets	–	539,771	539,771
Net pension asset	–	1,223,147	1,223,147
Deferred tax assets	–	170,736	170,736
Taxation recoverable	23,521	49,065	72,586
Other assets	479,743	15,933	495,676
	32,897,495	33,104,081	66,001,576
LIABILITIES			
Due to banks	554,135	–	554,135
Customers' current, savings and deposit accounts	49,496,180	215,402	49,711,582
Other fund raising instruments	2,272,144	314,425	2,586,569
Debt securities in issue	48,444	1,144,508	1,192,952
Net pension liability	–	52,595	52,595
Provision for post-retirement medical benefits	–	406,171	406,171
Taxation payable	165,493	–	165,493
Deferred tax liabilities	1,784	418,227	420,011
Accrued interest payable	68,591	–	68,591
Other liabilities	1,220,060	212,808	1,432,868
	53,826,831	2,764,136	56,590,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. 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 \$89.5 million (2015: \$101million) will be allocated to staff from the profit sharing scheme in the current financial year. The total staff profit sharing for the Group was \$127 million (2015: \$118 million). Refer to Note 18. During the 2016 financial year, \$78 million in advances were made by Republic Bank Limited for purchase of shares to the staff profit sharing scheme (2015: \$67 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 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 take 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	
	2016	2015	2016	2015
At the beginning of the year	\$93.39	\$87.71	1,811,265	1,791,585
Granted	\$121.74	\$110.03	415,912	355,800
Exercised	\$82.87	\$81.67	(275,139)	(336,120)
At end of year	\$100.91	\$93.39	1,952,038	1,811,265
Exercisable at end of year	\$89.85	\$83.41	1,022,954	859,349

27 EQUITY COMPENSATION BENEFITS (continued)

b) Stock option plan (continued)

	Expiry date	Exercise price	2016	2015
	15-Dec-18	\$78.78	31,841	31,841
	20-Dec-19	\$90.19	88,127	93,301
	20-Dec-20	\$86.75	104,156	104,156
	20-Dec-21	\$80.00	94,324	137,160
	20-Dec-22	\$101.80	11,876	11,876
	13-Dec-23	\$85.94	89,551	143,481
	8-Dec-24	\$72.99	164,363	254,739
	14-Dec-25	\$92.67	253,673	336,496
	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	–
			1,952,038	1,811,265

As at September 30, 2016, 415,912 (2015: none) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share.

The fair value of the stock options 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 18, 2015 to April 2, 2016
Number granted	415,912
Exercise price	\$121.74
Share price at grant date	\$111.49 to \$112.24
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	\$4.14 to \$4.68

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 \$82.70. For options outstanding at September 30, 2016, the exercise price ranged from \$72.99 to \$121.74 and the weighted average remaining contractual life was 8.9 years.

The total expense for the share option plan was \$3.951 million (2015 : \$5.735 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

28 DIVIDENDS PAID AND PROPOSED

	2016	2015
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2015: \$3.10 (2014: \$3.00)	502,197	485,129
First dividend for 2016: \$1.25 (2015: \$1.25)	202,770	202,468
Total dividends paid	704,967	687,597
Equity dividends on ordinary shares:		
Final dividend for 2016: \$3.10 (2015: \$3.10)	503,050	502,197

29 CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2016, 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

	2016	2015
Acceptances	1,050,603	1,108,666
Guarantees and indemnities	277,114	301,161
Letters of credit	231,387	309,110
	1,559,104	1,718,937
c) Sectoral information		
State	233,463	243,319
Corporate and commercial	1,242,660	1,375,195
Personal	39,736	32,082
Other financial institutions	43,195	52,402
Other	50	15,939
	1,559,104	1,718,937

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	
	2016	2015	2016	2015
Financial investments - available-for-sale	3,776,434	3,262,880	3,725,755	1,946,278

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 <i>Commercial Bank</i>	Barbados	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited <i>Offshore Bank</i>	Barbados	100.00%
Republic Bank (Cayman) Limited <i>Offshore Bank</i>	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited <i>Insurance Company</i>	Cayman Islands	100.00%
HFC Bank (Ghana) Limited <i>Commercial Bank</i>	Ghana	57.11%
Republic Bank (Grenada) Limited <i>Commercial Bank</i>	Grenada	74.12%
Republic Bank (Guyana) Limited <i>Commercial Bank</i>	Guyana	51.00%
Atlantic Financial Limited <i>International Business Company</i>	St. Lucia	100.00%
Republic Caribbean Investments Limited <i>Investment Company</i>	St. Lucia	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

30 SUBSIDIARY COMPANIES (continued)

Name of Company	Country of incorporation	% equity interest
Republic Suriname Holdings Limited <i>Investment Company</i>	St. Lucia	100.00%
Republic Bank (Suriname) N.V. <i>Commercial Bank</i>	Suriname	100.00%
Republic Bank Limited <i>Commercial Bank</i>	Trinidad and Tobago	100.00%
London Street Project Company Limited <i>Facilitate Financing of Property Development Projects</i>	Trinidad and Tobago	100.00%
Republic Investments Limited <i>Investment Management Company</i>	Trinidad and Tobago	100.00%
Republic Securities Limited <i>Securities Brokerage Company</i>	Trinidad and Tobago	100.00%
Republic Wealth Management Limited <i>Investment Advisory Company</i>	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, 2016, the Group earned \$8.8 million (2015: \$12.7 million) in management fees from the retirement plans and \$63.8 million (2015: \$77.1 million) from the mutual funds.

The Group holds an interest of \$21.0 million (2015:\$20.4 million) in sponsored funds as at September 30, 2016. 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, 2016.

32 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

a) Acquisition of HFC Bank (Ghana) Limited in 2015

Over the period November 2012 to September 2013, the Group acquired 39.87% of the outstanding ordinary shares of HFC Bank (Ghana) Limited; a company based in Ghana and listed on the Ghana Stock Exchange. In May 2015, the Group acquired 17.25% of the outstanding ordinary shares and obtained control of HFC Bank (Ghana) Limited.

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

	Fair value recognised on acquisition
Assets	
Cash resources	339,331
Investment securities	265,761
Advances	1,277,584
Core deposit intangible (Note 8b)	40,189
Other assets	398,729
	2,321,594
Liabilities	
Customer deposits and due to banks	1,269,624
Debt securities and other fund raising instruments	499,806
Other liabilities	58,001
	1,827,431
Purchase consideration transferred	
Total identifiable net assets at fair value	494,163
Non-controlling interests	(191,970)
Goodwill arising on acquisition (Note 8a)	231,010
	533,203
Purchase Consideration	
Amount settled in cash	165,987
Fair Value of previously held investment	367,216
	533,203
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	339,331
Consideration transferred	(533,203)
	(193,872)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

32 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS(continued)

a) Acquisition of HFC Bank (Ghana) Limited in 2015 (continued)

The net assets recognised in the September 30, 2015 financial statements were based on a provisional assessment of the fair value of HFC Bank (Ghana) Limited while the Group sought an independent valuation of the assets. The valuation had not been completed by the date the 2015 financial statements were approved for issue by the Board of Directors.

In 2016, the valuation was completed and the acquisition date fair value of Core deposit intangibles of \$70.4 million was determined, of which \$40.2 million was the Group's share. Fair value of the land and buildings was \$84.6 million, an increase of \$22.6 million over the provisional value, of which \$12.9 million was the Group's share. The 2015 comparative was restated to reflect the adjustment to the provisional amounts. As a result, there was a reduction in goodwill of \$53.1 million, resulting in \$231.0 million of total goodwill arising on acquisition. The increased depreciation charge on the Core deposit intangibles and buildings from the acquisition date to September 30, 2015 was not material.

b) Acquisition of Republic Bank (Suriname) N.V. in 2015

On July 31, 2015, the Group acquired 100% of the outstanding ordinary shares of RBC Royal Bank (Suriname) N.V., renamed Republic Bank (Suriname) N.V., through the purchase of Royal Overseas Holdings (St. Lucia) Limited, renamed Republic Suriname Holdings Limited.

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

Fair value recognised on acquisition	
Assets	
Cash resources	1,441,598
Investment securities	166,756
Advances	1,424,440
Other assets	280,902
	3,313,696
Liabilities	
Customer deposits and due to banks	2,948,709
Other liabilities	75,617
	3,024,326
Purchase consideration transferred	
Total identifiable net assets at fair value	289,370
Goodwill arising on acquisition (Note 8a)	(736)
	288,634

32 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS(continued)

b) Acquisition of Republic Bank (Suriname) N.V. in 2015 (continued)

Fair value recognised on acquisition	
Purchase consideration	
Amount settled in cash	288,634
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	1,441,598
Consideration transferred	(288,634)
Net cash inflow	1,152,964

The net assets recognised in the September 30, 2015 financial statements were based on a provisional assessment of the fair value of Republic Bank (Suriname) N.V. while the Group sought an independent valuation of the assets. The valuation had not been completed by the date the 2015 financial statements were approved for issue by the Board of Directors.

In 2016, the valuation was completed and the acquisition date fair value of the land and buildings was \$80.5 million, an increase of \$51.0 million over the provisional value. Software intangibles of \$12.3 million and additional liabilities of \$9.4 million were recognised. The 2015 comparative was restated to reflect the adjustment to the provisional amounts. As a result, there was also a corresponding reduction in goodwill of \$54.0 million, resulting in \$0.7 million of total negative goodwill arising on acquisition. The increased depreciation charge on the buildings from the acquisition date to September 30, 2015 was not material.

c) Acquisition of additional interest in Republic Bank (Grenada) Limited

Over the period July to September 2016, the Group acquired an additional 23.14% interest in the voting shares of Republic Bank (Grenada) Limited, increasing its ownership interest to 74.12%. Cash consideration of \$38.5 million was paid to the non-controlling shareholders. The following is a schedule of additional interest acquired in Republic Bank (Grenada) Limited:

Cash consideration paid to non-controlling shareholders	38,518
Carrying value of the additional interest in Republic Bank (Grenada) Limited	(54,960)
Difference recognised in retained earnings	(16,442)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Trinidad and Tobago dollars (\$'000) except where otherwise stated

32 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS(continued)

d) Restatement

In accordance with the provisions of IFRS 3, Business Combinations, the 2015 comparative information was restated based on the final fair value goodwill adjustments as follows:

	As previously stated	HFC Adjustment	Suriname Adjustment	2015 Restated
Premises and equipment	1,853,964	12,885	51,021	1,917,870
Intangible assets	606,612	(12,885)	(53,956)	539,771
Other assets	483,351	–	12,325	495,676
Other liabilities	1,423,478	–	9,390	1,432,868

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