Republic Financial Holdings

2021 Consolidated Financial Statements

CONSOLIDATED FINANCIAL SUMMARY

EXPRESSED IN THOUSANDS OF TRINIDAD AND TOBAGO DOLLARS ($'000)
EXCEPT WHERE OTHERWISE STATED

	2021	2020	2019	2018	2017
Total assets	**109,168,895**	104,276,614	87,483,888	70,465,620	68,751,070
Advances	**55,515,628**	53,300,181	44,630,109	36,558,137	35,322,639
Customers' deposits	**86,609,634**	81,847,168	65,023,102	52,656,548	50,402,800
Stated capital	**879,962**	862,115	803,064	790,102	780,950
Equity	**12,855,502**	11,342,473	11,231,760	10,097,782	10,146,005
Actual number of shares in issue ('000)	**163,269**	163,147	162,648	162,537	162,445
Weighted average number of shares – diluted ('000)	**163,080**	163,107	162,430	162,076	161,679
Profit after taxation and non-controlling interest	**1,308,054**	904,056	1,581,124	1,322,850	1,252,128
Dividends based on the results of the financial year	**654,314**	439,063	732,204	715,148	714,637
Dividends paid during the year	**505,846**	626,387	715,589	714,861	705,985
Dividend per share based on the results of the financial year ($)	**4.00**	2.70	4.50	4.40	4.40
Dividend per share paid during the year ($)	**3.10**	3.85	4.50	4.40	4.35
Earnings per share (basic) ($)	**8.05**	5.57	9.75	8.17	7.75
Return on average assets (%)	**1.35**	1.05	2.17	2.00	1.94
Return on average equity (%)	**11.87**	8.78	16.01	13.80	13.31

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, 2021, 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 twelve 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

November 5, 2021

MARSHA MC LEOD-MARSHALL
CHIEF FINANCIAL OFFICER

November 5, 2021

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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, 2021, 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, 2021, 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 for 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 2.6 (g), 4 (d), 5 (c), 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 93% 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECLs) *(continued)*	
Key areas of judgement 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 judgemental risk and thus are considered a key audit matter in the context of the Consolidated financial statements.	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. 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 2.6 (n), 2.6 (o) and 9. The Group has goodwill of $936 million. Goodwill impairment assessment is very subjective as it requires the use of projected financial information and judgemental assumptions.	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 key assumptions, cash flows and discount rate used to ensure that they are reasonable.

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INDEPENDENT AUDITOR’S REPORT

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
GOODWILL IMPAIRMENT ASSESSMENT *(continued)*	
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 also conducted the impairment tests using sensitivity analyses, including a range of growth rates, interest rates, recovery assumptions, macro-economic outlooks and discount rates for each entity in arriving at a probability-weighted expected cashflow projection. 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.	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 our own 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.

OTHER INFORMATION INCLUDED IN THE GROUP’S 2021 ANNUAL REPORT

Other information consists of the information included in the Group’s 2021 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 5, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021
EXPRESSED IN THOUSANDS OF TRINIDAD AND TOBAGO DOLLARS ($'000)

	Notes	2021	2020
ASSETS			
Cash on hand		**2,529,876**	2,248,900
Statutory deposits with Central Banks		**7,045,773**	8,810,482
Due from banks		**12,425,341**	12,005,309
Treasury Bills		**4,934,664**	3,909,369
Advances	4	**55,515,628**	53,300,181
Investment securities	5	**19,259,501**	17,535,686
Investment interest receivable		**205,204**	185,577
Investment in associated companies	6	**55,961**	56,971
Premises and equipment	7	**3,218,670**	3,106,952
Right-of-use assets	8 (a)	**477,858**	602,856
Intangible assets	9	**1,171,222**	1,223,414
Pension assets	10	**1,415,216**	454,573
Deferred tax assets	11 (a)	**246,214**	253,928
Taxation recoverable		**72,817**	56,877
Other assets	12	**594,950**	525,539
TOTAL ASSETS		**109,168,895**	**104,276,614**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**155,985**	807,192
Customers' current, savings and deposit accounts	13	**86,609,634**	81,847,168
Other fund raising instruments	14	**4,618,554**	5,499,058
Debt securities in issue	15	**1,865,895**	2,024,390
Lease liabilities	8 (b)	**482,867**	593,418
Pension liability	10	**25,356**	42,644
Provision for post-retirement medical benefits	10	**66,777**	66,524
Taxation payable		**157,343**	95,175
Deferred tax liabilities	11 (b)	**587,712**	209,161
Accrued interest payable		**86,451**	108,927
Other liabilities	16	**1,656,819**	1,640,484
TOTAL LIABILITIES		**96,313,393**	**92,934,141**
EQUITY			
Stated capital	17	**879,962**	862,115
Statutory reserves		**1,751,552**	1,544,858
Other reserves	18	**(337,569)**	(250,315)
Retained earnings		**9,438,206**	8,156,616
Attributable to equity holders of the Parent		**11,732,151**	10,313,274
Non-controlling interests		**1,123,351**	1,029,199
TOTAL EQUITY		**12,855,502**	**11,342,473**
TOTAL LIABILITIES AND EQUITY		**109,168,895**	**104,276,614**

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 5, 2021, and signed on its behalf by:

VINCENT A. PEREIRA
CHAIRMAN

NIGEL M. BAPTISTE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PETER R. INGLEFIELD
DIRECTOR

KIMBERLY ERRIAH-ALI
CORPORATE SECRETARY

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2021
EXPRESSED IN THOUSANDS OF TRINIDAD AND TOBAGO DOLLARS ($'000)
EXCEPT WHERE OTHERWISE STATED

	Notes	2021	2020
Interest income	19 (a)	**4,643,764**	4,820,801
Interest expense	19 (b)	**(673,668)**	(825,831)
Net interest income		**3,970,096**	3,994,970
Other income	19 (c)	**1,832,426**	1,705,250
		5,802,522	5,700,220
Operating expenses	19 (d)	**(3,514,061)**	(3,623,392)
Share of profit of associated companies	6	**4,123**	4,911
Operating profit		**2,292,584**	2,081,739
Credit loss expense on financial assets	20	**(347,985)**	(621,164)
Net profit before taxation		**1,944,599**	1,460,575
Taxation expense	21	**(499,878)**	(457,516)
Net profit after taxation		**1,444,721**	**1,003,059**
Attributable to:			
Equity holders of the Parent		**1,308,054**	904,056
Non-controlling interests		**136,667**	99,003
		1,444,721	**1,003,059**
Earnings per share (expressed in $ per share)			
Basic		**8.05**	5.57
Diluted		**8.02**	5.54
Weighted average number of shares ('000)			
Basic	17	**162,528**	162,443
Diluted	17	**163,080**	163,107

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF TRINIDAD AND TOBAGO DOLLARS ($'000)

	2021	2020
Net profit after taxation	**1,444,721**	**1,003,059**
Other comprehensive income:		
Other comprehensive loss (net of tax) that will be reclassified to the Consolidated statement of income in subsequent periods:		
Translation adjustment	**(81,110)**	(211,636)
Total items that will be reclassified to the Consolidated statement of income in subsequent periods	**(81,110)**	**(211,636)**
Other comprehensive income/(loss) (net of tax) that will not be reclassified to the Consolidated statement of income in subsequent periods:		
Remeasurement gains/(losses) on defined benefit plans	**1,057,325**	(99,049)
Income tax related to above	**(375,193)**	34,109
Total items that will not be reclassified to the Consolidated statement of income in subsequent periods	**682,132**	**(64,940)**
Other comprehensive income/(loss) for the year, net of tax	**601,022**	**(276,576)**
Total comprehensive income for the year, net of tax	**2,045,744**	**726,483**
Attributable to:		
Equity holders of the Parent	**1,920,702**	646,913
Non-controlling interests	**125,042**	79,570
	2,045,744	**726,483**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2021
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, 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 payments	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**
Total comprehensive (loss)/income for the year	–	–	(69,513)	1,990,215	1,920,702	125,042	**2,045,744**
Issue of shares	12,232	–	–	–	12,232	–	**12,232**
Share-based payments	5,615	–	–	–	5,615	–	**5,615**
Shares purchased for profit sharing scheme	–	–	(17,627)	–	(17,627)	–	**(17,627)**
Transfer to other reserves	–	–	1,168	(1,168)	–	–	–
Transfer to statutory reserves	–	206,694	–	(206,694)	–	–	–
Share of changes in equity	–	–	–	–	–	1,382	**1,382**
Dividends – Note 30	–	–	–	(505,846)	(505,846)	–	**(505,846)**
Dividends paid to non-controlling interests	–	–	–	–	–	(29,579)	**(29,579)**
Other	–	–	(1,282)	5,083	3,801	(2,693)	**1,108**
Balance at September 30, 2021	**879,962**	**1,751,552**	**(337,569)**	**9,438,206**	**11,732,151**	**1,123,351**	**12,855,502**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021
EXPRESSED IN THOUSANDS OF TRINIDAD AND TOBAGO DOLLARS ($'000)

	Notes	2021	2020
Operating activities			
Net profit before taxation		**1,944,599**	1,460,575
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	7 and 8 (a)	**366,698**	333,176
Credit loss expense on financial assets	20	**347,985**	621,164
Goodwill impairment expense	9 (a)	**493**	143,367
Investment securities' impairment expense		**406**	580
Amortisation of intangibles	9 (b)	**51,700**	36,787
Translation differences		**249,751**	299,072
(Gain)/loss on sale of premises and equipment		**(26,246)**	3,985
Realised loss on investment securities		**13,735**	279
Share of net profit of associated companies	6	**(4,123)**	(4,911)
Stock option expense	17	**5,615**	8,545
Increase in employee benefits		**79,647**	60,567
Increase in advances		**(2,506,667)**	(999,627)
Increase in customers' deposits and other fund raising instruments		**3,881,962**	4,495,482
Decrease/(increase) in statutory deposits with Central Banks		**1,764,709**	(695,666)
(Increase)/decrease in other assets and investment interest receivable		**(89,037)**	160,055
Decrease in other liabilities and accrued interest payable		**(6,151)**	(58,833)
Taxes paid, net of refund		**(449,210)**	(610,453)
Cash provided by operating activities		**5,625,866**	**5,254,144**
Investing activities			
Purchase of investment securities		**(21,995,802)**	(16,721,518)
Redemption of investment securities		**19,291,362**	15,643,402
Acquisition of subsidiaries, net of cash acquired		–	4,243,892
Acquisition of subsidiary's rights issue by non-controlling interest		–	19,504
Dividends from associated companies	6	**4,900**	–
Additions to premises and equipment	7	**(421,204)**	(425,046)
Proceeds from sale of premises and equipment		**93,882**	8,298
Cash (used in)/provided by investing activities		**(3,026,862)**	**2,768,532**
Financing activities			
Decrease in balances due to other banks		**(651,207)**	(2,336,350)
Repayment of debt securities		**(158,495)**	(97,884)
Repayment of lease liabilities	8 (b)	**(75,839)**	(67,141)
Proceeds from share issue	17	**12,232**	50,506
Shares purchased for profit sharing scheme	18	**(17,627)**	(92,075)
Allocation of shares to profit sharing plan	18	–	53,860
Dividends paid to shareholders of the Parent	30	**(505,846)**	(626,387)
Dividends paid to non-controlling shareholders of the subsidiaries		**(29,579)**	(32,252)
Cash used in financing activities		**(1,426,361)**	**(3,147,723)**
Net increase in cash and cash equivalents		**1,172,643**	4,874,953
Net foreign exchange difference		**(234,081)**	(439,956)
Cash and cash equivalents at beginning of year		**17,165,929**	12,730,932
Cash and cash equivalents at end of year		**18,104,491**	**17,165,929**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**2,529,876**	2,248,900
Due from banks		**12,425,341**	12,005,309
Treasury Bills – original maturities of three months or less		**2,894,517**	2,607,535
Bankers' acceptances – original maturities of three months or less		**254,757**	304,185
		18,104,491	**17,165,929**
Supplemental information:			
Interest received during the year		**4,762,178**	4,552,675
Interest paid during the year		**(696,144)**	(833,880)
Dividends received	19 (c)	**721**	751

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021
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, 2021, 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 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 ('the Parent') and its subsidiaries ('the Group') as at September 30 each year. The financial statements of subsidiaries are prepared for the same reporting year as the Parent company 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

2.3 Changes in accounting policies

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Changes in accounting policies *(continued)*

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

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

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, 2020, except for the adoption of new standards and interpretations below.

Several amendments and interpretations apply for the first time in 2021, 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 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.

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

IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments Amendment (effective January 1, 2020)
The amendments to IFRS 9 Financial Instruments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

The adoption and amendment to this standard had no impact on the Consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendments (effective January 1, 2020)
The amendments provide a new definition of 'material' that states, '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 or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments must be applied prospectively. Early adoption 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.

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

Conceptual Framework for Financial Reporting (effective January 1, 2020)
The revised Conceptual Framework for Financial Reporting is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

IFRS 16 Leases – Amendments to IFRS 16 – COVID-19 Related Rent Concessions (effective June 1, 2020)
In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before June 30, 2021 and increased lease payments that extend beyond June 30, 2021)
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The adoption and amendment to this standard 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.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective January 1, 2021)
The amendments provide temporary reliefs which address the financial reporting effects when an Interbank Offered Rate (IBOR) is replaced with an alternative nearly Risk-free interest Rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this pratical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

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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 International Financial Reporting Interpretations Committee (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.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1 (effective January 1, 2023)
The IASB 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 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 (OCI), determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the 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

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Amendments to IAS 1 (effective January 1, 2023)
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Replacement of the term 'significant' with 'material'
In the absence of a definition of the term 'significant' in IFRS, the IASB decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendment to IAS 8 (effective January 1, 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Standards in issue not yet effective *(continued)*

IAS 12 Income Taxes – Amendments to IAS 12 (effective January 1, 2023)
The amendments to IAS 12, narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g. if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

2.5 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, 2021:

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)

2.6 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 including 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 $7 billion (2020: $8.8 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 Solely Payments of Principal and Interest (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.

'Principal' for the purpose of this test 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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

ii Financial assets at fair value through profit or loss *(continued)*

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, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the Expected Credit Losses (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.

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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

i Overview of the ECL principles *(continued)*

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 condition 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
For 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 ECLs.

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.

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.

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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

vi Forward looking information

In its ECL models, the Group considers a broad range of Forward Looking Information (FLI) as economic inputs, such as:

- Currency rates
- 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 made by assessing the macroeconomic factors and applying judgements, 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

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.

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 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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*
2.6 Summary of significant accounting policies *(continued)*
m Premises and equipment *(continued)*

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%

Effective October 1, 2020, Republic Bank Limited (RBL), a subsidiary of the Group, revisited its depreciation method which resulted in a change from the declining balance method to the straight-line basis for equipment.

Equipment (computers, software, servers, other hardware, etc.)	Straight Line 4 - 8 years

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.

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 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 shortest period of service that an employee must complete up to the date the employee is first eligible to retire early in normal health, 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).

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

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 $1.8 billion (2020: $1.5 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, 2021 totaled $54.3 billion (2020: $49.5 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.

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 (except for the subsidiary bank in Suriname, where the rates were impacted by the economy of which was considered hyperinflationary on July 1, 2021), and all resulting exchange differences are recognised in OCI. All revenue and expenditure transactions are translated at an average rate.

The results and financial position of a Group entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedure: all amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position date.

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

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, 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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Summary of significant accounting policies *(continued)*

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.

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. 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 –	represents regulatory reserve requirements for certain subsidiaries in the Group.

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

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

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 and the qualitative assessment
- 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

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, 2021 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 (for example, 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
2021						
Performing advances	6,968,228	13,943,321	28,754,653	3,032,163	1,648,543	**54,346,908**
Non-performing advances	292,305	974,514	1,381,964	118,225	136,808	**2,903,816**
	7,260,533	14,917,835	30,136,617	3,150,388	1,785,351	**57,250,724**
Unearned interest/ finance charge	(72,231)	(27,409)	(8,894)	–	–	**(108,534)**
Accrued interest	18,517	112,521	159,432	9,485	6,662	**306,617**
Gross loans	7,206,819	15,002,947	30,287,155	3,159,873	1,792,013	**57,448,807**
Allowance for ECLs – Note 4 (d)	(304,743)	(634,172)	(556,156)	(116,314)	(130,576)	**(1,741,961)**
	6,902,076	14,368,775	29,730,999	3,043,559	1,661,437	**55,706,846**
Unearned loan origination fees	(47,925)	(44,121)	(96,621)	(1,159)	(1,392)	**(191,218)**
Net advances	**6,854,151**	**14,324,654**	**29,634,378**	**3,042,400**	**1,660,045**	**55,515,628**
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**
Gross loans	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**

b Net investment in leased assets included in net advances

	2021	2020
Gross investment	**68,602**	101,426
Unearned finance charge	**(5,588)**	(10,035)
Net investment in leased assets	**63,014**	**91,391**

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4 ADVANCES *(continued)*

c Net investment in leased assets has the following maturity profile

	2021	2020
Within one year	**2,145**	4,530
One to five years	**37,901**	60,982
Over five years	**22,968**	25,879
	63,014	**91,391**

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.

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
2021						
Gross loans	7,206,819	15,002,947	30,287,155	3,159,873	1,792,013	**57,448,807**
Stage 1: 12 Month ECL	(134,670)	(115,252)	(155,926)	(47,981)	(39,165)	**(492,994)**
Stage 2: Lifetime ECL	(8,118)	(91,007)	(52,766)	(17,212)	(37,040)	**(206,143)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(161,955)	(427,913)	(347,464)	(51,121)	(54,371)	**(1,042,824)**
	6,902,076	**14,368,775**	**29,730,999**	**3,043,559**	**1,661,437**	**55,706,846**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2020	76,481	70,643	103,073	35,221	66,896	**352,314**
Translation adjustments	(579)	(2,377)	(638)	(1,565)	(168)	**(5,327)**
ECL on new instruments issued during the year	16,855	17,848	18,325	6,660	551	**60,239**
Other credit loss movements, repayments etc.	41,913	29,138	35,166	7,665	(28,114)	**85,768**
At September 30, 2021	**134,670**	**115,252**	**155,926**	**47,981**	**39,165**	**492,994**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2020	33,515	178,393	58,469	11,954	42,097	**324,428**
Translation adjustments	(89)	(4,139)	(157)	(932)	(66)	**(5,383)**
ECL on new instruments issued during the year	1,637	27,249	12,331	4,259	118	**45,594**
Other credit loss movements, repayments etc.	(26,945)	(110,496)	(17,877)	1,931	(5,109)	**(158,496)**
At September 30, 2021	**8,118**	**91,007**	**52,766**	**17,212**	**37,040**	**206,143**
Stage 3: Credit-impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2020	137,314	448,758	338,015	47,294	55,814	**1,027,195**
Translation adjustments	101	(3,352)	(3,303)	(1,477)	(412)	**(8,443)**
Charge-offs and write-offs	(80,482)	(68,253)	(14,236)	(6,241)	(64,255)	**(233,467)**
Credit loss expense	141,491	91,733	63,203	11,545	93,046	**401,018**
Recoveries	(36,469)	(40,973)	(36,215)	–	(29,822)	**(143,479)**
At September 30, 2021	**161,955**	**427,913**	**347,464**	**51,121**	**54,371**	**1,042,824**
Total	**304,743**	**634,172**	**556,156**	**116,314**	**130,576**	**1,741,961**

Of the total ECL of $1,742 million, 21.6% was on a collective basis and 78.4% was on an individual basis.

Overdrafts and credit cards are revolving facilities, therefore the ECL on new instruments issued during the year are assumed to be nil.

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
2020						
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**

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 $594.0 million as at September 30, 2021 ($168.6 million as at September 30, 2020).

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4 ADVANCES *(continued)*
e Restructured/Modified loans *(continued)*

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 1-6 months beginning on the date of acceptance, with interest continuing to accrue during the period of the moratorium. These loans amounted to $2.5 billion as at September 30, 2021 ($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

	2021	2020
a Designated at fair value through profit or loss		
Debt Instruments	**19,189**	–
Equities and mutual funds	**154,125**	171,951
	173,314	**171,951**
b Debt instruments at amortised cost		
Government securities	**8,030,136**	7,630,834
State-owned company securities	**2,272,359**	2,578,120
Corporate bonds/debentures	**7,414,836**	5,908,571
Bankers' acceptances	**380,317**	426,578
Other short-term liquid investments and venture capital funds	**988,539**	819,632
	19,086,187	**17,363,735**
Total investment securities	**19,259,501**	**17,535,686**

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	POCI	Total
2021					
Gross exposure	16,268,560	1,335,128	127,736	1,589,103	**19,320,527**
ECL	(9,381)	(17,012)	(62,303)	(145,644)	**(234,340)**
Net exposure	**16,259,179**	**1,318,116**	**65,433**	**1,443,459**	**19,086,187**
ECL allowance as at October 1, 2020	9,136	38,888	6,097	139,630	**193,751**
Translation adjustments	5	(5,676)	1,213	(12,294)	**(16,752)**
ECL on new instruments issued during the year	4,948	7,311	51,788	–	**64,047**
Other credit loss movements, repayments and maturities	(4,708)	(23,511)	3,205	18,308	**(6,706)**
At September 30, 2021	**9,381**	**17,012**	**62,303**	**145,644**	**234,340**
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**

The decrease in investment securities classified as POCI reflects a decrease 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. There were no further losses in 2021 recognised on the recognition of the new instrument, ($11.5 million in September 30, 2020).

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.

In 2021, Republic Wealth Management Limited, a subsidiary of the Group, has established an Asset Book, of investment securities. These securities were held at fair value amounting to $19.1 million as at September 30, 2021.

6 INVESTMENT IN ASSOCIATED COMPANIES

	2021	2020
Balance at beginning of year	**56,971**	52,600
Share of profit	**4,123**	4,911
Dividends received	**(4,900)**	–
Exchange adjustments	**(233)**	(540)
Balance at end of year	**55,961**	**56,971**

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:

	2021	2020
Total assets	**263,691**	270,685
Total liabilities	**38,539**	41,175
Net assets/equity	**225,152**	229,510
Group's share of associates' net assets	**55,961**	56,971
Profit for the period	**21,760**	13,459
Group's share of profit of associated companies after tax for the period	**4,123**	4,911
Dividends received during the year	**4,900**	–

7 PREMISES AND EQUIPMENT

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, Furniture and fittings	Total
2021					
Cost					
At beginning of year	495,279	2,276,098	345,657	2,539,465	**5,656,499**
Exchange and other adjustments	(19,898)	52,212	(1,264)	(4,903)	**26,147**
Additions at cost	313,046	5,291	425	102,442	**421,204**
Disposal of assets	(3,188)	(57,981)	(8,623)	(47,325)	**(117,117)**
Transfer of assets	(324,220)	50,655	35,499	238,066	–
	461,019	**2,326,275**	**371,694**	**2,827,745**	**5,986,733**
Accumulated depreciation					
At beginning of year	–	398,111	193,217	1,958,219	**2,549,547**
Exchange and other adjustments	–	7,269	(17)	(14,438)	**(7,186)**
Charge for the year	–	37,523	19,644	219,092	**276,259**
Disposal of assets	–	(6,935)	(1,489)	(42,133)	**(50,557)**
	–	**435,968**	**211,355**	**2,120,740**	**2,768,063**
Net book value	**461,019**	**1,890,307**	**160,339**	**707,005**	**3,218,670**

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7 PREMISES AND EQUIPMENT *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, Furniture and fittings	Total
2020					
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**

Capital commitments

	2021	2020
Contracts for outstanding capital expenditure not provided for in the Consolidated financial statements	**50,083**	107,181
Other capital expenditure authorised by the Directors but not yet contracted for	**59,722**	130,442

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

a Right-of-use assets

	Leasehold premises 2021	2020
Cost		
At beginning of year	**688,819**	620,553
Exchange and other adjustments	**(2,390)**	–
Additions at cost	**16,136**	68,266
Disposal of assets	**(50,004)**	–
	652,561	**688,819**
Accumulated depreciation		
At beginning of year	**85,963**	–
Exchange and other adjustments	**(469)**	(152)
Charge for the year	**90,439**	86,115
Disposal of assets	**(1,230)**	–
	174,703	**85,963**
Net book value	**477,858**	**602,856**

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

b Lease liabilities

	Non-Current	Current	Total
2021			
At beginning of year	588,742	4,676	**593,418**
Exchange and other adjustments	(1,780)	(190)	**(1,970)**
Additions at cost	9,891	1,491	**11,382**
Accretion of interest expense – Note 19 (b)	23,329	3,285	**26,614**
Less: payments	(100,705)	(1,748)	**(102,453)**
Less: disposals	(44,124)	–	**(44,124)**
	475,353	**7,514**	**482,867**
2020			
Effect of adoption of IFRS 16 at beginning of year	589,323	7,466	**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.

Payments

	Fixed payments	Variable payments	Total
2021			
Fixed rent	99,389	–	**99,389**
Variable with minimum payment	–	3,064	**3,064**
	99,389	**3,064**	**102,453**
2020			
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:

	Within five years	More than five years	Total
2021			
Extension options expected not to be exercised	50,478	58,518	**108,996**
Termination options expected to be exercised	–	–	–
	50,478	**58,518**	**108,996**
2020			
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

	2021	2020
a Goodwill	**936,086**	936,578
b Core deposits	**175,628**	206,331
c Trade name	**19,283**	27,262
d Customer base	**40,225**	51,246
e Banking license	–	1,997
	1,171,222	**1,223,414**

a Goodwill

	2021	2020
Goodwill on acquisition brought forward	**936,578**	729,653
Goodwill impairment expense - Note 19 (d)	**(492)**	(143,367)
Goodwill arising on acquisition of a subsidiary	–	350,292
	936,086	**936,578**

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9 INTANGIBLE ASSETS *(continued)*

a Goodwill *(continued)*

The amount of goodwill does not correspond to the figures as stated in 2020 Consolidated financial statements as adjustments were made based on the final valuation of the fair value of the net assets of Republic Bank (BVI) Limited, as detailed in Note 34.

Restatement
In accordance with the provisions of IFRS 3, Business Combinations, the 2020 comparative information was restated based on the final fair value goodwill adjustments as follows:

	As previously stated			Adjustments	
	Republic Bank (EC) Limited	Republic Bank (BVI) Limited	Total	Republic Bank (BVI) Limited	2020 Restated
Goodwill	171,541	231,994	**403,535**	(53,243)	**350,292**
Intangibles – customer base and banking license	–	–	**–**	53,243	**53,243**

Goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Ghana) Plc., Cayman National Corporation, Republic Bank (Cayman) Limited, Republic Bank (Guyana) Limited, Republic Bank (Grenada) 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, macro-economic outlooks and discount rates for each entity in arriving at a probability-weighted expected cash flow projection.

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

	Republic Bank (Ghana) Plc. TT$ M	Republic Bank (Grenada) Limited TT$ M	Republic Bank (Cayman) Limited TT$ M	Republic Bank (Guyana) Limited TT$ M	Cayman National Corp. TT$ M	Republic Bank (EC) Limited TT$ M	Republic Bank (BVI) Limited TT$ M	Total TT$M
Carrying amount of goodwill	121	61	35	94	336	110	179	**936**
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 (%)	19.0	10.2	8.3	9.9	8.4	10.4	8.0	
Cash flow projection term	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs	
Terminal growth rate (%)	4.0	2.5	2.4	4.0	2.0	1.4	2.0	

b Other Intangible Assets

	Core deposits	Trade name	Customer base	Banking license	Total
Cost					
At October 1, 2019	154,900	39,896	–	–	**194,796**
Acquisition of a subsidiary	127,166	–	–	–	**127,166**
At September 30, 2020	282,066	39,896	–	–	**321,962**
Acquisition of subsidiaries ('restated')	–	–	51,246	1,997	**53,243**
At September 30, 2021	**282,066**	**39,896**	**51,246**	**1,997**	**375,205**

	Core deposits	Trade name	Customer base	Banking license	Total
Amortisation					
At October 1, 2019	46,881	4,655	–	–	**51,536**
Exchange and other adjustments	46	–	–	–	**46**
Amortisation	28,808	7,979	–	–	**36,787**
At September 30, 2020	75,735	12,634	–	–	**88,369**
Amortisation	30,703	7,979	11,021	1,997	**51,700**
At September 30, 2021	**106,438**	**20,613**	**11,021**	**1,997**	**140,069**
Net book value					
At September 30, 2020 ('restated')	206,331	27,262	–	–	**233,593**
At September 30, 2021	**175,628**	**19,283**	**40,225**	**–**	**235,136**

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.

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

Customer base intangibles acquired through business combinations in 2020 have been determined to have a life of 6.2 years from acquisition date.

Banking license intangibles acquired through business combinations in 2020 was fully amortised in 2021.

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	
	2021	2020	2021	2020
Present value of defined benefit obligation	**(3,022,288)**	(3,524,956)	**(263,859)**	(350,563)
Fair value of plan assets	**4,451,093**	3,991,165	**342,873**	394,969
Surplus	**1,428,805**	466,209	**79,014**	44,406
Effect of asset ceiling	**(13,589)**	(11,636)	**(104,370)**	(87,050)
Net asset/(liability) recognised in the Consolidated statement of financial position	**1,415,216**	**454,573**	**(25,356)**	**(42,644)**

	Post-retirement medical benefits	
	2021	2020
Present value of defined benefit obligation	**(66,777)**	(66,524)
Fair value of plan assets	–	–
Net liability recognised in the Consolidated statement of financial position	**(66,777)**	**(66,524)**

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10 EMPLOYEE BENEFITS *(continued)*

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

	Defined benefit pension plans 2021	Defined benefit pension plans 2020	Post-retirement medical benefits 2021	Post-retirement medical benefits 2020
Opening defined benefit obligation	**3,875,519**	3,660,831	**66,524**	68,746
Exchange adjustments	**(2,329)**	(3,973)	**(316)**	1,608
Current service cost	**130,603**	131,347	**1,717**	874
Interest cost	**221,003**	209,117	**2,481**	2,216
Members' contributions	**1,610**	1,580	**–**	–
Past service credit	**–**	–	**–**	(1,613)
Remeasurements:				
– Experience adjustments	**(135,563)**	(35,840)	**(5,723)**	(1,927)
– Actuarial (gains)/losses from change in demographic assumptions	**(6,579)**	71,479	**(1,428)**	289
– Actuarial (gains)/losses from change in financial assumptions	**(637,847)**	(2,504)	**7,948**	805
Benefits paid	**(160,270)**	(156,518)	**(1,055)**	(748)
Premiums paid by the Group	**–**	–	**(3,371)**	(3,726)
Closing defined benefit obligation	**3,286,147**	**3,875,519**	**66,777**	**66,524**

c Reconciliation of opening and closing Consolidated statement of financial position entries:

	Defined benefit pension plans 2021	Defined benefit pension plans 2020	Post-retirement medical benefits 2021	Post-retirement medical benefits 2020
Defined benefit obligation at prior year end	**411,929**	573,460	**66,524**	68,746
Exchange adjustments	**741**	2,261	**(316)**	1,575
Opening defined benefit obligation	**412,670**	575,721	**66,208**	70,321
Net pension (credit)/cost	**(114,766)**	(107,063)	**4,198**	1,893
Remeasurements recognised in Other comprehensive income	**1,058,121**	(99,882)	**796**	(833)
Contributions/premiums	**33,835**	43,153	**(4,425)**	(4,857)
Closing net pension asset	**1,389,860**	**411,929**	**66,777**	**66,524**

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 77%	16% to 57%
– Deferred members	2% to 6%	N/A
– Pensioners	21% to 52%	43% to 84%

The weighted duration of the defined benefit obligation ranged from 10.7 to 20.1 years.
29% to 56% of the defined benefit obligation for active members was conditional on future salary increases.
27% 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 2021	Defined benefit pension plans 2020
Opening fair value of plan assets	**4,386,134**	4,346,698
Exchange adjustments	**(1,843)**	(1,402)
Interest income	**221,497**	219,835
Return on plan assets, excluding interest income	**315,173**	(65,023)
Contributions by employer	**33,830**	43,153
Members' contributions	**1,610**	1,580
Benefits paid	**(160,265)**	(156,518)
Expense allowance	**(2,170)**	(2,189)
Closing fair value of plan assets	**4,793,966**	**4,386,134**
Actual return on plan assets	**504,952**	**154,281**

f Plan asset allocation as at September 30

	Defined benefit pension plans Fair value 2021	Fair value 2020	% Allocation 2021	% Allocation 2020
Equity securities	**2,460,637**	1,924,021	**51.40**	43.89
Debt securities	**1,783,954**	1,986,472	**37.26**	45.31
Property	**11,134**	11,291	**0.23**	0.26
Mortgages	**4,317**	5,521	**0.09**	0.13
Money market instruments/cash	**527,431**	456,793	**11.02**	10.41
Total fair value of plan assets	**4,787,473**	**4,384,098**	**100.00**	**100.00**

As at September 30, 2021, plan assets of $6.5 million (2020: $2.0 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 2021	Defined benefit pension plans 2020	Post-retirement medical benefits 2021	Post-retirement medical benefits 2020
Current service cost	**130,603**	131,347	**1,717**	874
Interest on defined benefit obligation	**(19,139)**	(27,834)	**2,481**	2,216
Past service credit	**–**	–	**–**	(1,613)
Administration expenses	**3,457**	3,550	**–**	416
Total included in staff costs	**114,921**	**107,063**	**4,198**	**1,893**

h Remeasurements recognised in Other comprehensive income

	Defined benefit pension plans 2021	Defined benefit pension plans 2020	Post-retirement medical benefits 2021	Post-retirement medical benefits 2020
Experience gains/(losses)	**1,059,435**	(100,783)	**(5,001)**	(833)
Effect of asset ceiling	**(1,314)**	901	**4,205**	–
Total included in Other comprehensive income	**1,058,121**	**(99,882)**	**(796)**	**(833)**

i Summary of principal actuarial assumptions as at September 30

	2021 %	2020 %
Discount rate	**1.00 - 16.10**	2.50 - 8.50
Rate of salary increase	**3.50 - 9.20**	3.50 - 10.53
Pension increases	**0.00 - 16.00**	0.00 - 3.00
Medical cost trend rates	**5.75 - 16.00**	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, are as follows:

	Defined benefit pension plans 2021	Defined benefit pension plans 2020
Life expectancy at age 60 - 65 for current pensioner in years:		
– Male	**17.5 to 24.9**	14.6 to 24.7
– Female	**21.5 to 27.0**	18.4 to 26.9
Life expectancy at age 60 - 65 for current members age 40 in years:		
– Male	**18.6 to 36.4**	14.6 to 36.2
– Female	**22.6 to 41.5**	18.4 to 42.1

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10 EMPLOYEE BENEFITS *(continued)*

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, 2021, 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	(401,106)	507,752	(954)	1,381
– Future salary increases	192,572	(151,627)	52	(49)
– Future pension cost increases	287,047	(242,037)	–	–
– Medical cost increases	–	–	1,584	(1,101)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2021, by $104.8 million and the post-retirement medical benefit by $31.86 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 2022 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 $3.9 million to the medical plan in the 2022 financial year.

11 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

		Credit/(charge)			
	Opening balance 2020	Exchange and other adjustments	Con-solidated statement of income	Other compre-hensive income	Closing balance 2021
Pension liability	2,152	13	(2,165)	–	–
Post-retirement medical benefits	11,437	(12)	(1,245)	(2,867)	**7,313**
Leased assets	11,859	(96)	1,115	–	**12,878**
Unearned loan origination fees	45,929	(1)	(96)	–	**45,832**
Tax losses	12,197	(36)	(3,588)	–	**8,573**
Premises and equipment	(568)	(1,068)	(204)	–	**(1,840)**
Provisions	160,735	607	2,746	–	**164,088**
Other	10,187	(47)	(728)	24	**9,436**
	253,928	**(640)**	**(4,231)**	**(2,843)**	**246,214**

		Credit/(charge)			
	Opening balance 2019	Exchange and other adjustments	Con-solidated statement of income	Other compre-hensive income	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**

b Deferred tax liabilities

		Charge/(credit)			
	Opening balance 2020	Exchange and other adjustments	Con-solidated statement of income	Other compre-hensive income	Closing balance 2021
Pension asset	159,396	(27)	(35,621)	372,326	**496,074**
Leased assets	11,331	4	(4,960)	–	**6,375**
Premises and equipment	39,080	14,506	30,575	–	**84,161**
Other	(646)	1,721	3	24	**1,102**
	209,161	**16,204**	**(10,003)**	**372,350**	**587,712**
Net credit to Consolidated statement of income			**(5,772)**		

		Charge/(credit)			
	Opening balance 2019	Exchange and other adjustments	Con-solidated statement of income	Other compre-hensive income	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)**		

12 OTHER ASSETS

	2021	2020
Accounts receivable and prepayments	**491,044**	344,610
Accrued income	**2,297**	202
Project financing reimbursables	**9,565**	6,748
Deferred commission and fees	**7,390**	8,498
Other	**84,654**	165,481
	594,950	**525,539**

13 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2021	2020
State	**7,343,927**	6,519,491
Corporate and commercial	**27,467,744**	24,440,278
Personal	**46,260,504**	43,816,053
Other financial institutions	**5,261,907**	6,637,449
Other	**275,552**	433,897
	86,609,634	**81,847,168**

14 OTHER FUND RAISING INSTRUMENTS

At September 30, 2021, investment securities held to secure Other fund raising instruments of the Group amounted to $4.7 billion (2020: $4.7 billion).

Concentration of Other fund raising instruments

	2021	2020
State	**784,123**	1,123,151
Corporate and commercial	**75,207**	26,801
Personal	**662,875**	202,931
Other financial institutions	**2,858,721**	3,353,768
Other	**237,628**	792,407
	4,618,554	**5,499,058**

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15 DEBT SECURITIES IN ISSUE

	2021	2020
Unsecured		
a Fixed rate bonds	**848,462**	952,468
b Floating rate bonds	**992,260**	1,034,358
	1,840,722	**1,986,826**
Secured		
a Floating rate bonds	**25,173**	37,564
Total debt securities in issue	**1,865,895**	**2,024,390**

Unsecured obligations

a 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 4.65% plus six month Interbank Offered Rate (IBOR).

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 $11.25 million United States dollars 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

	2021	2020
Accounts payable and accruals	**1,309,604**	1,273,289
Deferred income	**6,104**	11,727
Other	**341,111**	355,468
	1,656,819	**1,640,484**

17 STATED CAPITAL

Authorised

An unlimited number of shares of no par value

	Number of ordinary shares ('000) 2021	Number of ordinary shares ('000) 2020	2021	2020
Issued and fully paid				
At beginning of year	**162,543**	162,221	**862,115**	803,064
Shares issued/proceeds from shares issued	**123**	499	**12,232**	50,506
Shares purchased for profit sharing scheme	**(130)**	(660)	–	–
Share-based payment	–	–	**5,615**	8,545
Unallocated shares	**733**	–	–	–
Allocation of shares	–	483	–	–
At end of year	**163,269**	**162,543**	**879,962**	**862,115**

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

	2021	2020
Weighted average number of ordinary shares	**162,528**	162,443
Effect of dilutive stock options	**552**	664
Weighted average number of ordinary shares adjusted for the effect of dilution	**163,080**	**163,107**

18 OTHER RESERVES

	Translation reserves	Unallocated shares	Other reserves	Total
Balance at October 1, 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)**
Translation adjustments	(69,513)	–	–	**(69,513)**
Transfer to other reserves from retained earnings	–	–	1,168	**1,168**
Shares purchased for profit sharing scheme	–	(17,627)	–	**(17,627)**
Other	–	–	(1,282)	**(1,282)**
Balance at September 30, 2021	**(310,560)**	**(102,483)**	**75,474**	**(337,569)**

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.

Unallocated shares in the staff profit sharing scheme

The Republic Bank Limited staff profit sharing scheme purchases Republic Financial Holdings Limited shares to build its stock for allocation in the annual profit sharing exercise. During the 2021 financial year, $17.6 million in advances were made by Republic Bank Limited for purchase of shares to the staff profit sharing scheme (2020: $92.1 million). As at September 30, 2021, shares costing $102.5 million (2020: $84.9 million) remain unallocated from the profit sharing scheme.

	No. of ordinary shares (000's) 2021	No. of ordinary shares (000's) 2020
Balance brought forward	**603**	426
Add shares purchased	**130**	660
Allocation of shares	–	(483)
Balance carried forward	**733**	**603**

19 OPERATING PROFIT

	2021	2020
a Interest income		
Advances	**3,837,472**	3,940,691
Investment securities	**697,559**	595,931
Liquid assets	**108,733**	284,179
	4,643,764	**4,820,801**
b Interest expense		
Customers' current, savings and deposit accounts	**421,259**	521,828
Other fund raising instruments and debt securities in issue	**203,329**	230,246
Other interest bearing liabilities	**22,466**	47,209
Finance cost lease liability – Note 8 (b)	**26,614**	26,548
	673,668	**825,831**
c Other income		
Fees and commission from trust and other fiduciary activities	**368,335**	330,934
Credit card fees and commission (net)	**327,446**	262,543
Other fees and commission income	**507,227**	503,732
Net exchange trading income	**365,497**	413,372
Dividends	**721**	751
Net gains from investments at fair value through profit or loss	**21,165**	5,073
Net gains on derecognition of financial instruments	**1,676**	8,757
Other operating income	**240,359**	180,088
	1,832,426	**1,705,250**

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19 OPERATING PROFIT *(continued)*

	2021	2020
d Operating expenses		
Staff costs	**1,420,813**	1,525,484
Staff profit sharing	**126,416**	–
Employee benefits pension and medical contribution – Note 10 (g)	**119,119**	108,956
General administrative expenses	**1,122,786**	1,184,589
Operating lease payments	**12,559**	9,205
Property-related expenses	**187,172**	166,435
Depreciation expense – Note 7	**276,259**	247,061
Depreciation expense right-of-use assets – Note 8 (a)	**90,439**	86,115
Advertising and public relations expenses	**85,675**	95,768
Goodwill impairment expense – Note 9 (a)	**492**	143,367
Intangible amortisation expense – Note 9 (b) and (c)	**51,700**	36,787
Investment impairment expense	**406**	580
Directors' fees	**20,226**	19,045
	3,514,062	**3,623,392**

20 CREDIT LOSS EXPENSE

	2021	2020
Advances – Note 4 (d)	**290,644**	534,444
Debt instruments measured at amortised cost – Note 5 (c)	**57,341**	86,720
	347,985	**621,164**

21 TAXATION EXPENSE

	2021	2020
Corporation tax	**505,650**	545,328
Deferred tax - Note 11	**(5,772)**	(87,812)
	499,878	**457,516**

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:

	2021	2020
Net profit before taxation	**1,944,599**	1,460,575
Tax at applicable statutory tax rates	**767,894**	948,057
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(271,838)**	(560,374)
Non-deductible expenses	**159,815**	149,572
Allowable deductions	**(171,915)**	(99,176)
Change in tax rates	**3,939**	4,678
Provision for other taxes	**11,983**	14,759
	499,878	**457,516**

The Group has no unutilised tax losses for 2021, (2020: Parent and one of its subsidiaries had tax losses of $474.6 mllion).

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 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.

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.

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22 RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

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	
	2021	**2020**
Statutory deposits with Central Banks	**7,045,773**	8,810,482
Due from banks	**12,425,341**	12,005,309
Treasury Bills	**4,934,664**	3,909,369
Advances	**55,515,628**	53,300,181
Investment securities	**19,105,376**	17,363,736
Investment interest receivable	**205,204**	185,577
Total	**99,231,986**	**95,574,654**
Undrawn commitments	**4,668,590**	4,609,888
Acceptances	**3,297,413**	3,604,850
Guarantees and indemnities	**470,057**	501,247
Letters of credit	**422,123**	453,267
Total	**8,858,183**	**9,169,252**
Total credit risk exposure	**108,090,169**	**104,743,906**

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).

	2021	**2020**
Government and Central Government Bodies	**24,710,009**	23,280,997
Financial sector	**18,597,520**	20,143,414
Energy and mining	**1,622,336**	1,671,675
Agriculture	**476,106**	426,264
Electricity and water	**1,574,882**	1,313,911
Transport, storage and communication	**1,470,209**	1,108,981
Distribution	**5,570,606**	5,500,290
Real estate	**7,989,998**	8,727,773
Manufacturing	**2,328,947**	2,166,972
Construction	**3,299,826**	3,127,467
Hotel and restaurant	**2,814,911**	2,768,378
Personal	**29,245,307**	27,828,402
Other services	**8,389,512**	6,679,382
	108,090,169	**104,743,906**

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'.

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:

	2021	**2020**
Trinidad and Tobago	**44,524,306**	44,290,762
Barbados	**9,507,903**	9,580,530
Eastern Caribbean	**10,279,127**	8,535,413
Guyana	**7,545,547**	7,245,220
United States	**8,755,581**	8,157,128
Europe	**4,237,363**	3,388,388
Suriname	**1,257,272**	1,586,223
Ghana	**4,008,587**	3,856,358
Cayman Islands	**8,505,302**	8,464,352
Other Countries	**9,469,181**	9,639,532
	108,090,169	**104,743,906**

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 are 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 cohorts 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 the cohorts 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 using 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.

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22 RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.4 The Group's internal rating and PD estimation process *(continued)*

Overdrafts and credit cards (continued)

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 instrument 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 facilities 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.

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 portfolios
- 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

	2021 %	**2020** %
Stage 1	**80.0**	84.0
Stage 2	**15.0**	10.8
Stage 3	**5.0**	5.2
	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.

	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
2021						
Stage 1						
Gross loans	6,465,367	10,355,703	25,661,486	2,208,972	1,294,263	**45,985,791**
ECL	(134,670)	(115,252)	(155,926)	(47,981)	(39,165)	**(492,994)**
	6,330,697	**10,240,451**	**25,505,560**	**2,160,991**	**1,255,098**	**45,492,797**
ECL as a % of Gross loans	2.1	1.1	0.6	2.2	3.0	**1.1**
2020						
Stage 1						
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**

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

	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit cards**	**Total**
2021						
Stage 2						
Gross loans	449,148	3,672,760	3,243,703	832,675	360,912	**8,559,198**
ECL	(8,118)	(91,007)	(52,766)	(17,212)	(37,040)	**(206,143)**
	441,030	**3,581,753**	**3,190,937**	**815,463**	**323,872**	**8,353,055**
ECL as a % of Gross loans	1.8	2.5	1.6	2.1	10.3	**2.4**
2020						
Stage 2						
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**

The decrease in Stage 2 ECLs was attributable to the recovery of the economies as COVID-19 measures previously undertaken are now being relaxed.

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22 RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

Advances (continued)

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit cards	Total
2021						
Stage 3						
Gross loans	292,305	974,484	1,381,964	118,225	136,839	**2,903,817**
ECL	(161,955)	(427,913)	(347,464)	(51,121)	(54,371)	**(1,042,824)**
	130,350	**546,571**	**1,034,500**	**67,104**	**82,468**	**1,860,993**
ECL as a % of Gross loans	55.4	43.9	25.1	43.2	39.7	**35.9**
2020						
Stage 3						
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**

The increase in Stage 3 ECLs was attributable to the increased non-performing loans in the retail portfolio.

Investment securities

	2021 %	2020 %
Stage 1	**84.2**	75.5
Stage 2	**6.9**	15.3
Stage 3	**0.7**	0.1
POCI	**8.2**	9.1
	100.0	**100.0**

	Stage 1	Stage 2	Stage 3	POCI	Total
2021					
Gross balance	16,268,560	1,335,128	127,736	1,589,103	**19,320,527**
ECL	(9,381)	(17,012)	(62,303)	(145,644)	**(234,340)**
	16,259,179	**1,318,116**	**65,433**	**1,443,459**	**19,086,187**
ECL as a % of Gross investments	0.1	1.3	48.8	9.2	**1.2**
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**

The increase in Stage 3 ECLs was driven by movements from Stage 2 to Stage 3 in Suriname, while the increase in POCI ECLs was reflective of the Government of Barbados debt.

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.

The Asset/Liability Committee (ALCO) sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury Bill, the Group also holds significant investments in other Government securities, which can be used for liquidity support. The Group continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

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
2021					
Customers' current, savings and deposit accounts	71,416,704	13,187,461	1,730,338	329,076	**86,663,579**
Other fund raising instruments	–	4,388,434	223,008	42,627	**4,654,069**
Debt securities in issue	–	115,499	1,256,202	88,781	**1,460,482**
Due to banks	70,634	85,351	–	–	**155,985**
Lease liabilities	348	82,862	280,532	263,851	**627,593**
Other liabilities	536,605	183,294	78,813	925	**799,637**
Total un-discounted financial liabilities	**72,024,291**	**18,042,901**	**3,568,893**	**725,260**	**94,361,345**
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 un-discounted financial liabilities	**66,863,121**	**19,244,053**	**10,176,786**	**1,646,169**	**97,930,129**

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22 RISK MANAGEMENT *(continued)*

22.3 Liquidity risk *(continued)*

22.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities – off Consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2021					
Acceptances	728,094	2,305,824	263,412	83	**3,297,413**
Guarantees and indemnities	66,139	263,407	115,758	24,753	**470,057**
Letters of credit	282,878	139,245	–	–	**422,123**
Total	**1,077,111**	**2,708,476**	**379,170**	**24,836**	**4,189,593**
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**

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 an 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.

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			
		2021		2020	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	**64,814**	**(64,814)**	60,174	(60,170)
US$ Instruments	+/- 50	**28,472**	**(28,472)**	16,738	(16,966)
BDS$ Instruments	+/- 50	**1,620**	**(1,620)**	615	(615)
GHS Instruments	+/- 300	**2,751**	**(2,751)**	1,308	(1,308)
Other currency instruments	+/- 50	**24,070**	**(24,070)**	389	(424)

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 Trinidad and Tobago dollar, with all other variables held constant.

	TTD	USD	BDS	GHS	SRD	KYD	OTHER	TOTAL
2021								
Financial assets								
Cash on hand	467,563	685,923	88,460	147,455	17,049	90,933	1,032,493	**2,529,876**
Statutory deposits with Central Banks	4,413,320	325,768	384,860	172,540	88,423	–	1,660,862	**7,045,773**
Due from banks	2,699,492	4,476,405	1,574,236	16,991	103,064	265	3,554,888	**12,425,341**
Treasury Bills	2,115,270	738,190	–	307,194	–	–	1,774,010	**4,934,664**
Advances	23,651,869	9,985,879	4,996,482	1,252,467	273,249	5,100,719	10,254,963	**55,515,628**
Investment securities	5,305,728	10,730,283	1,387,087	1,311,703	–	–	524,700	**19,259,501**
Investment interest receivable	61,121	60,645	415	77,196	272	17	5,538	**205,204**
Total financial assets	**38,714,363**	**27,003,093**	**8,431,540**	**3,285,546**	**482,057**	**5,191,934**	**18,807,454**	**101,915,987**
Financial liabilities								
Due to banks	2	8,254	15,009	71,359	121	–	61,240	**155,985**
Customers' current, savings and deposit accounts	31,683,846	22,692,242	7,671,518	2,080,882	421,417	4,683,578	17,376,151	**86,609,634**
Other fund raising instruments	3,305,067	836,227	116,246	361,014	–	–	–	**4,618,554**
Debt securities in issue	25,173	1,752,554	–	88,168	–	–	–	**1,865,895**
Accrued interest payable	31,672	43,153	1,119	–	3,568	203	6,734	**86,451**
Lease liabilities	318,726	12,039	41,980	17,465	114	32,192	60,351	**482,867**
Total financial liabilities	**35,364,486**	**25,344,469**	**7,845,872**	**2,618,888**	**425,220**	**4,715,973**	**17,504,476**	**93,819,386**
Net currency risk exposure		**1,658,624**	**585,668**	**666,658**	**56,837**	**475,961**	**1,302,978**	
Reasonably possible change in currency rate (%)		1	1	3	1	1	1	
Effect on profit before taxation		**16,586**	**5,857**	**20,000**	**568**	**4,760**	**13,030**	

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22 RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

	TTD	USD	BDS	GHS	SRD	KYD	OTHER	TOTAL
2020								
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**	**90,880,153**
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 taxation		**29,257**	**5,038**	**18,136**	**1,397**	**7,706**	**(8,609)**	

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 cybersecurity related threats across the Group remains a major priority. As part of the Group's business strategy in reducing cyber risk exposure, cybersecurity is embedded in the design of technology and services prior to deployment. The Group's Enterprise Risk Management Committee is responsible for overseeing cybersecurity risks and maintaining cybersecurity 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.

	2021	2020
Advances, investments and other assets		
Directors and key management personnel	**306,976**	284,315
Other related parties	**138,083**	236,126
	445,059	**520,441**
Deposits and other liabilities		
Directors and key management personnel	**165,182**	168,080
Other related parties	**617,604**	606,176
	782,786	**774,256**
Interest and other income		
Directors and key management personnel	**3,604**	10,233
Other related parties	**17,976**	16,938
	21,580	**27,171**
Interest and other expense		
Directors and key management personnel	**17,359**	25,140
Other related parties	**7,137**	10,621
	24,496	**35,761**

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

Key management compensation

	2021	2020
Short-term benefits	**47,235**	53,324
Post employment benefits	**(8,404)**	7,363
Share-based payment	**5,615**	8,545
	44,446	**69,232**

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 $1.5 billion to $12.9 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 Trinidad, 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 I plus Tier II) ratio of 10%. Tier I capital comprises mainly of shareholders' equity.

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24 CAPITAL MANAGEMENT *(continued)*

Capital adequacy ratio

	2021 %	2020 %
Institutions under Basel II regulations		
Republic Financial Holdings Limited	**13.64**	11.87
Republic Bank Limited	**14.77**	13.60
Republic Bank (Cayman) Limited	**26.33**	28.66
Republic Bank (Barbados) Limited	**18.42**	16.38
Republic Bank (Ghana) Plc.	**26.36**	24.94
Cayman National Bank	**22.27**	23.60
Institutions under Basel I regulations		
Republic Bank (Grenada) Limited	**16.50**	16.24
Republic Bank (Guyana) Limited	**22.29**	23.79
Republic Bank (Suriname) N.V.	**11.17**	11.71
Atlantic Financial Limited	**96.99**	93.32
Republic Bank (EC) Limited	**15.79**	15.80
Republic Bank (BVI) Limited	**27.01**	19.00

At September 30, 2021, 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:

	Carrying value	Fair value	Un-recognised (loss)/gain
2021			
Financial assets			
Cash, due from banks, and Treasury Bills	19,889,881	19,889,881	–
Advances	55,515,628	54,517,162	(998,465)
Investment securities	19,259,501	19,910,964	651,463
Investment interest receivable	205,204	205,204	–
Other financial assets	117,881	117,881	–
Financial liabilities			
Customers' current, savings and deposit accounts	86,609,634	86,638,370	(28,736)
Borrowings and other fund raising instruments	4,774,539	4,742,978	31,561
Debt securities in issue	1,865,895	2,009,712	(143,817)
Accrued interest payable	86,451	86,451	–
Other financial liabilities	704,667	704,667	–
Total unrecognised change in unrealised fair value			**(487,994)**
2020			
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)**

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
2021				
Financial assets measured at fair value				
Investment securities	33,374	96,412	43,528	**173,314**
Financial assets for which fair value is disclosed				
Advances	–	–	54,517,162	**54,517,162**
Investment securities	7,602,017	9,749,277	2,386,356	**19,737,650**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	86,638,370	**86,638,370**
Debt securities in issue	–	1,921,544	88,168	**2,009,712**
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**

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, 2021, 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, 2021, $399.6 million of assets were transferred between Level 1 and Level 2 (2020: $366 million).

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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	Disposals/ transfers to Level 2	Balance at end of year
Financial assets designated at fair value through profit or loss	37,655	6,410	(537)	43,528
	37,655	**6,410**	**(537)**	**43,528**

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	2021 %	2020 %
Republic Bank (Ghana) Plc.	Ghana	**33.46**	33.46
Republic Bank (Guyana) Limited	Guyana	**49.00**	49.00
Cayman National Corporation	Cayman Islands	**25.01**	25.01

Name	2021	2020
Accumulated balances of material non-controlling interests:		
Republic Bank (Ghana) Plc.	**268,084**	237,854
Republic Bank (Guyana) Limited	**441,856**	404,007
Cayman National Corporation	**315,197**	291,160
Profit allocated to material non-controlling interests:		
Republic Bank (Ghana) Plc.	**34,670**	20,290
Republic Bank (Guyana) Limited	**59,130**	57,364
Cayman National Corporation	**40,588**	17,497

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
2021									
Interest income	2,171,463	408,085	94,222	606,056	311,369	539,676	398,401	114,492	**4,643,764**
Interest expense	(249,080)	(25,214)	(18,564)	(126,782)	(25,317)	(206,088)	(17,786)	(4,837)	**(673,668)**
Net interest income	1,922,383	382,871	75,658	479,274	286,052	333,588	380,615	109,655	**3,970,096**
Other income	901,985	110,209	63,938	204,624	114,876	139,678	260,814	36,302	**1,832,426**
Share of profits of associated companies	3,970	–	153	–	–	–	–	–	**4,123**
Operating income	2,828,338	493,080	139,749	683,898	400,928	473,266	641,429	145,957	**5,806,645**
Other operating expenses	(1,693,096)	(310,293)	(50,871)	(459,601)	(192,617)	(289,330)	(440,407)	(77,846)	**(3,514,061)**
Operating profit	1,135,242	182,787	88,878	224,297	208,311	183,936	201,022	68,111	**2,292,584**
Credit loss expense on financial assets	(135,676)	(49,221)	(55,876)	(55,215)	(10,929)	(31,688)	18,819	(28,199)	**(347,985)**
Net profit before taxation	**999,566**	**133,566**	**33,002**	**169,082**	**197,382**	**152,248**	**219,841**	**39,912**	**1,944,599**
Taxation	(327,827)	(5,272)	(13,313)	(33,394)	(68,291)	(51,588)	(193)	–	**(499,878)**
Net profit after taxation	**671,739**	**128,294**	**19,689**	**135,688**	**129,091**	**100,660**	**219,648**	**39,912**	**1,444,721**
Investment in associated companies	55,434	–	527	–	–	–	–	–	**55,961**
Total assets	51,204,653	10,088,508	2,667,969	13,892,800	7,797,275	4,411,889	15,900,515	3,205,286	**109,168,895**
Total liabilities	46,620,768	8,276,874	2,425,449	12,428,347	6,956,600	3,466,681	13,501,300	2,637,374	**96,313,393**
Depreciation	222,728	19,966	11,340	25,058	16,688	24,819	42,832	3,267	**366,698**
Capital expenditure on premises and equipment	323,736	19,794	3,796	14,211	5,497	35,564	18,165	441	**421,204**
Cash flow from operating activities	798,416	1,161,154	401,618	921,421	713,946	18,613	1,470,088	140,610	**5,625,866**
Cash flow from investing activities	(1,622,749)	343,960	(10,676)	(166,189)	(663,972)	(21,459)	(412,276)	(473,501)	**(3,026,862)**
Cash flow from financing activities	(750,229)	(109,052)	(1,233)	(423,182)	(42,098)	74,499	(111,767)	(63,299)	**(1,426,361)**

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27 SEGMENTAL INFORMATION *(continued)*

i By geographic segment *(continued)*

	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	826,177	101,810	119,456	192,916	107,419	125,321	219,435	12,716	**1,705,250**
Share of profits of associated companies	4,841	–	70	–	–	–	–	–	**4,911**
Operating income	2,797,445	506,577	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	950,953	200,859	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	**618,775**	**114,950**	**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	**334,090**	**108,592**	**71,413**	**156,291**	**117,070**	**60,182**	**130,143**	**25,278**	**1,003,059**
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)**

ii By class of business

	Retail and commercial banking	Other financial services	Total
2021			
Interest income	4,285,134	358,630	**4,643,764**
Interest expense	(595,168)	(78,500)	**(673,668)**
Net interest income	3,689,966	280,130	**3,970,096**
Other income	1,518,624	313,802	**1,832,426**
Share of profit of associated companies	4,123	–	**4,123**
Operating income	5,212,713	593,932	**5,806,645**
Other operating expenses	(3,465,099)	(48,962)	**(3,514,061)**
Operating profit	1,747,614	544,970	**2,292,584**
Credit loss expense on financial assets	(339,937)	(8,048)	**(347,985)**
Net profit before taxation	**1,407,677**	**536,922**	**1,944,599**
Taxation	(425,088)	(74,790)	**(499,878)**
Net profit after taxation	**982,589**	**462,132**	**1,444,721**
Investment in associated companies	55,961	–	**55,961**
Total assets	98,205,463	10,963,432	**109,168,895**
Total liabilities	89,395,275	6,918,118	**96,313,393**
Depreciation	363,088	3,610	**366,698**
Capital expenditure on premises and equipment	418,682	2,522	**421,204**
Cash flow from operating activities	6,058,260	(432,394)	**5,625,866**
Cash flow from investing activities	(3,210,822)	183,960	**(3,026,862)**
Cash flow from financing activities	(518,445)	(907,916)	**(1,426,361)**

	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)**

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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
2021			
ASSETS			
Cash on hand	2,529,719	157	**2,529,876**
Statutory deposits with Central Banks	7,045,773	–	**7,045,773**
Due from banks	12,425,341	–	**12,425,341**
Treasury Bills	4,934,664	–	**4,934,664**
Advances	11,962,463	43,553,165	**55,515,628**
Investment securities	7,445,072	11,814,429	**19,259,501**
Investment interest receivable	204,914	290	**205,204**
Investment in associated companies	–	55,961	**55,961**
Premises and equipment	27,517	3,191,153	**3,218,670**
Right-of-use assets	13,426	464,432	**477,858**
Intangible assets	–	1,171,222	**1,171,222**
Pension assets	–	1,415,216	**1,415,216**
Deferred tax assets	34	246,180	**246,214**
Taxation recoverable	18,400	54,417	**72,817**
Other assets	578,310	16,640	**594,950**
	47,185,633	**61,983,262**	**109,168,895**
LIABILITIES			
Due to banks	155,985	–	**155,985**
Customers' current, savings and deposit accounts	84,785,236	1,824,398	**86,609,634**
Other fund raising instruments	4,352,684	265,870	**4,618,554**
Debt securities in issue	–	1,865,895	**1,865,895**
Lease liabilities	10,759	472,108	**482,867**
Pension liability	286	25,070	**25,356**
Provision for post-retirement medical benefits	–	66,777	**66,777**
Taxation payable	157,343	–	**157,343**
Deferred tax liabilities	–	587,712	**587,712**
Accrued interest payable	64,909	21,542	**86,451**
Other liabilities	1,545,461	111,358	**1,656,819**
	91,072,663	**5,240,730**	**96,313,393**
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**

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 2021	Weighted average exercise price 2020	Number of shares 2021	Number of shares 2020
At the beginning of the year	**$105.42**	$104.94	**2,567,508**	2,486,493
Granted	**–**	$103.65	**–**	586,354
Forfeited	**–**	$90.19	**–**	(6,118)
Exercised	**$99.79**	$101.17	**(122,578)**	(499,221)
At end of year	**$105.70**	**$105.42**	**2,444,930**	**2,567,508**
Exercisable at end of year	**$107.18**	**$106.33**	**1,613,558**	**1,431,254**

Expiry date	Exercise price	2021	2020
20-Dec-20	$86.75	**–**	13,024
20-Dec-21	$80.00	**8,918**	26,680
13-Dec-23	$85.94	**37,721**	37,721
8-Dec-24	$72.99	**54,327**	54,327
14-Dec-25	$92.67	**100,725**	125,058
14-Dec-26	$104.41	**191,852**	219,411
11-Dec-27	$110.03	**231,095**	241,527
11-Dec-28	$121.74	**314,298**	327,876
12-Dec-30	$110.00	**364,363**	380,253
7-Dec-31	$101.92	**555,277**	555,277
9-Dec-32	$103.65	**586,354**	586,354
		2,444,930	**2,567,508**

As at September 30, 2021, none of the outstanding options were anti-dilutive (2020: none) and therefore not included in the calculation of diluted earnings per share.

The weighted average share price for share options exercised during the year was $99.79. For options outstanding at September 30, 2021, the exercise price ranged from $72.99 to $121.74 and the weighted average remaining contractual life was 8.1 years.

The total expense for the share option plan was $5.615 million (2020: $8.545 million).

30 DIVIDENDS PAID AND PROPOSED

	2021	2020
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2020: $2.10 (2019: $3.25)	**341,340**	528,664
Interim dividend for 2021: $1.00 (2020: $0.60)	**164,506**	97,723
Total dividends paid	**505,846**	**626,387**
Proposed		
Equity dividends on ordinary shares:		
Final dividend for 2021: $3.00 (2020: $2.10)	**489,808**	**341,340**

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31 CONTINGENT LIABILITIES

a Litigation

As at September 30, 2021, 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

	2021	2020
Acceptances	**3,297,413**	3,604,850
Guarantees and indemnities	**470,057**	501,247
Letters of credit	**422,123**	453,267
	4,189,593	**4,559,364**

c Sectoral information

	2021	2020
State	**1,123,805**	1,339,223
Corporate and commercial	**2,427,036**	2,388,324
Personal	**584,306**	691,432
Other financial institutions	**53,903**	139,982
Other	**543**	403
	4,189,593	**4,559,364**

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	
	2021	2020	2021	2020
Financial assets	**4,776,932**	**5,607,140**	**4,364,575**	**11,714,188**

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, 2021, the Group earned $34.4 million (2020: $27.7 million) in management fees from the retirement plans and $170.5 million (2020: $94.5 million) from the mutual funds.

The Group holds an interest of $55.8 million (2020: $84.9 million) in sponsored funds as at September 30, 2021. 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, 2021.

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) Plc. *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%
Republic Life Insurance Company Limited *Insurance Company*	Trinidad and Tobago	100.00%

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34 BUSINESS COMBINATIONS

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
Intangible assets	53,243
Other assets	56,208
	3,118,709
Liabilities	
Customer deposits and due to banks	2,543,713
Other liabilities	64,142
	2,607,855
Total identifiable net assets at fair value	510,854
Goodwill arising on acquisition	178,751
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**

The net assets recognised as at June 1, 2020, which was used for convenience, were based on an independent valuation of the fair value of Republic Bank (BVI) Limited completed in 2021. At acquisition date, the fair value of customer base and banking license intangibles were determined to be $51.2 million and $2.0 million respectively. As a result, there was a reduction in goodwill of $53.2 million, resulting in $178.8 million of the total goodwill arising on acquisition. The increased amortisation charge on the customer base and banking license intangibles from the acquisition date to September 30, 2020, was not material.