RFHL Consolidated Financial Statements 2020

Consolidated Financial Summary

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

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Total assets	104,276,614	87,483,888	70,465,620	68,751,070	66,859,543
Advances	53,300,181	44,630,109	36,558,137	35,322,639	34,292,693
Customers' deposits	81,847,168	65,023,102	52,656,548	50,402,800	49,631,274
Stated capital	862,115	803,064	790,102	780,950	765,950
Equity	11,342,473	11,231,760	10,097,782	10,146,005	9,542,695
Actual number of shares in issued ('000)	163,147	162,648	162,537	162,445	162,274
Weighted average number of shares - diluted ('000)	163,107	162,430	162,076	161,679	161,592
Profit after taxation and non-controlling interest	904,056	1,581,124	1,322,850	1,252,128	946,307
Dividends based on the results of the financial year	439,063	732,204	715,148	714,637	705,820
Dividends paid during the year	626,387	715,589	714,861	705,985	704,967
Dividend per share based on the results of the financial year	$2.70	$4.50	$4.40	$4.40	$4.35
Dividend per share paid during the year	$3.85	$4.50	$4.40	$4.35	$4.35
Earnings per share (basic)	$5.57	$9.75	$8.17	$7.75	$5.87
Return on average assets	1.05%	2.17%	2.00%	1.94%	1.42%
Return on average equity	8.78%	16.01%	13.80%	13.31%	10.49%

Republic Financial Holdings Limited

Statement Of Management Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting 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, 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next 12 months from the reporting date; or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Nigel M Baptiste
President and Chief Executive Officer

Marsha McLeod-Marshall
Chief Financial Officer

Republic Financial Holdings

Ernst & Young
P.O. Box 158
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

Tel: +1 868 628 1105
Fax: +1 868 622 1153
ey.com

Building a better working world

Independent Auditor's Report

To the Shareholders of Republic Financial Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Republic Financial Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Allowance for Expected Credit Losses (ECLs)	
Refer to Notes 2.6g, 4d, 5c, 20 and 22.2. IFRS 9: Financial Instruments requires the Group to record an allowance for Expected Credit Losses (ECLs) for all advances and other financial assets not held at fair value through profit and loss (FVPL), together with loan commitments and financial guarantee contracts. Advances (loans) and other financial assets held at amortised cost comprise 94% of the Group's total assets. The estimation of ECLs on financial assets is inherently uncertain and is subject to significant judgement. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying overlays to these outputs, which adjusts the ECLs.	We assessed and tested the modelling techniques and methodologies developed by the Group in order to estimate ECLs and evaluated its compliance with the requirements of IFRS 9. We reviewed the completeness and accuracy of data from underlying systems through to the models used to determine the ECLs. We considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures At Default (EADs) against asset subledgers and amortisation schedules. Where PDs and LGDs were based on assigned global credit ratings, we independently tested to the source data. We tested the aging of the portfolios and performed an independent assessment for a sample of commercial facilities to assess the accuracy and timely assignment of risk ratings in compliance with Management's policy, both of which are inputs in the staging of the portfolios. We concluded on the accuracy of the staging applied against the methodologies and assessed the reasonableness of all assumptions used to determine whether the Group appropriately reflected additional risks where identified. We also ensured that the definition of a significant deterioration in credit risk and staging adopted by the Group was in compliance with IFRS 9, particularly stemming from the loan moratoriums offered by the Group in response to the pandemic.

Key Audit Matter	How our audit addressed the key audit matter
Allowance for Expected Credit Losses (ECLs)	
Key areas of judgment included: - the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models; - the application of assumptions where there was limited or incomplete data; - the identification of exposures with a significant deterioration in credit quality; - assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security; - the need to apply overlays, the quantification of which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model, including the effects of the pandemic; and - additional credit risk that could stem from the impact of the pandemic, on the ability of the Group's customers/investors to meet their financial commitments. These factors, individually and collectively, result in a higher judgmental risk and thus are considered a key matter in the context of the consolidated financial statements.	Management's judgemental provisions applied on specific high-risk customers of the Group were reviewed in detail, in assessing the reasonableness of the resulting ECL overlay applied by Management on advances. For ECLs calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default. We utilised our EY valuation specialists to assess the appropriateness of the models and assumptions used by the Group, including monitoring/validation, model governance and its mathematical accuracy. Finally we assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRSs.

Key Audit Matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
Refer to Notes 9, 2.6n and 2.6o. The Group has goodwill of $990 million. Goodwill impairment assessment is very subjective as it requires the use of projected financial information and assumptions. As required by IAS 36: Impairment of Assets, management performs an annual impairment assessment on goodwill. Due to the potential distressed macroeconomic environment that could result from the current and future effects of the pandemic, Management opted to perform their analyses more frequently than annually, as well as for businesses acquired during the period. Management applied to its cash flow projections and terminal growth rate assumptions, a most-likely, middle-case and worst-case scenario based on current and expected future market conditions. The scenarios, including its underlying indicators, have been developed using a combination of publicly available data, internal forecasts and third-party information to form the most-likely baseline. The purpose of the impairment review is to ensure that goodwill is not carried at an amount greater than its recoverable amount. The recoverable amount is compared with the carrying value of the asset to determine if the asset is impaired. Recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU); the underlying concept being that an asset should not be carried at more than the amount it could raise, either from selling it now or from using it.	We evaluated and tested the Group's process for goodwill impairment assessment. We involved our EY valuation specialists team to assist us in the review of the assumptions, cash flows and discount rate used to ensure that they are reasonable. With the added estimation uncertainty brought on by the pandemic, we closely analysed Management's judgements used in its assessments, including longer-term assumptions, by applying sensitivity analyses to account for market volatility. The calculations were reassessed to factor in any negative impact from the pandemic on the discount rate and other performance factors, along with assessing the potential future impact on business. We also assessed whether appropriate and complete disclosures have been included in the consolidated financial statements consistent with the requirements of IAS 36.

Building a better
working world

Independent Auditor's Report

To the Shareholders of Republic Financial Holdings Limited

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner in charge of the audit resulting in this independent auditor's report is Adrienne D'Arcy.

EY

Port of Spain
TRINIDAD:
November 6, 2020

A member firm of Ernst & Young Global Limited

Republic Financial Holdings Limited

Consolidated Statement of Financial Position

As at September 30, 2020
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2020	2019
ASSETS			
Cash on hand		2,248,900	1,742,788
Statutory deposits with Central Banks		8,810,482	7,200,336
Due from banks		12,005,309	8,751,576
Treasury Bills		3,909,369	3,284,410
Advances	4	53,300,181	44,630,109
Investment securities	5	17,535,686	16,576,059
Investment interest receivable		185,577	194,230
Investment in associated companies	6	56,971	52,600
Premises and equipment	7	3,106,952	2,874,572
Right-of-use assets	8 (a)	602,856	–
Intangible assets	9	1,223,414	872,913
Pension assets	10	454,573	630,325
Deferred tax assets	11 (a)	253,928	180,390
Taxation recoverable		56,877	58,020
Other assets	12	525,539	435,560
TOTAL ASSETS		**104,276,614**	**87,483,888**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		807,192	1,396,171
Customers' current, savings and deposit accounts	13	81,847,168	65,023,102
Other fund raising instruments	14	5,499,058	5,536,089
Debt securities in issue	15	2,024,390	2,122,274
Lease liabilities	8 (b)	593,418	–
Pension liability	10	42,644	56,865
Provision for post-retirement medical benefits	10	66,524	68,746
Taxation payable		95,175	190,029
Deferred tax liabilities	11 (b)	209,161	258,149
Accrued interest payable		108,927	116,977
Other liabilities	16	1,640,484	1,483,726
TOTAL LIABILITIES		**92,934,141**	**76,252,128**
EQUITY			
Stated capital	17	862,115	803,064
Statutory reserves		1,544,858	1,346,858
Other reserves	18	(250,315)	15,131
Retained earnings		8,156,616	8,103,694
Attributable to equity holders of the Parent		10,313,274	10,268,747
Non-controlling interests		1,029,199	963,013
TOTAL EQUITY		**11,342,473**	**11,231,760**
TOTAL LIABILITIES AND EQUITY		**104,276,614**	**87,483,888**

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

These consolidated financial statements were approved by the Board of Directors on November 6, 2020 and signed on its behalf by:

Vincent Pereira,
Chairman

Nigel M. Baptiste,
President and Chief Executive Officer

Peter Inglefield,
Director

Kimberly Erriah-Ali,
Corporate Secretary

Republic Financial Holdings Limited

Consolidated Statement of Income

For the year ended September 30, 2020
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

	Notes	2020	2019
Interest income	19 (a)	4,820,801	4,429,111
Interest expense	19 (b)	(825,831)	(614,750)
Net interest income		3,994,970	3,814,361
Other income	19 (c)	1,705,250	2,017,836
		5,700,220	**5,832,197**
Operating expenses	19 (d)	(3,623,392)	(2,941,806)
Share of profit of associated companies	6	4,911	5,980
Operating profit		**2,081,739**	**2,896,371**
Credit loss expense on financial assets	20	(621,164)	(226,176)
Net profit before taxation		**1,460,575**	**2,670,195**
Taxation expense	21	(457,516)	(954,542)
Net profit after taxation		**1,003,059**	**1,715,653**
Attributable to:			
Equity holders of the Parent		904,056	1,581,124
Non-controlling interests		99,003	134,529
		1,003,059	**1,715,653**
Earnings per share (expressed in $ per share)			
Basic		$5.57	$9.75
Diluted		$5.54	$9.73
Weighted average number of shares ('000)			
Basic	17	162,443	162,156
Diluted	17	163,107	162,430

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, 2020
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2020	2019
Net profit after taxation	**1,003,059**	**1,715,653**
Other comprehensive income:		
Other comprehensive loss (net of tax) that will be reclassified to the consolidated statement of income in subsequent periods:		
Translation adjustments	(211,636)	(54,678)
Total items that will be reclassified to the consolidated statement of income in subsequent periods	**(211,636)**	**(54,678)**
Other comprehensive loss (net of tax) that will not be reclassified to the consolidated statement of income in subsequent periods:		
Remeasurement losses on defined benefit plans	(99,049)	(80,887)
Income tax related to above	34,109	(5,861)
Total items that will not be reclassified to the consolidated statement of income in subsequent periods	**(64,940)**	**(86,748)**
Other comprehensive loss for the year, net of tax	**(276,576)**	**(141,426)**
Total comprehensive income for the year, net of tax	**726,483**	**1,574,227**
Attributable to:		
Equity holders of the Parent	646,913	1,451,151
Non-controlling interests	79,570	123,076
	726,483	**1,574,227**

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

Republic Financial Holdings

Republic Financial Holdings Limited

Consolidated Statement of Changes in Equity

For the year ended September 30, 2020
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves (Note 18)	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance at September 30, 2018	**790,102**	**1,277,372**	**(45,599)**	**7,466,323**	**9,488,198**	**609,584**	**10,097,782**
Total comprehensive (loss)/income for the year	–	–	(43,224)	1,494,375	1,451,151	123,076	1,574,227
Issue of shares	10,432	–	–	–	10,432	–	10,432
Share-based payment	2,530	–	–	–	2,530	–	2,530
Shares purchased for profit sharing scheme	–	–	(46,630)	–	(46,630)	–	(46,630)
Allocation of shares	–	–	59,153	–	59,153	–	59,153
Transfer to other reserves	–	–	91,431	(91,431)	–	–	–
Transfer to statutory reserves	–	69,486	–	(69,486)	–	–	–
Share of changes in equity	–	–	–	–	–	666	666
Acquisition of non-controlling interests	–	–	–	–	–	258,014	258,014
Dividends (Note 30)	–	–	–	(715,264)	(715,264)	–	(715,264)
Dividends paid to non-controlling interests	–	–	–	–	–	(28,327)	(28,327)
Other	–	–	–	19,177	19,177	–	19,177
Balance at September 30, 2019	**803,064**	**1,346,858**	**15,131**	**8,103,694**	**10,268,747**	**963,013**	**11,231,760**
Total comprehensive (loss)/income for the year	–	–	(192,205)	839,118	646,913	79,570	726,483
Issue of shares	50,506	–	–	–	50,506	–	50,506
Share-based payment	8,545	–	–	–	8,545	–	8,545
Shares purchased for profit sharing scheme	–	–	(92,075)	–	(92,075)	–	(92,075)
Allocation of shares	–	–	53,860	–	53,860	–	53,860
Transfer from other reserves	–	–	(35,026)	35,026	–	–	–
Transfer to statutory reserves	–	198,000	–	(198,000)	–	–	–
Non-controlling interests' share of rights issue	–	–	–	–	–	19,504	19,504
Share of changes in equity	–	–	–	–	–	(636)	(636)
Dividends (Note 30)	–	–	–	(626,387)	(626,387)	–	(626,387)
Dividends paid to non-controlling interests	–	–	–	–	–	(32,252)	(32,252)
Other	–	–	–	3,165	3,165	–	3,165
Balance at September 30, 2020	**862,115**	**1,544,858**	**(250,315)**	**8,156,616**	**10,313,274**	**1,029,199**	**11,342,473**

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, 2020
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2020	2019
Operating activities			
Net profit before taxation		1,460,575	2,670,195
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	7 & 8 (a)	333,176	214,329
Credit loss expense on financial assets	20	621,164	226,176
Goodwill impairment expense	9 (a)	143,367	–
Investment securities' impairment expense		580	3,213
Amortisation of intangibles	9 (b) & (c)	36,787	12,304
Translation difference		299,072	93,872
Loss on sale of premises and equipment		3,985	4,795
Realised loss/(gain) on investment securities		279	(15,180)
Share of net profit of associated companies	6	(4,911)	(5,980)
Stock option expense	17	8,545	2,530
Increase/(decrease) in employee benefits		60,567	(361,103)
Increase in advances		(999,627)	(2,231,952)
Increase in customers' deposits and other fund raising instruments		4,495,482	3,255,226
Increase in statutory deposits with Central Banks		(695,666)	(511,783)
Decrease/(increase) in other assets and investment interest receivable		160,055	(3,587)
(Decrease)/increase in other liabilities and accrued interest payable		(58,833)	68,268
Taxes paid, net of refund		(610,453)	(621,248)
Cash provided by operating activities		**5,254,144**	**2,800,075**
Investing activities			
Purchase of investment securities		(16,721,518)	(8,412,624)
Redemption of investment securities		15,643,402	7,762,537
Acquisition of subsidiaries, net of cash acquired	34	4,243,892	809,700
Acquisition of subsidiary's issue by non-controlling interest		19,504	–
Dividends from associated companies	6	–	3,129
Additions to premises and equipment	7	(425,046)	(368,272)
Proceeds from sale of premises and equipment		8,298	6,069
Cash provided by/(used in) investing activities		**2,768,532**	**(199,461)**
Financing activities			
(Decrease)/increase in balances due to other banks		(2,336,350)	1,215,354
(Repayment)/issuance of debt securities		(97,884)	1,828,386
Repayment of lease liabilities	8 (b)	(67,141)	–
Proceeds from share issue	17	50,506	10,432
Shares purchased for profit sharing scheme	18	(92,075)	(46,630)
Allocation of shares to profit sharing plan	18	53,860	59,153
Dividends paid to shareholders of the Parent	30	(626,387)	(715,264)
Dividends paid to non-controlling shareholders of the subsidiaries		(32,252)	(28,327)
Cash (used in)/provided by financing activities		**(3,147,723)**	**2,323,104**
Net increase in cash and cash equivalents		**4,874,953**	**4,923,718**
Net foreign exchange difference		**(439,956)**	**(21,787)**
Cash and cash equivalents at beginning of year		**12,730,932**	**7,829,001**
Cash and cash equivalents at end of year		**17,165,929**	**12,730,932**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		2,248,900	1,742,788
Due from banks		12,005,309	8,751,576
Treasury Bills - original maturities of three months or less		2,607,535	1,900,922
Bankers' acceptances - original maturities of three months or less		304,185	335,646
		17,165,929	**12,730,932**
Supplemental information:			
Interest received during the year		4,552,675	4,377,580
Interest paid during the year		(833,880)	(584,793)
Dividends received	19 (c)	751	722

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

Republic Financial Holdings Limited

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020
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 Caribbean Community (CARICOM) region, Cayman Islands, Ghana, St. Maarten, Anguilla and the British Virgin Islands. A full listing of the Group's subsidiary companies is detailed in Note 33 while associate companies are listed in Note 6.

2. Significant accounting policies

These financial statements provide information on the accounting estimates and judgements made by the Group. These estimates and judgements are reviewed on an ongoing basis. The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these consolidated financial statements. The estimation uncertainty is associated with:

- the extent and duration of disruption to business as a result of actions from consumers, businesses and governments to contain the spread of the virus;
- the extent and duration of the expected economic downturn in the economies in which we operate. This includes forecasts for economic growth, unemployment, interest rates and inflation.

The Group has formed estimates based on information available on September 30, 2020, which was deemed to be reasonable in forming these estimates. The actual economic conditions may be different from the estimates used and this may result in differences between the accounting estimates applied and the actual results of the Group for future periods.

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 certain financial instruments measured 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 Republic Bank (EC) Limited which used 11 months and Republic Bank (BVI) Limited which used four months, using consistent accounting policies.

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

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

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

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

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

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

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

Non-controlling interests represents interests in subsidiaries not held by the Group.

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

2. Significant accounting policies *(continued)*

2.3 Changes in accounting policies

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, 2019, except for the adoption of new standards and interpretations below.

The Group applied IFRS 16 Leases for the first time. The nature and effect of changes as a result of the adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have any impact on the consolidated financial statements of the Group. These are also described in more detail below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is a lessor.

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.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of October 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at October 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group has lease contracts for various branches and IT equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The adoption of IFRS 16 Leases resulted in operating leases recognised as right-of-use assets and lease liabilities in the statement of financial position, with related depreciation expenses on the right-of-use assets and interest expense on lease liabilities. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied available practical expedients wherein it used a single discount rate to a portfolio of leases with reasonably similar characteristics, applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application, excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Right-of-use assets of $620.6 million and lease liabilities of $596.8 million were recognised and presented in the statement of financial position as at October 1, 2019. The adoption of IFRS 16 had no impact on the Group's retained earnings and no material impact on its capital adequacy ratio.

The lease liabilities as at October 1, 2019 can be reconciled to the operating lease commitments as of September 30, 2019, as follows:

	$'000
Operating lease commitments as at September 30, 2019	150,009
Weighted average incremental borrowing rate as at October 1, 2019	4.84%
Discounted operating lease commitments as at October 1, 2019	145,113
Less:	
Commitments relating to short-term leases	(5,120)
Commitments relating to leases of low-value assets	(2,034)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at October 1, 2019	377,792
Acquisition of subsidiaries	81,038
Lease liabilities at at October 1, 2019	596,789

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.

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments - Amendments to IFRS 9 (effective January 1, 2019)

The amendments to IFRS 9 clarify that a financial asset passes the Solely Payments of Principal and Interest (SPPI) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group.

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 (ECL) 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.

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

2. Significant accounting policies *(continued)*

2.3 Changes in accounting policies

IAS 19 Employee Benefits - Amendments to IAS 19 (effective January 1, 2019)

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in Other Comprehensive Income (OCI).

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

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

IFRS 3 Business Combinations - Amendments to IFRS 3 (effective January 1, 2019)

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements - Amendments to IFRS 11 (effective January 1, 2019)

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes - Amendments to IAS 12 (effective January 1, 2019)

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Income Tax Borrowing costs - Amendments to IAS 23 (effective January 1, 2019)

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2.4 Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Group's consolidated 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 Presentation of Financial Statements - Amendments to IAS 1 (effective January 1, 2022)

The Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

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 3 Business Combinations - Amendments to IFRS 3 (effective January 1, 2022)

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

IAS 16 Property, Plant and Equipment - Amendments to IAS 16 (effective January 1, 2022)

The amendment prohibits entities from deducting from the cost of an item of Property, Plant and Equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to IAS 37 (effective January 1, 2022)

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

IFRS 17 Insurance Contracts (effective January 1, 2023)

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the consolidated statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the consolidated statement of income, but are recognised directly on the consolidated statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board (IASB) 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, 2020:

IFRS	Subject of Amendment
IFRS 1 -	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective January 1, 2022)
IFRS 9 -	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities (effective January 1, 2022)

2. Significant accounting policies (continued)

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

Deposits with the Central Banks and other regulatory authorities represent mandatory reserve deposits and are not available for use in day-to-day operations. These amounted to $8.8 billion (2019: $7.2 billion).

c) Financial instruments - initial recognition

i) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Group 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. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

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 2.6 (d) (i). Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at Fair Value through Profit or Loss (FVPL), transaction costs are added to, or subtracted from, this amount.

iii) Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:
• Amortised cost, as explained in (Note 2.6 d i)
• FVPL, as explained in (Note 2.6 d ii)

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

d) Financial assets and liabilities

i) Due from banks, Treasury Bills, Advances and Investment securities

The Group only measures Due from banks, Treasury Bills, Advances to customers and Investment securities at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding and

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below.

The SPPI test

For the first step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purpose of this test 'principal' is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or Fair Value Through Other Comprehensive Income (FVOCI) without recycling.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii) Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management may designate an instrument at FVPL upon initial recognition.

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value. Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the Effective Interest Rate (EIR), taking into account any discount/ premium and qualifying transaction costs being an integral part of the instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

iii) Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which the Group is required to provide a loan with pre-specified terms to the customer, over the duration of the commitment. These contracts are in the scope of the ECL requirements but no ECL was determined based on historical observation of defaults.

iv) Debt securities and other fund raising instruments

Financial liabilities issued by the Group that are designated at amortised cost, are classified as liabilities under Debt securities in issue and Other fund raising instruments, where the substance of the contractual arrangement results in the Group having an obligation to deliver cash to satisfy the obligation. After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

e) Reclassification of financial assets and liabilities

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

f) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, to facilitate changes to the original loan agreement or 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 loan, with the difference recognised as an impairment loss. The newly recognised loans are classified as Stage 2 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the 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 Group 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 Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Group 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 Group 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 Group 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 Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group 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 Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group 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 Group 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 Group's continuing involvement, in which case, the Group 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 Group 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 Group could be required to pay.

Derecognition other than for substantial modification (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. 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.

g) Impairment of financial assets

i) Overview of the ECL principles

The Group records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Group 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 Group's policies for determining if there has been a significant increase in credit risk are set out in Note 22.2.5.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 22.2.6.

Where the financial asset meets the definition of Purchased or Originated Credit-Impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group classifies its loans and investments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions after initial recognition, the Group recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2
When financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3
Financial assets considered credit-impaired (as outlined in Note 22.2). The Group records an allowance for the LTECLs.

POCI
POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

ii) The calculation of ECLs

The Group calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 22.2.4.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately.

ii) The calculation of ECLs (continued)

The mechanics of the ECL method are summarised below:

Stage 1
The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3
For financial assets considered credit-impaired (as defined in Note 22.2), the Group recognises the LTECLs for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI
POCI assets are financial assets that are credit-impaired on initial recognition. The Group only recognises the cumulative changes in LTECLs since initial recognition, based on a probability-weighting, discounted by the credit-adjusted EIR.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

iii) Credit cards, overdrafts and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group limits its exposure on these revolving facilities to the outstanding balance for non-performing facilities. For Stage 1 and Stage 2 facilities, the Group calculates ECL on a percentage utilisation of the credit card and overdraft limit based on the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 22.2.4, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

The interest rate used to discount the ECLs for credit cards is based on the interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

iv) Treasury Bills, Statutory deposits with Central Banks and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short-term funds placed with Central Banks in the countries where the Group is engaged in the full range of banking and financial activities and correspondent banks.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

g) Impairment of financial assets (continued)

v) Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default.

vi) Forward looking information

In its ECL models, the Group considers a broad range of forward-looking information as economic inputs, such as:
- Currency rates
- Gross Domestic Product (GDP) growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

Within the countries in which the Group operates, statistical correlation between the overall performance of the economies and historic loss trends, were established and used to correlate macroeconomic expectations to adjustments within the ECL models.

The Group however recognised that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the consolidated financial statements. To reflect this, management adjustments or overlays are occasionally made based on judgements as temporary adjustments when such differences are significantly material.

h) Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations and other data provided by third parties.

i) Collateral repossessed

The Group's policy is for a repossessed asset to be sold. Assets to be sold are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Group's policy.

In its normal course of business, should the Group repossess properties or other assets in its retail portfolio, it sometimes engages external agents to assist in the sale of these assets to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

j) Write-offs

The Group's accounting policy is for financial assets to be written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

k) 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 OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

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

l) Leases

Leases (Policy applicable as of October 1, 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities
At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

l) Leases (continued)

Leases (Policy applicable as of October 1, 2019) (continued)

Lease liabilities (continued)
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in rate used to determine such lease payments).

The Group applies the short-term lease recognition exemption to its short-term leases of property etc (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of IT equipment that are considered to be low-value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (Policy applicable before October 1, 2019)

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.

m) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

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

The depreciation rates used are as follows:

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

n) 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 9)

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

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

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

o) Business combinations and goodwill

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

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

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

As at acquisition date, any goodwill acquired is allocated to each of the CGUs 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 CGU, to which goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

p) 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 (RBL) took the actuary's advice regarding a pension holiday, effective January 1999.

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

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

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

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

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

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

The full results of the valuation exercise are disclosed in Note 10 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).

q) Taxation

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

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

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

r) Statutory reserves

There is a requirement where a portion of net profit after deduction of taxes in each year be transferred to a statutory reserve account. Statutory reserves amounted to $1.5 billion (2019: $1.3 billion) as at year end.

s) 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, 2020, totaled $49.5 billion (2019: $48.4 billion).

t) 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.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

u) 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 consolidated statement of financial position date and all resulting exchange differences are recognised in OCI. All revenue and expenditure transactions are translated at an average rate.

v) 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 consolidated 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.

w) 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 Group 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 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.

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 Group 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 Group 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 POCI 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.

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.

Credit card fees and commissions are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. Credit card fees and commissions are therefore net of amounts paid, as the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received.

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

x) Fair value

The Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 25 to the consolidated financial statements.

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

x) Fair value (continued)

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

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

Where the Group's 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 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, customers' deposit accounts, other fund raising instruments, other assets and other liabilities.

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

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

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

y) 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 other financial services.

z) 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 31 (b) of these consolidated financial statements.

aa) Equity reserves

The reserves recorded in equity on the Group's consolidated 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 Group.

Translation reserves - Used to record exchange differences arising from the translation of the net investment in foreign operations.

Unallocated shares - Used to record the unallocated portion of shares purchased for the staff profit sharing scheme. Such shares are presented in the notes to the consolidated financial statements and are stated at cost.

Other reserves - Represent regulatory reserve requirements for certain subsidiaries in the Group.

Other statutory reserves that qualify for treatment as equity are discussed in Note 2.6 (r).

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 22)
b. Capital management (Note 24)

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 losses on financial assets (Note 4 and Note 5)
The measurement of impairment losses under IFRS 9 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.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Group's internal credit grading model, assigns grades for corporate facilities, and this was the basis for grouping PDs
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of the existence of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- The inclusion of overlay adjustments based on judgement and future expectations

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

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

Estimates and assumptions (continued)

Other assumptions

Net pension asset/liability (Note 10)
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 9 a)
The Group's consolidated financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2020 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present value.

Deferred taxes (Note 11)
In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

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

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

Leases (Note 8)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation of the leased asset).

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

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

4. Advances

a) Advances	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
			September 30, 2020			
Performing advances	7,109,321	12,802,130	27,279,213	3,032,684	1,716,888	51,940,236
Non-performing advances	281,550	1,020,061	1,437,082	103,049	75,531	2,917,273
	7,390,871	13,822,191	28,716,295	3,135,733	1,792,419	54,857,509
Unearned interest/ finance charge	(61,551)	(35,191)	(12,343)	–	–	(109,085)
Accrued interest	39,286	149,859	236,676	9,717	9,119	444,657
	7,368,606	13,936,859	28,940,628	3,145,450	1,801,538	55,193,081
Allowance for ECLs - (Note 4 d)	(247,310)	(697,794)	(499,557)	(94,469)	(164,807)	(1,703,937)
	7,121,296	13,239,065	28,441,071	3,050,981	1,636,731	53,489,144
Unearned loan origination fees	(48,986)	(43,186)	(94,990)	(440)	(1,361)	(188,963)
Net advances	**7,072,310**	**13,195,879**	**28,346,081**	**3,050,541**	**1,635,370**	**53,300,181**
			September 30, 2019			
Performing advances	6,344,289	11,614,617	21,075,843	3,832,186	1,221,000	44,087,935
Non-performing advances	180,376	652,085	775,493	87,763	67,448	1,763,165
	6,524,665	12,266,702	21,851,336	3,919,949	1,288,448	45,851,100
Unearned interest/ finance charge	(67,832)	(34,283)	–	–	–	(102,115)
Accrued interest	7,640	97,392	51,879	10,967	–	167,878
	6,464,473	12,329,811	21,903,215	3,930,916	1,288,448	45,916,863
Allowance for ECLs - (Note 4 d)	(178,005)	(428,065)	(327,750)	(71,175)	(82,618)	(1,087,613)
	6,286,468	11,901,746	21,575,465	3,859,741	1,205,830	44,829,250
Unearned loan origination fees	(53,333)	(51,136)	(94,672)	–	–	(199,141)
Net advances	**6,233,135**	**11,850,610**	**21,480,793**	**3,859,741**	**1,205,830**	**44,630,109**

b) Net investment in leased assets included in net advances	2020	2019
Gross investment	101,426	138,040
Unearned finance charge	(10,035)	(16,711)
Net investment in leased assets	**91,391**	**121,329**

c) Net investment in leased assets has the following maturity profile	2020	2019
Within one year	4,530	7,265
One to five years	60,982	85,456
Over five years	25,879	28,608
	91,391	**121,329**

Republic Financial Holdings

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

4. Advances (continued)

d) Impairment allowance for advances to customers

The table below shows the staging of advances and the related ECLs based on the Group's criteria as explained in Note 22.2.4. Policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 22.2.6.

	September 30, 2020					
	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
Gross loans	7,368,606	13,936,859	28,940,628	3,145,450	1,801,538	55,193,081
Stage 1: 12 Month ECL	(76,481)	(70,643)	(103,073)	(35,221)	(66,896)	(352,314)
Stage 2: Lifetime ECL	(33,515)	(178,393)	(58,469)	(11,954)	(42,097)	(324,428)
Stage 3: Credit-impaired financial assets - Lifetime ECL	(137,314)	(448,758)	(338,015)	(47,294)	(55,814)	(1,027,195)
	7,121,296	**13,239,065**	**28,441,071**	**3,050,981**	**1,636,731**	**53,489,144**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2019	60,603	45,255	65,545	31,774	27,854	231,031
Acquisition of subsidiaries	7,230	25	9,763	–	9,493	26,511
Translation adjustments	(1,528)	(2,730)	262	(1,986)	(63)	(6,045)
ECL on new instruments issued during the year	16,425	18,217	16,868	6,359	1,972	59,841
Other credit loss movements, repayments etc.	(6,249)	9,876	10,635	(926)	27,640	40,976
At September 30, 2020	76,481	70,643	103,073	35,221	66,896	352,314
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2019	2,356	65,568	14,503	9,397	14,029	105,853
Acquisition of subsidiaries	7,455	125	40,783	–	28,240	76,603
Translation adjustments	(13)	(9,011)	31	(1,331)	(67)	(10,391)
ECL on new instruments issued during the year	577	37,985	977	3,278	32	42,849
Other credit loss movements, repayments etc.	23,140	83,726	2,175	610	(137)	109,514
At September 30, 2020	33,515	178,393	58,469	11,954	42,097	324,428
Stage 3: Credit-impaired financial assets - Lifetime ECL						
ECL allowance as at October 1, 2019	115,046	317,242	247,702	30,004	40,735	750,729
Acquisition of subsidiaries	9,975	27,579	136,468	–	–	174,022
Translation adjustments	(3,165)	(8,177)	(3,903)	(3,433)	(4,753)	(23,431)
Charge-offs and write-offs	(59,872)	(12,106)	(44,759)	(295)	(38,357)	(155,389)
Credit loss expense	116,946	192,695	57,815	21,051	69,924	458,431
Recoveries	(41,616)	(68,475)	(55,308)	(33)	(11,735)	(177,167)
At September 30, 2020	137,314	448,758	338,015	47,294	55,814	1,027,195
Total	**247,310**	**697,794**	**499,557**	**94,469**	**164,807**	**1,703,937**

Of the total ECL of $1,704 million, 25.8% was on a collective basis and 74.2% was on an individual basis.

	September 30, 2019					
	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
Gross loans	6,464,473	12,329,811	21,903,215	3,930,916	1,288,448	45,916,863
Stage 1: 12 Month ECL	(60,603)	(45,255)	(65,545)	(31,774)	(27,854)	(231,031)
Stage 2: Lifetime ECL	(2,356)	(65,568)	(14,503)	(9,397)	(14,029)	(105,853)
Stage 3: Credit-impaired financial assets - Lifetime ECL	(115,046)	(317,242)	(247,702)	(30,004)	(40,735)	(750,729)
	6,286,468	**11,901,746**	**21,575,465**	**3,859,741**	**1,205,830**	**44,829,250**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2018	56,761	51,217	58,229	25,327	26,071	217,605
Acquisition of a subsidiary	733	1,059	6,681	25,842	945	35,260
Translation adjustments	(647)	(651)	(118)	(827)	–	(2,243)
ECL on new instruments issued during the year	24,806	13,826	8,383	4,013	199	51,227
Other credit loss movements, repayments etc.	(21,050)	(20,196)	(7,630)	(22,581)	639	(70,818)
At September 30, 2019	60,603	45,255	65,545	31,774	27,854	231,031
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2018	2,981	32,035	14,543	5,355	13,270	68,184
Acquisition of a subsidiary	33	236	481	2,102	562	3,414
Translation adjustments	(29)	(134)	(268)	(60)	–	(491)
ECL on new instruments issued during the year	1,294	5,137	2,009	535	–	8,975
Other credit loss movements, repayments etc.	(1,923)	28,294	(2,262)	1,465	197	25,771
At September 30, 2019	2,356	65,568	14,503	9,397	14,029	105,853
Stage 3: Credit-impaired financial assets - Lifetime ECL						
ECL allowance as at October 1, 2018	105,592	397,609	146,807	72,668	41,405	764,081
Acquisition of a subsidiary	8,066	13,035	50,927	49	1,279	73,356
Reclass of ECL amount	–	(35,897)	–	–	–	(35,897)
Translation adjustments	(691)	(9,935)	197	(2,113)	–	(12,542)
Charge-offs and write-offs	(81,937)	(68,419)	(17,721)	(19,622)	(31,585)	(219,284)
Credit loss expense/(recovery)	106,790	46,694	73,740	(16,022)	36,025	247,227
Recoveries	(22,774)	(25,845)	(6,248)	(4,956)	(6,389)	(66,212)
At September 30, 2019	115,046	317,242	247,702	30,004	40,735	750,729
Total	**178,005**	**428,065**	**327,750**	**71,175**	**82,618**	**1,087,613**

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

4. Advances (continued)

e) Restructured/modified loans

Within the retail and credit card portfolios, management will in the normal course of business modify the terms and conditions of facilities in the case of difficulties by the borrower. These modifications rarely result in an impairment loss and if it does, it is not material.

The Group occasionally makes modifications to the original terms of large commercial and corporate loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. These modifications are made only when the Group believes the borrower is likely to meet the modified terms and conditions. Indicators of financial difficulties include defaults on covenants, overdue payments or significant concerns raised by the Credit Risk Department. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $168.6 million as at September 30, 2020 ($462.8 million as at September 30, 2019).

To support our customers from the impact of the pandemic, the banking subsidiaries in the Group offered a moratorium to customers in good standing, which included a deferral of monthly instalments, including the principal and interest, for a period of one - six months beginning on the date of acceptance, with interest continuing to accrue during the period of the moratorium. These loans amounted to $16.6 billion as at September 30, 2020. The financial impact of the moratorium was not material and these loans were not determined to be restructured.

5. Investment securities

	2020	2019
a) Designated at fair value through profit or loss		
Equities and mutual funds	171,951	178,674
	171,951	**178,674**
b) Debt instruments at amortised cost		
Government securities	7,630,834	6,603,138
State-owned company securities	2,578,120	2,423,717
Corporate bonds/debentures	5,908,571	4,656,225
Bankers' acceptances	426,578	463,007
Other short-term liquid investments and venture capital funds	819,632	2,251,298
	17,363,735	**16,397,385**
Total investment securities	**17,535,686**	**16,576,059**

c) Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit rating system, aging and year-end stage classification.

	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit-impaired financial assets - Lifetime ECL	Purchased or originated credit-impaired (POCI)	Total
			September 30, 2020		
Gross exposure	13,255,884	2,687,187	22,945	1,591,470	17,557,486
ECL	(9,136)	(38,888)	(6,097)	(139,630)	(193,751)
Net exposure	**13,246,748**	**2,648,299**	**16,848**	**1,451,840**	**17,363,735**
ECL allowance as at October 1, 2019	6,110	23,790	70,275	62,467	162,642
Translation adjustments	111	(51)	(443)	(8,733)	(9,116)
ECL on new instruments issued during the year	1,922	24,357	–	21,011	47,290
Other Credit loss movements, repayments and maturities	993	(9,208)	(16,047)	63,692	39,430
ECL on old instruments converted in debt restructure	–	–	(47,688)	1,193	(46,495)
At September 30, 2020	9,136	38,888	6,097	139,630	193,751
			September 30, 2019		
Gross exposure	14,018,387	998,685	111,594	1,431,361	16,560,027
ECL	(6,110)	(23,790)	(70,275)	(62,467)	(162,642)
Net exposure	**14,012,277**	**974,895**	**41,319**	**1,368,894**	**16,397,385**
ECL allowance as at October 1, 2018	6,630	37,456	213,530	–	257,616
Translation adjustments	–	(16)	(421)	–	(437)
ECL on new instruments issued during the year	744	4,499	3,270	47,570	56,083
Other Credit loss movements, repayments and maturities	(1,264)	(18,149)	(22,333)	14,897	(26,849)
ECL on old instruments converted in debt restructure	–	–	(123,771)	–	(123,771)
At September 30, 2019	6,110	23,790	70,275	62,467	162,642

The increase in investment securities classified as POCI reflects an increase in the exposure to Bonds issued by the Government of Barbados following the Debt Exchange offer in 2019 as well as a modified financial instrument in Suriname.

In Suriname, Euro-denominated reserves held with the Central Bank of Suriname were converted to a modified financial instrument to be repaid over a term of eight years at an interest rate of 6.75%. Consequently, the reserve balance was derecognised at the carrying value and the modified instrument was recognised under IFRS 9 at fair value and classified as POCI financial assets. Losses of $11.5 million were recognised on the recognition of the new instrument.

d) Designated at fair value through profit or loss

Mutual fund securities are quoted and fair value is determined to be the quoted price at the reporting date. Holdings in unquoted equities are insignificant for the Group.

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

6. Investment in associated companies

	2020	2019
Balance at beginning of year	52,600	83,350
Share of profit	4,911	5,980
Dividends received	–	(3,129)
Exchange adjustments	(540)	–
Sale of Eastern Caribbean Financial Holding (ECFH) shares	–	(5,613)
Balance of ECFH shares reclassed to FVPL	–	(27,988)
Balance at end of year	**56,971**	**52,600**

In 2019, the Group partially disposed of its holding in ECFH, resulting in a 16.13% holding, and this investment was reclassified to investment securities.

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

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

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

	2020	2019
Total assets	270,685	248,686
Total liabilities	41,175	36,790
Net assets/equity	229,510	211,896
Group's share of associates' net assets	56,971	52,600
Profit for the period	13,459	32,465
Group's share of profit of associated companies after tax for the period	4,911	5,980
Dividends received during the year	–	3,129

7. Premises and equipment

2020	Capital work in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	474,832	2,181,511	256,384	2,278,402	5,191,129
Acquisition of subsidiaries	4,242	61,314	50,700	80,309	196,565
Exchange and other adjustments	(2,887)	(8,007)	3,034	(54,493)	(62,353)
Additions at cost	305,504	21,101	4,205	94,236	425,046
Disposal of assets	(367)	(6,640)	(10,876)	(76,005)	(93,888)
Transfer of assets	(286,045)	26,819	42,210	217,016	–
	495,279	2,276,098	345,657	2,539,465	5,656,499
Accumulated depreciation					
At beginning of year	–	354,849	158,665	1,803,043	2,316,557
Acquisition of subsidiaries	–	16,225	26,976	65,358	108,559
Exchange and other adjustments	–	(2,202)	496	(39,256)	(40,962)
Charge for the year	–	36,633	14,356	196,072	247,061
Disposal of assets	–	(7,394)	(7,276)	(66,998)	(81,668)
	–	**398,111**	**193,217**	**1,958,219**	**2,549,547**
Net book value	**495,279**	**1,877,987**	**152,440**	**581,246**	**3,106,952**
2019					
Cost					
At beginning of year	282,100	1,912,337	216,563	1,966,493	4,377,493
Acquisition of a subsidiary	35,463	239,878	40,891	207,066	523,298
Exchange and other adjustments	(357)	–	(4,040)	(8,028)	(12,425)
Additions at cost	268,321	7,785	1,783	90,383	368,272
Disposal of assets	(1,186)	(10,918)	(786)	(52,619)	(65,509)
Transfer of assets	(109,509)	32,429	1,973	75,107	–
	474,832	**2,181,511**	**256,384**	**2,278,402**	**5,191,129**
Accumulated depreciation					
At beginning of year	–	258,106	116,478	1,521,488	1,896,072
Acquisition of a subsidiary	–	73,834	32,519	160,736	267,089
Exchange and other adjustments	–	8	(317)	(6,051)	(6,360)
Charge for the year	–	32,076	10,591	171,662	214,329
Disposal of assets	–	(9,175)	(606)	(44,792)	(54,573)
	–	**354,849**	**158,665**	**1,803,043**	**2,316,557**
Net book value	**474,832**	**1,826,662**	**97,719**	**475,359**	**2,874,572**

Capital commitments	**2020**	**2019**
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	107,181	153,639
Other capital expenditure authorised by the Directors but not yet contracted for	130,442	103,050

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

8. Right-of-use assets and Lease liabilities

2020

a) Right-of-use assets

	Leasehold Premises
Cost	
Effect of adoption of IFRS 16 at beginning of year	620,553
Additions at cost	68,266
	688,819
Accumulated depreciation	
Exchange and other adjustments	(152)
Charge for the year	86,115
	85,963
Net book value	**602,856**

Leasehold premises generally have lease terms between 3 and 15 years.

b) Lease liabilities

	2020		
	Non-current	**Current**	**Total**
Cost			
Effect of adoption of IFRS 16 at beginning of year	589,323	7466	596,789
Exchange and other adjustments	19	(35)	(16)
Additions at cost	62,922	864	63,786
Accretion of interest expense - (Note 19 b)	24,535	2,013	26,548
Less: payments	(88,057)	(5,632)	(93,689)
	588,742	**4,676**	**593,418**

The contractual maturity analysis of lease liabilities are disclosed in Note 22.3.1.

	2020		
	Fixed Payments	**Variable Payments**	**Total**
Payments			
Fixed rent	96,192	–	96,192
Variable rent	–	5,081	5,081
	96,192	**5,081**	**101,273**

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	2020		
	Within five years	**More than five years**	**Total**
Extension options expected not to be exercised	7,114	54,479	61,593
Termination options expected to be exercised	3,084	191	3,275
	10,198	**54,670**	**64,868**

9. Intangible Assets

		2020	2019
a)	Goodwill	989,821	729,653
b)	Core Deposits	206,331	108,019
c)	Trade name	27,262	35,241
		1,223,414	**872,913**

a) Goodwill

	2020	2019
Goodwill on acquisition brought forward	729,653	393,009
Goodwill impairment expense - (Note 19 d)	(143,367)	–
Goodwill arising on acquisition of a subsidiary - (Note 34)	403,535	336,644
	989,821	**729,653**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Barbados) Limited, Republic Bank (Ghana) Limited, Republic Bank (Grenada) Limited, Cayman National Corporation, Republic Bank (Cayman) Limited, Republic Bank (Guyana) Limited, Republic Bank (EC) Limited and Republic Bank (BVI) Limited.

Impairment testing of goodwill

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

The impact of COVID-19 has created uncertainty in the estimation of cash flow projections, discount rates and terminal growth rates. The goodwill impairment tests were conducted using sensitivity analysis, including a range of growth rates, interest rates, recovery assumptions, macroeconomic outlooks and discount rates for each entity in arriving at a probability-weighted expected cash flow projection.

Using these assumptions, with the exception of Republic Bank (Barbados) Limited, the value in use of the CGUs exceeded the carrying values.

The fragility of the economic outlook for Republic Bank (Barbados) Limited resulted in reduced projections and an increased discount rate of 20% (from 15%). Using these assumptions, the value in use of the Company was determined to be lower than the carrying value of the Company, resulting in a goodwill impairment expense of $143.4 million being recorded.

The following table highlights the goodwill and key assumptions used in 'value-in-use' calculations for each CGU:

	Republic Bank (Ghana) Limited TT$ million	Republic Bank (Grenada) Limited TT$ million	Republic Bank (Cayman) Limited TT$ million	Republic Bank (Guyana) Limited TT$ million	Cayman National Corporation TT$ million	Republic Bank (EC) Limited TT$ million	Republic Bank (BVI) Limited TT$ million	Total TT$ million
Carrying amount of goodwill	125	61	32	92	337	111	232	990
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	
Discount rate	21.9%	13.9%	10.1%	15.0%	7.1%	14.2%	8.5%	
Cash flow projection term	10 yrs	10 yrs	10 yrs	5 yrs	10 yrs	10 yrs	10 yrs	
Terminal growth rate	2.5%	2.0%	2.7%	3.5%	2.0%	2.0%	2.0%	

b) Core deposits

	2020	2019
Cost		
At beginning of year	154,900	40,189
Acquisition of subsidiaries - (Note 34)	127,166	114,711
	282,066	**154,900**
Accumulated amortisation		
At beginning of year	46,881	39,232
Exchange and other adjustments	46	–
Amortisation	28,808	7,649
	75,735	**46,881**
Net book value	**206,331**	**108,019**

Core deposit intangibles acquired through business combinations in 2019 have been determined to have a life of 10 years from acquisition date. Core deposit intangibles acquired through business combinations in 2020 have been determined to have a life of 5 years (savings and chequing deposits) and 8.5 years (time deposits) from acquisition date.

c) Trade name

	2020	2019
Cost		
At beginning of year	39,896	39,896
Accumulated amortisation		
At beginning of year	4,655	–
Amortisation	7,979	4,655
	12,634	**4,655**
Net book value	**27,262**	**35,241**

Trade name intangibles acquired through business combinations in 2019 have been determined to have a life of 5 years from acquisition date.

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

10. Employee benefits

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

	Defined benefit pension plans			
	Pension assets		Pension liability	
	2020	2019	2020	2019
Present value of defined benefit obligation	(3,524,956)	(3,392,914)	(350,563)	(267,917)
Fair value of plan assets	3,991,165	4,035,122	394,969	311,576
Surplus	466,209	642,208	44,406	43,659
Effect of asset ceiling	(11,636)	(11,883)	(87,050)	(100,524)
Net asset/(liability) recognised in the consolidated statement of financial position	**454,573**	**630,325**	**(42,644)**	**(56,865)**

	Post-retirement medical benefits	
	2020	2019
Present value of defined benefit obligation	(66,524)	(68,746)
Fair value of plan assets	–	–
Net liability recognised in the consolidated statement of financial position	**(66,524)**	**(68,746)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Opening defined benefit obligation	3,660,831	3,439,939	68,746	520,324
Exchange adjustments	(3,973)	(12)	1,608	25
Current service cost	131,347	129,100	874	28,005
Interest cost	209,117	197,057	2,216	28,491
Members' contributions	1,580	1,595	–	–
Past service cost/(credit)	–	14,063	(1,613)	(476,735)
Remeasurements:				
- Experience adjustments	(35,840)	24,314	(1,927)	(31,152)
- Actuarial losses from change in demographic assumptions	71,479	4,982	289	2,719
- Actuarial (gains)/losses from change in financial assumptions	(2,504)	(11,072)	805	4,633
Benefits paid	(156,518)	(139,135)	(748)	(1,194)
Premiums paid by the Group	–	–	(3,726)	(6,370)
Closing defined benefit obligation	**3,875,519**	**3,660,831**	**66,524**	**68,746**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Defined benefit obligation at prior year end	573,460	744,466	68,746	520,324
Exchange adjustments	2,261	(5,060)	1,575	–
Opening defined benefit obligation	575,721	739,406	70,321	520,324
Net pension (credit)/cost	(107,063)	(102,480)	1,893	(420,239)
Remeasurements recognised in other comprehensive income	(99,882)	(104,692)	(833)	(23,805)
Contributions/premiums	43,153	41,226	(4,857)	(7,534)
Closing net pension asset/post-retirement medical benefits liability	**411,929**	**573,460**	**66,524**	**68,746**

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	42% to 76%	28% to 76%
- Deferred members	2% to 6%	N/A
- Pensioners	22% to 51%	23% to 72%

The weighted duration of the defined benefit obligation ranged from 11.2 to 29.0 years. 33% to 61% of the defined benefit obligation for active members was conditional on future salary increases. 11% to 100% of the benefits for active members were vested.

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

	Defined benefit pension plans	
	2020	2019
Opening fair value of plan assets	4,346,698	4,289,491
Exchange adjustments	(1,402)	(5,060)
Interest income	219,835	218,883
Return on plan assets, excluding interest income	(65,023)	(58,198)
Contributions by employer	43,153	41,212
Members' contributions	1,580	1,595
Benefits paid	(156,518)	(139,135)
Expense allowance	(2,189)	(2,090)
Closing fair value of plan assets	**4,386,134**	**4,346,698**
Actual return on plan assets	**154,281**	**135,532**

f) Plan asset allocation as at September 30:

	Defined benefit pension plans			
	Fair value		% Allocation	
	2020	2019	2020	2019
Equity securities	1,924,021	1,938,951	43.89%	44.66%
Debt securities	1,986,472	1,905,622	45.31%	43.89%
Property	11,291	11,740	0.26%	0.27%
Mortgages	5,521	5,799	0.13%	0.13%
Money market instruments/cash	456,793	479,240	10.41%	11.05%
Total fair value of plan assets	**4,384,098**	**4,341,352**	**100.00%**	**100.00%**

As at September 30, 2020, plan assets of $2.0 million (2019: $5.3 million) for one of the Group's subsidiaries are held by an insurance company that are not separately identifiable. This plan asset allocation is maintained by the insurance company.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Current service cost	131,347	129,100	874	28,005
Interest on defined benefit obligation	(27,834)	(42,773)	2,216	28,491
Past service cost/(credit)	–	14,063	(1,613)	(476,735)
Administration expenses	3,550	2,090	416	–
Total included in staff costs	**107,063**	**102,480**	**1,893**	**(420,239)**

The terms and conditions of the post-retirement medical benefits plan was adjusted in 2019, which resulted in a write back to income of $423.6 million, in that year.

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

10. Employee benefits (continued)

h) Remeasurements recognised in other comprehensive income:

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Experience losses	(100,783)	(105,471)	833	23,805
Effect of asset ceiling	901	779	–	–
Total included in other comprehensive income	**(99,882)**	**(104,692)**	**833**	**23,805**

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

	2020 %	2019 %
Discount rate	2.50 - 8.50	3.00 - 8.50
Rate of salary increase	3.50 - 10.53	3.50 - 10.53
Pension increases	0.00 - 3.00	0.00 - 3.00
Medical cost trend rates	3.00 - 7.00	3.00 - 7.00
NIS ceiling rates	3.00 - 5.00	3.00 - 5.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2020 are as follows:

	Defined benefit pension plans	
	2020	2019
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	14.6 to 24.7	14.6 to 24.7
- Female	18.4 to 26.9	18.4 to 26.9
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	14.6 to 36.2	14.6 to 36.2
- Female	18.4 to 42.1	18.4 to 42.1

j) Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2020 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	(508,920)	655,333	(3,036)	3,899
- Future salary increases	264,090	(225,399)	170	(150)
- Future pension cost increases	291,516	(291,428)	–	–
- Medical cost increases	–	–	2,925	(2,292)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2020 by $89.5 million and the post-retirement medical benefit by $73.4 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 $26.6 million to the pension plan in the 2021 financial year.

The Group operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. The Group expects to pay $4.87 million to the medical plan in the 2021 financial year.

11. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

			Credit/(charge)		
	Opening balance 2019	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2020
Pension liability	–	–	(850)	3,002	2,152
Post-retirement medical benefits	13,726	17	(1,870)	(436)	11,437
Leased assets	6,836	(103)	4,596	530	11,859
Unearned loan origination fees	50,240	–	(4,311)	–	45,929
Tax losses	12,273	36	(112)	–	12,197
Premises and equipment	–	–	(568)	–	(568)
Provisions	94,394	39	66,302	–	160,735
Other	2,921	(1,850)	9,116	–	10,187
	180,390	**(1,861)**	**72,303**	**3,096**	**253,928**

			Credit/(charge)		
	Opening balance 2018	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2019
Post-retirement medical benefits	195,750	(624)	(139,017)	(42,383)	13,726
Leased assets	1,674	–	5,162	–	6,836
Unrealised reserve	–	135	(135)	–	–
Unearned loan origination fees	50,104	–	136	–	50,240
Tax losses	–	–	12,273	–	12,273
Premises and equipment	7,600	231	(7,831)	–	–
Provisions	325,661	–	(232,139)	872	94,394
Other	10,417	(2,408)	(5,088)	–	2,921
	591,206	**(2,666)**	**(366,639)**	**(41,511)**	**180,390**

b) Deferred tax liabilities

			Charge/(credit)		
	Opening balance 2019	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2020
Pension asset	221,029	13	(30,103)	(31,543)	159,396
Leased assets	15,849	–	(4,518)	–	11,331
Premises and equipment	21,271	(1,074)	18,736	147	39,080
Other	–	(1,022)	376	–	(646)
	258,149	**(2,083)**	**(15,509)**	**(31,396)**	**209,161**
Net credit to consolidated statement of income			**87,812**		

			Charge/(credit)		
	Opening balance 2018	Exchange and other adjustments	Consolidated statement of income	OCI	Closing balance 2019
Pension asset	287,919	–	(30,368)	(36,522)	221,029
Leased assets	19,883	–	(4,034)	–	15,849
Premises and equipment	24,118	(788)	(2,574)	515	21,271
Other	(151)	141	10	–	–
	331,769	**(647)**	**(36,966)**	**(36,007)**	**258,149**
Net charge to consolidated statement of income			**329,673**		

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

12. Other assets

	2020	2019
Accounts receivable and prepayments	344,610	311,920
Accrued income	202	–
Project financing reimbursables	6,748	4,076
Deferred commission and fees	8,498	8,917
Other	165,481	110,648
	525,539	**435,560**

13. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2020	2019
State	6,519,491	7,115,252
Corporate and commercial	24,440,278	18,879,742
Personal	43,816,053	34,789,481
Other financial institutions	6,637,449	3,838,425
Other	433,897	400,202
	81,847,168	**65,023,102**

14. Other fund raising instruments

At September 30, 2020, investment securities held to secure other fund raising instruments of the Group amounted to $4.7 billion (2019: $4.6 billion).

Concentration of other fund raising instruments	2020	2019
State	1,123,151	2,050,165
Corporate and commercial	26,801	137,042
Personal	202,931	756,634
Other financial institutions	3,353,768	2,363,938
Other	792,407	228,310
	5,499,058	**5,536,089**

15. Debt securities in issue

	2020	2019
Unsecured		
a) Fixed rate bonds	952,468	1,036,371
b) Floating rate bonds	1,034,358	1,036,569
	1,986,826	2,072,940
Secured		
a) Floating rate bonds	37,564	49,334
Total debt securities in issue	**2,024,390**	**2,122,274**

Unsecured obligations

a) Floating rate bonds include bonds that are denominated in Ghanaian cedis and includes bonds issued by Republic Bank (Ghana) Limited at floating rates of interest linked to the Ghanaian Treasury Bill rate and the inflation rate. Interest on these bonds are on a semi-annual and monthly basis.

Republic Bank Limited borrowed the amount of $75 million United States dollars from the Inter-American Development Bank (IADB) and $75 million United States dollars from International Finance Corporation (IFC) both on an unsecured basis. This amount is repayable in full on June 2026, at an interest rate of 4.5% plus six month London Interbank Offered Rate (LIBOR).

b) Republic Financial Holdings Limited has an unsecured fixed rate debt of $150 million United States dollars which become repayable at the end of a five year period, interest is accrued at a 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.

Secured obligations

a) Floating rate bonds are denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

16. Other liabilities

	2020	2019
Accounts payable and accruals	1,273,289	1,254,363
Deferred income	11,727	4,350
Other	355,468	225,013
	1,640,484	**1,483,726**

17. Stated capital

Authorised
An unlimited number of shares of no par value.

	Number of ordinary shares ('000)			
	2020	2019	2020	2019
Issued and fully paid				
At beginning of year	162,221	161,976	803,064	790,102
Shares issued/proceeds from shares issued	499	111	50,506	10,432
Shares purchased for profit sharing scheme	(660)	(426)	–	–
Share-based payment	–	–	8,545	2,530
Allocation of shares	483	560	–	–
At end of year	**162,543**	**162,221**	**862,115**	**803,064**

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

	2020 ('000)	2019 ('000)
Weighted average number of ordinary shares	162,443	162,156
Effect of dilutive stock options	664	274
Weighted average number of ordinary shares adjusted for the effect of dilution	**163,107**	**162,430**

18. Other reserves

	Translation reserves	Unallocated shares	Other reserves	Total
Balance at October 1, 2018	**(5,618)**	**(59,164)**	**19,183**	**(45,599)**
Translation adjustments	(43,224)	–	–	(43,224)
Transfer to other reserves from retained earnings	–	–	91,431	91,431
Shares purchased for profit sharing scheme	–	(46,630)	–	(46,630)
Allocation of shares	–	59,153	–	59,153
Balance at September 30, 2019	**(48,842)**	**(46,641)**	**110,614**	**15,131**
Translation adjustments	(192,205)	–	–	(192,205)
Transfer from other reserves to retained earnings	–	–	(35,026)	(35,026)
Shares purchased for profit sharing scheme	–	(92,075)	–	(92,075)
Allocation of shares	–	53,860	–	53,860
Balance at September 30, 2020	**(241,047)**	**(84,856)**	**75,588**	**(250,315)**

Other reserves
This balance represents the difference between regulatory reserve requirements and specific provisions under IFRSs and is an appropriation of retained earnings for certain subsidiaries in the Group.

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

18. Other reserves (continued)

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Financial Holdings Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2020, shares costing $84.9 million (2019: $46.6 million) remain unallocated from the profit sharing scheme.

	Number of ordinary shares ('000)	
	2020	**2019**
Balance brought forward	426	560
Add shares purchased	660	426
Allocation of shares	(483)	(560)
Balance carried forward	603	426

19. Operating profit

	2020	**2019**
a) Interest income		
Advances	3,940,691	3,510,034
Investment securities	595,931	731,948
Liquid assets	284,179	187,129
	4,820,801	**4,429,111**
b) Interest expense		
Customers' current, savings and deposit accounts	521,828	410,995
Other fund raising instruments and debt securities in issue	230,246	160,788
Other interest bearing liabilities	47,209	42,967
Finance cost lease liability - (Note 8 b)	26,548	–
	825,831	**614,750**
c) Other income		
Fees and commission from trust and other fiduciary activities	330,934	328,169
Credit card fees and commission (net)	262,543	311,295
Other fees and commission income	503,732	435,863
Net exchange trading income	413,372	351,625
Dividends	751	722
Net gains from investments at fair value through profit or loss	5,073	973
Net gains on derecognition of financial instruments	8,757	8,641
Other operating income	180,088	156,978
Employee benefits medical contribution writeback - (Note 10 g)	–	423,570
	1,705,250	**2,017,836**
d) Operating expenses		
Staff costs	1,525,484	1,392,436
Employee benefits pension and medical contribution - (Note 10 g)	108,956	105,811
General administrative expenses	1,184,589	882,030
Operating lease payments	9,205	74,036
Property-related expenses	166,435	153,199
Depreciation expense - (Note 7)	247,061	214,329
Depreciation expense right-of-use assets - (Note 8 a)	86,115	–
Advertising and public relations expenses	95,768	89,265
Goodwill impairment expense - (Note 9 a)	143,367	–
Intangible amortisation expense - (Note 9 b&c)	36,786	12,304
Investment impairment expense	580	3,213
Directors' fees	19,046	15,183
	3,623,392	**2,941,806**
e) Non-cancellable operating lease commitments		
Within one year	–	54,395
One to five years	–	95,097
Over five years	–	517
	–	**150,009**

20. Credit loss expense

	2020	**2019**
Advances - (Note 4 d)	534,444	196,168
Debt instruments measured at amortised cost - (Note 5 c)	86,720	29,234
Treasury Bills	–	774
	621,164	**226,176**

21. Taxation expense

	2020	**2019**
Corporation tax	545,328	624,869
Deferred tax - (Note 11)	(87,812)	329,673
	457,516	**954,542**

Reconciliation between taxation expense and net profit before taxation

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:

	2020	**2019**
Net profit before taxation	**1,460,575**	**2,670,195**
Tax at applicable statutory tax rates	948,057	1,286,352
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(560,374)	(586,240)
Non-deductible expenses	149,572	277,485
Allowable deductions	(99,176)	(224,891)
Change in tax rates	4,678	185,815
Provision for other taxes	14,759	16,021
	457,516	**954,542**

The Group has tax losses in its Parent and one subsidiary amounting to $474.6 million (2019: one of its subsidiaries amounting to $409.1 million).

22. Risk management

22.1 General

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 (ALCO) and Enterprise Risk Committee, review specific risk areas.

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

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

22. Risk management (continued)

22.1 General (continued)

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:

22.2 Credit risk

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

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

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

The Group uses a risk rating system which groups commercial/corporate accounts and overdrafts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. Retail lending, mortgages and retail overdrafts are managed by product type. Preset risk management criteria is in place at all branches to facilitate decision-making for all categories of loans including credit cards. 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 debt securities within the Group'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 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.

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.

22.2.1 Analysis of risk concentration

The Group's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The table below shows the Group's maximum exposure to any client or counterparty before taking into account collateral or other credit enhancements.

	Gross maximum exposure	
	2020	**2019**
Statutory deposits with Central Banks	8,810,482	7,200,336
Due from banks	12,005,309	8,751,576
Treasury Bills	3,909,369	3,284,410
Advances	53,300,181	44,630,109
Investment securities	17,363,736	16,397,385
Investment interest receivable	185,577	194,230
Total	**95,574,654**	**80,458,046**
Undrawn commitments	4,609,888	7,582,839
Acceptances	3,604,850	1,503,612
Guarantees and indemnities	501,247	294,111
Letters of credit	453,267	487,942
Total	**9,169,252**	**9,868,504**
Total credit risk exposure	**104,743,906**	**90,326,550**

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.

a) Industry sectors

The following table shows the risk concentration by industry for the components of the consolidated statement of financial position. Additional disclosures for credit quality and the maximum exposure for credit risk per categories based on the Group's internal credit rating system and year-end stage classification are further disclosed in Notes 4 d and 5 c.

	2020	**2019**
Government and Central Government Bodies	23,280,997	19,810,000
Financial sector	20,143,414	17,174,389
Energy and mining	1,671,675	1,437,363
Agriculture	426,264	379,383
Electricity and water	1,313,911	1,377,598
Transport, storage and communication	1,108,981	1,264,874
Distribution	5,500,290	6,306,056
Real estate	8,727,773	9,042,963
Manufacturing	2,166,972	2,419,654
Construction	3,127,467	2,699,030
Hotel and restaurant	2,768,378	1,858,488
Personal	27,828,402	19,801,353
Other services	6,679,382	6,755,399
	104,743,906	**90,326,550**

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

22. Risk management (continued)

22.2 Credit risk (continued)

22.2.1 Analysis of risk concentration (continued)

b) 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:

	2020	2019
Trinidad and Tobago	44,290,762	44,925,700
Barbados	9,580,530	9,284,125
Eastern Caribbean	8,535,413	1,645,035
Guyana	7,245,220	5,903,021
United States	8,157,128	6,960,462
Europe	3,388,388	3,976,658
Suriname	1,586,223	2,462,669
Ghana	3,856,358	3,524,164
Cayman Islands	8,464,352	7,103,512
Other Countries	9,639,532	4,541,204
	104,743,906	**90,326,550**

22.2.2 Impairment assessment

Financial asset provisions are reviewed 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 also reviewed annually and action taken in accordance with prescribed guidelines. The Group's impairment assessment and measurement approach is set out below.

22.2.3 Default and recovery

The Group generally considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once recovered depends on the updated credit grade at the time of recovery.

22.2.4 The Group's internal rating and PD estimation process

Commercial and corporate lending and mortgages

The Group has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A vintage approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and using statistical correlation between macroeconomic trends and historical default rates, management applied overlays based on expectations. As previously mentioned, LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on an individual level including estimating the present value of future cash flows. EAD equals the loan balance outstanding plus accrued interest.

Retail lending and mortgages

Product types were selected as cohort for PD analyses for retail lending and retail mortgages. A vintage approach was applied looking at the number of defaults by segment over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends, management applied overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

Overdrafts and credit cards

Many corporate customers are extended overdraft facilities and the PDs developed for the Corporate portfolio were therefore applied. LGDs for the corporate portfolio were also utilised for overdrafts. EADs were developed based on historical trends in utilisation of overdraft limits. ECL percentages for the retail portfolio were utilised for retail overdrafts. PDs for the credit card portfolio were developed using default percentages over a period of time. EADs were developed based on historical trends in utilisation of credit card limits and LGD percentage estimates were developed based on historical loss trends for a sample of credit card non-performing facilities.

Management judgementally applied overlays as required as there was no noted correlation between macroeconomic trends and historical default rates.

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

Treasury Bills and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short-term funds placed with Central Banks and correspondent banks and the Group therefore considers the risk of default to be very low. These facilites are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to be zero. For the Government of Barbados, PDs and LGDs were developed based on countries in the region who have defaulted in the past.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. As a result, the Group considers the risk of default to be very low and the ECLs on these instruments were determined to be zero.

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

22. Risk management (continued)

22.2 Credit risk (continued)

22.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 22.2.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

22.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.6 g i dependant on the factors below, the Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include:

• All Stage 3 assets, regardless of the class of financial assets
• The commercial and corporate lending and overdraft portfolio
• The mortgage portfolio
• The retail lending portfolio
• The credit card portfolio

Asset classes where the Group calculates ECL on a collective basis include:

• The retail overdraft portfolio
• Subsidiaries with small, homogeneous retail portfolios
• Past due not yet relegated credit facilities

22.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows:

Advances	**2019**	**2019**
	%	**%**
Stage 1	84.0	81.8
Stage 2	10.8	14.4
Stage 3	5.2	3.8
	100.0	**100.0**

In response to COVID-19, the Group undertook a review of its loan portfolios, determining the high-risk sectors and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, type and value of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology and definition of default remained consistent with prior periods. Calculation inputs, including forward looking information, together with the determination of the staging of exposures were however revised.

Stage 1	**Retail lending**	**Commercial & corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
September 30, 2020						
Gross Loans	6,694,492	10,380,511	25,669,433	2,126,888	1,487,423	46,358,747
ECL	(76,481)	(70,643)	(103,073)	(35,221)	(66,896)	(352,314)
	6,618,011	**10,309,868**	**25,566,360**	**2,091,667**	**1,420,527**	**46,006,433**
ECL as a % of Gross loans	1.1	0.7	0.4	1.7	4.5	0.8
September 30, 2019						
Gross Loans	5,917,449	8,518,393	19,618,712	2,500,955	1,013,552	37,569,061
ECL	(60,603)	(45,255)	(65,545)	(31,774)	(27,854)	(231,031)
	5,856,846	**8,473,138**	**19,553,167**	**2,469,181**	**985,698**	**37,338,030**
ECL as a % of Gross loans	1.0	0.5	0.3	1.3	2.7	0.6

The increase in Stage 1 ECLs was driven by increased LGDs, reflective of a reduction in recovery estimates across the Group.

Stage 2	**Retail lending**	**Commercial & corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
September 30, 2020						
Gross Loans	392,564	2,536,288	1,834,112	915,513	238,584	5,917,061
ECL	(33,515)	(178,393)	(58,469)	(11,954)	(42,097)	(324,428)
	359,049	**2,357,895**	**1,775,643**	**903,559**	**196,487**	**5,592,633**
ECL as a % of Gross loans	8.5	7.0	3.2	1.3	17.6	5.5
September 30, 2019						
Gross Loans	366,649	3,159,333	1,509,010	1,342,199	207,446	6,584,637
ECL	(2,356)	(65,568)	(14,503)	(9,397)	(14,029)	(105,853)
	364,293	**3,093,765**	**1,494,507**	**1,332,802**	**193,417**	**6,478,784**
ECL as a % of Gross loans	0.6	2.1	1.0	0.7	6.8	1.6

The increase in Stage 2 ECLs was driven by increased LGDs and PDs, reflective of the increased risk profile for customers in vulnerable sectors within each entity. The assessment included increased probabilities of default and reduced collateral values in these sectors.

Stage 3	**Retail lending**	**Commercial & corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
September 30, 2020						
Gross Loans	281,550	1,020,061	1,437,082	103,049	75,531	2,917,273
ECL	(137,314)	(448,758)	(338,015)	(47,294)	(55,814)	(1,027,195)
	144,236	**571,303**	**1,099,067**	**55,755**	**19,717**	**1,890,078**
ECL as a % of Gross loans	48.8	44.0	23.5	45.9	73.9	35.2
September 30, 2019						
Gross Loans	180,376	652,085	775,493	87,763	67,448	1,763,165
ECL	(115,046)	(317,242)	(247,702)	(30,004)	(40,735)	(750,729)
	65,330	**334,843**	**527,791**	**57,759**	**26,713**	**1,012,436**
ECL as a % of Gross loans	63.8	48.7	31.9	34.2	60.4	42.6

The decrease in Stage 3 ECLs was reflective of increased non-performing loans with higher collateral values.

Investment securities	**2020**	**2019**
	%	**%**
Stage 1	75.5	84.7
Stage 2	15.3	6.0
Stage 3	0.1	0.7
POCI	9.1	8.6
	100.0	**100.0**

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
September 30, 2020					
Gross balance	13,255,884	2,687,187	22,945	1,591,470	17,557,486
ECL	(9,136)	(38,888)	(6,097)	(139,630)	(193,751)
	13,246,748	**2,648,299**	**16,848**	**1,451,840**	**17,363,735**
ECL as a % of Gross investments	0.1	1.4	26.6	8.8	1.1
September 30, 2019					
Gross balance	14,018,387	998,685	111,594	1,431,361	16,560,027
ECL	(6,110)	(23,790)	(70,275)	(62,467)	(162,642)
	14,012,277	**974,895**	**41,319**	**1,368,894**	**16,397,385**
ECL as a % of Gross investments	0.0	2.4	63.0	4.4	1.0

The decrease in Stage 3 ECLs was reflective of the reclassification of the Government of Barbados debt from Stage 3 into POCI securities, while the increase in POCI ECLs was driven by the ECLs on the modified Euro-denominated instrument in Suriname.

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

22. Risk management (continued)

22.3 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.

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.

22.3.1 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 28 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
2020					
Customers' current, savings and deposit accounts	65,543,537	13,109,342	7,976,460	5,793	86,635,132
Other fund raising instruments	–	4,786,717	681,027	153,757	5,621,501
Debt securities in issue	–	280,303	1,081,356	1,149,023	2,510,682
Due to banks	745,639	784,819	–	–	1,530,458
Lease liabilities	982	87,196	346,418	337,539	772,135
Other liabilities	572,963	195,676	91,525	57	860,221
Total undiscounted financial liabilities	**66,863,121**	**19,244,053**	**10,176,786**	**1,646,169**	**97,930,129**
2019					
Customers' current, savings and deposit accounts	49,485,584	14,105,704	1,480,118	10	65,071,416
Other fund raising instruments	–	5,368,542	81,184	145,396	5,595,122
Debt securities in issue	–	212,123	1,354,284	1,228,007	2,794,414
Due to banks	38,260	1,370,238	–	–	1,408,498
Other liabilities	418,683	298,107	42,613	57	759,460
Total undiscounted financial liabilities	**49,942,527**	**21,354,714**	**2,958,199**	**1,373,470**	**75,628,910**

Financial liabilities - off consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2020					
Acceptances	652,528	2,638,110	313,908	304	3,604,850
Guarantees and indemnities	255,000	184,722	31,908	29,617	501,247
Letters of credit	294,585	158,682	–	–	453,267
Total	**1,202,113**	**2,981,514**	**345,816**	**29,921**	**4,559,364**
2019					
Acceptances	272,367	826,977	403,942	326	1,503,612
Guarantees and indemnities	11,666	232,710	18,306	31,429	294,111
Letters of credit	306,768	181,174	–	–	487,942
Total	**590,801**	**1,240,861**	**422,248**	**31,755**	**2,285,665**

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

22.4 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.

22.4.1 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 ALCO 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 of a reasonably possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table:

		Impact on net profit			
		2020		2019	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	60,174	(60,170)	55,193	(55,193)
US$ Instruments	+/- 50	16,738	(16,966)	19,712	(19,927)
BDS$ Instruments	+/- 50	615	(615)	1,607	(1,607)
GHS¢ Instruments	+/- 300	1,308	(1,308)	2,024	(2,024)
Other Currency Instruments	+/- 50	389	(424)	389	(424)

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

22. Risk management (continued)

22.4 Market risk (continued)

22.4.2 Currency risk

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

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets and related funding of overseas subsidiaries and associates, from the respective local currency to Trinidad and Tobago dollars (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 consolidated statement of income.

The principal currencies of the Group's subsidiary and associated company investments are TTD, United States dollars (USD), Guyana dollars (GYD), Eastern Caribbean dollars (XCD), Barbados dollars (BDS), Ghana Cedi (GHS), Suriname dollars (SRD) and Cayman Island dollars (KYD).

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 TTD, with all other variables held constant.

2020	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial assets								
Cash on hand	459,029	544,963	81,688	116,978	14,237	82,417	949,588	2,248,900
Statutory deposits with Central Banks	4,124,723	322,267	1,478,141	148,988	72,268	–	2,664,095	8,810,482
Due from banks	4,547,826	4,547,595	4,257	23,521	171,644	192	2,710,274	12,005,309
Treasury Bills	1,276,259	1,308,340	–	202,810	–	–	1,121,960	3,909,369
Advances	22,019,334	12,082,026	5,072,941	1,169,956	419,380	4,902,993	7,633,551	53,300,181
Investment securities	4,908,560	9,265,519	1,359,838	1,465,303	–	–	536,466	17,535,686
Investment interest receivable	58,307	60,549	417	59,297	–	23	6,984	185,577
Total financial assets	**37,394,038**	**28,131,259**	**7,997,282**	**3,186,853**	**677,529**	**4,985,625**	**15,622,918**	**97,995,504**
Financial liabilities								
Due to banks	5	769,014	12,895	–	890	–	24,388	807,192
Customers' current, savings and deposit accounts	29,756,099	21,615,869	7,302,918	2,132,496	532,523	4,128,436	16,378,827	81,847,168
Other fund raising instruments	4,176,268	846,780	131,702	344,308	–	–	–	5,499,058
Debt securities in issue	37,565	1,900,066	–	86,759	–	–	–	2,024,390
Accrued interest payable	32,466	61,257	1,262	–	4,414	1,198	8,330	108,927
Lease liabilities	359,764	12,563	44,707	18,746	–	85,396	72,242	593,418
Total financial liabilities	**34,362,167**	**25,205,549**	**7,493,484**	**2,582,309**	**537,827**	**4,215,030**	**16,483,787**	**90,880,151**
Net currency risk exposure		**2,925,710**	**503,798**	**604,544**	**139,702**	**770,595**	**(860,869)**	
Reasonably possible change in currency rate (%)		**1**	**1**	**3**	**1**	**1**	**1**	
Effect on profit before tax		**29,257**	**5,038**	**18,136**	**1,397**	**7,706**	**(8,609)**	

2019	TTD	USD	BDS	GHS	SRD	KYD	Other	Total
Financial assets								
Cash on hand	381,144	670,981	97,166	83,551	24,035	64,357	421,554	1,742,788
Statutory deposits with Central Banks	4,525,971	134,008	1,290,415	188,713	221,120	–	840,109	7,200,336
Due from banks	1,937,129	4,789,461	12,977	70,686	373,312	–	1,568,011	8,751,576
Treasury Bills	1,511,381	360,859	–	223,699	26,099	–	1,162,372	3,284,410
Advances	21,989,231	7,212,666	5,033,558	1,135,396	726,105	4,581,254	3,951,899	44,630,109
Investment securities	4,822,197	8,661,404	1,368,638	1,171,231	–	–	552,589	16,576,059
Investment interest receivable	54,144	69,317	417	62,026	870	–	7,456	194,230
Total financial assets	**35,221,197**	**21,898,696**	**7,803,171**	**2,935,302**	**1,371,541**	**4,645,611**	**8,503,990**	**82,379,508**
Financial liabilities								
Due to banks	365,252	915,155	12,688	73,915	1,447	–	27,714	1,396,171
Customers' current, savings and deposit accounts	26,837,870	16,069,286	7,274,268	1,821,183	830,034	3,581,776	8,608,685	65,023,102
Other fund raising instruments	4,285,538	773,963	146,994	329,594	–	–	–	5,536,089
Debt securities in issue	49,333	1,990,012	–	82,929	–	–	–	2,122,274
Accrued interest payable	30,792	68,206	1,425	–	4,675	10,396	1,482	116,976
Total financial liabilities	**31,568,785**	**19,816,622**	**7,435,375**	**2,307,621**	**836,156**	**3,592,172**	**8,637,881**	**74,194,612**
Net currency risk exposure		**2,082,074**	**367,796**	**627,681**	**535,385**	**1,053,439**	**(133,891)**	
Reasonably possible change in currency rate (%)		**1**	**1**	**3**	**1**	**1**	**1**	
Effect on profit before tax		**20,821**	**3,678**	**18,830**	**5,354**	**10,534**	**(1,339)**	

22.5 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.

Managing cyber security related threats across the Republic Group remians a major priority. As part of the Group's business strategy in reducing cyber risk exposure, cyber security is embeded in the design of technology and services prior to deployment. The Group's Enterprise Risk Management Committee is responsible for overseeing cyber security risks and maintaining cyber security risk appetite. Mechanisms are in place across the Group to predict, prevent, detect and respond against cyber threats and where appropriate, risk is transferred by the placement of adequate insurance coverage.

23. 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.

	2020	2019
Advances, investments and other assets		
Directors and key management personnel	284,315	232,958
Other related parties	236,126	174,865
	520,441	**407,823**
Deposits and other liabilities		
Directors and key management personnel	168,080	127,521
Other related parties	606,176	436,482
	774,256	**564,003**

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

23. Related parties *(continued)*

	2020	2019
Interest and other income		
Directors and key management personnel	10,233	8,644
Other related parties	16,938	22,793
	27,171	**31,437**
Interest and other expense		
Directors and key management personnel	25,140	7,286
Other related parties	10,621	11,641
	35,761	**18,927**

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

Key management compensation	2020	2019
Short-term benefits	33,951	49,070
Post-employment benefits	266	4,949
Share-based payment	8,545	2,530
	42,762	**56,549**

24. 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 $0.1 billion to $11.3 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.

In T&T, the Basel II Regulations were promulgated in May 2020 and adopted by RFHL and its main subsidiary, Republic Bank Limited (RBL). Under these regulations, the risk-based capital guidelines require a minimum ratio of core capital (Tier I) to risk-weighted assets of 6%, with a minimum total qualifying capital (Tier II) ratio of 10%. Core capital (Tier I) comprises mainly of shareholders' equity.

Capital adequacy ratio	2020 % Basel II	2019 % Basel II	2019 % Basel I
Institutions under Basel II regulations			
Republic Financial Holdings Limited	11.87	N/A	N/A
Republic Bank Limited	13.60	N/A	21.45
Republic Bank (Cayman) Limited	28.66	32.00	-
Republic Bank (Ghana) Limited	24.94	28.22	-
Republic Bank (Barbados) Limited	16.38	14.71	-
Cayman National Corporation	23.60	23.06	-

	2020 % Basel I	2019 % Basel I
Institutions under Basel I regulations		
Republic Bank (Grenada) Limited	16.24	13.64
Republic Bank (Guyana) Limited	23.79	22.54
Republic Bank (Suriname) N.V.	11.71	15.20
Altantic Financial Limited	93.32	73.26
Republic Bank (EC) Limited	15.75	-
Republic Bank (BVI) Limited	19.00	-

At September 30, 2020, RBL and each of RFHL's banking subsidiaries exceeded the minimum levels required for adequately capitalised financial institutions.

25. Fair value

25.1 Carrying values and fair values

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

2020	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	18,163,578	18,163,578	–
Advances	53,300,181	52,628,725	(671,456)
Investment securities	17,535,686	17,877,857	342,171
Investment interest receivable	185,577	185,577	–
Other financial assets	344,610	344,610	–
Financial liabilities			
Customers' current, savings and deposit accounts	81,847,168	81,844,786	2,382
Borrowings and other fund raising instruments	6,306,250	6,306,250	–
Debt securities in issue	2,024,390	2,214,536	(190,146)
Accrued interest payable	108,927	108,927	–
Other financial liabilities	1,273,289	1,273,289	–
Total unrecognised change in unrealised fair value			**(517,049)**

2019	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	13,778,774	13,778,774	–
Advances	44,630,109	42,697,115	(1,932,994)
Investment securities	16,576,059	16,822,810	246,751
Investment interest receivable	194,230	194,230	–
Other financial assets	311,920	311,920	–
Financial liabilities			
Customers' current, savings and deposit accounts	65,023,102	65,021,627	1,474
Borrowings and other fund raising instruments	6,932,260	6,932,260	–
Debt securities in issue	2,122,274	2,213,682	(91,409)
Accrued interest payable	116,977	116,977	–
Other financial liabilities	1,254,363	1,254,363	–
Total unrecognised change in unrealised fair value			**(1,776,178)**

25.2 Fair value and fair value hierarchies

25.2.1 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
2020				
Financial assets measured at fair value				
Investment securities	64,713	69,583	37,655	171,951
Financial assets for which fair value is disclosed				
Advances	–	–	52,628,725	52,628,725
Investment securities	5,708,444	10,150,131	1,847,331	17,705,906
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	81,844,786	81,844,786
Debt securities in issue	–	2,127,777	86,759	2,214,536
2019				
Financial assets measured at fair value				
Investment securities	19,253	116,282	43,139	178,674
Financial assets for which fair value is disclosed				
Advances	–	–	42,697,115	42,697,115
Investment Securities	5,136,554	10,119,073	1,388,509	16,644,136
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	65,021,627	65,021,627
Debt securities in issue	–	2,130,753	82,929	2,213,682

25.2.2 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, 2020, are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	4.0% - 28.2%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.0% - 9.0%

25.2.3 Transfers between Level 1 and 2

For the year ended September 30, 2020, $366 million of assets were transferred between Level 1 and Level 2 (2019: $1.06 million).

Republic Financial Holdings
PAGE 32

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

25. Fair value (continued)

25.2 Fair value and fair value hierarchies (continued)

25.2.4 Reconciliation of movements in Level 3 financial assets measured at fair value

	Balance at beginning of year	Additions/ Transfers	Disposals/ Transfers to Level 2	Balance at end of year
Financial assets designated at fair value through profit or loss	43,139	3,765	(9,249)	37,655
	43,139	**3,765**	**(9,249)**	**37,655**

26. 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	2020	2019
Republic Bank (Ghana) Limited	Ghana	33.46%	33.46%
Republic Bank (Guyana) Limited	Guyana	49.00%	49.00%
Cayman National Corporation	Cayman Islands	25.01%	25.01%
Accumulated balances of material non-controlling interests:			
Republic Bank (Ghana) Limited		237,854	235,216
Republic Bank (Guyana) Limited		404,007	369,214
Cayman National Corporation		291,160	283,998
Profit allocated to material non-controlling interests:			
Republic Bank (Ghana) Limited		20,290	34,268
Republic Bank (Guyana) Limited		57,364	63,129
Cayman National Corporation		17,497	30,900

The summarised financial information of these subsidiaries is provided in Note 27 i of these consolidated financial statements.

27. Segmental information

The Group is organised into two main business segments: retail and commercial banking and other financial services. 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	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	British Virgin Islands	Total
2020									
Interest income	2,274,763	437,422	170,642	591,763	308,799	524,619	475,787	37,006	4,820,801
Interest expense	(308,336)	(32,655)	(30,516)	(140,431)	(23,208)	(227,760)	(60,780)	(2,145)	(825,831)
Net interest income	1,966,427	404,767	140,126	451,332	285,591	296,859	415,007	34,861	3,994,970
Other income	803,361	124,626	119,456	192,916	107,419	125,321	219,435	12,716	1,705,250
Share of profit of associated companies	4,841	–	70	–	–	–	–	–	4,911
Operating income	2,774,629	529,393	259,652	644,248	393,010	422,180	634,442	47,577	5,705,131
Other operating expenses	(1,846,492)	(305,718)	(97,600)	(397,156)	(202,294)	(279,217)	(474,915)	(20,000)	(3,623,392)
Operating profit	928,137	223,675	162,052	247,092	190,716	142,963	159,527	27,577	2,081,739
Credit loss expense on financial assets	(332,178)	(85,909)	(49,896)	(55,468)	(12,279)	(52,701)	(30,434)	(2,299)	(621,164)
Net profit before taxation	**595,959**	**137,766**	**112,156**	**191,624**	**178,437**	**90,262**	**129,093**	**25,278**	**1,460,575**
Taxation	(284,685)	(6,358)	(40,743)	(35,333)	(61,367)	(30,080)	1,050	–	(457,516)
Net profit after taxation	**311,274**	**131,408**	**71,413**	**156,291**	**117,070**	**60,182**	**130,143**	**25,278**	**1,003,059**

	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	British Virgin Islands	Total
2020									
Investment in associated companies	56,364	–	607	–	–	–	–	–	56,971
Total assets	48,514,006	10,333,695	2,677,336	14,302,887	6,845,840	4,266,398	14,587,851	2,748,601	104,276,614
Total liabilities	45,510,366	7,813,396	2,436,951	12,779,866	6,039,857	3,407,466	12,276,927	2,669,312	92,934,141
Depreciation	189,834	20,799	12,207	23,811	15,771	26,127	43,558	1,069	333,176
Capital expenditure on premises and equipment	294,552	39,800	7,280	29,642	12,898	22,094	17,628	1,152	425,046
Cash flow from operating activities	5,458,351	278,710	250,640	(1,413,598)	783,882	476,146	(276,000)	(303,987)	5,254,144
Cash flow from investing activities	3,320,772	(88,573)	(107,281)	91,839	127,420	(449,232)	(125,261)	(1,152)	2,768,532
Cash flow from financing activities	(1,687,090)	(149,819)	799	(1,088,164)	(50,825)	(58,099)	(109,217)	(5,308)	(3,147,723)

	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
2019								
Interest income	2,371,030	477,818	155,858	198,039	291,694	542,710	391,962	4,429,111
Interest expense	(195,516)	(34,662)	(36,682)	(37,105)	(19,701)	(227,544)	(63,540)	(614,750)
Net interest income	2,175,514	443,156	119,176	160,934	271,993	315,166	328,422	3,814,361
Other income	1,330,535	125,259	44,562	48,787	117,931	152,102	198,660	2,017,836
Share of profits of associated companies	6,111	–	(131)	–	–	–	–	5,980
Operating income	3,512,160	568,415	163,607	209,721	389,924	467,268	527,082	5,838,177
Other operating expenses	(1,642,170)	(305,583)	(93,365)	(90,137)	(186,897)	(292,862)	(330,792)	(2,941,806)
Operating profit	1,869,990	262,832	70,242	119,584	203,027	174,406	196,290	2,896,371
Credit loss (expense)/recovery on financial assets	(103,958)	(78,612)	(6,792)	5,776	(2,890)	(43,503)	3,803	(226,176)
Net profit before taxation	**1,766,032**	**184,220**	**63,450**	**125,360**	**200,137**	**130,903**	**200,093**	**2,670,195**
Taxation	(638,786)	(182,135)	(23,209)	(6,399)	(71,304)	(32,417)	(292)	(954,542)
Net profit after taxation	**1,127,246**	**2,085**	**40,241**	**118,961**	**128,833**	**98,486**	**199,801**	**1,715,653**

	Trinidad and Tobago	Barbados	Suriname	Eastern Caribbean	Guyana	Ghana	Cayman Islands	Total
2019								
Investment in associated companies	51,523	–	1,077	–	–	–	–	52,600
Total assets	46,793,990	10,016,559	3,180,215	2,883,148	6,015,765	3,905,339	14,688,872	87,483,888
Total liabilities	42,761,747	7,720,098	2,853,433	2,213,767	5,266,695	3,051,905	12,384,483	76,252,128
Depreciation	122,876	24,122	12,661	6,633	15,861	15,877	16,299	214,329
Capital expenditure on premises and equipment	287,899	11,944	7,167	5,107	19,155	19,334	17,666	368,272
Cash flow from operating activities	1,791,553	255,058	(546,300)	42,243	115,211	343,477	798,833	2,800,075
Cash flow from investing activities	2,395,764	(1,148,817)	35,975	1,183	22,439	(459,367)	(1,046,638)	(199,461)
Cash flow from financing activities	1,170,263	1,209,735	(567)	(6,886)	(45,521)	79,760	(83,680)	2,323,104

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

27. Segmental information (continued)

ii) By class of business

	Retail and commercial banking	Other financial services	Total
2020			
Interest income	4,430,116	390,685	4,820,801
Interest expense	(706,036)	(119,795)	(825,831)
Net interest income	3,724,080	270,890	3,994,970
Other income	1,406,644	298,606	1,705,250
Share of profit of associated companies	4,911	–	4,911
Operating income	5,135,635	569,496	5,705,131
Other operating expenses	(3,557,984)	(65,408)	(3,623,392)
Operating profit	1,577,651	504,088	2,081,739
Credit loss (expense)/recovery on financial assets	(627,024)	5,860	(621,164)
Net profit before taxation	**950,627**	**509,948**	**1,460,575**
Taxation	(397,583)	(59,933)	(457,516)
Net profit after taxation	**553,044**	**450,015**	**1,003,059**
Investment in associated companies	56,971	–	56,971
Total assets	94,871,977	9,404,637	104,276,614
Total liabilities	86,503,446	6,430,695	92,934,141
Depreciation	333,176	–	333,176
Capital expenditure on premises and equipment	424,426	620	425,046
Cash flow from operating activities	1,994,776	3,259,368	5,254,144
Cash flow from investing activities	4,955,974	(2,187,442)	2,768,532
Cash flow from financing activities	(2,206,930)	(940,793)	(3,147,723)
2019			
Interest income	3,987,485	441,626	4,429,111
Interest expense	(473,161)	(141,589)	(614,750)
Net interest income	3,514,324	300,037	3,814,361
Other income	1,779,797	238,039	2,017,836
Share of profit of associated companies	5,980	–	5,980
Operating income	5,300,101	538,076	5,838,177
Other operating expenses	(2,888,194)	(53,612)	(2,941,806)
Operating profit	2,411,907	484,464	2,896,371
Credit loss (expense)/recovery on financial assets	(233,156)	6,980	(226,176)
Net profit before taxation	**2,178,751**	**491,444**	**2,670,195**
Taxation	(903,556)	(50,986)	(954,542)
Net profit after taxation	**1,275,195**	**440,458**	**1,715,653**
Investment in associated companies	52,600	–	52,600
Total assets	78,661,611	8,822,277	87,483,888
Total liabilities	70,055,985	6,196,143	76,252,128
Depreciation	214,329	–	214,329
Capital expenditure on premises and equipment	367,115	1,157	368,272
Cash flow from operating activities	2,450,611	349,464	2,800,075
Cash flow from investing activities	1,972,944	(2,172,405)	(199,461)
Cash flow from financing activities	939,799	1,383,305	2,323,104

28. 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 22.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Within one year	After one year	Total
2020			
ASSETS			
Cash on hand	2,248,900	–	2,248,900
Statutory deposits with Central Banks	8,810,482	–	8,810,482
Due from banks	12,005,309	–	12,005,309
Treasury Bills	3,909,369	–	3,909,369
Advances	12,466,646	40,833,535	53,300,181
Investment securities	6,758,048	10,777,638	17,535,686
Investment interest receivable	185,577	–	185,577
Investment in associated companies	–	56,971	56,971
Premises and equipment	1,028	3,105,924	3,106,952
Right-of-use assets	255	602,601	602,856
Intangible assets	–	1,223,414	1,223,414
Pension assets	–	454,573	454,573
Deferred tax assets	530	253,398	253,928
Taxation recoverable	–	56,877	56,877
Other assets	516,777	8,762	525,539
	46,902,921	**57,373,693**	**104,276,614**
LIABILITIES			
Due to banks	807,192	–	807,192
Customers' current, savings and deposit accounts	77,748,113	4,099,055	81,847,168
Other fund raising instruments	5,368,420	130,638	5,499,058
Debt securities in issue	–	2,024,390	2,024,390
Lease liabilities	4,676	588,742	593,418
Pension liability	1,980	40,664	42,644
Provision for post-retirement medical benefits	–	66,524	66,524
Taxation payable	95,175	–	95,175
Deferred tax liabilities	146	209,015	209,161
Accrued interest payable	88,555	20,372	108,927
Other liabilities	1,515,656	124,828	1,640,484
	85,629,913	**7,304,228**	**92,934,141**

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

28. Maturity analysis of assets and liabilities (continued)

	Within one year	After one year	Total
2019			
ASSETS			
Cash on hand	1,742,788	–	1,742,788
Statutory deposits with Central Banks	7,200,336	–	7,200,336
Due from banks	8,751,576	–	8,751,576
Treasury Bills	3,284,410	–	3,284,410
Advances	10,708,069	33,922,040	44,630,109
Investment securities	5,001,375	11,574,684	16,576,059
Investment interest receivable	194,230	–	194,230
Investment in associated companies	–	52,600	52,600
Premises and equipment	1,921	2,872,651	2,874,572
Intangible assets	–	872,913	872,913
Pension assets	–	630,325	630,325
Deferred tax assets	–	180,390	180,390
Taxation recoverable	3,335	54,685	58,020
Other assets	402,597	32,963	435,560
	37,290,637	**50,193,251**	**87,483,888**
LIABILITIES			
Due to banks	1,396,171	–	1,396,171
Customers' current, savings and deposit accounts	63,853,456	1,169,646	65,023,102
Other fund raising instruments	5,313,917	222,172	5,536,089
Debt securities in issue	–	2,122,274	2,122,274
Pension liability	–	56,865	56,865
Provision for post-retirement medical benefits	–	68,746	68,746
Taxation payable	190,029	–	190,029
Deferred tax liabilities	–	258,149	258,149
Accrued interest payable	114,828	2,149	116,977
Other liabilities	1,398,542	85,184	1,483,726
	72,266,943	**3,985,185**	**76,252,128**

29. Equity compensation benefits

Stock option plan

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

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

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

The movement in outstanding options is outlined below:

	Weighted average exercise price		Number of shares	
	2020	2019	2020	2019
At the beginning of the year	$104.94	$105.03	2,486,493	2,053,177
Granted	$103.65	$101.92	586,354	555,277
Forfeited	$90.19	$78.78	(6,118)	(10,952)
Exercised	$101.17	$93.98	(499,221)	(111,009)
At end of year	**$105.42**	**$104.94**	**2,567,508**	**2,486,493**
Exercisable at end of year	**$106.33**	**$105.01**	**1,431,254**	**1,742,428**

Expiry date	Exercise price	2020	2019
20-Dec-19	$90.19	–	24,185
20-Dec-20	$86.75	13,024	63,711
20-Dec-21	$80.00	26,680	41,490
20-Dec-22	$101.80	–	11,876
13-Dec-23	$85.94	37,721	61,101
8-Dec-24	$72.99	54,327	102,079
14-Dec-25	$92.67	125,058	150,135
14-Dec-26	$104.41	219,411	331,104
11-Dec-27	$110.03	241,527	338,492
11-Dec-28	$121.74	327,876	415,912
9-Dec-29	$112.05	–	10,878
12-Dec-30	$110.00	380,253	380,253
7-Dec-31	$101.92	555,277	555,277
9-Dec-32	$103.65	586,354	–
		2,567,508	**2,486,493**

As at September 30, 2020, none of the outstanding options were anti-dilutive (2019: 415,592) 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 13, 2019 to January 8, 2020
Number granted	586,354
Exercise price	$103.65
Share price at grant date	$131.00 to $135.00
Risk free interest rate	4.0% 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	$25.46 to $29.04

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 $101.17. For options outstanding at September 30, 2020 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 $8.545 million (2019: $2.530 million).

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

30. Dividends paid and proposed

	2020	2019
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: $3.25 (2018: $3.15)	528,664	511,990
Interim dividend for 2020: $0.60 (2019: $1.25)	97,723	203,274
Total dividends paid	**626,387**	**715,264**
Proposed equity dividends on ordinary shares:		
Final dividend for 2020: $2.10 (2019: $3.25)	341,340	528,664

31. Contingent liabilities

a) Litigation

As at September 30, 2020, 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

	2020	2019
Acceptances	3,604,850	1,503,612
Guarantees and indemnities	501,247	294,111
Letters of credit	453,267	487,942
	4,559,364	**2,285,665**

c) Sectoral information

	2020	2019
State	1,339,223	156,285
Corporate and commercial	2,388,324	2,058,610
Personal	691,432	26,178
Other financial institutions	139,982	44,192
Other	403	400
	4,559,364	**2,285,665**

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	
	2020	2019	2020	2019
Financial assets	**5,607,140**	**4,806,337**	**11,714,188**	**5,498,692**

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.

32. 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, 2020, the Group earned $27.7 million (2019: $27.8 million) in management fees from the retirement plans and $94.5 million (2019: $97.6 million) from the mutual funds.

The Group holds an interest of $84.9 million (2019: $45.9 million) in sponsored funds as at September 30, 2020. 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, 2020.

33. 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 (BVI) Limited *Commercial Bank*	British Virgin Islands	100.00
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00
Cayman National Corporation *Banking and Fiduciary Services*	Cayman Islands	74.99
Republic Bank (Ghana) Limited *Commercial Bank*	Ghana	66.54
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	84.90
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00
Republic Bank (EC) Limited *Commercial Bank*	Saint Lucia	100.00
Atlantic Financial Limited *International Business Company*	Saint Lucia	100.00
Republic Caribbean Investments Limited *Investment Company*	Saint Lucia	100.00
Republic (Suriname) Holding Limited *Investment Company*	Saint 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 Wealth Management Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00
Republic Trustee Services Limited *Investment Advisory Company*	Trinidad and Tobago	100.00

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

34. Business combinations

a) Acquisition of Scotiabank's assets in Eastern Caribbean and St. Maarten

On November 1, 2019, the Group completed the acquisition of Scotiabank's banking operations in St. Maarten, Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines.

Republic Bank (EC) Limited was incorporated and obtained control of the St. Maarten, Anguilla, Dominica, St Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines operations.

Republic Bank (Grenada) Limited acquired the operations of Scotiabank Grenada.

The acquisition has been accounted for using the acquistion method.

The fair values of the identifiable assets and liabilities of the Scotiabank operations in the Eastern Caribbean and St. Maarten as at the date of acquisition were:

	Fair value recognised on acquisition November 1, 2019
Assets	
Cash resources	4,187,889
Investment securities	3,767
Advances	6,329,592
Intangible assets	127,166
Other assets	1,195,945
	11,844,359
Liabilities	
Customer deposits and due to banks	11,489,088
Other liabilities	149,529
	11,638,617
Total identifiable net assets at fair value	205,742
Goodwill arising on acquisition	171,541
Purchase consideration transferred	**377,283**
Purchase consideration	
Amount settled in cash	**377,283**
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	4,187,889
Consideration transferred	(377,283)
Net cash inflow	**3,810,606**

The net assets recognised as at November 1, 2019, were based on an independent valuation of the fair value completed in September 2020, of the acquired Scotiabank net assets in the Eastern Caribbean and St. Maarten. Acquisition date fair value of core deposit intangibles of $127.2 million was determined. Fair value of the land and buildings was $38.6 million, an increase of $8.6 million over the carrying value of $30 million. The increased amortisation charge on the core deposit intangibles and buildings from the acquisition date amounted to $17.5 million.

For the financial year ending September 30, 2020, Republic Bank (EC) Limited and the acquired Scotiabank's operations in Grenada contributed $437.3 million of revenue and $57.9 million to profit before tax from continuing operations of the Group.

b) Acquisition of Scotiabank British Virgin Islands Limited

On June 1, 2020, Republic Financial Holdings Limited, acquired 100% of Scotiabank British Virgin Islands Limited, obtained control and the company was renamed Republic Bank (BVI) Limited. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Scotiabank British Virgin Islands Limited as at the date of acquisition were:

	Fair value recognised on acquisition June 1, 2020
Assets	
Cash resources	1,122,891
Advances	1,886,367
Other assets	56,208
	3,065,466
Liabilities	
Customer deposits and due to banks	2,543,713
Other liabilities	64,142
	2,607,855
Total identifiable net assets at fair value	457,611
Goodwill arising on acquisition provisional	231,994
Purchase consideration transferred	**689,605**
Purchase consideration	
Amount settled in cash	**689,605**
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	1,122,891
Consideration transferred	(689,605)
Net cash inflow	**433,286**

For the financial year ending September 30, 2020, the company contributed $47.6 million of revenue and $25.2 million to profit before tax from continuing operations of the Group.

* The fair value of net assets is provisional pending receipt of final valuation for those assets and liabilities. These balances are subject to adjustment, with a corresponding adjustment to goodwill up to June 2021 (one year after the transaction).