

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, 2015, 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 the 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 the separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

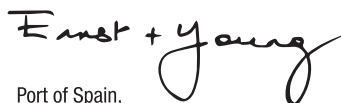
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate 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 separate 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 separate 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 separate 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, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain,
TRINIDAD:
November 4, 2015

Republic Bank Limited

Statement of Financial Position

As at September 30, 2015

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

ASSETS	Notes	2015	2014
Cash and cash equivalents		400,121	377,216
Statutory deposits with Central Bank		4,364,178	4,050,897
Due from banks		5,475,415	7,581,543
Treasury Bills		2,601,046	3,694,953
Investment interest receivable		23,282	21,952
Advances	4	22,219,302	19,162,197
Investment securities	5	2,581,295	2,016,732
Investment in associated companies	6	93,409	391,176
Investment in subsidiaries		2,623,364	1,870,976
Premises and equipment	7	1,144,438	991,993
Net pension assets	8	1,206,155	1,279,876
Deferred tax assets	9	128,105	136,099
Taxation recoverable		4,954	4,954
Other assets	10	1,631,308	436,786
TOTAL ASSETS		44,496,372	42,017,350
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		393,980	47,767
Customers' current, savings and deposit accounts	11	34,208,222	32,550,652
Other fund raising instruments	12	22,445	8,638
Debt securities in issue	13	1,148,820	1,148,460
Provision for post-retirement medical benefits	8	372,796	412,897
Taxation payable		124,153	53,846
Deferred tax liabilities	9	348,946	367,862
Accrued interest payable		17,422	17,612
Other liabilities	14	1,086,129	1,107,946
TOTAL LIABILITIES		37,722,913	35,715,680
EQUITY			
Stated capital	15	737,980	704,871
Statutory reserves		1,077,115	1,077,115
Other reserves	16	96,663	139,251
Retained earnings		4,861,701	4,380,433
TOTAL EQUITY		6,773,459	6,301,670
TOTAL LIABILITIES AND EQUITY		44,496,372	42,017,350

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

These financial statements were approved by the Board of Directors on November 4, 2015 and signed on its behalf by:



Ronald F. deC. Harford,
Chairman



David Dulal-Whiteway,
Managing Director

Republic Bank Limited

Statement of Income

For the year ended September 30, 2015

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

	Notes	2015	2014
Interest income	17 (a)	1,723,769	1,586,780
Interest expense	17 (b)	(147,450)	(146,674)
Net interest income		1,576,319	1,440,106
Other income	17 (c)	1,309,707	1,301,075
		2,886,026	2,741,181
Operating expenses	17 (d)	(1,483,017)	(1,509,804)
Operating profit		1,403,009	1,231,377
Loan impairment recovery/(expense)	4 (b)(ii)	8,441	(30,543)
Net profit before taxation		1,411,450	1,200,834
Taxation expense	18	(292,224)	(247,840)
Net profit after taxation		1,119,226	952,994

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

Republic Bank Limited

Statement of Comprehensive Income

For the year ended September 30, 2015

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

	Note	2015	2014
Net profit after taxation		1,119,226	952,994
Other comprehensive income:			
<i>Items of other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net loss on available-for-sale investments		(12,520)	(119,733)
<i>Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Re-measurement gains/(losses) on defined benefit plans	8 (h)	34,568	(46,032)
Total other comprehensive income/(loss) for the year, net of tax		22,048	(165,765)
Total comprehensive income for the year, net of tax		1,141,274	787,229

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

Republic Bank Limited

Statement of Changes in Equity

For the year ended September 30, 2015

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

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at October 1, 2013	649,932	944,477	269,913	4,260,988	6,125,310
Total comprehensive (loss)/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
Total comprehensive (loss)/income for the year	-	-	(12,520)	1,153,794	1,141,274
Issue of shares (Note 15)	27,374	-	-	-	27,374
Share-based payment	5,735	-	-	-	5,735
Shares purchased for profit sharing scheme	-	-	(67,414)	-	(67,414)
Allocation of shares (Note 16)	-	-	49,200	-	49,200
Transfer from general contingency reserve (Note 16)	-	-	(11,854)	11,854	-
Other	-	-	-	3,217	3,217
Dividends (Note 25)	-	-	-	(687,597)	(687,597)
Balance at September 30, 2015	737,980	1,077,115	96,663	4,861,701	6,773,459

The accompanying notes form an integral part of these financial statements

Republic Bank Limited

Statement of Cash Flows

For the year ended September 30, 2015

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

	Notes	2015	2014
Operating activities			
Net profit before taxation		1,411,450	1,200,834
Adjustments for:			
Depreciation	7	93,817	100,320
Loan impairment recovery/(expense)	4 (b)(ii)	(8,441)	30,543
Investment in subsidiary impairment expense		–	185,000
Translation difference		14,485	50,109
Loss/(gain) on sale of premises and equipment		1,863	(4,700)
Realised gain on investment securities		–	(251,333)
Stock option expense	15	5,735	8,150
Increase in employee benefits		79,710	69,831
Increase in advances		(3,057,105)	(2,064,495)
Increase in customers' deposits and other fund raising instruments		1,671,376	2,694,606
Increase in statutory deposits with Central Bank		(313,281)	(554,622)
Increase in other assets and investment interest receivable		(1,195,853)	(178,971)
(Decrease)/increase in other liabilities and accrued interest payable		(22,007)	67,083
Taxes paid, net of refund		(240,001)	(335,610)
Cash (used in)/provided by operating activities		(1,558,251)	1,016,745
Investing activities			
Purchase of investment securities		(2,147,096)	(1,288,523)
Redemption of investment securities		1,559,611	1,177,527
Additions to premises and equipment	7	(251,126)	(136,456)
Proceeds from sale of premises and equipment		3,000	10,870
Cash used in investing activities		(835,611)	(236,582)
Financing activities			
Decrease in balances due to other banks		346,213	406
Increase in investment in subsidiary		(454,621)	(14,950)
Repayment of debt securities		–	(149,670)
Proceeds from share issue	15	27,374	46,789
Shares purchased for profit sharing scheme	16	(67,414)	(71,050)
Allocation of shares to profit sharing plan	16	49,200	52,184
Dividends paid to shareholders of the parent	25	(684,380)	(685,252)
Amortised prepaid cost		360	330
Cash used in financing activities		(783,268)	(821,213)
Net decrease in cash and cash equivalents		(3,177,130)	(41,050)
Cash and cash equivalents at beginning of year		11,653,712	11,694,761
Cash and cash equivalents at end of year		8,476,582	11,653,712
Cash and cash equivalents at end of year are represented by:			
Cash on hand		400,121	377,216
Due from banks		5,475,415	7,581,543
Treasury Bills - original maturities of three months or less		2,601,046	3,694,953
		8,476,582	11,653,712
Supplemental information:			
Interest received during the year		1,711,618	1,583,107
Interest paid during the year		147,640	146,738
Dividends received	17 (c)	281,139	133,068

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, 2015

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

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 15 subsidiaries and three 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, 2014, except for the adoption of new standards and interpretations noted below:

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. The adoption and amendments to these standards had no impact on the financial position or performance of the Bank.

Republic Bank Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2015

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

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

i) New accounting policies/improvements adopted (continued)

IAS 19 - Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective 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.

2.3 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.

IAS 1 Disclosure Initiative - Amendments to IAS 1 (effective January 1, 2016)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements, the amendments clarify the following:

- The materiality requirements in IAS 1
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and other comprehensive income.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS and do not affect recognition and measurement.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (effective January 1, 2016)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life. Revenue generated may be used to amortise an intangible asset only in very limited circumstances.

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 application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 (effective January 1, 2016)

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multilayered group structure.

IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective January 1, 2016)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Republic Bank Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2015

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

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective January 1, 2016) (continued)

The amendments will effectively eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (effective January 1, 2016)

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be re-measured if the joint operator retains joint control.

The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. Entities need to consider the definition carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

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 profit or loss and other comprehensive income.

IFRS 15 - Revenue from Contracts with Customers (effective January 1, 2016)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

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 July 1, 2014.

IFRS	Subject of Amendment
IAS 16	- Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation/amortisation
IAS 24	- Related Party Disclosures - Key management personnel
IAS 40	- Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)
IFRS 2	- Share-based Payment - Definitions of vesting conditions

IFRS 3	- Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3	- Business Combinations - Scope exceptions for joint ventures
IFRS 8	- Operating Segments - Aggregation of operating segments
IFRS 8	- Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	- Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

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 \$4.4 billion (2014: \$4 billion), the Bank also holds Treasury Bills and other deposits of \$5 billion (2014: \$6 billion) with the Central Bank of Trinidad and Tobago as at September 30, 2015. Interest earned on these balances for the year was \$31.9 million (2014: \$18.2 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.

For purposes of subsequent measurement financial assets are classified in following categories:

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.

Republic Bank Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2015

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

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

c) Financial instruments (continued)

ii) Investment securities (continued)

Available-for-sale (continued)

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.

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) Investment in associates

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Bank's investments in associates are accounted for under the cost method of accounting. The Bank determines whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the loss in the statement of income.

f) 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.

g) 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%

h) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Premises and equipment Note 7

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

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

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

i) Employee benefits

i) Pension obligations

The Bank operates defined benefit plans, the assets of which are generally held in separate trustee-administered funds. The pension plans 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 Plans every three years. The Bank, took the actuary's advice regarding a pension holiday, effective January 1999.

Republic Bank Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2015

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2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

i) Employee benefits (continued)

i) Pension obligations (continued)

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

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

Past service costs are recognised in the statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation under 'operating expenses' in the statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or 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.

iv) 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).

j) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

k) Statutory reserves

The Trinidad and Tobago Financial Institutions Act 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. 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.

l) 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, 2015 totalled \$30.8 billion (2014: \$30.6 billion).

m) 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.

n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

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

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.

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.

Dividends

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

o) Fair value

The Bank measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or fair values are disclosed, are shown in Note 22 to the financial statements.

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

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

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

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

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

Republic Bank Limited

Notes to the Separate Financial Statements

For the year ended September 30, 2015

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2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

o) Fair value (continued)

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.

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

Where the 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.

p) 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.

q) 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.

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

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

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

- a) Capital management Note 21
- b) Risk management Note 20

Estimates and assumptions

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

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 4(b))

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.

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.

Judgements

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

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.

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.

Republic Bank Limited

Notes to the Separate Financial Statements

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4.	Advances			
	2015			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
a) Advances				
Performing advances	4,647,502	9,562,872	7,878,371	22,088,745
Non-performing advances	31,227	141,427	47,481	220,135
	4,678,729	9,704,299	7,925,852	22,308,880
Unearned interest/finance charge	(2,895)	(95)	–	(2,990)
Accrued interest	2,170	39,082	5,563	46,815
	4,678,004	9,743,286	7,931,415	22,352,705
Allowance for impairment losses - Note 4 (b)	(37,894)	(63,645)	(31,864)	(133,403)
Net advances	4,640,110	9,679,641	7,899,551	22,219,302
	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	(35,246)	(112,164)	(35,412)	(182,822)
Net advances	4,280,652	7,544,451	7,337,094	19,162,197

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

	2015			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
	Balance brought forward	35,246	112,164	35,412
Charge-offs and write-offs	(21,704)	(19,051)	(223)	(40,978)
Loan impairment expense	49,090	18,636	8,060	75,786
Loan impairment recoveries	(24,738)	(48,104)	(11,385)	(84,227)
Balance carried forward	37,894	63,645	31,864	133,403
Individual impairment	32,471	55,250	26,554	114,275
Collective impairment	5,423	8,395	5,310	19,128
	37,894	63,645	31,864	133,403
Gross amount of loans individually determined to be impaired, before deducting any allowance	31,227	141,427	47,481	220,134
	2014			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	26,070	105,882	41,453	173,405
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

5. Investment securities

a) Available-for-sale

	2015	2014
Government securities	1,217,088	9,445
State owned company securities	56,571	64,038
Corporate bonds/debentures	1,264,325	1,901,574
Other	43,311	41,675
	2,581,295	2,016,732

6. Investment in associated companies

Balance at beginning of year	391,176	391,176
Acquisition of controlling interest in a subsidiary	(297,767)	–
Balance at end of year	93,409	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) Limited	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%

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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	
	ECFH 2015	2015	2015	2014
Total assets	9,292,324	172,458	9,464,782	11,355,442
Total liabilities	8,748,759	26,674	8,775,433	10,276,797
Net assets/equity	543,565	145,784	689,349	1,078,644
Dividends received during the year	–	5,638	5,638	9,740

7. Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
	2015 Cost				
At beginning of year	150,303	723,084	79,116	1,042,341	1,994,844
Additions at cost	208,773	5,737	1,380	35,236	251,126
Disposal of assets	–	(90)	(2,385)	(40,677)	(43,152)
Transfer of assets	(123,188)	83,467	4,833	34,888	–
	235,888	812,198	82,944	1,071,788	2,202,818

Accumulated depreciation

At beginning of year	–	130,033	70,475	802,343	1,002,851
Charge for the year	–	9,558	4,923	79,336	93,817
Disposal of assets	–	(13)	(2,384)	(35,891)	(38,288)
	–	139,578	73,014	845,788	1,058,380

Net book value **235,888** **672,620** **9,930** **226,000** **1,144,438**

2014 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 of assets	–	(1,278)	(7)	(34,762)	(36,047)
Transfer of assets	(49,034)	9,869	–	39,165	–
	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**

Capital commitments

	2015	2014
Contracts for outstanding capital expenditure not provided for in the financial statements	323,118	402,555
Other capital expenditure authorised by the Directors but not yet contracted for	33,248	20,637

8. Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2015	2014	2015	2014
Present value of defined benefit obligation	(2,559,413)	(2,657,397)	(372,796)	(412,897)
Fair value of plan assets	3,776,892	3,951,444	–	–
Surplus/(deficit)	1,217,479	1,294,047	(372,796)	(412,897)
Effect of asset ceiling	(11,324)	(14,171)	–	–
Net asset/(liability) recognised in the statement of financial position	1,206,155	1,279,876	(372,796)	(412,897)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2015	2014	2015	2014
Opening defined benefit obligation	2,657,397	2,528,221	412,897	294,638
Current service cost	105,205	90,799	19,501	14,255
Interest cost	131,071	124,674	20,570	14,666
Re-measurements:				
- Experience adjustments	(47,357)	(15,946)	(33,728)	91,991
- Actuarial gains from change in financial assumptions	(214,058)	–	(43,432)	–
Benefits paid	(72,845)	(70,351)	–	–
Premiums paid by the Bank	–	–	(3,012)	(2,653)
Closing defined benefit obligation	2,559,413	2,657,397	372,796	412,897

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2015	2014	2015	2014
Defined benefit obligation at prior year end	1,279,876	1,277,480	412,897	294,638
Net pension cost	(42,651)	(28,219)	40,071	28,921
Re-measurements recognised in other comprehensive income	(31,070)	30,615	(77,160)	91,991
Premiums paid by the Bank	–	–	(3,012)	(2,653)
Closing net pension asset	1,206,155	1,279,876	372,796	412,897

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	61%	70%
- Deferred members	6%	N/A
- Pensioners	33%	30%

The weighted duration of the defined benefit obligation was 16.9 years for the pension benefit and 23.1 years for the medical benefit

38% of the defined benefit obligation for active members was conditional on future salary increases.

99% of the pension benefits and 38% of the medical benefits for active members were vested.

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8. Employee benefits (continued)

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

	Defined benefit pension plans	
	2015	2014
Opening fair value of plan assets	3,951,444	3,819,750
Interest income	195,739	188,517
Return on plan assets, excluding interest income	(296,041)	14,791
Benefits paid	(72,845)	(70,351)
Expense Allowance	(1,405)	(1,263)
Closing fair value of plan assets	3,776,892	3,951,444
Actual return on plan assets	(100,302)	203,308

f) Plan asset allocation as at September 30

	Defined benefit pension plans			
	Fair value		Allocation	
	2015	2014	2015	2014
Equity securities	1,784,882	1,891,920	47.26%	47.88%
Debt securities	1,683,707	1,663,702	44.58%	42.10%
Property	12,809	13,824	0.34%	0.35%
Money market instruments/cash	295,494	381,998	7.82%	9.67%
Total fair value of plan assets	3,776,892	3,951,444	100.00%	100.00%

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2015	2014	2015	2014
Current service cost	105,205	90,799	19,501	14,255
Interest on defined benefit obligation	(63,959)	(63,843)	20,570	14,666
Administration expenses	1,405	1,263	-	-
Total included in staff costs	42,651	28,219	40,071	28,921

h) Re-measurements recognised in Other Comprehensive Income

	Defined benefit pension plans		Post-retirement medical benefits	
	Fair value		Allocation	
	2015	2014	2015	2014
Experience gains/(losses)	34,626	(30,737)	(77,160)	91,991
Effect of asset ceiling	(3,556)	122	-	-
Total included in Other Comprehensive Income	31,070	(30,615)	(77,160)	91,991

i) Summary of principal actuarial assumptions as at September 30

	2015	2014
	%	%
Discount rate	5.50	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	
	2015	2014
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, 2015, 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	(361,000)	(376,623)	(69,000)	(80,490)
- Future salary increases	181,000	179,023	-	-
- Future pension cost increases	228,000	300,321	-	-
- Medical cost increases	-	-	93,000	108,402

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2015 by \$54 million and the post-retirement medical benefit by \$13 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 plans. The funding requirements are based on regular actuarial valuations of the Plans 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 plans in the 2016 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 \$5.51 million to the medical plan in the 2016 financial year.

9. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2014	Credit/(charge)		Closing balance 2015
		Statement of income	Other Comprehensive Income	
Post-retirement medical benefits	103,224	9,265	(19,290)	93,199
Unearned loan origination fees	26,918	1,271	-	28,189
Other	5,957	760	-	6,717
	136,099	11,296	(19,290)	128,105

b) Deferred tax liabilities

	Opening balance 2014	(Credit)/charge		Closing balance 2015
		Statement of income	Other Comprehensive Income	
Pension asset	319,970	(10,663)	(7,768)	301,539
Premises and equipment	42,149	3,873	-	46,022
Unrealised reserve	5,743	-	(4,358)	1,385
	367,862	(6,790)	(12,126)	348,946
Net credit/(charge) to statement of income/OCI		18,086	(9,320)	

10. Other assets

	2015	2014
Accounts receivable and prepayments	242,949	413,652
Due from related parties	1,388,359	23,134
	1,631,308	436,786

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11. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2015	2014
State	3,592,546	4,441,225
Corporate and commercial	10,290,161	8,335,034
Personal	18,737,131	17,822,696
Other financial institutions	1,588,384	1,951,697
	34,208,222	32,550,652

12. Other fund raising instruments

At September 30, 2015, investment securities held to secure other fund raising instruments of the Bank amounted to \$150 million (2014: \$150 million).

Concentration of other fund raising instruments	2015	2014
State	22,445	8,638

13. Debt securities in issue

Unsecured	2015	2014
Fixed rate bonds	998,820	998,460
Secured	2015	2014
Floating rate bonds	150,000	150,000
Total debt securities in issue	1,148,820	1,148,460

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

	2015	2014
Accounts payable and accruals	973,336	996,479
Unearned loan origination fees	112,793	111,467
	1,086,129	1,107,946

15. Stated capital

	2015	2014	2015	2014
	Number of ordinary shares ('000)			
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	161,052	160,463	704,871	649,932
Shares issued/proceeds from shares issued	336	552	27,374	46,789
Shares purchased for profit sharing scheme	(562)	(597)	–	–
Share-based payment	–	–	5,735	8,150
Unallocated shares	–	–	–	–
Allocation of shares	423	634	–	–
At end of year	161,249	161,052	737,980	704,871

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

	2015	2014
Weighted average number of ordinary shares	161,279	160,918
Effect of dilutive stock options	383	549
Weighted average number of ordinary shares adjusted for the effect of dilution	161,662	161,467

16. Other reserves

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 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
Revaluation of available-for-sale investments	–	–	–	(12,520)	(12,520)
Total income and expense for the year recognised directly in equity	–	–	–	(12,520)	(12,520)
General contingency reserve	–	–	(11,854)	–	(11,854)
Shares purchased for profit sharing scheme	–	(67,414)	–	–	(67,414)
Allocation of shares	–	49,200	–	–	49,200
Balance at September 30, 2015	5,620	(90,349)	180,278	1,114	96,663

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, 2015, the balance in the General contingency reserve of \$180.3 million (2014: \$192.1 million) is part of Other reserves which totals \$96.7 million (2014: \$139.2 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, 2015, shares costing \$90 million (2014: \$71 million) remain unallocated from the profit sharing scheme.

	No. of shares ('000's)	
	2015	2014
Balance brought forward	610	648
Add shares purchased	562	597
Allocation of shares	(422)	(635)
Balance carried forward	750	610

17. Operating profit

a) Interest income

Advances	1,631,424	1,503,537
Investment securities	59,200	63,865
Liquid assets	33,145	19,378
	1,723,769	1,586,780

b) Interest expense

Customers' current, savings and deposit accounts	58,092	54,970
Other fund raising instruments and debt securities in issue	88,778	91,703
Other interest bearing liabilities	580	1
	147,450	146,674

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17. Operating profit (continued)	2015	2014
c) Other income		
Fees and commission from trust and other fiduciary activities	138,887	193,647
Other fees and commission income	666,734	521,059
Net exchange trading income	199,664	155,063
Dividends	281,139	133,068
Gains from disposal of available-for-sale investments	23,283	298,238
	1,309,707	1,301,075
d) Operating expenses		
Staff costs	542,629	468,846
Staff profit sharing - Note 24 (a)	100,808	96,211
Employee benefits pension and medical contribution - Note 8 (g)	82,722	57,140
General administrative expenses	482,181	428,804
Operating lease payments	5,271	5,272
Property related expenses	110,734	112,648
Depreciation expense - Note 7	93,817	100,320
Advertising and public relations expenses	59,792	50,953
Investment in subsidiary impairment expense	—	185,000
Directors' fees	5,063	4,610
	1,483,017	1,509,804
e) Non-cancellable operating lease commitments	2015	2014
Within one year	28,313	29,689
One to five years	19,084	29,246
Over five years	5,479	8,049
	52,876	66,984
18. Taxation expense	2015	2014
Corporation tax	310,310	264,673
Deferred tax	(18,086)	(16,833)
	292,224	247,840
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:		
	2015	2014
Accounting profit	1,411,450	1,200,834
Tax at applicable statutory tax rates	352,863	300,209
<i>Tax effect of items that are adjustable in determining taxable profit:</i>		
Tax exempt income	(76,117)	(76,769)
Non-deductible expenses	59,036	113,127
Allowable deductions	(29,121)	(74,646)
Provision for Green Fund Levy and other taxes	(14,437)	(14,081)
	292,224	247,840
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.		
	2015	2014
Advances, investments and other assets (net of provisions)		
Republic Bank Limited Group	1,478,222	348,449
Directors and key management personnel	5,609	6,277
Other related parties	87,036	222,274
	1,570,867	577,000

	2015	2014
Deposits and other liabilities		
Republic Bank Limited Group	1,451,892	1,053,874
Directors and key management personnel	48,752	38,736
Other related parties	14,522	66,076
	1,515,166	1,158,686

	2015	2014
Interest and other income		
Republic Bank Limited Group	19,021	56,224
Directors and key management personnel	368	445
Other related parties	4,581	12,842
	23,970	69,511

	2015	2014
Interest and other expense		
Republic Bank Limited Group	19,373	19,167
Directors and key management personnel	5,728	5,213
Other related parties	97	96
	25,198	24,476

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

	2015	2014
Key management compensation		
Short-term benefits	15,727	14,058
Post employment benefits	1,674	11,103
Share-based payment	5,735	8,150
	23,136	33,311

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:

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20. Risk management (continued)

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	
	2015	2014
Statutory deposits with Central Bank	4,364,178	4,050,897
Due from banks	5,475,415	7,581,543
Treasury Bills	2,601,046	3,694,953
Investment interest receivable	23,282	21,952
Advances	22,219,302	19,162,197
Investment securities	2,537,984	1,975,057
Total	37,221,207	36,486,599
Undrawn commitments	4,249,292	3,979,922
Acceptances	1,578,048	1,214,660
Guarantees and indemnities	121	121
Letters of credit	68,559	38,892
Total	5,896,020	5,233,595
Total credit risk exposure	43,117,227	41,720,194

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.

20.2.2 Risk concentrations of the maximum exposure to credit risk

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:

	2015	2014
Trinidad and Tobago	38,236,462	36,721,367
Barbados	5,975	6,111
Eastern Caribbean	131,232	168,466
Guyana	50,680	2,056
Suriname	374,925	—
United States	2,773,065	3,045,628
Europe	648,844	914,767
Other Countries	896,044	861,799
	43,117,227	41,720,194

ii) Industry sectors

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

	2015	2014
Government and Central Government Bodies	13,970,038	11,525,336
Financial sector	4,598,950	6,984,653
Energy and mining	588,477	253,778
Agriculture	137,122	150,648
Electricity and water	76,610	79,595
Transport, storage and communication	387,650	387,457
Distribution	2,624,685	2,766,292
Real estate	1,944,604	1,679,895
Manufacturing	1,634,347	1,692,390
Construction	1,039,805	1,153,960
Hotel and restaurant	343,222	311,440
Personal	10,693,998	10,009,727
Other services	5,077,719	4,725,023
	43,117,227	41,720,194

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'.

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20. Risk management (continued)

20.2 Credit risk (continued)

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
2015	2,488,386	2,921,763	65,266	5,475,415
2014	3,988,780	3,523,445	69,318	7,581,543

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
2015	8,556	1,392,998	8,191,909	86,178	9,679,641
2014	5,368	936,925	6,553,920	48,238	7,544,451

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
2015	-	-	-	-	86,178	86,178
2014	-	-	-	-	48,238	48,238

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
2015	10,285,017	2,015,709	37,041	66,707	115,836	19,350	12,539,660
2014	9,779,387	1,639,243	42,692	48,751	74,955	32,720	11,617,746

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:

	Available-for-sale	Superior	Desirable	Acceptable	Sub-standard	Total
2015		2,409,155	114,052	13,574	1,203	2,537,984
2014		1,727,105	90,011	14,581	143,360	1,975,057

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.

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20. Risk management (continued)

20.3 Liquidity risk (continued)

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. Refer to 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
2015					
Customers' current, savings and deposit accounts	31,196,608	2,999,824	17,862	–	34,214,294
Other fund raising instruments	–	22,445	–	–	22,445
Debt securities in issue	–	91,708	1,293,626	–	1,385,334
Due to banks	–	393,980	–	–	393,980
Other liabilities	409,191	–	–	–	409,191
Total undiscounted financial liabilities	31,605,799	3,507,957	1,311,488	–	36,425,244
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

Financial liabilities - off statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Acceptances	391,150	858,733	327,499	666	1,578,048
Guarantees and indemnities	121	–	–	–	121
Letters of credit	68,559	–	–	–	68,559
Total	459,830	858,733	327,499	666	1,646,728

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

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:

	Change in basis points	Impact on net profit			
		2015		2014	
		Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	39,799	(39,799)	39,393	(39,393)
USD Instruments	+/- 50	3,785	(3,785)	2,460	(2,460)
	Change in basis points	Impact on equity			
		2015		2014	
		Increase	Decrease	Increase	Decrease
TTD Instruments	+/- 50	(12,389)	12,635	(6,193)	6,450
USD Instruments	+/- 50	(10,323)	7,243	(16,821)	17,119
Other currency Instruments	+/- 50	(63)	239	(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.

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20. Risk management (continued)

20.4 Market risk (continued)

20.4.2 Currency risk (continued)

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 Trinidad and Tobago dollars. Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognised in reserves. Gains or losses on related foreign currency funding are recognised in the 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.

2015	TTD	USD	BBD	Other	Total
Financial assets					
Cash and cash equivalents	352,512	34,907	981	11,721	400,121
Statutory deposits with Central Bank	4,364,178	–	–	–	4,364,178
Due from banks	2,480,475	2,467,297	1,810	525,833	5,475,415
Treasury Bills	2,601,046	–	–	–	2,601,046
Investment interest receivable	15,986	5,416	–	1,880	23,282
Advances	18,737,802	3,481,500	–	–	22,219,302
Investment securities	1,368,978	1,139,522	–	72,795	2,581,295
Total financial assets	29,920,977	7,128,642	2,791	612,229	37,664,639
Financial liabilities					
Due to banks	386,000	–	–	7,980	393,980
Customers' current, savings and deposit accounts	26,127,441	7,505,723	–	575,058	34,208,222
Other fund raising instruments	–	22,445	–	–	22,445
Debt securities in issue	1,148,820	–	–	–	1,148,820
Interest payable	16,213	1,130	–	79	17,422
Other liabilities	396,698	8,025	109	4,359	409,191
Total financial liabilities	28,075,172	7,537,323	109	587,476	36,200,080
Net currency risk exposure					
		(408,681)	2,682	24,753	
Reasonably possible change in currency rate					
		1%	1%	1%	
Effect on profit before tax					
		(4,087)	27	248	

2014	TTD	USD	BBD	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

2014	TTD	USD	BBD	Other	Total
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	

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 \$471.8 million to \$6.8 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 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

	2015	2014
Capital adequacy ratio	21.72%	25.77%

At September 30, 2015, the Bank exceeded the minimum level required for adequately capitalised institutions (2014: exceeded).

22. Fair value

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:

2015	Carrying value	Fair value	Un-recognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	8,476,582	8,476,582	–
Investment interest receivable	23,282	23,282	–
Advances	22,219,302	21,997,819	(221,483)
Investment securities	2,581,295	2,581,295	–

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22. Fair value (continued)

22.1 Carrying values and fair values (continued)

2015	Carrying value	Fair value	Un-recognised gain/(loss)
Financial liabilities			
Customers' current, savings and deposit accounts	34,208,222	34,208,222	-
Borrowings and other fund raising instruments	22,445	22,445	-
Debt securities in issue	1,148,820	1,268,970	120,150
Accrued interest payable	17,422	17,422	-
Other financial liabilities	409,191	409,191	-
Total unrecognised change in unrealised fair value			(101,333)

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)

22.2 Fair value and fair value hierarchies

22.2.1 Determination of fair value and fair value hierarchies

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

2015	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	1,123,862	1,448,827	8,606	2,581,295
Financial assets for which fair value is disclosed				
Advances	-	21,997,819	-	21,997,819
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	-	34,208,222	-	34,208,222
Debt securities in issue	-	1,364,755	-	1,364,755
2014				
Financial assets measured at fair value				
Investment securities	1,429,530	578,596	5,606	2,013,732
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, 2015, no assets were transferred between Level 1 and Level 2 (2014: None).

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	8,606	-	-	-	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. Refer to Note 20.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2015	Within one year	After one year	Total
ASSETS			
Cash and cash equivalents	400,121	-	400,121
Statutory deposits with Central Bank	4,364,178	-	4,364,178
Due from banks	5,475,415	-	5,475,415
Treasury Bills	2,601,046	-	2,601,046
Investment interest receivable	23,282	-	23,282
Advances	7,818,064	14,401,238	22,219,302
Investment securities	381,475	2,199,820	2,581,295
Investment in associated companies	-	93,409	93,409
Investment in subsidiaries	-	2,623,364	2,623,364
Premises and equipment	-	1,144,438	1,144,438
Net pension asset	-	1,206,155	1,206,155
Deferred tax assets	-	128,105	128,105
Taxation recoverable	4,954	-	4,954
Other assets	1,590,918	40,390	1,631,308
	22,659,453	21,836,919	44,496,372
LIABILITIES			
Due to banks	393,980	-	393,980
Customers' current, savings and deposit accounts	34,190,374	17,848	34,208,222
Other fund raising instruments	22,445	-	22,445
Debt securities in issue	-	1,148,820	1,148,820
Provision for post-retirement medical benefits	-	372,796	372,796
Taxation payable	124,153	-	124,153
Deferred tax liabilities	-	348,946	348,946
Accrued interest payable	17,422	-	17,422
Other liabilities	935,395	150,735	1,086,130
	35,683,769	2,039,145	37,722,914
2014			
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

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23. Maturity analysis of assets and liabilities (continued)

2014	Within one year	After one year	Total
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

24. Equity compensation benefits

a) Profit sharing scheme

During the 2015 financial year \$67 million advances were made to the staff profit sharing scheme (2014: \$71 million). It is estimated that approximately \$100.8 million (2014: \$96.2 million) will be allocated to staff from the profit sharing scheme in the current financial year. Refer to 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 is outlined below.

	2015 Weighted average exercise price	2014 Weighted average exercise price	2015 Number of shares	2014 Number of shares
At the beginning of the year	\$87.71	\$84.04	1,791,585	1,980,702
Granted	\$110.03	\$104.41	355,800	362,833
Exercised	\$81.67	\$85.24	(336,120)	(551,950)
At end of year	\$93.39	\$87.38	1,811,265	1,791,585
Exercisable at end of year	\$83.41	\$85.40	859,349	1,209,734

Expiry date	Exercise price	2015	2014
15-Dec-15	\$78.78	31,841	46,665
20-Dec-16	\$90.19	93,301	124,503
20-Dec-17	\$86.75	104,156	187,867
20-Dec-18	\$80.00	137,160	167,038
20-Dec-19	\$101.80	11,876	11,876
21-Feb-21	\$85.94	143,481	224,419
3-Feb-22	\$72.99	254,739	350,306
30-Jan-23	\$92.67	336,496	336,496
31-Dec-24	\$104.41	342,415	342,415
31-Dec-25	\$110.03	355,800	–
		1,811,265	1,791,585

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, 2014 to March 5, 2015
Number granted	355,800
Exercise price	\$110.03
Share price at grant date	\$118.20 to \$119.75
Risk free interest rate	2.00% per annum
Expected volatility	7.50% per annum
Dividend yield	3.65% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	\$8.53 to \$10.41

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 \$81.34. For options outstanding at September 30, 2015, the exercise price ranged from \$72.99 to \$110.03 and the weighted average remaining contractual life was 9.1 years.

The total expense for the share option plan was \$5.735 million (2014 : \$8.150 million).

25. Dividends paid and proposed

Declared and paid during the year

	2015	2014
Equity dividends on ordinary shares:		
Final dividend for 2014: \$3.00 (2013: \$3.00)	485,129	483,376
First dividend for 2015: \$1.25 (2014: \$1.25)	202,468	201,876
Total dividends paid	687,597	685,252

Proposed for approval at Annual General meeting (not recognised as a liability as at September 30)

Equity dividends on ordinary shares:		
Final dividend for 2015: \$3.10 (2014: \$3.00)	502,197	484,989

26. Contingent liabilities

a) Litigation

As at September 30, 2015, 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

	2015	2014
Acceptances	1,578,048	1,214,660
Guarantees and indemnities	121	121
Letters of credit	68,559	38,892
Total	1,646,728	1,253,673

c) Sectoral information

	2015	2014
State	211,871	178,854
Corporate and commercial	912,195	553,739
Personal	24,391	31,760
Other financial institutions	498,169	489,160
Other	102	160
Total	1,646,728	1,253,673

d) Pledged assets

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

	Carrying amount		Related liability	
	2015	2014	2015	2014
Financial investments - available-for-sale	150,000	150,000	150,000	150,000

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26. Contingent liabilities (continued)

d) Pledged assets (continued)

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.

27. Subsidiary companies

Name of Company	Country of incorporation	Equity interest
Republic Finance and Merchant Bank Limited <i>Merchant Bank</i>	Trinidad and Tobago	100.00%
Republic Investments Limited <i>Investment-Management Company</i>	Trinidad and Tobago	100.00%
Republic Securities Limited <i>Securities Brokerage Company</i>	Trinidad and Tobago	100.00%
Republic Wealth Management Limited <i>Investment Advisory Company</i>	Trinidad and Tobago	100.00%
Republic Bank (Cayman) Limited <i>Offshore Bank</i>	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited <i>Insurance Company</i>	Cayman Islands	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited <i>Offshore Bank</i>	Barbados	100.00%
Republic Bank (Barbados) Limited <i>Commercial Bank</i>	Barbados	100.00%
Republic Caribbean Investments Limited <i>Investment Company</i>	St. Lucia	100.00%
Atlantic Financial Limited <i>International Business Company</i>	St. Lucia	100.00%
Republic Suriname Holdings Limited <i>Investment Company</i>	St. Lucia	100.00%
Republic Bank (Suriname) N.V. <i>Commercial Bank</i>	Suriname	100.00%
HFC Bank (Ghana) Limited <i>Commercial Bank</i>	Ghana	57.11%
Republic Bank (Grenada) Limited <i>Commercial Bank</i>	Grenada	51.00%
Republic Bank (Guyana) Limited <i>Commercial Bank</i>	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, 2015, the Bank earned \$11.4M (2014: \$12.5M) in management fees from the retirement plans and \$76M (2014: \$94M) from the mutual funds.

The Bank holds an interest of \$16.5M in sponsored funds as at September 30, 2015, (2014: \$15.6M). 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, 2015.

29. Business combinations

a) Acquisition of HFC Bank (Ghana) Limited

Over the period November 2012 to September 2013, the Bank acquired 39.87% of the outstanding ordinary shares of HFC Bank (Ghana) Limited, a company based in Ghana and listed on the Ghana Stock Exchange. In May 2015, the Bank acquired 17.25% of the outstanding ordinary shares and obtained control of HFC Bank (Ghana) Limited. The acquisition has been accounted for using the cost method.

As at September 30, 2015, the cost of HFC Bank (Ghana) Limited was \$463.8M and is included in the Investment in subsidiaries.

b) Acquisition of Republic Bank (Suriname) N.V.

On July 31, 2015, the Bank acquired 100% of the outstanding ordinary shares of RBC Royal Bank (Suriname) N.V., renamed Republic Bank (Suriname) N.V., through the purchase of Royal Overseas Holdings (St. Lucia) Limited, renamed Republic Suriname Holdings Limited. The acquisition has been accounted for using the cost method.

As at September 30, 2015, the cost of Republic Bank (Suriname) N.V. was \$288.6M and is included in the Investment in subsidiaries.

30. Events after reporting period

On June 26, 2015, shareholders' approval was obtained to create Republic Financial Holdings Limited, the umbrella company under which all of the Bank's main subsidiaries will be held.

The proposed formation of Republic Financial Holdings will be achieved by Republic Bank Limited transferring (vesting) all of its banking business into Republic Finance and Merchant Bank Limited (FINCOR), save for the shareholdings in various banking subsidiaries. FINCOR will be renamed Republic Bank Limited and Republic Bank Limited will change its name to Republic Financial Holdings Limited.

We are currently in the process of obtaining all of the requisite approvals and expect the holding company structure to be in place by January 1, 2016. This reorganisation will not result in any change of economic substance for the Bank as at the vesting date.