

# Independent Auditor's Report

## To the Shareholders of Republic Financial Holdings Limited

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the separate financial statements of Republic Financial Holdings Limited ('the Company'), which comprise the separate statement of financial position as at September 30, 2019, and the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

#### Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

EY

Port of Spain,  
TRINIDAD:  
November 6, 2019

# Republic Financial Holdings Limited

## Separate Statement of Financial Position

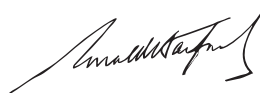
As at September 30, 2019

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

	Notes	2019	2018
<b>ASSETS</b>			
Cash and cash equivalents		1,492,369	438,856
Investment securities		27,988	—
Investment in associated companies	4 (a)	—	33,602
Investment in subsidiaries	4 (b)	7,694,801	6,364,764
Taxation recoverable		5,663	5,663
Other assets	5	21,923	21,093
<b>TOTAL ASSETS</b>		<b>9,242,744</b>	<b>6,863,978</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Other fund raising instruments	6	573,049	—
Debt securities in issue	7	978,125	—
Taxation payable		2	—
Accrued interest payable		25,516	—
Other liabilities	8	90,541	98,174
<b>TOTAL LIABILITIES</b>		<b>1,667,233</b>	<b>98,174</b>
<b>EQUITY</b>			
Stated capital	9	803,064	790,102
Statutory reserves		803,064	790,102
Retained earnings		5,969,383	5,185,600
<b>TOTAL EQUITY</b>		<b>7,575,511</b>	<b>6,765,804</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,242,744</b>	<b>6,863,978</b>

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

These separate financial statements were approved by the Board of Directors on November 6, 2019, and signed on its behalf by:



**Ronald F. deC. Harford,**  
Chairman



**Nigel M. Baptiste,**  
President



**William P. Lucie-Smith,**  
Director



**Kimberly Erriah-Ali,**  
Corporate Secretary



**Republic Financial Holdings**

# Republic Financial Holdings Limited

## Separate Statement of Income

For the year ended September 30, 2019

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

	Notes	2019	2018
Interest income	10 (a)	524	470
Interest expense	10 (b)	(38,411)	—
<b>Net interest (expense)/income</b>		<b>(37,887)</b>	<b>470</b>
Dividend income		1,596,799	913,488
Other income	10 (c)	7,783	1,875
<b>Total income</b>		<b>1,566,695</b>	<b>915,833</b>
Operating expenses	10 (d)	(52,770)	(36,829)
<b>Net profit before taxation</b>		<b>1,513,925</b>	<b>879,004</b>
Taxation expense	11	(4,827)	(2,835)
<b>Net profit after taxation</b>		<b>1,509,098</b>	<b>876,169</b>

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

# Republic Financial Holdings Limited

## Separate Statement of Comprehensive Income

For the year ended September 30, 2019

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

	2019	2018
<b>Net profit after taxation</b>	<b>1,509,098</b>	<b>876,169</b>
<b>Other comprehensive gain for the year, net of tax</b>	<b>—</b>	<b>—</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>1,509,098</b>	<b>876,169</b>

# Republic Financial Holdings Limited

## Separate Statement of Changes in Equity

For the year ended September 30, 2019

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

	Stated capital	Statutory reserves	Net unrealised gains/(losses)	Retained earnings	Total equity
<b>Balance at October 1, 2017</b>	<b>780,954</b>	<b>780,954</b>	<b>11</b>	<b>5,030,697</b>	<b>6,592,616</b>
Net impact of adopting IFRS 9	—	—	(11)	—	(11)
<b>Restated opening balance</b>	<b>780,954</b>	<b>780,954</b>	<b>—</b>	<b>5,030,697</b>	<b>6,592,605</b>
Total comprehensive income for the year	—	—	—	876,169	876,169
Issue of shares	7,758	—	—	—	7,758
Share-based payment	1,390	—	—	—	1,390
Transfer to statutory reserves	—	9,148	—	(9,148)	—
Dividends (Note 18)	—	—	—	(714,861)	(714,861)
Unclaimed dividends	—	—	—	2,743	2,743
<b>Balance at September 30, 2018</b>	<b>790,102</b>	<b>790,102</b>	<b>—</b>	<b>5,185,600</b>	<b>6,765,804</b>
Total comprehensive income for the year	—	—	—	1,509,098	1,509,098
Issue of shares	10,432	—	—	—	10,432
Share-based payment	2,530	—	—	—	2,530
Transfer to statutory reserves	—	12,962	—	(12,962)	—
Dividends (Note 18)	—	—	—	(715,264)	(715,264)
Unclaimed dividends	—	—	—	2,911	2,911
<b>Balance at September 30, 2019</b>	<b>803,064</b>	<b>803,064</b>	<b>—</b>	<b>5,969,383</b>	<b>7,575,511</b>

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

# Republic Financial Holdings Limited

## Separate Statement of Cash Flows

For the year ended September 30, 2019

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

	Notes	2019	2018
<b>Operating activities</b>			
Net profit before taxation		1,513,925	879,004
Adjustments for:			
Realised gain on sale of associated companies		(3,423)	—
Increase in other assets		(830)	(17,821)
Increase in other liabilities and accrued interest payable		17,883	5,689
Taxes paid, net of refund		(4,825)	(3,136)
<b>Cash provided by operating activities</b>		<b>1,522,730</b>	<b>863,736</b>
<b>Investing activities</b>			
Redemption of investment securities		—	160,000
Sales proceeds from partial disposal of investment in associate		9,037	—
Net change in investment in subsidiaries	4 (b)	(1,330,037)	(319,171)
<b>Cash used in investing activities</b>		<b>(1,321,000)</b>	<b>(159,171)</b>
<b>Financing activities</b>			
Net proceeds from other fund raising instruments	6	573,049	—
Net proceeds from debt securities	7	978,125	—
Share-based payment	9	2,530	1,390
Proceeds from share issue	9	10,432	7,758
Dividends paid to shareholders	18	(715,264)	(714,861)
Unclaimed dividends		2,911	2,743
<b>Cash provided by/(used in) financing activities</b>		<b>851,783</b>	<b>(702,970)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,053,513</b>	<b>1,595</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>438,856</b>	<b>437,261</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,492,369</b>	<b>438,856</b>
<b>Cash and cash equivalents at end of year are represented by:</b>			
Cash on hand		1,492,369	438,856
<b>Supplemental information:</b>			
Interest received during the year		524	1,364
Interest paid during the year		12,896	—
Dividends received		1,596,799	913,488

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

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 1. Corporate information

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

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

### 2. Significant accounting policies

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

#### 2.1 Basis of preparation

The separate financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These separate financial statements have been prepared on a historical cost basis. The preparation of separate financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Company's accounting policies have been described in Note 3.

#### 2.2 Changes in accounting policies

##### *New accounting policies/improvements adopted*

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended September 30, 2018, except for the adoption of new standards and interpretations below.

##### *IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)*

The amendment deletes short-term exemptions in paragraphs E3–E7 of IFRS 1 because they have now served their intended purpose. The adoption and amendment to this standard had no impact on the Company.

##### *IAS 28 - Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)*

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss (FVPL).
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

If an entity applies those amendments for an earlier period, it must disclose that fact. The adoption and amendment to this standard had no impact on the Company.

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

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

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

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



# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 2. Significant accounting policies (continued)

#### 2.2 Changes in accounting policies (continued)

##### **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.

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

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

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

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

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

#### 2.3 Standards in issue not yet effective

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

##### **IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (effective January 1, 2019)**

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

##### **IAS 28 - Investments in Associates and Joint Ventures - Amendments to IAS 28 (effective January 1, 2019)**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions.

##### **IAS 1 - Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates (effective January 1, 2020)**

The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature and magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's separate financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the separate financial statements.

##### **IFRS 3 - Business combinations - Amendments to IFRS 3 (effective January 1, 2020)**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

#### 2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2019:

IFRS	Subject of Amendment
IFRS 3 -	Business Combinations - Previously held Interests in a joint operation (effective January 1, 2019)
IFRS 11 -	Joint Arrangements - Previously held Interests in a joint operation (effective January 1, 2019)
IAS 12 -	Income Taxes - Income tax consequences of payments on financial instruments classified as equity (effective January 1, 2019)
IAS 23 -	Borrowing Costs - Borrowing costs eligible for capitalisation (effective January 1, 2019)

#### 2.5 Summary of significant accounting policies

##### a) Cash and cash equivalents

For the purpose of presentation in the separate statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash on hand and at bank.

##### b) Financial instruments

###### i) Date of recognition

Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

###### ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5 b (iii). Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 2. Significant accounting policies (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### b) Financial instruments (continued)

###### iii) Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at amortised cost.

Financial liabilities are measured at amortised cost.

##### c) Financial assets and liabilities

###### i) Other fund raising instruments

Financial liabilities issued by the Company that are designated at FVPL, are classified as liabilities under other fund raising instruments, where the substance of the contractual arrangement results in the Company having an obligation to deliver cash to satisfy the obligation. These are initially recognised at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate (EIR) method.

##### d) Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

##### e) Derecognition of financial assets and liabilities

###### *Derecognition due to substantial modification of terms and conditions*

The Company derecognises a financial asset, to facilitate changes to the original arrangement due to weaknesses in the borrower's financial position and/or non-repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new agreement, with the difference recognised as an impairment loss. The newly recognised debt is classified as Stage 2 for expected credit loss (ECL) measurement purposes.

When assessing whether or not to derecognise, the Company considers the following factors:

- Change in currency
- Change in counterparty
- If the modification is such that the instrument would no longer meet the Solely Payment of Principal and Interest (SPPI) criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate (or credit-adjusted EIR for purchased or credit-impaired financial assets), the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

###### *Derecognition other than for substantial modification*

###### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

###### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

##### f) Impairment of financial assets

###### i) Overview of the ECL principles

The Company records an allowance for ECL on debt financial assets not held at FVPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Company uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Company has no financial assets at year end to which IFRS 9 is applicable.

##### g) Employee benefits

###### i) Profit sharing scheme

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

###### ii) Share-based payments

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

##### h) Taxation

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



# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 2. Significant accounting policies (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### h) **Taxation** (continued)

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.

##### i) **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.

##### j) **Foreign currency translation**

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

##### k) **Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

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

##### *The EIR method*

Interest income and expense is recorded using the EIR method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

##### *Interest income and expense*

The Company calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For purchased or originated credit-impaired financial assets a credit-adjusted EIR is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains or losses on financial assets at FVPL, respectively.

##### *Dividends*

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

##### l) **Fair value**

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

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

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

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

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

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

##### *Level 1*

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

##### *Level 2*

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

##### *Level 3*

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

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

Where the Company's investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Company could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for 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 FVPL are actively traded in organised markets and fair value is determined by reference to the market price at year end or on the last trade date prior to year end.

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

##### m) **Equity reserves**

The reserves recorded in equity on the Company's separate statement of financial position include:

Stated capital - Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Company.

Other statutory reserves that qualify for treatment as equity.

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 3. Significant accounting judgements, estimates and assumptions

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

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

- a) Risk management (Note 13)
- b) Capital management (Note 14)

#### Estimates and assumptions

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

#### Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

### 4. Investment in associated and subsidiary companies

a) Investment in associated companies	2019	2018
Balance at beginning of year	33,602	33,602
Sale of investment in associate	(5,614)	–
Re-class to investment securities	(27,988)	–
<b>Balance at end of year</b>	<b>–</b>	<b>33,602</b>

At September 30, 2018, the Company held an investment in East Caribbean Financial Holdings Company Limited (ECFH) of 19.30% which was classified as an investment in associate. In 2019, the Company partially disposed of its holding resulting in a 16.13% holding. This investment has been reclassified to investment securities.

b) Investment in subsidiaries	2019	2018
Republic Bank Limited	4,213,507	4,213,507
Republic Bank (Barbados) Limited	1,020,993	1,020,993
Republic Bank (Ghana) Limited	606,293	606,293
Republic (Suriname) Holding Limited	335,477	335,477
Republic Bank (Guyana) Limited	102,784	102,784
Republic Bank (Grenada) Limited	61,996	61,996
Republic Bank Trinidad and Tobago (Barbados) Limited (Note i)	1,342,635	12,598
Republic Securities Limited	10,171	10,171
Republic Insurance Company (Cayman) Limited	945	945
	<b>7,694,801</b>	<b>6,364,764</b>

#### Note i

Republic Bank Trinidad and Tobago (Barbados) Limited is the Bank which holds the investments for Republic Bank Cayman Limited and Cayman National Corporation.

5. Other assets	2019	2018
Accounts receivable and prepayments	33	–
Due from related parties	21,890	21,093
	<b>21,923</b>	<b>21,093</b>

6. Other fund raising instruments	2019	2018
<b>Concentration of other fund raising instruments</b>		
Other financial institutions	<b>573,049</b>	<b>–</b>

7. Debt securities in issue	2019	2018
Fixed rate bonds	978,125	–
<b>Total debt securities in issue</b>	<b>978,125</b>	<b>–</b>

The amount of \$150 million United States dollars is an unsecured fixed rate debt repayable at the end of five years at an interest rate of 5.07%. Principal repayments would be made bi-annually after the first year of the debt, in the amount of United States dollars \$11.25 million until repaid. Interest payments would be made bi-annually from inception.

8. Other liabilities	2019	2018
Accounts payable and accruals	<b>90,541</b>	<b>98,174</b>

9. Stated capital	2019	2018	2019	2018
	Number of ordinary shares ('000)			
<b>Authorised</b>				
An unlimited number of shares of no par value				
<b>Issued and fully paid</b>				
At beginning of year	161,976	161,672	790,102	780,954
Shares issued/proceeds from				
shares issued	91	91	10,432	7,758
Shares purchased for profit				
sharing scheme	(1,330)	(313)	–	–
Share-based payment	–	–	2,530	1,390
Allocation of shares	(751)	526	–	–
<b>At end of year</b>	<b>159,986</b>	<b>161,976</b>	<b>803,064</b>	<b>790,102</b>

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

	2019	2018
Weighted average number of ordinary shares	162,156	161,980
Effect of dilutive stock options	274	96
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>162,430</b>	<b>162,076</b>

10. Operating profit	2019	2018
<b>a) Interest income</b>		
Investment securities	–	164
Liquid assets	524	306
	<b>524</b>	<b>470</b>
<b>b) Interest expense</b>		
Debt securities in issue	26,350	–
Other fund raising instruments	12,061	–
	<b>38,411</b>	<b>–</b>
<b>c) Other income</b>		
Net exchange trading income	3,821	1,231
Other operating income	3,962	644
	<b>7,783</b>	<b>1,875</b>
<b>d) Operating expenses</b>		
General administrative expenses	47,607	32,476
Directors' fees	5,163	4,353
	<b>52,770</b>	<b>36,829</b>

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

11. Taxation expense	2019	2018
Corporation tax expense	<u>4,827</u>	<u>2,835</u>
<b>Reconciliation between taxation expense and net profit before taxation</b>		
Income taxes in the separate statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:		
	2019	2018
<b>Net profit before taxation</b>	<b><u>1,513,925</u></b>	<b><u>879,004</u></b>
Tax at 30%	454,178	263,701
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(479,107)	(274,046)
Non-deductible expenses	34,306	10,141
Allowable deductions	(9,377)	—
Provision for other taxes	—	3,039
Provision for Green Fund Levy and other taxes	<u>4,827</u>	<u>—</u>
	<b><u>4,827</u></b>	<b><u>2,835</u></b>

### 12. Related parties

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

	2019	2018
<b>Advance, investments and other assets</b>		
Deposits with Republic Bank Limited	<u>1,514,258</u>	<u>459,949</u>
<b>Interest and other expense</b>		
Directors and key management personnel	<u>5,163</u>	<u>4,353</u>

### 13. Risk management

#### 13.1 General

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

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

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

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

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

The Company's activities are primarily related to the use of financial instruments. The Company receives dividends from subsidiaries and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments, while maintaining sufficient liquidity to meet all claims that might fall due.

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

#### 13.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Company's credit risk management function is to maximise the Company's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Company.

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

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

The debt securities within the Company's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with preset exposure limits as approved by the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

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

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

#### 13.3 Liquidity risk

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

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

#### Financial liabilities - on separate statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
<b>2019</b>					
Other fund raising instruments	—	581,719	—	—	581,719
Debt securities in issue	—	137,556	1,023,025	—	1,160,581
Other liabilities	—	—	90,541	—	90,541
<b>Total undiscounted financial liabilities</b>	<b>—</b>	<b>719,275</b>	<b>1,113,566</b>	<b>—</b>	<b>1,832,841</b>
<b>2018</b>					
Other liabilities	—	—	98,174	—	98,174
<b>Total undiscounted financial liabilities</b>	<b>—</b>	<b>—</b>	<b>98,174</b>	<b>—</b>	<b>98,174</b>



# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 13. Risk management (continued)

#### 13.4 Market risk

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

##### 13.4.1 Interest rate risk

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

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

##### 13.4.2 Currency risk

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

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

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

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

2019	TTD	USD	XCD	Total
<b>Financial assets</b>				
Cash and cash equivalents	10,369	1,482,000	–	1,492,369
Investment securities	–	–	27,988	27,988
<b>Total financial assets</b>	<b>10,369</b>	<b>1,482,000</b>	<b>27,988</b>	<b>1,520,357</b>
<b>Net currency risk exposure</b>		<b>1,482,000</b>	<b>27,988</b>	
<b>Reasonably possible change in currency rate</b>		1%	1%	
<b>Effect on profit before tax</b>		<b>14,820</b>	<b>280</b>	
<b>2018</b>	<b>TTD</b>	<b>USD</b>	<b>XCD</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	8,488	430,368	–	438,856
<b>Total financial assets</b>	<b>8,488</b>	<b>430,368</b>	<b>–</b>	<b>438,856</b>
<b>Net currency risk exposure</b>		<b>430,368</b>	<b>–</b>	
<b>Reasonably possible change in currency rate</b>		1%	1%	
<b>Effect on profit before tax</b>		<b>4,304</b>	<b>–</b>	

#### 13.5 Operational risk

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

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

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

### 14. Capital management

The Company's policy is to diversify its sources of capital, to allocate capital within the Company efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by \$810 million to \$7.6 billion during the year under review.

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

RFHL and its main subsidiary, 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	2019	2018
Republic Financial Holdings Limited	21.63%	24.67%

At September 30, 2019, the Company exceeded the minimum levels required for adequately capitalised institutions.

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 15. Fair value

#### 15.1 Carrying values and fair values

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

2019	Carrying value	Fair value	Unrecognised gain/(loss)
<b>Financial assets</b>			
Cash and cash equivalents	1,492,369	1,492,369	—
Investment securities	27,988	27,988	—
<b>Total unrecognised change in unrealised fair value</b>			<b>—</b>
<b>Financial liabilities</b>			
Borrowings and other fund raising instruments	573,049	573,049	—
Debt securities in issue	978,125	1,066,156	(88,031)
Accrued interest payable	25,516	25,516	—
<b>Total unrecognised change in unrealised fair value</b>			<b>(88,031)</b>
<b>2018</b>			
<b>Financial assets</b>			
Cash and cash equivalents	438,856	438,856	—
<b>Total unrecognised change in unrealised fair value</b>			<b>—</b>

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

	Balance at beginning of year	Additions /Transfers	Disposals /Transfers to Level 2	Balance at end of year
Financial investments	—	27,988	—	27,988
	<b>—</b>	<b>27,988</b>	<b>—</b>	<b>27,988</b>

### 16. Maturity analysis of assets and liabilities

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

	Within one year	After one year	Total
<b>2019</b>			
<b>ASSETS</b>			
Cash and cash equivalents	1,492,369	—	1,492,369
Investment securities	—	27,988	27,988
Investment in subsidiaries	—	7,694,801	7,694,801
Taxation recoverable	—	5,663	5,663
Other assets	—	21,923	21,923
	<b>1,520,357</b>	<b>7,722,387</b>	<b>9,242,744</b>
<b>LIABILITIES</b>			
Other fund raising instruments	573,049	—	573,049
Debt securities in issue	—	978,125	978,125
Accrued interest payable	25,516	—	25,516
Taxation payable	2	—	2
Other liabilities	120	90,421	90,541
	<b>598,687</b>	<b>1,068,546</b>	<b>1,667,233</b>

#### 2018

##### ASSETS

Cash and cash equivalents	438,856	—	438,856
Investment in associated companies	—	33,602	33,602
Investment in subsidiaries	—	6,364,764	6,364,764
Taxation recoverable	—	5,663	5,663
Other assets	—	21,093	21,093

**438,856      6,425,122      6,863,978**

##### LIABILITIES

Other liabilities	—	98,174	98,174
-------------------	---	--------	--------

**—      98,174      98,174**

### 17. Equity compensation benefits

#### Stock option plan

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

The movement in outstanding options is outlined below:

	2019 Weighted average exercise price	2018	2019 Number of shares	2018
At the beginning of the year	\$105.03	\$102.64	2,053,177	1,791,923
Granted	\$101.92	\$110.00	555,277	380,253
Forfeited	\$78.78	\$84.91	(10,952)	(27,705)
Exercised	\$93.98	\$84.97	(111,009)	(91,294)
At end of year	<b>\$104.94</b>	<b>\$102.64</b>	<b>2,486,493</b>	<b>2,053,177</b>
Exercisable at end of year	<b>\$105.01</b>	<b>\$101.43</b>	<b>1,742,428</b>	<b>1,526,339</b>

Expiry date	Exercise price	2019	2018
15-Dec-18	\$78.78	—	10,952
20-Dec-19	\$90.19	24,185	49,244
20-Dec-20	\$86.75	63,711	68,942
20-Dec-21	\$80.00	41,490	56,885
20-Dec-22	\$101.80	11,876	11,876
13-Dec-23	\$85.94	61,101	61,101
8-Dec-24	\$72.99	102,079	102,079
14-Dec-25	\$92.67	150,135	186,840
14-Dec-26	\$104.41	331,104	342,415
11-Dec-27	\$110.03	338,492	355,800
11-Dec-28	\$121.74	415,912	415,912
9-Dec-29	\$112.05	10,878	10,878
12-Dec-30	\$110.00	380,253	380,253
7-Dec-31	\$101.92	555,277	—
		<b>2,486,493</b>	<b>2,053,177</b>

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2019

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

### 17. Equity compensation benefits (continued)

#### Stock option plan (continued)

As at September 30, 2019, 415,592 (2018:1,505,258) 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 14, 2018 to July 19, 2019
Number granted	555,277
Exercise price	\$101.92
Share price at grant date	\$101.63 to \$121.28
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	\$6.60 to \$17.86

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

The weighted average share price for share options exercised during the year was \$93.98. For options outstanding at September 30, 2019 the exercise price ranged from \$72.99 to \$121.74 and the weighted average remaining contractual life was 8.4 years.

The total expense recognised by RBL for the share option plan was \$2.530 million (2018: \$1.390 million).

18. Dividends paid and proposed	2019	2018
<b>Declared and paid during the year</b>		
Equity dividends on ordinary shares:		
Final dividend for 2018: \$3.15 (2017: \$3.15)	512,022	511,703
Interim dividend for 2019: \$1.25 (2018: \$1.25)	203,242	203,158
<b>Total dividends paid</b>	<b>715,264</b>	<b>714,861</b>
<b>Proposed</b>		
Equity dividends on ordinary shares:		
Final dividend for 2019: \$3.25 (2018: \$3.15)	528,605	511,990

### 19. Contingent liabilities

#### Litigation

As at September 30, 2019, there were certain tax and legal proceedings outstanding against the Company. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

### 20. Subsidiary companies

Name of Company	Country of incorporation	% equity interest
Republic Bank (Barbados) Limited <i>Commercial Bank</i>	Barbados	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited <i>Offshore Bank</i>	Barbados	100.00%
Republic Bank (Cayman) Limited <i>Offshore Bank</i>	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited <i>Insurance Company</i>	Cayman Islands	100.00%
Republic Bank (Ghana) Limited <i>Commercial Bank</i>	Ghana	66.54%
Republic Bank (Grenada) Limited <i>Commercial Bank</i>	Grenada	75.71%
Republic Bank (Guyana) Limited <i>Commercial Bank</i>	Guyana	51.00%
Republic (Suriname) Holding Limited <i>Investment Company</i>	St. Lucia	100.00%
Republic Bank (Suriname) N.V. <i>Commercial Bank</i>	Suriname	100.00%
Republic Bank Limited <i>Commercial Bank</i>	Trinidad and Tobago	100.00%

### 21. Events after the reporting period

On November 1, 2019, the Group completed the acquisition of Scotiabank's banking operations in St. Maarten, Anguilla, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. On a pro-forma basis, the acquisition will add TT\$10.1 billion to the Group's assets.