Independent Auditors' Report

To the Shareholders of Republic Bank Limited

We have audited the accompanying separate financial statements of Republic Bank Limited (the 'Bank'), which comprise the statement of financial position as at September 30, 2014, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
November 5, 2014

Republic Bank Limited

Statement of Financial Position

As at September 30, 2014

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

	Notes	2014	2013 (Restated)	As at 1 Oct 2012 (Restated)
ASSETS				
Cash and cash equivalents		377,216	354,256	322,352
Statutory deposits with Central Bank		4,050,897	3,496,275	3,131,971
Due from banks		7,581,543	8,107,937	6,338,612
Treasury Bills		3,694,953	3,232,568	3,022,121
Investment interest receivable		21,952	18,279	15,284
Advances	4	19,162,197	17,128,245	15,455,179
Investment securities	5	2,016,732	1,821,492	1,369,640
Investment in associated companies	6	391,176	391,176	93,408
Investment in subsidiaries		1,870,976	2,055,973	1,526,282
Premises and equipment	7	991,993	962,026	920,194
Net pension assets	8	1,279,876	1,277,480	1,253,714
Deferred tax assets	9	136,099	101,544	77,027
Taxation recoverable		4,954	4,954	4,954
Other assets	10	436,786	261,488	317,095
TOTAL ASSETS		**42,017,350**	**39,213,693**	**33,847,833**
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		47,767	47,361	60,968
Customers' current, savings and deposit accounts	11	32,550,652	29,854,807	25,401,765
Other fund raising instruments	12	8,638	9,877	118,643
Debt securities in issue	13	1,148,460	1,298,130	1,297,793
Provision for post-retirement medical benefits	8	412,897	294,638	212,908
Taxation payable		53,846	120,900	66,954
Deferred tax liabilities	9	367,862	404,195	377,554
Accrued interest payable		17,612	17,676	18,292
Other liabilities	14	1,107,946	1,040,799	880,933
TOTAL LIABILITIES		**35,715,680**	**33,088,383**	**28,435,810**
EQUITY				
Stated capital	15	704,871	649,932	628,150
Statutory reserves		1,077,115	944,477	769,477
Other reserves	16	139,251	269,913	178,061
Retained earnings		4,380,433	4,260,988	3,836,335
TOTAL EQUITY		**6,301,670**	**6,125,310**	**5,412,023**
TOTAL LIABILITIES AND EQUITY		**42,017,350**	**39,213,693**	**33,847,833**

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

These financial statements were approved by the Board of Directors on November 5, 2014 and signed on its behalf by:

Ronald F. deC. Harford,
Chairman

David Dulal-Whiteway,
Managing Director

William P. Lucie-Smith,
Director

Jacqueline H.C. Quamina,
Corporate Secretary

Republic Bank
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Republic Bank Limited

Statement of Income

For the year ended September 30, 2014

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

	Notes	2014	2013 (Restated)
Interest income	17 (a)	1,586,780	1,499,398
Interest expense	17 (b)	(146,674)	(145,715)
Net interest income		1,440,106	1,353,683
Other income	17 (c)	1,301,075	1,461,943
		2,741,181	2,815,626
Operating expenses	17 (d)	(1,509,804)	(1,225,506)
Operating profit		1,231,377	1,590,120
Loan impairment expense, net of recoveries	4 (b)(ii)	(30,543)	(3,334)
Net profit before taxation		1,200,834	1,586,786
Taxation expense	18	(247,840)	(275,737)
Net profit after taxation		**952,994**	**1,311,049**

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

Republic Bank Limited

Statement of Comprehensive Income

For the year ended September 30, 2014

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

	Notes	2014	2013 (Restated)
Net profit after taxation		**952,994**	**1,311,049**
Other comprehensive income:			
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods or have been transferred to profit and loss in the current period:			
Realised gains transferred to statement of income		(295,495)	–
Tax effect	9	44,162	–
		(251,333)	–
Revaluation of available-for-sale investments		137,050	51,375
Tax effect	9	(5,449)	(12,845)
		131,600	38,530
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods or have been transferred to profit and loss in the current period		**(119,733)**	**38,530**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement losses on defined benefit plans	8 (h)	(61,376)	(30,408)
Tax effect	9	15,344	7,602
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		**(46,032)**	**(22,806)**
Total other comprehensive loss for the year, net of tax		**(165,765)**	**15,724**
Total comprehensive income for the year, net of tax		**787,229**	**1,326,772**

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

Republic Bank Limited

Statement of Changes in Equity

For the year ended September 30, 2014

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

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at September 30, 2012 as previously reported	**628,150**	**769,477**	**178,061**	**3,861,767**	**5,437,455**
Impact of adopting IAS 19 (revised)	–	–	–	(25,432)	(25,432)
Restated balance at September 30, 2012	**628,150**	**769,477**	**178,061**	**3,836,335**	**5,412,023**
Total comprehensive income for the year	–	–	38,530	1,288,242	1,326,772
Issue of shares (Note 15)	15,244	–	–	–	15,244
Share-based payment	6,538	–	–	–	6,538
Unallocated shares (Note 16)	–	–	47,754	–	47,754
Transfer to general contingency reserve (Note 16)	–	–	5,568	(5,568)	–
Transfer to statutory reserves	–	175,000	–	(175,000)	–
Other	–	–	–	6	6
Dividends (Note 25)	–	–	–	(683,027)	(683,027)
Balance at September 30, 2013	**649,932**	**944,477**	**269,913**	**4,260,988**	**6,125,310**
Total comprehensive income for the year	–	–	(119,733)	906,962	787,229
Issue of shares (Note 15)	46,789	–	–	–	46,789
Share-based payment	8,150	–	–	–	8,150
Shares purchased for profit sharing scheme	–	–	(71,050)	–	(71,050)
Allocation of shares (Note 16)	–	–	52,184	–	52,184
Transfer to general contingency reserve (Note 16)	–	–	7,937	(7,937)	–
Transfer to statutory reserves	–	132,638	–	(132,638)	–
Other	–	–	–	38,310	38,310
Dividends (Note 25)	–	–	–	(685,252)	(685,252)
Balance at September 30, 2014	**704,871**	**1,077,115**	**139,251**	**4,380,433**	**6,301,670**

The accompanying notes form an integral part of these financial statements

Republic Bank
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Republic Bank Limited
Statement of Cash Flows
For the year ended September 30, 2014
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2014	2013 (Restated)
Operating activities			
Net profit before taxation		1,200,834	1,586,786
Adjustments for:			
Depreciation	7	100,320	101,928
Loan impairment expense, net of recoveries	4 (b)(ii)	30,543	3,334
Investment in subsidiary impairment expense		185,000	–
Translation difference		50,109	(2,017)
Loss on sale of premises and equipment		(4,700)	2,719
Realised gain on investment securities		(251,333)	(8,596)
Stock option expense	15	8,150	6,538
Increase in employee benefits		69,831	27,556
Increase in advances		(2,064,495)	(1,676,400)
Increase in customers' deposits and other fund raising instruments		2,694,606	4,344,276
Increase in statutory deposits with Central Bank		(554,622)	(364,303)
(Increase)/decrease in other assets and investment interest receivable		(178,971)	52,612
Increase in other liabilities and accrued interest payable		67,083	159,250
Taxes paid, net of refund		(335,610)	(224,910)
Cash provided by operating activities		1,016,745	4,008,773
Investing activities			
Purchase of investment securities		(1,288,523)	(676,361)
Redemption of investment securities		1,177,527	287,048
Net cash outflow from the purchase of interest in associated companies		–	(297,767)
Acquisition of non-controlling interest		–	(529,645)
Additions to premises and equipment	7	(136,456)	(151,687)
Proceeds from sale of premises and equipment		10,870	4,615
Cash used in investing activities		(236,582)	(1,363,797)
Financing activities			
Decrease/(increase) in balances due to other banks		406	(13,607)
Decrease in balance in subsidiary		(14,950)	–
Repayment of debt securities		(149,670)	–
Proceeds from share issue	15	46,789	15,244
Shares purchased for profit sharing scheme	16	(71,050)	–
Allocation of shares to profit sharing plan	16	52,184	47,754
Dividends paid to shareholders of the parent	25	(685,252)	(683,028)
Amortised prepaid cost		330	337
Cash used in financing activities		(821,213)	(633,300)
Net (decrease)/increase in cash and cash equivalents		(41,050)	2,011,676
Cash and cash equivalents at beginning of year		11,694,762	9,683,085
Cash and cash equivalents at end of year		**11,653,712**	**11,694,761**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		377,216	354,256
Due from banks		7,581,543	8,107,937
Treasury Bills - original maturities of three months or less		3,694,953	3,232,568
		11,653,712	**11,694,761**
Supplemental information:			
Interest received during the year		1,583,107	1,499,399
Interest paid during the year		146,738	146,331
Dividends received	17 (c)	133,068	477,440

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

Republic Bank Limited
Notes to the Separate Financial Statements
For the year ended September 30, 2014
Expressed in thousands of Trinidad and Tobago dollars ($'000)

1. Corporate information

Republic Bank Limited (the 'Parent') is incorporated in the Republic of Trinidad and Tobago and was continued under the provision of the Companies Act, 1995 on March 23, 1998. Its registered office is located at Republic House, 9-17 Park Street, Port of Spain.

The Bank has fourteen (14) subsidiaries and four (4) associated companies. The Bank is engaged in a wide range of banking, financial and related activities in Trinidad and Tobago, the Caribbean and Ghana. A full listing of the Bank's subsidiary companies is detailed in Note 27 while associate companies are listed in Note 6. Republic Bank Limited is the ultimate Parent of the Group and is listed on the Trinidad and Tobago Stock Exchange.

Until October 31, 2012, the CL Financial Group held through its various subsidiaries, 51.4% of the shares of Republic Bank Limited, of which Colonial Life Insurance Company (Trinidad) Limited (CLICO) and CLICO Investment Bank Limited (CIB) combined, held 51.1%.

CLICO Investment Bank Limited (CIB) which owned together with its subsidiary First Company Limited 18.3% of the shareholding of Republic Bank Limited was on October 17, 2011 ordered by the High Court to be wound up and the Deposit Insurance Company appointed liquidator. Accordingly, this 18.3% shareholding is under the control of the Deposit Insurance Company.

On November 1, 2012, 24.8% of Republic Bank formerly owned by Colonial Life Insurance Company (Trinidad) Limited (CLICO) was transferred into an investment fund launched by the Government of the Republic of Trinidad and Tobago and called the CLICO Investment Fund (the 'Fund'). The Trustee of the Fund is the CLICO Trust Corporation Limited which holds the 24.8% shareholding in Republic Bank Limited in trust solely for the benefit of subscribing Unit holders of the Fund. The Fund is as a consequence the largest shareholder in Republic Bank Limited.

Effective November 1, 2012, the CL Financial Group is no longer considered a related party of Republic Bank Limited.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied across the Bank.

2.1 Basis of preparation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago Dollars. These separate financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale and at fair value through profit or loss financial instruments. The preparation of separate financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Bank's accounting policies have been described in Note 3.

2.2 Changes in accounting policies

i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2013 except for the adoption of new standards and interpretations noted below:

IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective January 1, 2013)

These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendment only affects disclosures and as such, did not have an impact on the Bank's financial position and performance.

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

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

i) New accounting policies/improvements adopted (continued)

IFRS 11 - Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures (effective January 1, 2013)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10. The adoption of this IFRS had no impact on the financial position or performance of the Bank.

IFRS 12 - Disclosure of Interests in Other Entities (effective January 1, 2013)

IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new. The objective of the new disclosure requirements is to help the users of financial statements understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and to understand the nature of, and the risks associated with the entity's interest in other entities.

IFRS 13 - Fair Value Measurement (effective January 1, 2013)

IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as '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' (i.e. an 'exit price'). 'Fair value' as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13. This IFRS has not materially impacted the fair value measurements of the Bank. Additional disclosures, where required, are provided in Note 22 - Fair value.

IAS 19 - Employee Benefits (Revised) (effective January 1, 2013)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income (OCI) when they occur. Amounts recorded in the separate statement of income are limited to current and past service costs, gains or losses on settlements, and net interest income/(expense). All other changes in the net defined benefit asset/(liability) are recognised in OCI with no subsequent recycling to separate statement of income.

Expected returns on plan assets are no longer recognised in profit or loss. Expected returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37.

The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

Impact on statement of income		**2013**
Net profit before tax as previously reported		1,612,240
IAS 19 impact on net benefit cost		(25,454)
Net profit before taxation, restated		1,586,786
Taxation as previously reported	(282,102)	
Taxation impact of IAS 19	6,365	
Taxation expense, restated		(275,737)
Net profit after taxation, restated		**1,311,049**

Impact on statement of comprehensive income		**2013**
Total comprehensive income as previously reported		1,368,668
IAS 19 impact on profit after tax		(19,090)
		1,349,578
Re-measurement gain on defined benefit plans	(30,408)	
Taxation effect	7,602	
Re-measurement gain on defined benefit plans, net of tax		(22,806)
Total comprehensive income for the year, net of tax, restated		**1,326,772**

Impact on statement of changes in equity	**As at 1 Oct 2012**
Total equity as previously reported	5,437,455
Re-measurement gain on defined benefit plans	(33,909)
Taxation effect	8,477
Net decrease in equity	(25,432)
Total equity for the year, restated	**5,412,023**

2.3 Standards in issue not yet effective

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Bank's financial statements. The Bank reasonably expects these standards and interpretations to be applicable at a future date and intends to adopt those standards and interpretations when they become effective.

The Bank is currently assessing the impact of adopting these standards and interpretations since the impact of adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect at this time.

IFRS 9 - Financial Instruments: Classification and Measurement (effective January 1, 2018)

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets.

IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amendments) (effective January 1, 2014)

The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity.

IFRS 14 Regulatory Deferral Accounts (effective January 1, 2016)

The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income.

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

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 19 - Defined Benefit Plans: Employee Contributions— Amendments to IAS 19 (effective after July 1, 2014)
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

IAS 32 - Offsetting Financial Assets and Financial liabilities (effective January 1, 2014)
These amendments clarify the meaning of the phrase 'currently has a legally enforceable right to set-off' by stating that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 (effective January 1, 2014)
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 *Impairment of Assets* was originally changed as a result of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. However, the IASB has added two disclosure requirements:

Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.

Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

IFRIC 21 - Levies (effective January 1, 2014)
IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached.

2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2013.

IFRS	Subject of Amendment
IAS 40 -	Investment Property
IFRS 1 -	First-time Adoption of International Financial Reporting Standards
IFRS 3 -	Business Combinations
IFRS 13 -	Fair Value Measurement

2.5 Summary of significant accounting policies

a) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash at hand and at bank, Treasury Bills and bankers' acceptances with original maturities of three months or less.

b) Statutory deposits with Central Bank

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, the Bank is required to maintain with the Central Bank of Trinidad and Tobago statutory balances in relation to the deposit liabilities of the institutions. Other than Statutory Deposits of $4 billion (2013: $3.5 billion), the Bank also holds Treasury Bills and other deposits of $6 billion (2013:$5.5 billion) with the Central Bank of Trinidad and Tobago as at September 30, 2014. Interest earned on these balances for the year was $18.2 million (2013: $24.1 million).

c) Financial instruments

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

i) Advances

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

ii) Investment securities

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

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

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

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the separate statement of income as an impairment expense on investment securities.

iii) Debt securities and other fund raising instruments

Debt securities and other fund raising instruments are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

d) Impairment of financial assets

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

i) Advances

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

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

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

ii) Investment securities

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

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

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

e) Leases

Finance Leases

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

Operating Leases

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

f) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Leasehold buildings and leased equipment are depreciated over the period of the lease.

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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

Depreciation other than on leasehold buildings 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%

g) Employee benefits

i) Pension obligations

The Bank operates a defined benefit plan, the assets of which are generally held in separate trustee-administered funds. The pension plan is generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plan every three years. The Bank, took the actuary's advice regarding a pension holiday, effective January 1999.

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

For the defined benefit plan, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread regular costs over the service lives of employees in accordance with the advice of qualified actuaries.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding interest) are recognised immediately through other comprehensive income.

The defined benefit plans mainly expose the Bank 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 8 to these separate financial statements.

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

The Bank operates an employee profit sharing scheme, which is 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 the Profit Sharing Scheme Rules, and employees 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 the Bank. 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 Bank accounts for the profit share, as an expense, through the statement of income.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

h) Taxation

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

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

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

i) Statutory reserves

The Trinidad and Tobago Financial Institutions Act 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. This requirement was met as at June 2012. In accordance with the Trinidad and Tobago Financial Institutions Act 2008, the Bank is also required to maintain statutory reserves of at least 20 times deposit liabilities.

j) Fiduciary assets

The Bank 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 financial statements as they are not the assets of the Bank. These assets under administration at September 30, 2014 totalled $30.6 billion (2013: $28.8 billion).

k) Foreign currency translation

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 statement of income.

l) Interest income and expense

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

m) 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.

n) Dividends

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

o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segments of an entity.

The Bank has determined the Managing Director as its chief operating decision-maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income and other income less impairment losses and operating expenses which in certain respects is measured differently from operating profit or loss in the financial statements.

p) Customers' liabilities under acceptances, guarantees, indemnities and letters of credit

These represent the Bank'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 Bank's statement of financial position but are detailed in Note 26 (b) of these financial statements.

q) Share-based payments

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

3. Significant accounting judgements and estimates in applying the Bank's accounting policies

Management has made the following judgements in its application of the Bank's accounting policies which have the most significant effect on the amounts reported in the financial statements:

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

Inherent provisions on advances (Note 4b)
Inherent provisions on advances are calculated on an estimate of impairment incurred but not reported, existing in assets as at the statement of financial position date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

Valuation of investments (Note 5)
The Bank has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

Premises and equipment (Note 7)
Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank 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.

Net pension asset/liability (Note 8)
In conducting valuation exercises to measure the effect of the employee benefit plan to the Bank, the Bank's 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.

Deferred taxes (Note 9)
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.

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

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

4. Advances

a) Advances

	2014			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	4,290,918	7,482,597	7,302,259	19,075,774
Non-performing advances	26,813	145,805	64,826	237,444
	4,317,731	7,628,402	7,367,085	19,313,218
Unearned interest/ finance charge	(4,098)	(95)	–	(4,193)
Accrued interest	2,265	28,308	5,421	35,994
	4,315,898	7,656,615	7,372,506	19,345,019
Allowance for impairment losses - Note 4 (b)	(35,246)	(112,164)	(35,412)	(182,822)
Net advances	**4,280,652**	**7,544,451**	**7,337,094**	**19,162,197**

	2013			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	3,818,828	6,994,492	6,209,843	17,023,163
Non-performing advances	26,975	156,998	68,280	252,253
	3,845,803	7,151,490	6,278,123	17,275,416
Unearned interest/ finance charge	(5,687)	(96)	–	(5,783)
Accrued interest	1,924	27,852	2,241	32,017
	3,842,040	7,179,246	6,280,364	17,301,650
Allowance for impairment losses	(26,070)	(105,882)	(41,453)	(173,405)
Net advances	**3,815,970**	**7,073,364**	**6,238,911**	**17,128,245**

b) Allowance for impairment losses

(i) Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances
The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more immediate attention.

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment.

Allowances are evaluated on each reporting date with each portfolio receiving a separate review. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

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

	2014			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	26,070	105,882	41,453	173,405
Translation adjustment	–	–	–	–
Charge-offs and write-offs	(15,353)	(5,561)	(212)	(21,126)
Loan impairment expense	38,337	26,081	11,391	75,809
Loan impairment recoveries	(13,808)	(14,238)	(17,220)	(45,266)
Balance carried forward	**35,246**	**112,164**	**35,412**	**182,822**
Individual impairment	28,388	97,567	29,859	155,814
Collective impairment	6,858	14,597	5,553	27,008
	35,246	**112,164**	**35,412**	**182,822**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**26,813**	**145,805**	**64,826**	**237,444**

	2013			
	Retail lending	Commercial & Corporate lending	Mortgages	Total
Balance brought forward	27,597	110,994	49,266	187,856
Translation adjustment	–	–	–	–
Charge-offs and write-offs	(15,344)	(1,859)	(583)	(17,787)
Loan impairment expense	26,167	51,557	18,955	96,679
Loan impairment recoveries	(12,350)	(54,810)	(26,185)	(93,345)
Balance carried forward	**26,070**	**105,882**	**41,453**	**173,405**
Individual impairment	18,208	95,660	37,112	150,980
Collective impairment	7,862	10,222	4,341	22,425
	26,070	**105,882**	**41,453**	**173,405**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**26,975**	**156,998**	**68,280**	**252,253**

5. Investment securities

	2014	2013
a) Available-for-sale		
Government securities	9,445	132,036
State owned company securities	64,038	61,175
Corporate bonds/debentures	1,901,574	1,381,827
Other	41,675	246,454
	2,016,732	**1,821,492**

6. Investment in associated companies

	2014	2013
Balance at beginning of year	391,176	93,408
Acquisition of shareholding	–	297,768
Balance at end of year	**391,176**	**391,176**

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

	Country of incorporation	Reporting year-end of associate	Proportion of issued capital held
G4S Holdings (Trinidad) Ltd	Trinidad and Tobago	December	24.50%
InfoLink Services Limited	Trinidad and Tobago	December	25.00%
East Caribbean Financial Holding Company Limited (ECFH)	St. Lucia	December	19.30%
HFC Bank (Ghana) Limited (HFC)	Ghana	December	40.00%

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

6. Investment in associated companies (continued)

Summarised financial information in respect of the Bank's associates are as follows:

	Associates that are material to the Bank		Other associates	Total Investment in associates	
	HFC 2014	ECFH 2014	2014	2014	2013
Total assets	2,382,418	8,803,208	169,815	11,355,441	10,289,449
Total liabilities	1,948,376	8,305,345	23,076	10,276,797	9,155,322
Net assets/equity	434,042	497,864	146,738	1,078,644	1,134,127
Dividends received during the year	7,351	–	2,389	9,740	3,305
HFC and ECFH revenue for the six-month period ended June 30, 2014	209,721	249,250	–	–	–

7. Premises and equipment

2014	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	105,154	711,283	77,324	1,000,673	1,894,434
Additions at cost	94,183	3,210	1,799	37,265	136,457
Disposal/transfer of assets	(49,034)	8,591	(7)	4,403	(36,047)
	150,303	**723,084**	**79,116**	**1,042,341**	**1,994,844**
Accumulated depreciation					
At beginning of year	–	120,887	66,770	744,751	932,408
Charge for the year	–	9,146	3,708	87,466	100,320
Disposal of assets	–	–	(3)	(29,874)	(29,877)
	–	**130,033**	**70,475**	**802,343**	**1,002,851**
Net book value	**150,303**	**593,051**	**8,641**	**239,998**	**991,993**
2013					
Cost					
At beginning of year	107,709	625,943	74,569	981,049	1,789,270
Additions at cost	79,751	35,700	415	35,821	151,687
Disposal/transfer of assets	(82,306)	49,640	2,340	(16,197)	(46,523)
	105,154	**711,283**	**77,324**	**1,000,673**	**1,894,434**
Accumulated depreciation					
At beginning of year	–	113,372	64,561	691,143	869,076
Charge for the year	–	8,315	2,469	91,144	101,928
Disposal of assets	–	(800)	(260)	(37,536)	(38,596)
	–	**120,887**	**66,770**	**744,751**	**932,408**
Net book value	**105,154**	**590,396**	**10,554**	**255,922**	**962,026**

Capital commitments	2014	2013
Contracts for outstanding capital expenditure not provided for in the financial statements	402,555	80,643
Other capital expenditure authorised by the Directors but not yet contracted for	20,637	10,951

8. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2014	2013	2014	2013
Present value of defined benefit obligation	(2,657,397)	(2,528,221)	(412,897)	(294,638)
Fair value of plan assets	3,951,444	3,819,750	–	–
Surplus/(deficit)	1,294,047	1,291,529	(412,897)	(294,638)
Effect of asset ceiling	(14,171)	(14,049)	–	–
Net asset/(liability) recognised in the statement of financial position	**1,279,876**	**1,277,480**	**(412,897)**	**(294,638)**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2014	2013	2014	2013
Opening defined benefit obligation	2,528,221	2,185,147	294,638	212,908
Current service cost	90,799	75,577	14,255	10,141
Interest cost	124,674	118,369	14,666	11,651
Re-measurements:				
- Experience adjustments	(15,946)	22,416	91,991	27,712
- Actuarial gains from change in financial assumptions	–	193,492	–	34,389
Benefits paid	(70,351)	(66,780)	–	–
Premiums paid by the Bank	–	–	(2,653)	(2,163)
Closing defined benefit obligation	**2,657,397**	**2,528,221**	**412,897**	**294,638**

c) Reconciliation of Opening and closing statement of financial position entries:

	Defined benefit pension plans		Post-retirement medical benefits	
	2014	2013	2014	2013
Defined benefit obligation at prior year end	1,277,480	1,247,099	294,638	172,384
Unrecognised gain/(loss) charged to retained earnings	–	6,615	–	40,524
Opening defined benefit obligation	1,277,480	1,253,714	294,638	212,908
Net pension cost	(28,219)	(7,927)	28,921	21,792
Re-measurements recognised in other comprehensive income	30,615	31,693	91,991	62,101
Premiums paid by the Bank	–	–	(2,653)	(2,163)
Closing net pension asset	**1,279,876**	**1,277,480**	**412,897**	**294,638**

d) Liability profile

The defined benefit obligation is allocated between the Plan's members as follows:

	Defined benefit pension plans	Post-retirement medical benefits
- Active members	63%	76%
- Deferred members	7%	N/A
- Pensioners	30%	24%

The weighted duration of the defined benefit obligation was 16.9 years for the pension benefit and 24 years for the medical benefit.

31% of the defined benefit obligation for active members was conditional on future salary increases.

98% of the benefits for active members were vested.

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

8. Employee benefits (continued)

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

	Defined benefit pension plans 2014	2013
Opening fair value of plan assets	3,819,750	3,451,456
Interest income	188,517	187,291
Return on plan assets, excluding interest income	14,791	249,055
Benefits paid	(70,351)	(66,780)
Expense Allowance	(1,263)	(1,272)
Closing fair value of plan assets	**3,951,444**	**3,819,750**
Actual return on plan assets	**203,308**	**436,346**

f) Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		% Allocation	
	2014	2013	2014	2013
Equity securities	1,891,920	1,806,742	47.88%	47.00%
Debt securities	1,663,702	1,513,227	42.10%	39.62%
Property	13,824	14,673	0.35%	0.38%
Mortgages	–	–	0.00%	0.00%
Money market instruments/ cash	381,998	485,108	9.67%	13.00%
Total fair value of plan assets	**3,951,444**	**3,819,750**	**100.0%**	**100.0%**

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2014	2013	2014	2013
Current service cost	90,799	75,577	14,255	10,141
Interest on defined benefit obligation	(63,843)	(68,922)	14,666	11,651
Administration expenses	1,263	1,272	–	–
Total included in staff costs	**28,219**	**7,927**	**28,921**	**21,792**
Net benefit cost under the previous IAS 19 rules	**16,266**	**19,001**	**33,768**	**23,266**

h) Re-measurements recognised in Other comprehensive income

	Defined benefit pension plans		Post-retirement medical benefits	
	2014	2013	2014	2013
Experience gains/(losses)	(30,737)	(33,147)	91,991	62,101
Effect of asset ceiling	122	1,454	–	–
Total included in Other comprehensive income	**(30,615)**	**(31,693)**	**91,991**	**62,101**

i) Summary of principal actuarial assumptions as at September 30

	2014 %	2013 %
Discount rate	5.00	5.00
Rate of salary increase	5.50	5.50
Pension increases	2.40	2.40
Medical cost trend rates	5.75	5.75

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 2014	2013
Life expectancy at age 60 - 65 for current pensioner in years:		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 - 65 for current members age 40 in years:		
- Male	21.4	21.4
- Female	25.4	25.4

j) Sensitivity analysis

The calculations of the defined benefit and medical obligations are sensitive to the assumptions used. The following table summarises how these obligations as at September 30, 2014, 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 $'000	1% p.a. decrease $'000	1% p.a. increase $'000	1% p.a. decrease $'000
- Discount rate	(376,623)	488,100	(80,490)	110,485
- Future salary increases	179,023	(152,896)	–	–
- Future pension cost increases	300,321	–	–	–
- Medical cost increases	–	–	108,402	(80,674)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2014, by $57.9 million and the post-retirement medical benefit by $15.3 million.

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

k) Funding

The Bank 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 Bank expects to pay $0 million to the pension plan in the 2015 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Bank pays 'premiums' of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Bank expects to pay $2.883 million to the medical plan in the 2015 financial year.

9. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2013 (Restated)	Credit/(charge) Statement of income	Credit/(charge) Other comprehensive income	Closing balance 2014
Post-retirement medical benefits	73,659	6,567	22,998	103,224
Unearned loan origination fees	22,560	4,358	–	26,918
Other	5,325	632	–	5,957
	101,544	**11,557**	**22,998**	**136,099**

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

9. Deferred tax assets and liabilities (continued)

b) Deferred tax liabilities

	Opening balance 2013 (Restated)	Credit/(charge) Statement of income	Credit/(charge) Other comprehensive income	Closing balance 2014
Pension asset	319,370	(7,054)	7,654	319,970
Premises and equipment	40,371	1,778	–	42,149
Unrealised reserve	44,456	–	(38,713)	5,743
	404,197	**(5,276)**	**(31,059)**	**367,862**
Net credit to statement of income/OCI		**16,833**	**54,057**	

10. Other assets

	2014	2013
Accounts receivable and prepayments	**436,786**	**261,488**

11. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts

	2014	2013
State	4,441,225	4,210,122
Corporate and commercial	8,335,034	7,374,893
Personal	17,822,695	16,749,821
Other financial institutions	1,951,697	1,519,971
	32,550,652	**29,854,807**

12. Other fund raising instruments

At September 30, 2014, investment securities held to secure other fund raising instruments of the Bank amounted to $8.6 million (2013: $0.9 million).

Concentration of other fund raising instruments	2014	2013
State	**8,638**	**9,877**

13. Debt securities in issue

	2014	2013
Unsecured		
Fixed rate bonds	998,460	998,130
Secured		
Floating rate bonds	150,000	300,000
Total debt securities in issue	**1,148,460**	**1,298,130**

Unsecured obligations

The Bank issued unsubordinated bond in the financial year 2008 for a term of ten years at a fixed rate of interest of 8.55%. Fixed rate bonds are denominated in Trinidad and Tobago dollars.

Secured obligations

The floating rate bonds are denominated in Trinidad and Tobago dollars and are unconditional secured obligations of the Bank. The Bank has pledged a portfolio of liquid debt securities issued or guaranteed by the Government of Trinidad and Tobago together with high-grade corporate bonds and debentures in an aggregate amount equal to the bonds issued as collateral security for the bondholders.

14. Other liabilities

	2014	2013
Accounts payable and accruals	996,479	946,860
Unearned loan origination fees	111,467	93,939
	1,107,946	**1,040,799**

15. Stated capital

	Number of ordinary shares ('000) 2014	Number of ordinary shares ('000) 2013	2014	2013
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	160,463	159,700	649,932	628,150
Shares issued/proceeds from shares issued	552	182	46,789	15,244
Share-based payment	–	–	8,150	6,538
Allocation of shares	37	581	–	–
At end of year	**161,052**	**160,463**	**704,871**	**649,932**

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

	2014	2013
Weighted average number of ordinary shares	160,918	160,294
Effect of dilutive stock options	549	474
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,467**	**160,768**

16. Other reserves

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 2012	**5,620**	**(101,023)**	**178,627**	**94,837**	**178,061**
Revaluation of available-for-sale investments	–	–	–	38,530	38,530
Total income and expense for the year recognised directly in equity	–	–	–	38,530	38,530
General contingency reserve	–	–	5,568	–	5,568
Allocation of shares	–	47,754	–	–	47,754
Balance at September 30, 2013	**5,620**	**(53,269)**	**184,195**	**133,367**	**269,913**
Realised gains transferred to net profit	–	–	–	(251,333)	(251,333)
Revaluation of available-for-sale investments	–	–	–	131,600	131,600
Total income and expense for the year recognised directly in equity	–	–	–	(119,733)	(119,733)
General contingency reserve	–	–	7,937	–	7,937
Shares purchased for profit sharing scheme	–	(71,050)	–	–	(71,050)
Allocation of shares	–	52,184	–	–	52,184
Balance at September 30, 2014	**5,620**	**(72,135)**	**192,132**	**13,634**	**139,251**

General contingency reserves

Specific provisions are made for non-performing advances based on the difference between the loan balances and the discounted realisable value of collateral held. These provisions are charged through the statement of income.

A General Contingency Reserve is created as an appropriation of retained earnings, for the difference between the specific provision and non-performing advances. When the collateral is realised, the reserve is released back to retained earnings. The General Contingency Reserve serves to enhance the Bank's non-distributable capital base. As at September 30, 2014, the balance in the General Contingency Reserve of $192.1 million (2013: $184.2 million) is part of Other Reserves which totals $139.2 million (2013: $269.9 million).

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Bank Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2014, shares costing $71 million (2013: $53 million) remain unallocated from the profit sharing scheme. (Note 24 (a)).

	No. of shares (000's) 2014	No. of shares (000's) 2013
Balance brought forward	648	1,229
Add shares purchased	597	–
Allocation of shares	(635)	(581)
Balance carried forward	**610**	**648**

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

17. Operating profit

	2014	2013
a) Interest income		
Advances	1,503,537	1,424,587
Investment securities	63,865	50,030
Liquid assets	19,378	24,781
	1,586,780	**1,499,398**
b) Interest expense		
Customers' current, savings and deposit accounts	54,970	51,555
Other fund raising instruments and debt securities in issue	91,703	94,157
Other interest bearing liabilities	1	3
	146,674	**145,715**
c) Other income		
Fees and commission from trust and other fiduciary activities	193,647	241,935
Other fees and commission income	521,059	584,565
Net exchange trading income	155,063	158,003
Dividends	133,068	477,440
Gains from disposal of available-for-sale investments	298,238	–
	1,301,075	**1,461,943**
d) Operating expenses		
Staff costs	468,846	424,413
Staff profit sharing - Note 24 (a)	96,211	93,766
Employee benefits pension and medical contribution - Note 8 (g)	57,140	29,719
General administrative expenses	428,804	404,054
Operating lease payments	5,272	6,658
Property related expenses	112,648	105,851
Depreciation expense - Note 7	100,320	101,929
Advertising and public relations expenses	50,953	52,309
Investment in subsidiary impairment expense	185,000	3,367
Directors' fees	4,610	3,440
	1,509,804	**1,225,506**

The Bank performs an annual impairment assessment of its investments in subsidiaries. In conducting this review, consideration was made for the recent downturn in the Barbados economy and the resultant impact on the Bank's investment in Republic Bank Barbados Limited. As a result, an impairment charge of $185M was recognised during the current period.

e) Non-cancellable operating lease commitments	2014	2013
Within one year	29,689	25,553
One to five years	29,246	37,139
Over five years	8,049	12,258
	66,984	**74,950**

18. Taxation expense

	2014	2013
Corporation tax	264,673	278,855
Deferred tax	(16,833)	(3,118)
	247,840	**275,737**

Reconciliation between taxation expense and accounting profit

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2014	2013
Accounting profit	1,200,834	1,586,786
Tax at applicable statutory tax rates	300,209	396,696
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(76,769)	(130,431)
Non-deductible expenses	113,127	30,935
Allowable deductions	(74,646)	(24,325)
Provision for Green Fund Levy and other taxes	(14,081)	2,862
	247,840	**275,737**

19. 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 and at market rates.

	2014	2013
Advances, investments and other assets (net of provisions)		
Republic Bank Limited Group	348,449	545,137
Directors and key management personnel	6,277	7,601
Other related parties	222,274	170,530
	577,000	**723,268**
Deposits and other liabilities		
Republic Bank Limited Group	1,053,874	772,227
Directors and key management personnel	38,736	37,645
Other related parties	66,076	47,031
	1,158,686	**856,903**
Interest and other income		
Republic Bank Limited Group	56,224	31,852
Directors and key management personnel	445	714
Other related parties	12,842	11,783
	69,511	**44,349**
Interest and other expense		
Republic Bank Limited Group	19,167	19,225
Directors and key management personnel	603	1,053
Other related parties	96	40
	19,866	**20,318**

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

Key management compensation	2014	2013
Short-term benefits	18,668	16,665
Post employment benefits	11,103	9,496
Share-based payment	8,150	6,538
	37,921	**32,699**

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

20. Risk management

20.1 Introduction

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

The basic principles of risk management followed by the Bank 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 Bank. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee and Other Risks Committees, review specific risk areas.

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

The Bank's activities are primarily related to the use of financial instruments. The Bank 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 Bank's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk. The Bank reviews and agrees policies for managing each of these risks as follows:

20.2 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 Bank's credit risk management function is to maximise the Bank'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 Bank.

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

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

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

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

The Bank 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.

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

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

	Gross maximum exposure	
	2014	**2013**
Statutory deposits with Central Bank	4,050,897	3,496,275
Due from banks	7,581,543	8,107,937
Treasury Bills	3,694,953	3,232,568
Investment interest receivable	21,952	18,279
Advances	19,162,197	17,128,245
Investment securities	1,975,057	1,575,038
Total	**36,486,599**	**33,558,342**
Undrawn commitments	3,979,922	3,721,439
Acceptances	1,214,660	1,346,703
Guarantees and indemnities	121	121
Letters of credit	38,892	53,897
Total	**5,233,595**	**5,122,160**
Total credit risk exposure	**41,720,194**	**38,680,502**

Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Collateral and other credit enhancements

The Bank maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash or securities, charges over real estate properties, inventory and trade receivables and mortgages over residential properties and chattels. The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. As at September 30, 2014, $292.1 million (2013: $238.7 million) in repossessed properties are still in the process of being disposed of.

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20. Risk management (continued)

20.2 Credit risk (continued)

20.2.2 Risk concentrations of the maximum exposure to credit risk (continued)

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

i) Geographical sectors

The Bank'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:

	2014	2013
Trinidad and Tobago	36,721,367	33,761,491
Barbados	6,111	503,056
Eastern Caribbean	168,466	71,060
Guyana	2,056	2,306
United States	3,045,628	2,588,555
Europe	914,767	1,171,584
Other Countries	861,799	582,450
	41,720,194	**38,680,502**

ii) Industry sectors

The following table breaks down the Bank's maximum credit exposure as categorised by the industry sectors of its counterparties:

	2014	2013
Government and Central Government Bodies	11,525,336	10,355,781
Financial sector	6,984,653	7,096,489
Energy and mining	253,778	182,290
Agriculture	150,648	118,637
Electricity and water	79,595	81,261
Transport, storage and communication	387,457	297,972
Distribution	2,766,292	2,828,390
Real estate	1,679,895	941,300
Manufacturing	1,692,390	1,770,294
Construction	1,153,960	864,454
Hotel and restaurant	311,440	269,044
Personal	10,009,727	10,687,097
Other services	4,725,023	3,187,493
	41,720,194	**38,680,502**

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'.

20.2.3 Credit quality per category of financial assets

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

- Treasury Bills and Statutory deposits with Central Bank
- Balances due from banks
- Advances
- Financial investment securities

Treasury Bills and Statutory deposits with Central Bank

These funds are placed with Central Bank and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

Balances due from banks

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

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

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

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

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

	Superior	Desirable	Acceptable	Total
2014	3,988,780	3,523,445	69,318	7,581,543
2013	3,336,247	4,706,351	65,339	8,107,937

Advances - Commercial and Corporate

The credit quality of commercial and corporate advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of management, the track record and level of supervision required for existing facilities of the company, the financial and leverage position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates and the competitive advantage held by that company in the market. The overall level of risk thus assessed is assigned a credit score which indicates the overall quality of the Commercial/Corporate borrowing account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

Superior: These counterparties have strong financial position. Facilities are well secured, and business has proven track record.

Desirable: These counterparties have good financial position. Facilities are reasonably secured and underlying business is performing well.

Acceptable: These counterparties are of average risk with a fair financial position. Business may be new or industry may be subject to more volatility, and facilities typically have lower levels of security.

Sub-standard: Past due or individually impaired.

The table below illustrates the credit quality of commercial and corporate advances as at September 30:

	Superior	Desirable	Acceptable	Sub-standard	Total
2014	5,368	936,925	6,553,920	48,238	7,544,451
2013	6,698	1,075,877	5,929,451	61,338	7,073,364

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

20. Risk management (continued)

20.2 Credit risk (continued)

20.2.3 Credit quality per category of financial assets (continued)

Advances - Commercial and Corporate (continued)

The following is an aging of facilities classed as sub-standard:

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2014	-	-	-	-	48,238	48,238
2013	-	-	-	-	61,338	61,338

Advances - Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the related assets for which these loans were granted to fund. The following is an aging analysis of these facilities:

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2014	9,779,387	1,639,243	42,692	48,751	74,955	32,720	11,617,746
2013	8,364,505	1,526,904	30,363	22,675	70,648	39,786	10,054,881

Financial investment securities

The debt securities within the Bank's investment security portfolio are exposed to credit risk. The credit quality of each individual security is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt. The level of credit risk thus assessed and associated with the security is assigned a risk premium. These premiums are defined as follows:

Superior: Government and Government Guaranteed securities, securities secured by a Letter of Comfort from the Government and securities placed with institutions that have been accorded the highest rating by an international rating agency. These securities are considered risk free.

Desirable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements and Government and Government Guaranteed securities where the country has been recently downgraded by an international rating agency. Issuing institution has good financial strength and reputation.

Acceptable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured during the financial year.

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

Financial investments

Available-for-sale	Superior	Desirable	Acceptable	Sub-standard	Total
2014	1,727,105	90,011	14,581	143,360	1,975,057
2013	1,277,321	102,545	193,792	1,380	1,575,038

20.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank 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 Bank 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 Bank is funded with 'core deposits'. The Bank 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 Bank. 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 Bank also holds significant investments in other Government securities, which can be used for liquidity support. The Bank continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

20.3.1 Analysis of financial liabilities by remaining contractual maturities

The following table summarises the maturity profile of the Bank'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 statement of financial position. See Note 23 for a maturity analysis of assets and liabilities.

Financial liabilities - on statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2014					
Customers' current, savings and deposit accounts	29,362,473	3,194,544	–	–	32,557,017
Other fund raising instruments	–	8,638	–	–	8,638
Debt securities in issue	–	90,010	1,379,194	–	1,469,204
Due to banks	47,767	–	–	–	47,767
Other liabilities	370,584	–	–	–	370,584
Total undiscounted financial liabilities	**29,780,824**	**3,293,192**	**1,379,194**	**–**	**34,453,210**
2013					
Customers' current, savings and deposit accounts	26,664,760	3,219,551	5,969	–	29,890,280
Other fund raising instruments	–	9,877	–	–	9,877
Debt securities in issue	–	241,759	1,317,598	151,842	1,711,199
Due to banks	47,361	–	–	–	47,361
Other liabilities	331,902	–	–	–	331,902
Total undiscounted financial liabilities	**27,044,023**	**3,471,187**	**1,323,567**	**151,842**	**31,990,619**

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20. Risk management (continued)

20.3 Liquidity risk (continued)

20.3.1 Analysis of financial liabilities by remaining contractual maturities (continued)

Financial liabilities - off statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2014					
Acceptances	283,600	714,438	215,951	671	1,214,660
Guarantees and indemnities	121	–	–	–	121
Letters of credit	38,892	–	–	–	38,892
Total	**322,612**	**714,438**	**215,951**	**671**	**1,253,672**
2013					
Acceptances	228,434	912,611	173,097	32,561	1,346,703
Guarantees and indemnities	121	–	–	–	121
Letters of credit	53,897	–	–	–	53,897
Total	**282,452**	**912,611**	**173,097**	**32,561**	**1,400,721**

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

20.4 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.

20.4.1 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 Bank has an Asset/Liability Committee which reviews on a monthly basis the non-credit and non-operational risk. Asset and Liability management is a vital part of the risk management process of the Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, 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 Bank is committed to refining and defining these tools to be in line with international best practice.

The table below summarises the interest-rate exposure of the Bank's statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table.

		Impact on net profit			
		2014		2013	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	39,393	(39,393)	35,387	(35,387)
US$ Instruments	+/- 50	2,460	(2,460)	3,017	(3,017)

		Impact on equity			
		2014		2013	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	(6,193)	6,450	(6,992)	7,305
US$ Instruments	+/- 50	(16,821)	17,119	(4,408)	4,479
Other currency Instruments	+/- 50	(506)	377	–	–

20.4.2 Currency risk

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

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

The tables below indicate the currencies to which the Bank 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.

2014	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	328,298	35,090	1,039	12,790	377,216
Statutory deposits with Central Bank	4,050,897	–	–	–	4,050,897
Due from banks	4,335,238	2,693,273	1,065	551,967	7,581,543
Treasury Bills	3,683,608	–	–	11,345	3,694,953
Investment interest receivable	12,786	6,759	–	2,407	21,952
Advances	16,382,000	2,779,788	–	408	19,162,197
Investment securities	560,811	1,348,673	–	107,247	2,016,732
Total financial assets	**29,353,637**	**6,863,583**	**2,104**	**686,164**	**36,905,488**
Financial liabilities					
Due to banks	–	38,431	–	9,335	47,767
Customers' current, savings and deposit accounts	24,753,322	7,177,167	–	620,163	32,550,652
Other fund raising instruments	–	8,638	–	–	8,638
Debt securities in issue	1,148,460	–	–	–	1,148,460
Interest payable	16,247	1,286	–	80	17,612
Other liabilities	353,815	10,380	103	6,286	370,584
Total financial liabilities	**26,271,844**	**7,235,903**	**103**	**635,864**	**34,143,713**
Net currency risk exposure		(372,319)	2,001	50,300	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**(3,723)**	**20**	**503**	

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

20. Risk management (continued)

20.4 Market risk (continued)

20.4.2 Currency risk (continued)

2013	**TTD**	**USD**	**BDS**	**Other**	**Total**
Financial assets					
Cash and cash equivalents	317,708	25,932	1,820	8,796	354,256
Statutory deposits with Central Bank	3,496,275	–	–	–	3,496,275
Due from banks	4,569,690	2,802,445	–	735,802	8,107,937
Treasury Bills	3,213,976	–	–	18,592	3,232,568
Investment interest receivable	11,666	3,055	–	3,558	18,279
Advances	14,632,624	2,489,423	–	6,198	17,128,245
Investment securities	954,621	699,902	–	166,969	1,821,492
Total financial assets	**27,196,560**	**6,020,757**	**1,820**	**939,915**	**34,159,052**
Financial liabilities					
Due to banks	–	38,507	–	8,854	47,361
Customers' current, savings and deposit accounts	22,173,001	6,883,104	–	798,702	29,854,807
Other fund raising instruments	–	9,877	–	–	9,877
Debt securities in issue	1,298,130	–	–	–	1,298,130
Interest payable	16,333	1,261	–	82	17,676
Other liabilities	314,230	12,165	–	5,507	331,902
Total financial liabilities	**23,801,694**	**6,944,914**	**–**	**813,145**	**31,559,753**
Net currency risk exposure		(924,157)	1,820	126,770	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**(9,242)**	**18**	**1,268**	

20.5 Operational risk

The growing sophistication of the banking industry has made the Bank'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 Bank 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 Bank's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Bank 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.

21. Capital management

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $176 million to $6.3 billion during the year under review.

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

Capital adequacy ratio	**2014**	**2013**
Republic Bank Limited	25.77%	27.60%

At September 30, 2014, the Bank exceeded the minimum level required for adequately capitalised institutions.

22. Fair value

In accordance with International Financial Reporting Standard No. 7 'Financial Instruments: Disclosures', the Bank calculates the estimated fair value of all financial instruments at the statement of financial position date and separately discloses this information where these fair values are different from net book values.

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

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

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

Advances are net of specific and other provisions for impairment. The fair values of advances 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.

22.1 Carrying values and fair values

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

2014	**Carrying value**	**Fair value**	**Un-recognised gain/(loss)**
Financial assets			
Cash, due from banks and Treasury Bills	11,653,712	11,653,712	–
Investment interest receivable	21,952	21,952	–
Advances	19,162,197	19,308,889	146,692
Investment securities	2,016,732	2,016,732	–
Financial liabilities			
Customers' current, savings and deposit accounts	32,550,652	32,550,652	–
Borrowings and other fund raising instruments	8,638	8,638	–
Debt securities in issue	1,148,460	1,364,755	(216,295)
Accrued interest payable	17,612	17,612	–
Other financial liabilities	370,584	370,584	–
Total unrecognised change in unrealised fair value			**(69,603)**
2013			
Financial assets			
Cash, due from banks and Treasury Bills	11,694,760	11,694,760	–
Investment interest receivable	18,279	18,279	–
Advances	17,128,245	17,348,269	220,024
Investment securities	1,821,492	1,821,492	–
Financial liabilities			
Customers' current, savings and deposit accounts	29,854,807	29,870,301	(15,494)
Borrowings and other fund raising instruments	9,877	9,877	–
Debt securities in issue	1,298,130	1,546,317	(248,187)
Accrued interest payable	17,676	17,676	–
Other financial liabilities	331,902	331,902	–
Total unrecognised change in unrealised fair value			**(43,657)**

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

22. Fair value (continued)

22.2 Fair value and fair value hierarchies

22.2.1 Determination of fair value and fair value hierarchies

The Bank uses the following hierarchy for determining and disclosing the fair value of investment securities by valuation techniques:

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 Bank'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.

The following table shows the fair value measurement hierarchy of the Bank's assets and liabilities as at September 30, 2014.

2014	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	1,429,530	578,596	8,606	2,016,732
Financial assets for which fair value is disclosed				
Advances	–	19,162,197	–	19,162,197
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	32,550,652	–	32,550,652
Debt securities in issue	–	1,148,460	–	1,148,460

22.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2014, no assets were transferred between Level 1 and Level 2.

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

	Balance at beginning of year	Exchange adjustments	Additions	Disposals /Transfers to Level 2	Balance at end of year
Financial investments - available-for-sale	65,745	–	–	(57,139)	8,606

23. Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Bank based on the remaining period at September 30, to the contractual maturity date. See Note 20.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2014	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	377,216	–	377,216
Statutory deposits with Central Bank	4,050,897	–	4,050,897
Due from banks	7,581,543	–	7,581,543
Treasury Bills	3,694,953	–	3,694,953
Investment interest receivable	21,952	–	21,952
Advances	5,826,947	13,335,250	19,162,197
Investment securities	260,238	1,756,494	2,016,732
Investment in associated companies	–	391,176	391,176
Investment in subsidiaries	–	1,870,976	1,870,976
Premises and equipment	–	991,993	991,993
Net pension asset	–	1,279,876	1,279,876
Deferred tax assets	–	136,099	136,099
Taxation recoverable	4,954	–	4,954
Other assets	396,475	40,311	436,786
	22,215,173	**19,802,176**	**42,017,350**
LIABILITIES			
Due to banks	47,767	–	47,767
Customers' current, savings and deposit accounts	32,550,652	–	32,550,652
Other fund raising instruments	8,638	–	8,638
Debt securities in issue	–	1,148,460	1,148,460
Provision for post-retirement medical benefits	–	412,897	412,897
Taxation payable	53,846	–	53,846
Deferred tax liabilities	–	367,862	367,862
Accrued interest payable	17,612	–	17,612
Other liabilities	958,518	149,428	1,107,946
	33,637,033	**2,078,647**	**35,715,680**
2013			
ASSETS			
Cash and cash equivalents	354,256	–	354,256
Statutory deposits with Central Bank	3,496,275	–	3,496,275
Due from banks	8,107,937	–	8,107,937
Treasury Bills	3,232,568	–	3,232,568
Investment interest receivable	18,279	–	18,279
Advances	5,223,427	11,904,818	17,128,245
Investment securities	486,010	1,335,482	1,821,492
Investment in associated companies	–	391,176	391,176
Investment in subsidiaries	–	2,055,973	2,055,973
Premises and equipment	–	962,026	962,026
Net pension asset	–	1,277,480	1,277,480
Deferred tax assets	–	101,544	101,544
Taxation recoverable	4,954	–	4,954
Other assets	220,853	40,635	261,488
	21,144,559	**18,069,134**	**39,213,693**
LIABILITIES			
Due to banks	47,361	–	47,361
Customers' current, savings and deposit accounts	29,848,856	5,951	29,854,807
Other fund raising instruments	9,877	–	9,877
Debt securities in issue	150,000	1,148,130	1,298,130
Provision for post-retirement medical benefits	–	294,638	294,638
Taxation payable	120,900	–	120,900
Deferred tax liabilities	–	404,195	404,195
Accrued interest payable	17,676	–	17,676
Other liabilities	891,285	149,514	1,040,799
	31,085,955	**2,002,428**	**33,088,383**

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

24. Equity compensation benefits

a) Profit sharing scheme

During the 2014 financial year $71 million advances were made to the staff profit sharing scheme (2013: $0 million). It is estimated that approximately $96.2 million (2013: $93.7 million) will be allocated to staff from the profit sharing scheme in the current financial year. See Note 17.

b) Stock option plan

The Bank 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 Bank Limited at a pre-determined price on or before a pre-determined date. Options are granted only when certain pre-determined individual, corporate and strategic objectives are realised.

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

The option price shall be the Bank's share price at the beginning of the performance period during which the option is earned. The price is calculated as the weighted 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 are outlined below.

	2014	2013	2014	2013
	Weighted average exercise price		Number of shares	
At the beginning of the year	$84.04	$82.14	1,980,702	1,773,899
Granted	$104.41	$92.67	362,833	388,571
Exercised	$85.24	$83.87	(551,950)	(181,768)
At end of year	$87.38	$82.14	**1,791,585**	**1,980,702**
Exercisable at end of year	$85.40	$84.42	**1,209,734**	**955,785**

Expiry date	Exercise price	2014	2013
15-Dec-15	$78.78	46,665	139,816
20-Dec-16	$90.19	124,503	213,036
20-Dec-17	$86.75	187,867	260,049
20-Dec-18	$80.00	167,038	245,114
20-Dec-19	$101.80	11,876	11,876
21-Feb-21	$85.94	224,419	340,681
3-Feb-22	$72.99	350,306	395,405
30-Jan-23	$92.67	336,496	374,725
31-Dec-24	$104.41	342,415	–
		1,791,585	**1,980,702**

As at September 30, 2014, none (2013: none) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share.

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

Grant date	December 18, 2013 to February 25, 2014
Number granted	362,833
Exercise price	$104.41
Share price at grant date	$115.77 to $117.50
Risk free interest rate	2.0% per annum
Expected volatility	15.0% per annum
Dividend yield	3.75% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	$17.90 to $18.84

The expected volatility is based on historical volatility of the share price over the last five years.

The weighted average share price for share options exercised during the year was $84.77. For options outstanding at September 30, 2014, the exercise price ranged from $72.99 to $104.41 and the weighted average remaining contractual life was 9.0 years.

The total expense for the share option plan was $8.150 million (2013: $6.538 million).

25. Dividends paid and proposed	**2014**	**2013**
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2013: $3.00 (2012: $3.00)	483,376	482,834
First dividend for 2014: $1.25 (2013: $1.25)	201,876	200,194
Total dividends paid	**685,252**	**683,028**
Proposed for approval at Annual General meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2014: $3.00 (2013: $3.00)	**484,989**	**483,333**

26. Contingent liabilities

a) Litigation

As at September 30, 2014, there were certain tax and legal proceedings outstanding against the Bank. 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

	2014	**2013**
Acceptances	1,214,660	1,346,703
Guarantees and indemnities	121	121
Letters of credit	38,892	53,897
	1,253,673	**1,400,721**

c) Sectoral information

State	178,854	79,307
Corporate and commercial	553,739	524,769
Personal	31,760	21,384
Other financial institutions	489,160	775,094
Other	160	167
	1,253,673	**1,400,721**

d) Pledged assets

The table below illustrates the distribution of pledged assets in the Bank's statement of financial position:

	Carrying amount		Related liability	
	2014	2013	2014	2013
Financial investments - available-for-sale	**150,000**	**300,000**	**150,000**	**300,000**

The assets pledged by the Bank 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 Bank once the total value of the pool exceeds the value of the liability. In the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

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

27. Subsidiary companies

Name of Company	Country of incorporation	% equity interest
Republic Finance and Merchant Bank Limited *Merchant Bank*	Trinidad and Tobago	100.00%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment-Management Company*	Trinidad and Tobago	100.00%
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Wealth Management Limited *Investment Advisory Company*	Trinidad and Tobago	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Republic Bank (Barbados) Limited *Commercial Bank*	Barbados	100.00%
Republic Finance & Trust (Barbados) Corporation *Merchant Bank*	Barbados	100.00%
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Atlantic Financial Limited *Offshore Bank*	St. Lucia	100.00%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	51.00%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%

28. Structured entities

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

These structured entities include Mutual Funds and Retirements Benefit Plans which are financed through the issue of units to investors in the funds. The Bank generates fees from managing the assets of these funds on behalf of the third party investors. For the year ended September 30, 2014, the Bank earned $12.5M in management fees from the retirement plans and $94M from the mutual funds.

The Bank holds an interest of $15.6M in sponsored funds as at September 30, 2014. The maximum exposure to loss in these funds is the carrying value of the assets held by the Bank. These values are all included in the Investment securities portfolio of the Bank as at September 30, 2014.