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.

Ernst + Young

Port of Spain
TRINIDAD
November 3, 2016

Republic Financial Holdings Limited

Consolidated Statement of Financial Position

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

ASSETS	Notes	2016	2015
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**
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

Republic Financial Holdings Limited
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.

Republic Financial Holdings Limited
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:			
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain/(loss) on available-for-sale investments		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)**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
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.

Republic Financial Holdings Limited
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**

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

Republic Financial Holdings Limited

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, 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.

Republic Financial Holdings Limited

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**

	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.

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 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 the 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.

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.

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.

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

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

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.

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.

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.

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 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.

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

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

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

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

c) Financial instruments

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

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

i) Advances

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

ii) Investment securities

At fair value through profit or loss

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

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

Available-for-sale

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

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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

d) Impairment of financial assets

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

i) Advances

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

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

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

ii) Investment securities

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

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

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

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

e) Investment in Associates

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

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

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

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

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

f) Leases

Finance Leases

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

Operating Leases

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

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

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

The depreciation rates used are as follows:

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

h) Impairment of non-financial assets

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

• Disclosures for significant assumptions (Note 3)
• Premises and equipment (Note 7)
• Intangible assets (Note 8)

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of non-financial assets (continued)

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

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

i) Business combinations and goodwill

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

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

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

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

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

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

j) Employee benefits

i) Pension obligations

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

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

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

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

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

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

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

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

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

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

ii) Other post-retirement obligations

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

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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

l) Statutory reserves (continued)

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

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

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

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

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

m) Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these consolidated financial statements as they are not the assets of the Group. These assets under administration, at September 30, 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 recognized in other comprehensive income. All revenue and expenditure transactions are translated at an average rate.

p) Intangible assets

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

The useful lives of intangible assets are assessed as finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category that is consistent with the function of the intangible assets.

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

q) Revenue Recognition

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

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

Interest income and expense

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

Fee and commission income

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

Dividends

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

r) Fair Value

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

r) Fair Value (continued)

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

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

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

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

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

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

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

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

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

s) Segment reporting

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

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

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

t) Customers' liabilities under acceptances, guarantees, indemnities and letters of credit

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

3. Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:
a) Risk management (Note 21)
b) Capital management (Note 22)

Estimates and assumptions

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

Impairment of financial assets

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

Inherent provisions on advances (Note 4b)

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

Valuation of investments (Note 5)

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

Net pension asset/liability (Note 9)

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

Goodwill (Note 8a)

The Group 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.

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

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

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

	2016			
a) Advances	**Retail lending**	**Commercial and Corporate lending**	**Mortgages**	**Total**
Performing advances	6,064,381	15,002,423	12,302,217	33,369,021
Non-performing advances	166,155	1,107,463	516,231	1,789,849
	6,230,536	16,109,886	12,818,448	35,158,870
Unearned interest/finance 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**

	2015			
	Retail lending	**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**

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**

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

4. Advances (continued)

b) Allowance for impairment losses (continued)

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

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

	2016	2015
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**

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

6. Investment in associated companies (continued)

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.

7. Premises and equipment

2016	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & 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**

2015	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & 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

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.

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

8. Intangible Assets (continued)

a) **Goodwill** (continued)

Impairment testing of goodwill (continued)

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

	HFC Bank (Ghana) Limited	Republic Bank (Barbados) Limited	Republic Bank (Cayman) Limited	Republic Bank (Guyana) Limited	Total
	TT$ million	TT$ million	TT$ million	TT$ million	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%	

Using these assumptions, the value in use of the cash-generating units exeeded 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 cashflows	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.

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)**

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**

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.

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

9. Employee benefits (continued)

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

	Defined benefit pension plans 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%**

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 expentancies underlying the value of the defined benefit obligation as at September 30, 2016 are as follows:

	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.

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

10. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

			Credit/(charge)		
	Opening balance 2015	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2016
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

			(Credit)/charge		
	Opening balance 2015	Exchange adjustments	Consolidated statement of income	OCI	Closing balance 2016
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**		

11. Other assets

	2016	2015
Accounts receivable and prepayments	259,634	309,357
Project financing reimbursables	795	629
Deferred commission & 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 Ghanian cedis and includes three bonds issued by HFC Bank (Ghana) Limited at floating rates of interest linked to the Ghanian Treasury bill rate. Interest on these bonds is paid semi-annually.

Secured obligations

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

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

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

15. Other liabilities

	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**

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

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.

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**
d) Operating expenses		
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**

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

18. Operating profit (continued)

e) Non-cancellable operating lease commitments	2016	2015
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

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
Tax effect of items that are adjustable in determining taxable profit:		
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
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.

	2016	2015
Key management compensation		
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.

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.

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

21. Risk management (Continued)

21.2 Credit risk (continued)

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

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

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

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

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

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

	Gross maximum exposure 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.

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 Concentration of the maximum exposure to credit risk

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

(a) Geographical sectors

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

	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**

(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'.

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

21. Risk management (continued)

21.2 Credit risk (continued)

21.2.3 Credit quality per category of financial assets

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

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

Treasury Bills and Statutory deposits with Central Banks

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

Balances due from banks

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

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

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

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

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

	Superior	Desirable	Acceptable	Total
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:

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

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.

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)

Investment securities *(continued)*

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

	Superior	Desirable	Acceptable	Sub-standard	Total
Available-for-sale					
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

21.3 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 undiscounted financial liabilities	**42,670,715**	**11,778,829**	**1,636,888**	**239,673**	**56,326,105**
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.

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

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:

		Impact on net profit			
	Change in	2016		2015	
	basis points	Increase	Decrease	Increase	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)

		Impact on net equity			
	Change in	2016		2015	
	basis points	Increase	Decrease	Increase	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

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**
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)**	

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

21. Risk management (continued)

21.4 Market risk (continued)

21.4.2 Currency risk (continued)

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

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.

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)**

23.2 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

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

23. Fair value (continued)

23.2 Fair value and fair value hierarchies (continued)

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

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

	Level 1	Level 2	Level 3	Total
2015				
Financial assets measured at fair value				
Investment securities	3,512,848	4,572,636	8,908	8,094,392
Financial assets for which fair value is disclosed				
Advances	–	–	32,806,167	32,806,167
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	49,729,973	49,729,973
Debt securities in issue	–	1,292,125	–	1,292,125

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	Growth rate for cash flows for subsequent years	Discounted Cash Flow Method	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
Investment 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.

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**
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)

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

25. Segmental information (continued)

i) By geographic segment (continued)

	Trinidad and Tobago	Barbados	Guyana	Cayman, Suriname, and Eastern Caribbean	Ghana	Eliminations	Total
2015							
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**
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)

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)

	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)

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

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**

	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**

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

The movement in outstanding options is outlined below:

	Weighted-average exercise price		Number of shares	
	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**

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**

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

27. Equity compensation benefits (continued)

b) Stock option plan (continued)

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

Grant date	December 18, 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).

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

	2016	2015
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**

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 *Commercial Bank*	Barbados	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
HFC Bank (Ghana) Limited *Commercial Bank*	Ghana	57.11%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	74.12%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Republic Suriname Holdings Limited *Investment Company*	St. Lucia	100.00%
Republic Bank (Suriname) N.V. *Commercial Bank*	Suriname	100.00%
Republic Bank Limited *Commercial Bank*	Trinidad and Tobago	100.00%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment Management Company*	Trinidad and Tobago	100.00%
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%

31. Structured entities

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

These structured entities include Mutual Funds and Retirement Benefit Plans, which are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 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.

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

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 8(b)	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 8(a)	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)
Net cash outflow	**(193,872)**

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
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)**

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