



**RFHL Separate  
Financial Statements**

# **2020**



Building a better  
working world

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# Independent Auditor's Report

To the Shareholders of Republic Financial Holdings Limited

## Report on the Audit of the Separate Financial Statements

### Opinion

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 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 Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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



Port of Spain,  
TRINIDAD:  
November 6, 2020

## Republic Financial Holdings Limited

### Separate Statement of Financial Position

As at September 30, 2020

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

Notes	2020	2019
<b>ASSETS</b>		
Cash on hand	389,934	1,492,369
Investment securities	4 (a) 19,311	27,988
Investment in subsidiaries	4 (b) 9,461,075	7,694,801
Taxation recoverable	6,048	5,663
Other assets	5 23,502	21,923
<b>TOTAL ASSETS</b>	<b>9,899,870</b>	<b>9,242,744</b>
<b>LIABILITIES</b>		
Other fund raising instruments	6 584,943	573,049
Debt securities in issue	7 912,554	978,125
Taxation payable	83	2
Accrued interest payable	22,537	25,516
Other liabilities	8 66,959	90,541
<b>TOTAL LIABILITIES</b>	<b>1,587,076</b>	<b>1,667,233</b>
<b>EQUITY</b>		
Stated capital	9 862,115	803,064
Statutory reserves	862,115	803,064
Retained earnings	6,588,564	5,969,383
<b>TOTAL EQUITY</b>	<b>8,312,794</b>	<b>7,575,511</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,899,870</b>	<b>9,242,744</b>

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

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

Vincent Pereira,  
Chairman

Nigel M. Baptiste,  
President & CEO

Peter Inglefield,  
Director

Kimberly Erriah-Ali,  
Corporate Secretary



Republic Financial Holdings



# Republic Financial Holdings Limited

## Separate Statement of Income and Comprehensive Income

For the year ended September 30, 2020

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

	Notes	2020	2019
Interest income	10 (a)	4,678	524
Interest expense	10 (b)	(69,200)	(38,411)
<b>Net interest expense</b>		<b>(64,522)</b>	<b>(37,887)</b>
Dividend income		1,537,520	1,596,799
Other income	10 (c)	78,387	7,783
<b>Total income</b>		<b>1,551,385</b>	<b>1,566,695</b>
Operating expenses	10 (d)	(244,918)	(52,770)
<b>Net profit before taxation</b>		<b>1,306,467</b>	<b>1,513,925</b>
Taxation expense	11	(5,014)	(4,827)
<b>Net profit after taxation</b>		<b>1,301,453</b>	<b>1,509,098</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>1,301,453</b>	<b>1,509,098</b>

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

# Republic Financial Holdings Limited

## Separate 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	Retained earnings	Total equity
<b>Balance at October 1, 2018</b>	<b>790,102</b>	<b>790,102</b>	<b>5,185,600</b>	<b>6,765,804</b>
Total comprehensive income for the year	—	—	1,509,098	1,509,098
Issue of shares	10,432	—	—	10,432
Share-based payment	2,530	—	—	2,530
Transfer to statutory reserves	—	12,962	(12,962)	—
Dividends (Note 18)	—	—	(715,264)	(715,264)
Unclaimed dividends	—	—	2,911	2,911
<b>Balance at September 30, 2019</b>	<b>803,064</b>	<b>803,064</b>	<b>5,969,383</b>	<b>7,575,511</b>
Total comprehensive income for the year	—	—	1,301,453	1,301,453
Issue of shares	50,506	—	—	50,506
Share-based payment	8,545	—	—	8,545
Transfer to statutory reserves	—	59,051	(59,051)	—
Dividends (Note 18)	—	—	(626,387)	(626,387)
Unclaimed dividends	—	—	3,166	3,166
<b>Balance at September 30, 2020</b>	<b>862,115</b>	<b>862,115</b>	<b>6,588,564</b>	<b>8,312,794</b>

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



Republic Financial Holdings

# Republic Financial Holdings Limited

## Separate Statement of Cash Flows

For the year ended September 30, 2020

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

	Notes	2020	2019
<b>Operating activities</b>			
Net profit before taxation		1,306,467	1,513,925
Adjustments for:			
Investment in subsidiaries impairment expense	10 (d)	143,346	—
Realised gain on sale of associated companies		—	(3,423)
Increase in other assets		(1,579)	(830)
(Decrease)/increase in other liabilities and accrued interest payable		(26,561)	17,883
Taxes paid, net of refund		(5,318)	(4,825)
<b>Cash provided by operating activities</b>		<b>1,416,355</b>	<b>1,522,730</b>
<b>Investing activities</b>			
Redemption of investment securities		8,677	—
Sales proceeds from partial disposal of investment in associate		—	9,037
Net change in investment in subsidiaries	21	(1,909,620)	(1,330,037)
<b>Cash used in investing activities</b>		<b>(1,900,943)</b>	<b>(1,321,000)</b>
<b>Financing activities</b>			
Net proceeds from other fund raising instruments		11,894	573,049
(Repayment)/issuance of debt securities		(65,571)	978,125
Share-based payment	9	8,545	2,530
Proceeds from share issue	9	50,506	10,432
Dividends paid to shareholders	18	(626,387)	(715,264)
Unclaimed dividends		3,166	2,911
<b>Cash (used in)/provided by financing activities</b>		<b>(617,847)</b>	<b>851,783</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,102,435)</b>	<b>1,053,513</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,492,369</b>	<b>438,856</b>
<b>Cash and cash equivalents at end of year</b>		<b>389,934</b>	<b>1,492,369</b>
<b>Cash and cash equivalents at end of year are represented by:</b>			
Cash on hand		<b>389,934</b>	<b>1,492,369</b>
<b>Supplemental information:</b>			
Interest received during the year		4,678	524
Interest paid during the year		72,333	12,896
Dividends received		1,537,520	1,596,799

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

# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 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.

### 2. Significant accounting policies

These separate financial statements provide information on the accounting estimates and judgements made by the Company (See Note 3). 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 separate 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 Company has formed estimates based on information that was 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 Company for future periods.

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

These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2.1 Basis of preparation

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

#### 2.2 Changes in accounting policies

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

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended September 30, 2019, except for the adoption of new standards and interpretations below.

##### *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 interpretation had no impact on the separate financial statements of the Company.



**Republic Financial Holdings**



# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2020

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

### 2. Significant accounting policies (continued)

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

##### *New accounting policies/improvements adopted (continued)*

##### **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 interpretation had no impact on the separate financial statements of the Company.

##### **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 separate financial statements of the Company as there is no transaction where 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 Company's current practice is in line with these amendments, they had no impact on the separate financial statements of the Company.

##### **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 Company's current practice is in line with these amendments, they had no impact on the separate financial statements of the Company.

#### 2.3 Standards in issue not yet effective

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

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

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

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

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

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

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

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

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

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

##### **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.

##### **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).



# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2020

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

### 2. Significant accounting policies (continued)

#### 2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the 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)

#### 2.5 Summary of significant accounting policies

##### a) Cash and cash equivalents

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

##### b) Financial instruments - initial recognition

###### i) Date of recognition

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

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

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

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

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

Financial liabilities are measured at amortised cost.

##### c) Financial assets and liabilities

###### Debt securities and other fund raising instruments

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

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

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

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

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

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

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

- Change in currency
- Change in counterparty
- If the modification is such that the instrument would no longer meet the (SPPI) criterion

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

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

###### Financial assets

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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





# Republic Financial Holdings Limited

## Notes to the Separate Financial Statements

For the year ended September 30, 2020

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

### 2. Significant accounting policies (continued)

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

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

###### Derecognition other than for substantial modification (continued)

###### Financial liabilities

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

##### f) Impairment of financial assets

###### Overview of the ECL principles

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

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

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

##### g) Impairment of non-financial assets

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

##### h) Business combinations

The Company 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. Acquisition-related costs are expensed as incurred.

##### i) Employee benefits

###### i) Profit sharing scheme

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

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

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

##### j) Taxation

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

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

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

##### k) Statutory reserves

The Trinidad and Tobago Financial Institutions Act 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. These reserves are not available for distribution as dividends or any other form of appropriation. Statutory reserves amounted to \$862.1 million (2019: \$803.1 million).

##### l) Foreign currency translation

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

##### m) Revenue recognition

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

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

The EIR method

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

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



# Republic Financial Holdings Limited

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### 2. Significant accounting policies (continued)

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

##### m) Revenue recognition (continued)

###### *Interest income and expense*

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

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

###### *Dividends*

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

##### n) Fair value

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

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

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

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

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

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

###### **Level 1**

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

###### **Level 2**

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

###### **Level 3**

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

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

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

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

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

##### o) Equity reserves

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

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

Other Statutory Reserves that qualify for treatment as equity.

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

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

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

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

#### **Estimates and assumptions**

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

#### **Impairment losses on financial assets**

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



# Republic Financial Holdings Limited

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### 4. Investment securities and investment in subsidiaries

(a) Investment securities	2020	2019
Equities	19,311	27,988
The Company partially disposed of its holding in Eastern Caribbean Financial Holdings (ECFH) in March 2020.		
(b) Investment in subsidiaries	2020	2019
Republic Bank Limited	4,213,507	4,213,507
Republic Bank (Barbados) Limited (Note i)	877,647	1,020,993
Republic Bank (Ghana) Limited	606,293	606,293
Republic (Suriname) Holding Limited (Note ii)	335,477	335,477
Republic Bank (Guyana) Limited	102,784	102,784
Republic Bank (Grenada) Limited (Note iii)	282,192	61,996
Republic Bank Trinidad and Tobago (Barbados) Limited (Note iv)	1,342,635	1,342,635
Republic Wealth Management Limit (formerly Republic Securities Limited)	10,171	10,171
Republic Insurance Company (Cayman) Limited	945	945
Republic Bank (EC) Limited (Note 21 (a))	999,819	—
Republic Bank (BVI) Limited (Note 21 (b))	689,605	—
	<u>9,461,075</u>	<u>7,694,801</u>

#### Note i

The impact of COVID-19 has created uncertainty in the estimation of cash flow projections for entities. 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 of the company was determined to be lower than the carrying value of the company, resulting in an impairment expense of \$143.3 million being recorded.

#### Note ii

Republic (Suriname) Holding Limited is the Parent Company for the Republic Bank (Suriname) N.V. entity.

#### Note iii

The Company increased its investment in Republic Bank (Grenada) Limited from 75.7% to 84.9% through the take up of an eight for five Rights Issue in March 2020.

#### Note iv

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

5. Other assets	2020	2019
Accounts receivable and prepayments	69	33
Due from related parties	23,433	21,890
	<u>23,502</u>	<u>21,923</u>

### 6. Other fund raising instruments

#### Concentration of other fund raising instruments

Other financial institutions	584,943	573,049
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### 7. Debt securities in issue

Fixed rate bond	912,554	978,125
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The bond is denominated in United States dollars and is an unsecured fixed rate debt repayable at the end of five years at an interest rate of 5.07%. Principal repayments are made bi-annually in the amount of \$11.25 million United States dollars until repaid.

8. Other liabilities	2020	2019
Accounts payable and accruals	65,305	90,541
Due to related parties	1,654	—
	<u>66,959</u>	<u>90,541</u>

9. Stated capital	2020 Number of ordinary shares ('000)	2019 Value of ordinary shares (\$'000)
<b>Authorised</b>		
An unlimited number of shares of no par value		
<b>Issued and fully paid</b>		
At beginning of year	162,221	161,976
Shares issued/proceeds from shares issued	499	111
Shares purchased for profit sharing scheme	(660)	(426)
Share-based payment	—	8,545
Allocation of shares	483	560
<b>At end of year</b>	<u>162,543</u>	<u>162,221</u>

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

	2020	2019
Weighted average number of ordinary shares	162,443	162,156
Effect of dilutive stock options	664	274
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<u>163,107</u>	<u>162,430</u>

10. Operating profit	2020	2019
<b>a) Interest income</b>		
Advances	4,140	—
Liquid assets	538	524
	<u>4,678</u>	<u>524</u>
<b>b) Interest expense</b>		
Debt securities in issue	56,189	26,350
Other fund raising instruments	13,011	12,061
	<u>69,200</u>	<u>38,411</u>
<b>c) Other income</b>		
Net exchange trading income	2,220	3,821
Other operating income	76,167	3,962
	<u>78,387</u>	<u>7,783</u>
<b>d) Operating expenses</b>		
General administrative expenses	95,278	47,607
Investment in subsidiaries impairment expense (Note 4(b) (i))	143,346	—
Directors' fees	6,294	5,163
	<u>244,918</u>	<u>52,770</u>



Republic Financial Holdings

# Republic Financial Holdings Limited

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<b>11. Taxation expense</b>	<b>2020</b>	<b>2019</b>
Corporation tax expense	<u>5,014</u>	<u>4,827</u>
<b>Reconciliation between taxation expense and net profit before taxation</b>		
Income taxes in the separate statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:		
Net profit before taxation	<u>1,306,467</u>	<u>1,513,925</u>
Tax at applicable statutory tax rate	391,940	454,178
<i>Tax effect of items that are adjustable in determining taxable profit:</i>		
Tax exempt income	(461,351)	(479,107)
Non-deductible expenses	80,793	34,306
Allowable deductions	(11,382)	(9,377)
Provision for Green Fund Levy and other taxes	<u>5,014</u>	<u>4,827</u>
	<b>5,014</b>	<b>4,827</b>

### 12. Related parties

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

	<b>2020</b>	<b>2019</b>
<b>Deposits</b>		
Deposits with Republic Bank Limited	<b>412,121</b>	<b>1,514,258</b>
<b>Interest and other income</b>		
Subsidiary	<b>4,140</b>	<b>–</b>
<b>Interest and other expense</b>		
Directors and key management personnel	<b>6,294</b>	<b>5,163</b>

### 13. Risk management

#### 13.1 General

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

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

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

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

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

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

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

#### 13.2 Credit risk

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

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

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

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

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

#### 13.3 Liquidity risk

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

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

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

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
<b>2020</b>					
Other fund raising instruments	–	8,249	587,675	–	595,924
Debt securities in issue	–	214,054	850,667	–	1,064,721
Other liabilities	–	–	66,959	–	66,959
<b>Total undiscounted financial liabilities</b>	<b>–</b>	<b>222,303</b>	<b>1,505,301</b>	<b>–</b>	<b>1,727,604</b>
<b>2019</b>					
Other fund raising instruments	–	581,719	–	–	581,719
Debt securities in issue	–	137,556	1,023,025	–	1,160,581
Other liabilities	–	–	90,541	–	90,541
<b>Total undiscounted financial liabilities</b>	<b>–</b>	<b>719,275</b>	<b>1,113,566</b>	<b>–</b>	<b>1,832,841</b>



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### 13.4 Market risk

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

#### 13.4.1 Interest rate risk

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

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

#### 13.4.2 Currency risk

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

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

The principal currencies of the Company's subsidiaries are Trinidad and Tobago dollars (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 Company had significant exposure at September 30, on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with all other variables held constant.

2020	TTD	USD	XCD	Total
<b>Financial assets</b>				
Cash on hand	66,367	323,567	—	389,934
Investment securities	—	—	19,311	19,311
<b>Total financial assets</b>	<b>66,367</b>	<b>323,567</b>	<b>19,311</b>	<b>409,245</b>
<b>Financial liabilities</b>				
Other fund raising instruments	—	584,943	—	584,943
Debt securities in issue	—	912,554	—	912,554
Interest payable	—	22,537	—	22,537
<b>Total financial liabilities</b>	<b>—</b>	<b>1,520,034</b>	<b>—</b>	<b>1,520,034</b>
<b>Net currency risk exposure</b>		<b>(1,196,467)</b>	<b>19,311</b>	
<b>Reasonably possible change in currency rate</b>		1%	1%	
<b>Effect on profit before tax</b>		<b>(11,965)</b>	<b>193</b>	

2019	TTD	USD	XCD	Total
<b>Financial assets</b>				
Cash on hand	10,369	1,482,000	—	1,492,369
Investment securities	—	—	27,988	27,988
<b>Total financial assets</b>	<b>10,369</b>	<b>1,482,000</b>	<b>27,988</b>	<b>1,520,357</b>
<b>Financial liabilities</b>				
Other fund raising instruments	—	573,049	—	573,049
Debt securities in issue	—	978,125	—	978,125
Interest payable	—	25,516	—	25,516
<b>Total financial liabilities</b>	<b>—</b>	<b>1,576,690</b>	<b>—</b>	<b>1,576,690</b>
<b>Net currency risk exposure</b>		<b>(94,690)</b>	<b>27,988</b>	
<b>Reasonably possible change in currency rate</b>		1%	1%	
<b>Effect on profit before tax</b>		<b>(947)</b>	<b>280</b>	

### 13.5 Operational risk

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

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

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

## 14. Capital management

The Company's policy is to diversify its sources of capital, to allocate capital within the Company efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by \$737 million to \$8.3 billion during the year under review.

Capital adequacy is monitored by the Company, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the respective Central Banks for supervisory purposes. In Trinidad, the Basel II Regulations were promulgated in May 2020. 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.

	2020	2019
<b>Capital adequacy ratio:</b>		
Basel I	N/A	21.63%
Basel II	11.87%	N/A

At September 30, 2020, the Company exceeded the minimum levels required for adequately capitalised financial institutions.



Republic Financial Holdings

# Republic Financial Holdings Limited

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### 15. Fair value

#### 15.1 Carrying values and fair values

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

2020	Carrying value	Fair value	Unrecognised (loss)
<b>Financial assets</b>			
Cash on hand	389,934	389,934	—
Investment securities	19,311	19,311	—
<b>Total unrecognised change in unrealised fair value</b>			<b>—</b>
<b>Financial liabilities</b>			
Other fund raising instruments	584,943	584,943	—
Debt securities in issue	912,554	983,959	(71,405)
Accrued interest payable	22,537	22,537	—
<b>Total unrecognised change in unrealised fair value</b>			<b>(71,405)</b>
<b>2019</b>			
<b>Financial assets</b>			
Cash on hand	1,492,369	1,492,369	—
Investment securities	27,988	27,988	—
<b>Total unrecognised change in unrealised fair value</b>			<b>—</b>
<b>Financial liabilities</b>			
Other fund raising instruments	573,049	573,049	—
Debt securities in issue	978,125	1,066,156	(88,031)
Accrued interest payable	25,516	25,516	—
<b>Total unrecognised change in unrealised fair value</b>			<b>(88,031)</b>

#### 15.2 Determination of fair value and fair value hierarchies

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

2020	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Investment securities	—	—	19,311	19,311
<b>Financial liabilities for which fair value is disclosed</b>				
Debt securities in issue	—	983,959	—	983,959
<b>2019</b>				
<b>Financial assets measured at fair value</b>				
Investment securities	—	—	27,988	27,988
<b>Financial liabilities for which fair value is disclosed</b>				
Debt securities in issue	—	1,066,156	—	1,066,156

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

	Balance at beginning of year	Additions /transfers	Disposals /transfers	Balance at end of year
Financial investments	27,988	—	(8,677)	19,311
	<b>27,988</b>	<b>—</b>	<b>(8,677)</b>	<b>19,311</b>

Equities held in ECFH are classified as level 3, this is the only financial instrument held by the Company.

### 16. Maturity analysis of assets and liabilities

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

	Within one year	After one year	Total
<b>2020</b>			
<b>ASSETS</b>			
Cash on hand	389,934	—	389,934
Investment securities	—	19,311	19,311
Investment in subsidiaries	—	9,461,075	9,461,075
Taxation recoverable	—	6,048	6,048
Other assets	—	23,502	23,502
	<b>389,934</b>	<b>9,509,936</b>	<b>9,899,870</b>
<b>LIABILITIES</b>			
Other fund raising instruments	—	584,943	584,943
Debt securities in issue	—	912,554	912,554
Accrued interest payable	22,537	—	22,537
Taxation payable	83	—	83
Other liabilities	506	66,453	66,959
	<b>23,126</b>	<b>1,563,950</b>	<b>1,587,076</b>
<b>2019</b>			
<b>ASSETS</b>			
Cash on hand	1,492,369	—	1,492,369
Investment securities	—	27,988	27,988
Investment in subsidiaries	—	7,694,801	7,694,801
Taxation recoverable	—	5,663	5,663
Other assets	—	21,923	21,923
	<b>1,492,369</b>	<b>7,750,375</b>	<b>9,242,744</b>
<b>LIABILITIES</b>			
Other fund raising instruments	573,049	—	573,049
Debt securities in issue	—	978,125	978,125
Accrued interest payable	25,516	—	25,516
Taxation payable	2	—	2
Other liabilities	120	90,421	90,541
	<b>598,687</b>	<b>1,068,546</b>	<b>1,667,233</b>

### 17. Equity compensation benefits

#### Stock option plan

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

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

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



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### 17. Equity compensation benefits (continued)

#### Stock option plan (continued)

The movement in outstanding options is outlined below:

	2020 Weighted average exercise price	2019	2020 Number of shares	2019
At beginning of 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)
<b>At end of year</b>	<b>\$105.42</b>	<b>\$104.94</b>	<b>2,567,508</b>	<b>2,486,493</b>
<b>Exercisable at end of year</b>	<b>\$106.33</b>	<b>\$105.01</b>	<b>1,431,254</b>	<b>1,742,428</b>

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
08-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
09-Dec-29	\$112.05	—	10,878
12-Dec-30	\$110.00	380,253	380,253
07-Dec-31	\$101.92	555,277	555,277
09-Dec-32	\$103.65	586,354	—
		<b>2,567,508</b>	<b>2,486,493</b>

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.

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 recognised by RBL for the share option plan was \$8.545 million (2019: \$2.530 million).

### 18. 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

512,022

Interim dividend for 2020: \$0.60 (2019: \$1.25)

97,723

203,242

#### 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**

### 19. Contingent liabilities

#### Litigation

As at September 30, 2020, there were certain tax and legal proceedings outstanding against the Company. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

### 20. Subsidiary companies

Name of Company	Country of incorporation	% equity interest
Republic Bank (Barbados) Limited <i>Commercial Bank</i>	Barbados	100.00
Republic Bank Trinidad and Tobago (Barbados) Limited <i>Offshore Bank</i>	Barbados	100.00
Republic Bank (BVI) Limited <i>Commercial Bank</i>	British Virgin Islands	100.00
Republic Bank (Cayman) Limited <i>Offshore Bank</i>	Cayman Islands	100.00
Republic Insurance Company (Cayman) Limited <i>Insurance Company</i>	Cayman Islands	100.00
Republic Bank (Ghana) Limited <i>Commercial Bank</i>	Ghana	66.54
Republic Bank (Grenada) Limited <i>Commercial Bank</i>	Grenada	84.90
Republic Bank (Guyana) Limited <i>Commercial Bank</i>	Guyana	51.00
Republic Bank (EC) Limited <i>Commercial Bank</i>	Saint Lucia	100.00
Republic (Suriname) Holding Limited <i>Investment Company</i>	Saint Lucia	100.00
Republic Bank (Suriname) N.V. <i>Commercial Bank</i>	Suriname	100.00
Republic Bank Limited <i>Commercial Bank</i>	Trinidad and Tobago	100.00
Republic Wealth Management Limited <i>Securities Brokerage Company</i>	Trinidad and Tobago	100.00



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### 21. Business combinations

Investment in Republic Bank (EC) Limited	(a)	999,819
Acquisition of Scotiabank British Virgin Islands Limited	(b)	689,605
Increased investment in Republic Bank (Grenada) Limited	(c)	220,196
		<u>1,909,620</u>

#### (a) Investment in Republic Bank (EC) Limited

Republic Bank (EC) Limited was incorporated as a wholly owned subsidiary of RFHL through the capital injection of \$999.8 million in October 2019.

#### (b) Acquisition of Scotiabank British Virgin Islands Limited

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

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

\* The fair value of net assets is provisional pending receipt of final valuations 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).

#### (c) Increased investment in Republic Bank (Grenada) Limited

The Company increased its investment in Republic Bank (Grenada) Limited in March 2020 by \$220.2 million. (See Note 4 (b) (iii))

