Annual Report 2010

Republic Bank Limited

As one entity spanning many territories, Republic Bank has a thriving culture. Ours is a culture of success built on improving the lives of those we serve as customers, communities and stakeholders. United in our culture of core values, strong service traditions and innovative banking customs we have created a legacy of over 173 years of solid banking history.

We understand the benefits of culture and that is why we have always been committed to helping to sustain the diverse and vibrant art forms of the people of our region. For we know that cultures of success flourish and ultimately become a unifying force which sustains the future of nations.

Republic Bank Limited Annual Report 2010

VISION

Republic Bank,
the Financial Institution of Choice
in the Caribbean for Customers,
Staff and Shareholders.

We set the Standard of Excellence
in Customer Satisfaction,
Employee Satisfaction and Shareholder Value.

MISSION

Our mission is to provide Personalised,
Efficient and Competitively-priced Financial Services
and to implement Sound Policies
which will redound to the benefit
of our Customers, Staff and Shareholders.

VALUES

Customer Focus,
Respect for the Individual,
Integrity,
Professionalism and
Results Orientation.

CONTENTS

FINANCIAL

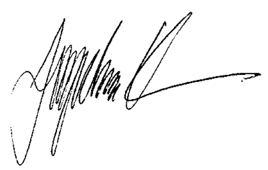
NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the Fortieth Annual Meeting of Republic Bank Limited will be held at the Ballroom of the Hilton Trinidad and Conference Centre, Lady Young Road, Port of Spain, on Wednesday December 15, 2010 at 9:30 a.m. for the following purposes:-

1 To receive the Audited Financial Statements of the Company for the year ended September 30, 2010 and the Reports of the Directors and Auditors thereon.
2 To take note of the Dividends paid for the twelve-month period ended September 30, 2010.
3 To elect Directors.
4 To re-appoint the Auditors, Ernst & Young, and to authorise the Directors to fix their remuneration.
5 Any other business.

By order of the Board



JACQUELINE H.C. QUAMINA
Corporate Secretary

November 3, 2010

NOTES:

PERSONS ENTITLED TO NOTICE

In accordance with Section 110(2) of the Companies Act Chap. 81:01, the Directors of the Company have fixed November 17, 2010 as the Record Date for the determination of shareholders who are entitled to receive notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Office of the Registrar during usual business hours.

PROXIES

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, and in a poll, vote instead of them. A proxy need not be a shareholder. Any instrument appointing a proxy must be received at the Registrar's Office not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes lodged with the Registrar will be excluded.

DIVIDEND

A final dividend of $2.40 cents declared for the financial year ended September 30, 2010 will be payable on December 3, 2010 to shareholders at the close of business on November 17, 2010.

DOCUMENTS AVAILABLE FOR INSPECTION

No service contracts were granted by the Company or Subsidiary Companies, to any Director or Proposed Director of the Company.

CORPORATE INFORMATION

DIRECTORS

Chairman
RONALD F. deC. HARFORD, *CM, FCIB, FIBAF, FCABFI*

Managing Director
DAVID J. DULAL-WHITEWAY, *BSc (Mgmt. Studies), MBA, CGA*

Deputy Managing Director
GREGORY I. THOMSON, *BSc (Math and Physics), MBA*

Executive Director
NIGEL M. BAPTISTE, *BSc (Hons.) (Econ.), MSc (Econ.), ACIB*

SHAZAN ALI, *BSc (Mechanical Eng.)*

TERRENCE W. FARRELL, *LLB, BSc (Econ.), MSc (Econ.), PhD*

GEORGE LEONARD LEWIS, *BSc, MS (Petroleum Eng.)*

WILLIAM P. LUCIE-SMITH, *MA (Oxon), FCA*

RUSSELL MARTINEAU, *SC, LLM*

CHRISTIAN E. MOUTTET, *BA (Business Admin. and Political Science)*

STEPHEN POLLARD, *CA, BSc (Business Admin.)*

WILLIAM H. PIERPONT SCOTT, *FCCA, CA*

CHANDRABHAN SHARMA, *BSc (Eng.), MSc, PhD*

MARJORIE THORPE, *PhD*

CORPORATE SECRETARY

Corporate Secretary
JACQUELINE H.C. QUAMINA, *LLB, MA, MBA*

Assistant Secretary
GREGORY I. THOMSON, *BSc (Math and Physics), MBA*

REGISTERED OFFICE

Republic House
9-17 Park Street
Port of Spain
Trinidad and Tobago, West Indies

GROUP HEAD OFFICE

Republic House
9-17 Park Street
Port of Spain
Trinidad and Tobago, West Indies
Swift: RBNKTTPX
Email: email@republictt.com
Internet: http://www.republictt.com

REGISTRAR

TRINIDAD AND TOBAGO CENTRAL DEPOSITORY LIMITED
10th Floor, Nicholas Tower
63-65 Independence Square
Port of Spain
Trinidad and Tobago, West Indies

ATTORNEYS-AT-LAW

POLLONAIS, BLANC, DE LA BASTIDE & JACELON
Pembroke Court
17-19 Pembroke Street
Port of Spain
Trinidad and Tobago, West Indies

J.D. SELLIER & COMPANY
129-131 Abercromby Street
Port of Spain
Trinidad and Tobago, West Indies

HOBSONS
Hobsons Court
13-17 Keate Street
San Fernando
Trinidad and Tobago, West Indies

AUDITORS

ERNST & YOUNG
5-7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad and Tobago, West Indies

BOARD OF DIRECTORS

Left to right:

SHAZAN ALI, *BSc (Mechanical Eng.)*
Chairman and Chief Executive Officer,
TOSL Engineering Limited

PROF. CHANDRABHAN SHARMA, *BSc (Eng.), MSc, PhD*
Deputy Dean, Faculty of Engineering,
The University of the West Indies

WILLIAM P. LUCIE-SMITH, *MA (Oxon), FCA*
Retired Chartered Accountant

CHRISTIAN E. MOUTTET, *BA (Business Admin. and Political Science)*
Chief Executive Officer, Victor E. Mouttet Limited

GEORGE LEONARD LEWIS, *BSc, MS (Petroleum Eng.)*
Retired Petroleum Engineer

RONALD F. deC. HARFORD, *CM, FCIB, FIBAF, FCABFI*
Chairman, Republic Bank Limited

GREGORY I. THOMSON, *BSc (Math and Physics), MBA*
Deputy Managing Director, Republic Bank Limited

RUSSELL MARTINEAU, *SC, LLM*
Senior Counsel

NIGEL M. BAPTISTE, *BSc (Hons.) (Econ.), MSc (Econ.), ACIB*
Executive Director, Republic Bank Limited

DAVID J. DULAL-WHITEWAY, *BSc (Mgmt. Studies), MBA, CGA*
Managing Director, Republic Bank Limited

DR. TERRENCE W. FARRELL, *LLB, BSc (Econ.), MSc (Econ.), PhD*
Consultant

DR. MARJORIE THORPE, *PhD*
Member, Salaries Review Commission

STEPHEN POLLARD, *CA, BSc (Business Admin.)*
Chief Executive Officer, Caribbean Nitrogen Company Limited

WILLIAM H. PIERPONT SCOTT, *FCCA, CA*
Financial Director, William H. Scott Limited

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the year ended September 30, 2010.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Group's profit after taxation and minority interest for the year ended September 30, 2010 amounted to $993.9 million.

The Directors have declared a dividend of $2.40 per share for the year ended September 30, 2010. A half-year dividend of $1.15 per share was paid on May 28, 2010, making a total dividend on each share of $3.55 (2009: $3.38).

DIRECTORS

In accordance with by-law No. I, Paragraph 4.4, David J. Dulal-Whiteway, Ronald F. deC. Harford, William P. Lucie-Smith and Chandrabhan Sharma retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

Shazan Ali was appointed a Director on May 10, 2010 to fill the casual vacancy created by the passing of Bernard S. Dulal-Whiteway on December 12, 2009. In accordance with By-law No. 1, Paragraph 4.4.5, Mr. Ali, having been appointed since the last meeting, retires from the Board and being eligible, offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

Set out below are the names of the Directors and Senior Officers with an interest in the Company at September 30, 2010, together with their connected parties and our ten (10) largest shareholders.

DIRECTORS AND SENIOR OFFICERS

Director/Senior Officer	Shareholding	Connected Party
Shazan Ali	4,500	
Nigel M. Baptiste	8,456	
David J. Dulal-Whiteway	43,928	
	5,000	Estate of Bernard S. Dulal-Whiteway
Terrence Farrell	Nil	
Ronald F. deC. Harford	4,574	
George Leonard Lewis	3,573	
William P. Lucie-Smith	Nil	
	6,500	Savaria Limited
Russell Martineau	Nil	
	1,000	Russan Holdings Limited
Christian E. Mouttet	Nil	
Stephen Pollard	Nil	
William H. Pierpont Scott	Nil	
Chandrabhan Sharma	1,000	
Gregory I. Thomson	12,071	
Marjorie Thorpe	1,000	
Roopnarine Oumade Singh	13,410	
Jacqueline H. C. Quamina	27,143	
Andrea Taylor-Hanna	13,982	

There has been no change in these interests occurring between the end of the Company's year and one month prior to the date convening the Annual Meeting.

10 LARGEST SHAREHOLDERS

Shareholder	Ordinary Shares	%
Colonial Life Insurance Company (Trinidad) Limited	51,858,299	32.29
National Insurance Board	28,679,894	17.86
CLICO Investment Bank Limited	17,696,905	11.02
Trintrust Limited	13,379,422	8.33
First Company Limited	13,191,640	8.21
First Citizens Trust & Merchant Bank Limited	4,279,254	2.66
RBTT Trust Limited	3,928,388	2.45
Trinidad & Tobago Unit Trust Corporation	3,180,497	1.98
Guardian Life of the Caribbean Limited	1,995,162	1.24
Roytrin Securities Limited	1,023,275	0.64

COMMUNITY INVOLVEMENT

Through the Power to Make A Difference programme, Republic Bank continues to engage the communities we serve by fostering and encouraging sustainable development. As the pinnacle of our social investment agenda, Power to Make A Difference represents a covenant with the various hard-working non-governmental (NGOs) and community-based organisations (CBOs) committed to the redress of social and cultural issues on the national level.

With the launch of the first phase in 2003 and the second phase in 2009, Republic Bank embarked on a TT$152 million campaign of poverty alleviation; youth development through sport, culture and education and healthcare for the sick and elderly.

In 2010, in addition to our traditional beneficiaries, our focus expanded to the empowerment of the differently able. Our collaboration continued with the Trinidad and Tobago Cancer Society, the Sanatan Dharma Maha Sabha, Loveuntil Foundation, The Life Centre, as well as the Autistic Society of Trinidad and Tobago and the National Centre for Persons with Disabilities.

GROUP FINANCIAL CALENDAR

Dividend Payments

- Final Dividend for year ended September 30, 2010	December 2010
- Interim Dividend for half year ending March 31, 2011	May 2011

Publication of Results

- First Quarter ending December 31, 2010	January 2011
- Half Year ending March 31, 2011	May 2011
- Third Quarter ending June 30, 2011	July 2011
- Year ending September 30, 2011	November 2011
- Mailing of Annual Report 2011	November 2011

AUDITORS

The retiring Auditors, Ernst & Young, have expressed their willingness to be re-appointed and a resolution to that effect will be proposed at the Annual Meeting.

By order of the Board

JACQUELINE H.C. QUAMINA
Corporate Secretary

CHAIRMAN'S REVIEW

RONALD F. deC. HARFORD, *Chairman*

This was a year of uncertainty in the financial sector. Persistent high liquidity and low loan demand exerted downward pressure on interest rates, and the effect of the failure of the CL Financial Group continued to have an impact on the economy of Trinidad and Tobago, as well as the region. However, the fundamental robustness of the Trinidad and Tobago economy and the improvement in economic growth in 2010 following a decline in 2009, have ensured a stable economy.

For the year ended September 30, 2010, the Group recorded a profit attributable to equity holders of the Parent of $993.9 million, an increase of 4.8% over 2009. Continued focus on the quality of our assets resulted in a much lower level of provisioning in 2010. However, the impact of declining interest rates is evident in the reduction in interest income. The Group maintains a strong and stable core revenue flow and continues to have a very strong and liquid balance sheet with the parent company maintaining a Tier II capital adequacy ratio of 29.95%, well above the required minimum of 8%.

The Board has declared a final dividend of $2.40 per share, payable on December 3, 2010. This brings the total dividend for the year to $3.55 per share, ($3.38 - 2009).

GLOBAL

The global economy stabilised in 2010 following its 0.6% contraction in 2009. The recovery was not as smooth as initially expected, however, with sluggish growth in advanced countries occurring along with stronger expansion in certain developing countries. The International Monetary Fund (IMF) forecasts that global economic activity will expand by 4.8% in 2010, with developed and emerging economies growing by 2.7% and an average of 7.1%, respectively.

After a solid start to the year, GDP growth in developed countries lost impetus in the second half of 2010, as the US economy slowed in the second quarter and consumer demand generally remained weak in the face of slow job growth. A sovereign debt crisis in parts of Europe earlier in the year has since strengthened the resolve of many governments to downplay stimulus measures and commence fiscal tightening as soon as their countries' economies are strong enough.

The experience of developing countries has been markedly different this year. Many of these countries, particularly the commodity exporters, are enjoying healthy growth rates, with a few like China even having to take measures to avoid overheating.

Growth is likely to be moderate in 2011, with the slowdown in some leading economies observed in the second half of 2010, expected to carry over into the New Year. Global growth of 4.2% is expected in 2011, with 2.2% average growth in developed countries and 6.4% across the developing world. Interest rates are expected to remain low, as accommodative monetary policy remains in place to bring about increased economic activity. Notwithstanding the generally strong showing thus far, persistent sluggish growth in leading economies may eventually curb growth in developing countries.

REGION

Spurred by the return to growth of several developed economies, Caribbean economic activity increased marginally in 2010. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) projects the region's economy to expand by 0.9% in 2010 after contracting by 2.3% in 2009. Nevertheless, severe challenges confront the region. Growth in the United States and other developed economies has decelerated, reviving fears of a double-dip recession. Although some Caribbean destinations have experienced a small increase in stay-over tourist arrivals for the first half of 2010, this was partly due to significant promotion efforts and was accompanied by lower per-visitor earnings. Additionally, high unemployment in major source markets continues to suppress demand for travel.

Reduced revenue streams and strong expenditure caused government fiscal positions to deteriorate in several territories. High debt levels remain a major source of unease, with several nations in the region burdened by debt in excess of 100% of their GDP. A number of projects across the region have been delayed as a result of reduced international capital inflows, while remittances to the region have shown little sign of recovery. In this environment, unemployment has been rising, exceeding 20% in some countries.

BARBADOS

The Barbados economy contracted by 1% during the first six months of 2010. Construction activity declined by 13% during the period, and the agriculture sector was hit by severe drought conditions, which suppressed crop yields. Stay-over tourist arrivals, however, increased by 3%, boosted by increased visitors from North America. The unemployment rate currently stands above 10%. Government debt continues to rise, with gross debt measuring 97% of GDP by June 2010.

This economic challenge is expected to persist throughout 2010, with generally fragile economic activity. The IMF forecasts GDP to contract marginally by 0.5% in 2010, a slower decline, compared to the 5.5% contraction that occurred in the previous year. Standard & Poor's recently lowered its rating on Barbados to BBB-, the lowest investment-grade level, saying the country's debt burden will increase, at least in the next two years.

GRENADA

The country's GDP is expected to grow marginally by 0.8% in 2010, a notable improvement compared to the 7.7% fall of 2009. The manufacturing sector provided some impetus for growth early in 2010, but this subsided by the middle of the year. Harsh drought conditions inflicted yet another setback on agriculture output. Unemployment remains high and is currently estimated to be over 35%. This has resulted in weak domestic demand, which in turn has caused significant shrinkage in the value of imports, helping to curtail the trade deficit. At well in excess of 100% of GDP, the country's debt is onerous and restricts fiscal policy. The introduction of value added tax and excise tax in February 2010 should boost government's revenue and reduce the deficit on the current account.

GUYANA

Guyana weathered the effects of the global economic downturn better than most Caribbean countries. The IMF forecasts the economy to grow by 2.9% in 2010. During the first half of the year, the increase in government revenue outpaced expenditure and caused the fiscal surplus to rise. The authorities' drive to complete major projects contained in the ongoing Public Sector Investment Programme (PSIP) caused capital expenditure to expand by 22%, to G$14 billion. By the second quarter of 2010, public external debt grew by 12.1% year-on-year, as the country received disbursements from the Inter-American Development Bank (IDB).

TRINIDAD AND TOBAGO

In 2009, the economy contracted for the first time since 1993, recording a decline of 3.5%. However, it is projected to grow by 2.5% in 2010, a year that has been challenging and eventful. The resurgence in crude oil prices gave a fillip to the economy, while natural gas prices remained weak. Aided by increasing petrochemical production levels, the energy sector returned to growth with a 2.6% expansion, but several key non-energy sub-sectors continued to struggle. The steady increase in consumer prices will result in an annual average inflation rate this year of approximately 11%.

Challenges persist for commercial banks, with demand for loans and advances continuing to decline. Both consumer and business loans fell, with only mortgage loans experiencing growth. In the resulting high-liquidity environment, the Central Bank continued a trend that began in early 2009, reducing the benchmark "repo" rate to 4.25% by September 2010, from at the start of the financial year. Consequently, commercial bank lending, deposit and mortgage rates were consistently lowered.

General Elections on May 24, 2010 ushered the new People's Partnership government into power, with an overwhelming majority. This was followed two months later by Local Government Elections which saw the People's Partnership winning 11 of the 14 Regional Corporations. In September, the new administration presented the 2010/2011 National Budget, projecting a fiscal deficit of 5.5% of GDP.

The Trinidad and Tobago economy, despite challenges, remains strong with sound economic fundamentals, and continues to enjoy an investment-grade credit rating. In June 2010, Moody's Investor Services maintained the country's current credit rating at Baa1 for both foreign and local currency bonds. Standard & Poor's maintained its foreign currency rating at A (long term) and A-1 (short term), and raised its outlook from negative to stable.

OUTLOOK

Challenging conditions will continue to confront the region. Tourism is expected to grow modestly, at best, and fiscal constraints brought on by rising levels of public debt of the various Caribbean Community (CARICOM) governments, should result in limited stimulus for their economies. The short-term outlook for Trinidad and Tobago is stable. Having weathered the worst of the global financial crisis, expected GDP growth for 2011 is 2%. With much of the uncertainty that pervaded 2010 having dissipated, some increase in loan demand and economic activity is hoped for.

The Group continues to position itself to manage the challenges, and has put in place sound strategies to maintain the strength of its balance sheet and take advantage of any opportunities that may arise.

I would like to express my gratitude to my fellow directors for their invaluable contribution to the organisation. In December 2009, we reported with deep regret, the passing of our director, Mr. Bernard S. Dulal-Whiteway. Bernard was a dear friend, advisor, luminary, exemplar and an astute businessman who served as a director of Republic Bank Limited for over 19 years. In May 2010, Mr. Shazan Ali, an engineer by profession, joined the Board. We welcome Shazan, whose vast business experience and considerable knowledge of the energy industry will be of great value to the Group.

In closing, I express my deep appreciation to the management and staff for their unwavering commitment to the organisation; and to our customers and shareholders for their continued dedication and support.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

DAVID J. DULAL-WHITEWAY, *Managing Director*

During fiscal 2010 we focused our attention on further strengthening our balance sheet, thereby positioning the Group to take advantage of future growth opportunities. Last year, our prognosis was that the recovery from the worldwide economic crisis would start late in 2010, and while we cannot yet cite full recovery, we do see some level of stabilisation. Following the challenges of the previous year, the upturn was not as smooth as initially hoped, with sluggish growth in advanced countries, along with stronger expansion in developing countries. Activity within the Caribbean economy, however, increased only marginally, as this tourism-centered region remains heavily dependent on trade with the major markets of North America, the United Kingdom and Europe. Notwithstanding this, most economies in the region showed improvement in 2010, and this is expected to continue.

At the onset of the financial crisis, our concern was the maintenance of a healthy balance sheet, while supporting our customers through the uncertainty of the period. We have had success in the strategies applied. The balance sheet at TT$46 billion has grown 8.1% over the financial year. With a liquid asset ratio of 30% and a capital adequacy ratio of 29.95%, we are well positioned for any upswing in economic activity. We have experienced both a reduction in the level of provisioning and an increase in the level of recoveries. The non-performing loans ratio has started to trend downwards and, more importantly, the delinquency within our loan portfolio is below the long-term average, except in Barbados, where in 2010 the impact of the financial crisis really hit home. The loans and advances portfolio remained flat, compared to the significant decline in the previous year. One major challenge in our markets has been the consistently high levels of liquidity. This, coupled with moderate loan demand, served to drive down interest rates. The entire financial system adjusted to lower net interest margins. Notwithstanding the lower margins, we are happy to report to our equity holders a 4.8% improvement in results.

Despite the sluggish economies, it has been a very busy year as we strengthened our operations with the completion of several initiatives. Even with the largest ABM networks in the countries in which we operate, we continued to expand these in 2010, allowing our customers greater access to automated banking. Internet banking was rolled out in Guyana, with Barbados and Grenada scheduled for completion early in 2011. Barbados also saw a new, state-of-the-art, core operating system being brought into use. The Finacle system is expected to increase efficiency, while offering customers a whole new range of services. In Trinidad and Tobago we piloted automatic signature verification, facilitating the launch of voucher-less banking. This, along with Easi-Change and Express Deposits, are all aimed at affording our customers greater speed in the processing of their banking transactions. But our list of innovations did not stop there. We also rolled out an enterprise data warehouse which enabled the implementation of an automated Know Your Customer/Anti-Money-Laundering monitoring system. It also supports our business performance management system and the customer relationship management system which will be put into operation in the first half of the next financial year. However, our most exciting innovation for the year is what we are calling "The Ultimate in Chip Card Technology". Republic Bank is the first bank in the English-speaking Caribbean to introduce this cutting edge technology. Our new Chip credit cards contain embedded microchips which store data more securely so that the card cannot be easily copied or altered, thus reducing fraud and making transactions more secure. Overall it has been a very busy year, indeed, as we consolidated our position and prepared for the turnaround in economic activity in the upcoming financial year.

At Republic, as we strive to be the Caribbean Financial Institution of Choice for all our stakeholders, we pay particular attention to our social responsibility to our communities. We achieved this through our Power to Make a Difference programme, working alongside several non-government organisations (NGOs). We assist children to obtain the tools they need to succeed in education, sport and music. We also offer assistance with medical expenses through the Republic Bank Make a Difference Fund for Sick Children. Several other initiatives support elderly care, and in what seemed the year of natural disasters, we extended our support to flood victims here in Trinidad and Tobago as well as earthquake relief efforts in Haiti. We also contributed to The University of the West Indies Haitian Relief Student Fund which will afford Haitian students the opportunity to complete their university education at the institution.

For the financial year ended September 30, 2010, profit attributable to equity holders of the parent amounted to TT $993.9 million, a 4.8% increase over 2009. Management of expenses and a reduction in provisioning levels contributed to this improved performance. The Board has declared a dividend of $3.55 for the financial year, an increase of 5% on 2009, and representing a dividend yield of just under 5%.

The following is a detailed discussion and analysis of the financial results of Republic Bank Limited. This should be read in conjunction with the audited financial statements contained on pages 30 to 100 of this report. All amounts are stated in Trinidad and Tobago dollars.

SUMMARY RESULTS OF OPERATIONS

Republic Bank Limited is a financial services Group encompassing fifteen subsidiaries and three associated companies. Total assets as at September 30, 2010 stood at $46 billion, an increase of 8.1% over last year. The Group is engaged in a wide range of banking, financial and related activities in the Caribbean.

All figures are in TT$M	**2010**	2009	Change	% Change
Profitability				
Net interest income	2,065.9	2,139.5	(73.6)	-3.4
Other income	948.1	986.5	(38.4)	-3.9
Share of profits of associated companies	15.6	27.4	(11.8)	-43.1
Core operating expenses	(1,459.9)	(1,443.1)	(16.9)	-1.2
Employee benefits pension contribution	(31.0)	49.7	(80.7)	-162.4
Loan impairment expense	(147.2)	(446.4)	299.1	67.0
Profit before taxation	1,391.5	1,313.7	77.8	5.9
Taxation	(317.1)	(274.9)	(42.3)	-15.4
Profit after taxation	1,074.4	1,038.8	35.5	3.4
Non-controlling interest	(80.5)	(90.4)	9.9	10.9
Profit attributable to Equity Holders of the Parent	993.9	948.4	45.4	4.79
Balance Sheet				
Total assets	45,902.1	42,446.4	3,455.7	8.1
Total advances	21,847.0	21,916.6	(69.5)	-0.3
Total deposits	31,494.6	28,053.7	3,440.9	12.3
Total equity	7,392.7	6,755.7	637.0	9.4

The reduction in net interest income and other income was offset by tight management of expenses and a significant decrease in the loan impairment costs. These combined to deliver a 4.8% increase in profit after tax to equity holders of the parent.

An increase in liquidity, evidenced by the expansion in deposits, contributed to this year's balance sheet growth. However, weak economic activity resulted in a relatively flat loans and advances portfolio. Excess funds were invested in treasuries and other short term instruments.

ANALYSIS OF PERFORMANCE BY TERRITORY

In Trinidad and Tobago the reduction in net interest income can be attributed to a fall-off in margins. The high levels of liquidity and limited economic activity combined to drive down interest rates. As indicated earlier, the entire market has shifted. The growth in Barbados was driven mainly by activity in our off-shore bank. Asset/liability management in the Cayman Islands and growth in the loan portfolio in Guyana and Grenada contributed to their increases in net interest income.

NET INTEREST INCOME ($'000s)

Country	2010	2009	Change	% Change
Trinidad and Tobago	1,399,494	1,505,903	(106,409)	-7.1
Barbados	381,320	359,994	21,326	5.9
Cayman/Guyana/Eastern Caribbean	285,123	273,592	11,531	4.2
Total	2,065,937	2,139,489	(73,552)	-3.4

Other Income

Throughout the region the same three issues impacted the level of other income. Limited economic activity meant reduced commissions from new business, which also affected the level of foreign exchange earnings, while trading income from the investment portfolio did not reach prior levels, as institutions held on to their assets in this very liquid environment. The fall-off was particularly evident in Barbados where the decline in trading activity was substantial.

OTHER INCOME ($'000s)

Country	2010	2009	Change	% Change
Trinidad and Tobago	894,759	905,158	(10,399)	-1.1
Barbados	104,689	132,985	(28,296)	-21.3
Cayman/Guyana/Eastern Caribbean	109,356	94,987	14,369	15.1
Inter-company eliminations	(160,660)	(146,604)	(14,056)	-9.6
Total	948,144	986,526	(38,382)	-3.9

Operating Expenses

Throughout the Group the introduction of new technologies is intended to offer customers more functionality while increasing the efficiency of the organisation. The full benefit will accrue over time and we have begun to feel its impact. Core operating expenses have been limited to an increase of 1.2% as savings in telephone, stationery and postage costs begin to materialise. The new technologies also allow for asset growth and increased customer transactions.

Valuations of our pension plans as required by IAS 19 resulted in an accounting charge to our income statement of TT$31 million in 2010, as compared to a credit of TT$50 million in 2009. The pension plan in Trinidad and Tobago has significant excess value, as evidenced by the $1.1 billion asset on the Bank's balance sheet. The valuation of this plan will change as the markets recover.

OPERATING EXPENSES ($'000s)

	2010	2009	Change	% Change
Core operating expenses	1,459,929	1,443,066	(16,863)	-1.2
Add/(less) Pension cost/(credit)	30,981	(49,683)	(80,664)	-162.4
Total operating expenses	1,490,910	1,393,383	(97,527)	-7.0
Trinidad and Tobago	1,042,454	1,035,450	(7,004)	-0.7
Barbados	249,515	229,835	(19,680)	-8.6
Cayman/Guyana/Eastern Caribbean	181,218	194,454	13,236	6.8
Inter-company eliminations	(13,258)	(16,673)	(3,415)	-20.5
Total	1,459,929	1,443,066	(16,863)	-1.2

Loans and Advances Portfolio

In 2010, the performing loan portfolio remained flat, compared to an 8.3% decline in 2009. Trinidad and Tobago was stable, Guyana and Grenada showed growth, but Barbados contracted.

LOANS AND ADVANCES ($ MILLIONS)

	2006	2007	2008	2009	2010
Performing loans	17,161	19,731	23,417	21,478	21,481
Non-performing loans	431	469	417	1,044	995
Gross loans	17,592	20,200	23,834	22,522	22,475
Loan provision	(281)	(283)	(227)	(606)	(628)
Net loans	17,311	19,917	23,607	21,916	21,847
Contingency reserve	150	196	218	477	422
Non-performing loans to gross loans	2.4%	2.3%	1.7%	4.6%	4.4%
Provision and Contingency reserves as a % of non-performing loans	100.0%	102.0%	106.7%	103.7%	105.6%

In spite of the significant increase of 35% in the non-performing loan portfolio in Barbados, the Group's non-performing loan portfolio declined by 5%, largely as a result of increased recovery efforts in Trinidad and Tobago. As a result, there is a slight improvement in the non-performing loans to gross loans ratio, from 4.6% in 2009 to 4.4% in 2010.

LOANS AND ADVANCES - 2010 ($ MILLIONS)

	T'dad	B'dos	Cay/Guy East Car.	Total
Performing loans	14,772	4,359	2,350	21,481
Non-performing loans	549	393	52	995
Gross loans	15,321	4,752	2,402	22,475
Loan provision	(484)	(121)	(23)	(628)
Net loans	14,837	4,631	2,379	21,847
Contingency reserve	131	278	13	422
Non-performing loans to gross loans	3.6%	8.3%	2.2%	4.4%
Provision and Contingency reserves as a % of non-performing loans	111.9%	101.4%	68.9%	105.6%

TOTAL ASSETS

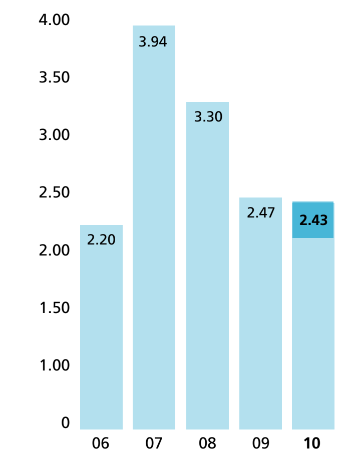
The Group's total asset base now stands at $46 billion, an increase of 8.1% on that reported for September 2009. With continued strong liquidity and minimal loan demand, the mix in the portfolio is changing. Short-term deposits, treasuries and government bonds are the current investment opportunities. This change in mix, together with a declining interest rate, has impacted margins. We are, however, well positioned, with respect to both liquidity and capital, to take advantage of any growth opportunities which may arise.

TOTAL ASSETS ($'000s)

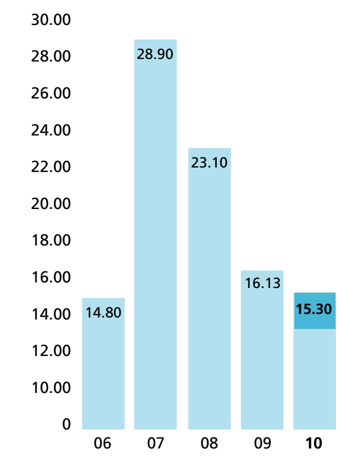
Country	2010	2009	Change	% Change
Trinidad and Tobago	33,440,086	30,289,274	3,150,812	10.40
Barbados	9,097,619	9,237,060	(139,441)	-1.51
Cayman/Guyana/Eastern Caribbean	8,099,264	7,747,569	351,695	4.54
Inter-company eliminations	(4,734,868)	(4,827,548)	92,680	1.92
Total	45,902,101	42,446,355	3,455,746	8.14

KEY PERFORMANCE RATIOS

RETURN ON ASSETS (%)

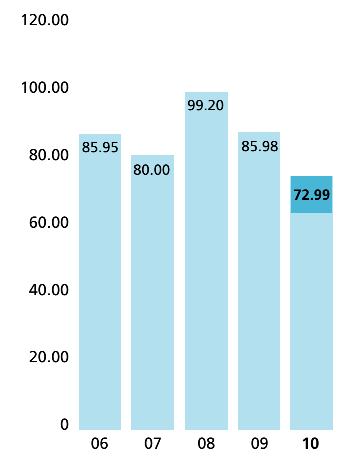


RETURN ON EQUITY (%)

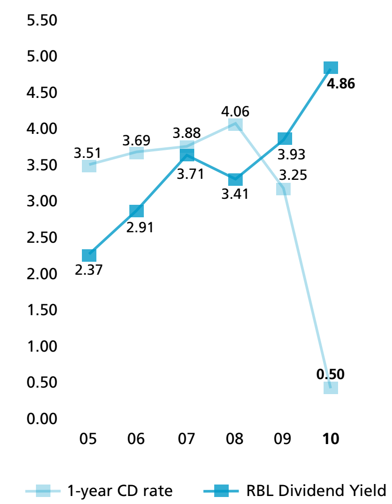


The share price at the close of the financial year was TT$72.99, resulting in a price earnings ratio of 11.79. With the approved dividend of $3.55, the dividend yield is 4.9%.

SHARE PRICE ($)



DIVIDEND YIELD (%)



CAPITAL STRUCTURE

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice (the Basle Committee), as implemented by the respective Central Banks for supervisory purposes. The risk-based capital guidelines require a minimum ratio of core capital (Tier I) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier II) ratio of 8%. Core (Tier I) capital comprises mainly of shareholders' equity.

CAPITAL ADEQUACY RATIO

	2010	2009
Republic Bank Limited	**29.95%**	28.31%
Republic Finance and Merchant Bank Limited	**69.68%**	40.49%
Republic Bank (Cayman) Limited	**31.74%**	28.28%
Republic Bank (Grenada) Limited	**18.04%**	18.00%
Republic Bank (Guyana) Limited	**20.53%**	14.30%
Barbados National Bank Inc.	**18.78%**	17.45%

All banking subsidiaries have shown an improvement in their capital adequacy ratio this year. The Group is well in excess of required capital. The Bank's dividend policy is to distribute 40% to 50% of Group net earnings to shareholders. This year's dividend, at $3.55 ($570 m), represents a 5% increase on 2009, $3.38, ($543 m). This amounts to 57% of net profit. The Group's capital adequacy is well over the required 8% Tier II minimum, and its solid capital base leaves it well positioned to accomplish future growth and expansion.

OUTLOOK

The International Monetary Fund's most recent report indicates that the Caribbean is gradually recovering from last year's severe financial crisis. While the Fund acknowledges an improvement in tourism, it notes that "headwinds from weak labour markets in advanced economies" could constrain growth prospects. We share these views, and are hopeful that the recovery which has begun will continue through 2011. As the fear of the unknown subsides, confidence is slowly returning. Regional governments' ability to propel growth has been stymied by their heavy debt load. Sustainable growth in the future will depend more on the private sector, and is expected to be sluggish due to the slow recovery in our major trading countries.

These results would not be possible without a dedicated and committed team. I thank the staff, management and the Board of Directors for their tireless efforts as we steer the Bank forward. But most of all, I thank our customers and shareholders for their continued faith in the organisation.

Adopted by the Board of Directors at the meeting of November 3, 2010.

RONALD F. deC. HARFORD	GEORGE LEONARD LEWIS
DAVID J. DULAL-WHITEWAY	RUSSELL MARTINEAU
GREGORY I. THOMSON	NIGEL M. BAPTISTE
SHAZAN ALI	DR. TERRENCE W. FARRELL
PROF. CHANDRABHAN SHARMA	DR. MARJORIE THORPE
WILLIAM P. LUCIE-SMITH	STEPHEN POLLARD
CHRISTIAN E. MOUTTET	WILLIAM H. PIERPONT SCOTT

EXECUTIVE MANAGEMENT TEAM

Seated behind, left to right:

JACQUELINE H.C. QUAMINA, *Group General Counsel/Corporate Secretary*

CHARLES A. MOUTTET, *General Manager, Trust and Asset Management Division*

ROBERT CAMPS, *General Manager, Corporate Operations and Process Improvement*

ANDREA TAYLOR-HANNA, *General Manager, Planning and Financial Control*

GEOFFREY CLARKE, *General Manager, Risk Management*

ROOPNARINE OUMADE SINGH, *General Manager, Treasury*

DERWIN M. HOWELL, *General Manager, Commercial and Retail Banking*

Seated in front, left to right:

ANTHONY WONG, *General Manager, Information Technology Management*

CHARMAINE CABALLERO, *General Manager, Human Resources*

IAN R. DE SOUZA, *General Manager, Corporate and Investment Banking*

ANNA-MARÍA GARCÍA-BROOKS, *General Manager, Group Marketing and Communications*

KAREN YIP CHUCK, *General Manager, Internal Audit*

Barbados National Bank Inc. (BNB), a full service commercial bank, is one of the largest banks in Barbados. It has nine (9) branches throughout the island supported by a large network of ATMs. The BNB Group includes two subsidiaries – Barbados Mortgage Finance Company Limited and BNB Finance and Trust Corporation. The BNB Group employs more than 500 persons.

REGISTERED OFFICE:
Independence Square, Bridgetown, Barbados, West Indies
Telephone: (246) 431-5999 Fax: (246) 429-2606
Swift: BNBABBBB Email: info@bnbbarbados.com Website: www.bnbbarbados.com

Managing Director and Chief Executive Officer Robert L. Le Hunte, BA (Econ.), MSc (Acct.), CA, MBA

BARBADOS NATIONAL BANK INC.

Republic Bank (Cayman) Limited is a private bank offering a comprehensive wealth management service to clients in the Caribbean region and beyond. This service includes banking in most major currencies, investment management and formation of private investment holding companies and trustee services. Republic Bank (Cayman) Limited continues to be a strong contributor to the Group's profits, and allows the network to offer a full range of Offshore Wealth Management Services to its clients.

REGISTERED OFFICE:
Suite #308, Smith Road Centre, 150 Smith Road, P.O. Box 2004, KY1-1104, George Town, Grand Cayman
Telephone: (345) 949-7844 Fax: (345) 949-2795

Managing Director Gary Darwent, BBA, ACIB, Dip (Business Mgmt.)

REPUBLIC BANK (CAYMAN) LIMITED

Republic Bank (Grenada) Limited is well represented in Grenada with seven (7) branches and twelve (12) ATMs dispersed across the tri-island state of Grenada, Carriacou and Petite Martinique. It continues to lead the market share position for total assets and deposits. The Bank recorded another successful year of operations, with a profit of EC$9.28 million after tax for the financial year ended September 30, 2010.

REGISTERED OFFICE:
P.O. Box 857, Grand Anse, St. George, Grenada, West Indies
Telephone: (473) 444-BANK (2265) Fax: (473) 444-5501
Swift: NCBGGDGD Email: info@republicgrenada.com Website: www.republicgrenada.com

Managing Director Keith A. Johnson, AICB, BSc (Acct.) (Dist.), MBA (Dist.)

REPUBLIC BANK (GRENADA) LIMITED

Republic Bank (Guyana) Limited's history spans 174 years, originating in 1836 as the British Guyana Bank, and continues its proud tradition of leadership in Guyana's banking sector. Fiscal 2010 has been a good year, with recorded net profit of G$1.982 billion after tax. The Bank has consistently held a dominant market share in deposits, and maintains the largest network of Branches and ATMs. Internet Banking was introduced in September 2010.

REGISTERED OFFICE:
Promenade Court, 155-156 New Market Street, North Cummingsburg, Georgetown, Guyana
Telephone: (592) 233-7938-49 Fax: (592) 233-5007
Swift: RBGL GYGG Email: email@republicguyana.com Website: www.republicguyana.com

Managing Director John N. Alves, FICB

REPUBLIC BANK (GUYANA) LIMITED

Republic Securities Limited is a full service stockbroking firm that trades on the local stock exchange and has execution capabilities for international stocks on the New York Stock Exchange. It provides investment advisory services and specialises in financial planning, portfolio management and retirement planning.

REGISTERED OFFICE:
2nd Floor, Promenade Centre, 72 Independence Square, Port of Spain, Trinidad and Tobago, West Indies
Telephone: (868) 623-0435 Fax: (868) 623-0441
Email: rslinfo@republictt.com Website: www.rsltt.com

Chief Executive Officer Godfrey Gosein, BSc (Ind. Mgmt.), MBA

REPUBLIC SECURITIES LIMITED

A heart to do good beats within us all. With this comes the responsibility to take up the challenge of providing for those who cannot provide for themselves, and to empower those in whom the potential for greatness dwells. In 2003, we acted on that responsibility when we launched the Power to Make A Difference programme. Stepping away from the model of traditional corporate philanthropy, Republic Bank made the promise to work together with various non-governmental and community-based organisations (NGOs and CBOs) in an effort to invest in and safeguard a brighter future for Trinidad and Tobago.

Structured on the four pillars – the Power to Care, the Power to Help, the Power to Learn and the Power to Succeed – the Power to Make A Difference programme draws its greatest strength from the fact that it can fully address key aspects of social development and build solid relationships within the NGO and CBO communities.

Over the first five years, we pledged TT$40 million in support of various community groups and the social development projects they spearheaded. At the end of the first phase in 2008, Republic Bank had invested TT$52 million in support of youth development through education, sport and culture, care for the elderly, the socially marginalised and the ill, and in strengthening local businesses.

In the first phase we created a legacy of teamwork and caring through extensive work and collaboration with the Autistic Society of Trinidad and Tobago, the St. Vincent de Paul Society, the Trinidad and Tobago Cancer Society, the Salvation Army, Les Amantes de Jesus, Loveuntil Foundation, SWAHA Home, the Catholic Commission for Social Justice, the Walk Tall Programme for First Time Offenders, Marion House for Displaced Boys, the Gasparillo Home for Children, the Butler Institute and the Cotton Tree Foundation.

These successes gave us confidence going into the second phase of the programme. This time around, having learned first-hand of the struggles the NGO and CBO communities face, we recognised that there were previously unexplored areas where we could provide meaningful assistance.

Doubling our overall investment to $100 million, we began this new phase where the last one left off, and added value by pioneering a more personal approach to corporate assistance of communities through efforts such as our holistic Staff Volunteerism programme. We also broadened the scope of the Power to Make A Difference programme to directly include the needs of the NGOs concerned with the conditions of the differently able, both physically and mentally. Of the $100 million pledged under the new phase, $20 million has been dedicated to NGOs that champion the cause of the differently able, such as the Life Centre, the Autistic Society of Trinidad and Tobago, the Lady Hochoy Home and the National Centre for Persons with Disabilities in Trinidad and Tobago.

As we continued to empower the national community, we deepened the value of our focus on that most critical stage of life – childhood. In 2010, we continued our work to support youth potential through a variety of on-going projects such as the RightStart Cup Youth Football Camps and Tournament, the RightStart Chaguaramas Junior Golf Clinics and Junior Golf Open, the RightStart Pan Minors Music Literacy Scholarship Programme and sponsorship of the University of the West Indies World of Work (WOW) programme.

We also continued to play a significant role in preserving for future generations our cultural traditions and artforms. Most notably, we collaborated with the Sanatan Dharma Maha Sabha (SDMS) and its annual cultural Baal Vikaas Vihaar festival for children. We also continued our support and sponsorship of the annual Junior Carnival Parade of the Bands.

We teamed with various NGOs to give children real hope for a sound future in 2010. This past year, we worked with Casa de Corazon on repairs to its home for abandoned and abused children; likewise we worked with the YMCA to construct a swimming pool for young children and the differently able at its new multipurpose facility in Tobago. Through school-bus donations to the San Fernando District Scout Council and San Fernando TML Primary School, and extensive work with the St. Ann's/Cascade Motivational Programme and Kids in Need of Direction (KIND) we have helped get young people on the road to success.

As we continued to carry the torch for corporate social investment, 2010 quickly became a watershed year, one where we raised the bar even further as we embarked on ambitious new projects, marking several milestones in the process.

Through the Republic Bank Make a Difference Fund for Sick Children, we teamed with the Hope of a Miracle Foundation to assist with the medical expenses of critically-ill children. We joined forces with the Helen Bhagwansingh Diabetes, Education, Research and Prevention Institute (DERPI) to provide early screening of secondary school children, and we partnered with Transplant Links to provide more children with life-saving kidney transplants.

We continued to achieve milestones by working alongside the Archdiocesan Family Life Commission to provide counselling for parents in numerous parishes. We also sponsored the Trinidad and Tobago Cancer Society's Edufest and Walkathon, and assisted with vital repairs to the Our Lady of Lourdes Maraval Community Hall.

We look forward to what a new phase of Power to Make A Difference will bring. Backed by the commitment to teamwork and sustainable development, we stand ready to work together to meet the needs of our developing society. Power to Make A Difference is our way of honouring the communities we serve. By giving back to them, we are assured that a heart to do good continues to beat strongly within us all.

THE POWER TO MAKE A DIFFERENCE

CORPORATE GOVERNANCE

INTRODUCTION

Republic Bank Limited is committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update, as necessary, our internal systems in order to ensure our standards reflect best international practice while tailored to the specific needs of the Bank.

The Board of Directors exercises leadership, enterprise, integrity and good judgement in directing the Bank to achieve continuing prosperity. It will act in the best interests of the Bank, guided by a philosophy that is based on transparency, accountability and responsibility.

The Board provides entrepreneurial leadership to the Bank within a framework of prudent and effective controls that enables risk to be assessed and managed. It sets the Bank's strategic aims, ensuring that the necessary financial and human resources are in place for it to meet its objectives and review management performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Board is responsible for:

- oversight of the Bank, including its control and accountability systems;
- appointing and removing Directors and members of senior management;
- formulation of policy;
- input into, and final approval of, management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance, implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- approving credit facilities.

Our Board of Directors is currently made up of fourteen (14) Directors, eleven (11) of whom are Non-Executive Directors and three (3) are Executive Directors. This balance of Non-Executive Directors to Executive Directors ensures that the Board is able to exercise independent judgement with sufficient management information to enable proper and objective assessment of corporate affairs. The Non-Executive Directors reflect a diverse cross-section of the professional and business community and are all highly respected, independent individuals with a wealth of experience in their respective fields. Discussion at Board meetings is, therefore, rich with the combined wisdom of the individuals, as well as reflective of their varied cultural and religious backgrounds.

The Executive Directors ensure that at Board meetings, Directors have access to the best possible banking, management and financial advice during their deliberations. Each Executive Director has his own particular strength reflective of his professional experience, and this ensures the Board has a clear perspective on all matters on which decisions are required. Careful planning and a commitment to ensuring there is always an excellent group of managers to maintain continuity and seamless succession, have always been priorities of the Board.

The Board of Directors meets formally every month, while special Board meetings are called as the need arises. The Managing Director has explicit authorities and responsibilities that are documented and approved by the Board of Directors and reviewed as and when necessary.

At the Annual Meeting, one-third of the Directors retire and may offer themselves for re-election. At the upcoming Annual Meeting, David J. Dulal-Whiteway, Ronald F. deC. Harford, William P. Lucie-Smith and Chandrabhan Sharma retire from the Board by rotation and being eligible, have offered themselves for re-election. On May 10, 2010, Shazan Ali filled the vacancy created by the passing of Bernard S. Dulal-Whiteway in December 2009. In accordance with the Company's By-law, Shazan Ali will also retire from the Board and being eligible, has offered himself for re-election.

The Board of Directors has access to the advice of the Group General Counsel/Corporate Secretary, as well as the Bank's external counsel, including advice on any matter concerning his or her role as a Director.

The Board of Directors complies with the Model Code for Securities Transaction by Insiders of Listed Companies issued by the Trinidad and Tobago Stock Exchange Limited. Strict guidelines are provided by the Bank for the occasions when it may be perceived that Directors have special knowledge, and dealing in the Bank's shares is prohibited. The purchase or sale of shares by an insider requires the prior written consent of the Corporate Secretary, and transactions are tabled for the information of the Board of Directors.

The Bank's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner that is precise and tangible, both to the Board and management. The Bank's affairs are subject to comprehensive assessment against accurate and relevant information, both financial and non-financial as appropriate, obtainable from the Bank's internal reporting systems as well as external sources, so that informed assessment can be made of issues facing the Board. To this end, the following committees have been established:

AUDIT COMMITTEE

This Committee meets quarterly to review the financial reporting process, the system of internal control, management of financial risks, the audit process, the Bank's process for monitoring compliance with laws and regulations and its own code of business. Four (4) meetings were held to deal with these matters.

The Committee comprises:

William P. Lucie-Smith, *Chairman*
George Leonard Lewis
Russell Martineau
William H. Pierpont Scott

CREDIT COMMITTEE

This Committee meets twice monthly, or as necessary, to approve or decline credit proposals over the limit of the Executive Directors and on the classification of accounts. Fifteen (15) meetings were held for the fiscal year.

The Committee comprises:

- Two (2) Executive Directors
- Three (3) Non-Executive Directors, one of whom shall be the Chairman of the Bank and who shall also be the Chairman of the Committee, provided he is able to attend and the other two members selected from the following Panel:-

Dr. Terrence W. Farrell
George Leonard Lewis
William P. Lucie-Smith
Christian E. Mouttet
Stephen Pollard
Prof. Chandrabhan Sharma
Dr. Marjorie Thorpe

GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE

This Committee is responsible for reviewing the compensation package for all categories of staff, establishing formal and transparent procedures for the selection of Executive and Non-Executive Directors, addressing issues which from time to time may emerge, having implications for the good governance within the Group, and meets as the need arises. Five (5) meetings were held for the fiscal year.

The Committee comprises:

Ronald F. deC. Harford, *Chairman*
Russell Martineau
Christian E. Mouttet
William H. Pierpont Scott
Dr. Marjorie Thorpe
The Managing Director
The Deputy Managing Director

OTHER RISKS COMMITTEE

This Committee meets quarterly to review policies and procedures, and ensures that the Bank is not exposed to unnecessary risk with respect to its operations in IT, Operational Risk, Trust and Asset Management, Asset Liability Management and Credit Card Operations. Four (4) meetings were held for the fiscal year.

The Committee comprises:

George Leonard Lewis , *Chairman*
Shazan Ali
Dr. Terrence W. Farrell
Stephen Pollard
Prof. Chandrabhan Sharma
Two (2) Executive Directors

FINANCIAL REPORTING REQUIREMENTS

The Directors of Republic Bank Limited are responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards. Where amounts are based on estimates and judgements, these represent the best estimate and judgement of the Directors.

General responsibilities include:

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Group keeps accounting records that disclose with reasonable accuracy the financial position of the Group.

The Directors have always recognised the importance of the Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Group. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Group.

The system of internal control is further supported by a professional staff of internal auditors who conduct periodic audits of all aspects of the Group's operations. External auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and findings as to the integrity of the Group's accounting and financial reporting and the adequacy of the system of internal controls.

Signed on behalf of the Board

RONALD F. deC. HARFORD
Chairman

September 30, 2010

CONTENTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK LIMITED

We have audited the consolidated financial statements of Republic Bank Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at September 30, 2010, and the related consolidated 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at September 30, 2010, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain
TRINIDAD

November 3, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	**2010**	2009
ASSETS			
Cash		**474,864**	441,384
Statutory deposits with Central Banks		**3,499,747**	2,791,408
Due from banks		**5,682,156**	4,138,335
Treasury bills		**4,243,336**	3,553,374
Investment interest receivable		**83,524**	110,876
Advances	4	**21,847,038**	21,916,562
Investment securities	5	**6,216,335**	5,624,200
Investment in associated companies	6	**190,725**	186,089
Premises and equipment	7	**1,569,708**	1,495,988
Goodwill	8	**485,971**	485,971
Net pension asset	9	**1,141,497**	1,156,697
Deferred tax assets	10	**86,207**	122,552
Taxation recoverable		**35,369**	34,120
Other assets	11	**345,624**	388,799
TOTAL ASSETS		**45,902,101**	42,446,355
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	**283,736**	273,555
Customers' current, savings and deposit accounts	13	**31,494,569**	28,053,713
Other fund raising instruments	14	**3,696,299**	4,179,826
Debt securities in issue	15	**1,346,809**	1,438,245
Provision for post-retirement medical benefits	9	**151,340**	133,749
Taxation payable		**93,261**	90,258
Deferred tax liabilities	10	**434,572**	414,819
Accrued interest payable		**125,253**	191,855
Other liabilities	16	**883,539**	914,607
TOTAL LIABILITIES		**38,509,378**	35,690,627
EQUITY			
Stated capital	17	**590,406**	583,911
Statutory reserves		**598,369**	510,784
Other reserves	18	**742,858**	669,083
Retained earnings		**4,859,403**	4,440,229
Attributable to equity holders of the parent		**6,791,036**	6,204,007
Non-controlling interest		**601,687**	551,721
TOTAL EQUITY		**7,392,723**	6,755,728
TOTAL LIABILITIES AND EQUITY		**45,902,101**	42,446,355

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

These financial statements were approved by the Board of Directors on November 3, 2010 and signed on its behalf by:

RONALD F. deC HARFORD	DAVID J. DULAL-WHITEWAY	GEORGE L. LEWIS	JACQUELINE H. C. QUAMINA
Chairman	*Managing Director*	*Director*	*Corporate Secretary*

CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2010

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

	Notes	2010	2009
Interest income	19 (a)	2,689,159	3,083,581
Interest expense	19 (b)	(623,222)	(944,092)
Net interest income		2,065,937	2,139,489
Other income	19 (c)	948,144	986,526
		3,014,081	3,126,015
Operating expenses	19 (d)	(1,490,910)	(1,393,383)
Share of profits of associated companies	6	15,605	27,437
Operating profit		1,538,776	1,760,069
Loan impairment expense, net of recoveries	4 (b)	(147,246)	(446,368)
Net profit before taxation		1,391,530	1,313,701
Taxation expense	20	(317,145)	(274,865)
Net profit after taxation		1,074,385	1,038,836
Attributable to:			
Equity holders of the parent		993,874	948,445
Non-controlling interest		80,511	90,391
		1,074,385	1,038,836
Earnings per share			
Basic		$6.19	$5.91
Diluted		$6.14	$5.88
Weighted average number of shares ('000)			
Basic		160,595	160,563
Diluted		161,852	161,211

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2010

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

	2010	2009
Net profit after taxation	1,074,385	1,038,836
Other comprehensive income:		
Realised losses transferrred to statement of income	(1,919)	(5,135)
Tax effect	98	86
	(1,821)	(5,049)
Revaluation of available-for-sale investments	129,644	245,637
Tax effect	(8,135)	(30,771)
	121,509	214,866
Translation adjustments	18,129	31,082
Share of changes recognised directly in associate's equity	2,240	(5,462)
Other comprehensive income for the year, net of tax	140,057	235,437
Total comprehensive income for the year, net of tax	1,214,442	1,274,273
Attributable to:		
Equity holders of the parent	1,122,824	1,171,894
Non-controlling interest	91,618	102,379
	1,214,442	1,274,273

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non controlling interest	Total equity
Balance at September 30, 2008	568,747	426,180	185,577	4,378,099	5,558,603	492,687	6,051,290
Total comprehensive income for the year	–	–	223,449	948,445	1,171,894	102,379	1,274,273
Issue of shares	7,328	–	–	–	7,328	–	7,328
Share-based payment	7,836	–	–	–	7,836	–	7,836
Transfer to general contingency reserve	–	–	260,057	(260,057)	–	–	–
Transfer to statutory reserves	–	84,604	–	(84,604)	–	–	–
Other	–	–	–	495	495	–	495
Dividends	–	–	–	(542,149)	(542,149)	–	(542,149)
Dividends paid to non-controlling interest	–	–	–	–	–	(43,345)	(43,345)
Balance at September 30, 2009	583,911	510,784	669,083	4,440,229	6,204,007	551,721	6,755,728
Total comprehensive income for the year	–	–	128,950	993,874	1,122,824	91,618	1,214,442
Share-based payment	6,495	–	–	–	6,495	–	6,495
Transfer from general contingency reserve	–	–	(55,175)	55,175	–	–	–
Transfer to statutory reserves	–	87,585	–	(87,585)	–	–	–
Other	–	–	–	521	521	–	521
Dividends	–	–	–	(542,811)	(542,811)	–	(542,811)
Dividends paid to non-controlling interest	–	–	–	–	–	(41,652)	(41,652)
Balance at September 30, 2010	590,406	598,369	742,858	4,859,403	6,791,036	601,687	7,392,723

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2010	2009
Operating activities		
Profit before taxation	1,391,530	1,313,701
Adjustments for:		
Depreciation	136,288	113,559
Loan impairment expense, net of recoveries	147,246	446,368
Investment securities impairment expense	2,070	6,025
Translation difference	(15,816)	(5,036)
Loss on sale of premises and equipment	951	2,651
Revaluation loss on investment securities	11,729	8,882
Share of profits of associated companies	(15,605)	(27,437)
Stock option expense	6,495	7,836
Decrease/(increase) in employee benefits	32,791	(47,107)
(Increase)/decrease in advances	(77,978)	1,243,838
Increase in customers' deposits and other fund raising instruments	2,957,329	539,716
Increase in statutory deposits with Central Banks	(708,339)	(73,492)
Decrease in other assets and investment interest receivable	70, 527	83,833
Decrease in other liabilities and accrued interest payable	(97,670)	(112,643)
Taxes paid, net of refund	(262,128)	(377,325)
Cash provided by operating activities	3,579,420	3,123,369
Investing activities		
Purchase of investment securities	(2,587,791)	(2,533,770)
Redemption of investment securities	2,301,546	1,937,604
Dividends from associated companies	13,209	11,889
Additions to premises and equipment	(296,884)	(310,757)
Proceeds from sale of premises and equipment	91,767	3,837
Cash used in investing activities	(478,153)	(891,197)
Financing activities		
Increase/(decrease) in balances due to other banks	10,181	(129,742)
Repayment of debt securities	(91,436)	(92,866)
Proceeds from share issue	–	7,328
Dividends paid to shareholders of the parent	(542,811)	(542,149)
Dividends paid to non-controlling shareholders of the subsidiaries	(41,652)	(43,345)
Cash used in financing activities	(665,718)	(800,774)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2010	2009
Net increase in cash and cash equivalents	2,435,548	1,431,398
Net foreign exchange difference	(14,726)	(25,094)
Cash and cash equivalents at beginning of year	7,040,364	5,634,060
Cash and cash equivalents at end of year	9,461,186	7,040,364
Cash and cash equivalents at end of year are represented by:		
Cash on hand	474,864	441,384
Due from banks	5,682,156	4,138,335
Treasury bills - original maturities of three months or less	3,028,611	2,215,711
Bankers' acceptances - original maturities of three months or less	275,555	244,934
	9,461,186	7,040,364
Supplemental information:		
Interest received during the year	2,750,535	3,002,877
Interest paid during the year	689,824	962,349
Dividends received	415	2,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
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. It was continued under the provision of the Companies Act, 1995 on March 23, 1998 and its registered office is located at Republic House, 9-17 Park Street, Port of Spain.

The Republic Bank Group (the 'Group') is a financial services group comprising fifteen (15) subsidiaries and three (3) associated companies. The Group is engaged in a wide range of banking, financial and related activities in Trinidad and Tobago and the Caribbean. A full listing of the Group's subsidiary companies is detailed in Note 31 while associate companies are listed in Note 6.

The CL Financial Group holds through its various subsidiaries 52.39% of the shares of Republic Bank Limited.

On January 31, 2009, the Central Bank of Trinidad and Tobago (CBTT) issued a Notification pursuant to sections 44D and 44E of the Central Bank Act, Chap. 79:02 that the CBTT assumed control of the affairs of CLICO Investment Bank Limited (CIB). On February 13, 2009, the CBTT issued a Notification pursuant to sections 44D and 44E of the Central Bank Act, Chap. 79:02 that the CBTT assumed control of the affairs of Colonial Life Insurance Company (Trinidad) Limited (CLICO). These two companies are part of the CL Financial Group.

In accordance with the provisions of both Notifications, the CBTT has the power to deal with the assets of the Companies, including the Republic Bank Limited shares. The CBTT will not receive any benefit financial or otherwise from the exercise of its powers under the Central Bank Act. As at September 30, 2010, the combined shareholding of Republic Bank Limited for CLICO and CIB is 52.11%.

For the purpose of these financial statements, the related party note has not been amended to reflect the Central Bank control and has been prepared in a manner consistent with previous publications.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These 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 and derivative financial instruments. The preparation of 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 Group's accounting policies have been described in Note 3.

b) Changes in accounting policies

i) New accounting policies adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended September 30, 2009 except for the adoption of new standards and interpretations noted below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations (Amendment) (effective January 1, 2009)
This amendment gives greater clarity in respect of vesting conditions and cancellations. The amendment defines a "vesting condition" as a condition that includes an explicit or implicit requirement to provide services. Therefore, any condition that does not have such a requirement is a non-vesting condition, for example possible non-compete provisions or transfer restrictions. The amendment requires "non-vesting" conditions to be treated in a similar fashion to market conditions and, hence, factored into account in determining the fair value of the equity instruments granted. Where an award does not vest as the result of a failure to meet a non-vesting condition, the accounting treatment depends on whether the failure to meet the condition is within or outside the control of either the entity or the counterparty. A failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. The adoption of this standard had no effect on the financial position or performance of the Group.

IFRS 3 - Business Combinations (Revised) (effective July 1, 2009)
This change to the scope of IFRS 3 increases the number and types of transactions to which the standard must be applied, for example by including combinations of mutual entities and combinations without consideration. The more significant changes include changes to the measurement of non-controlling interest at each business combination, changes in the treatment of previously held interests and goodwill in step acquisitions, changes to the measurement of contingent consideration and the treatment of acquisition-related costs. The Group has had no new business combinations for the year and as such, the adoption of this standard had no effect on the financial position or performance of the Group.

IFRS 7 - Financial Instruments: Disclosures (Amendments) (effective January 1, 2009)
This standard has been amended to enhance disclosures about fair value measurement and liquidity risk.

The enhanced disclosures on fair value measurement include disclosures on the source of the inputs in determining fair value using a three-level hierarchy that distinguishes between quoted prices (Level 1), inputs other than quoted prices that are based on observable market data (Level 2) and those that are not based on observable market data (Level 3). This information must be given by class of financial instrument. Full details on this disclosure are included in Note 24 to the financial statements - Fair value.

The amendment to disclosures on liquidity risk includes a disclosure of the maturity analysis of financial assets held for managing liquidity risk in addition to the financial liabilities that were previously disclosed.

The adoption of this amendment had no efect on the financial position or performance of the Group.

IFRS 8 - Operating Segments (effective January 1, 2009)
This standard replaces IAS 14 (Segment Reporting) and adopts a full management approach to identifying, measuring and disclosing the results of operating segments by reporting information based on the method used by the chief operating decision maker for internal evaluation of the performance of operating segments and the allocation of resources to those segments (a "through-the-eyes-of-management" approach). The adoption of this standard had no effect on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IAS 1 - Presentation of Financial Statements (Revised) (effective January 1, 2009)
This standard has been revised to enhance the usefulness of information presented in the financial statements. The main change involves the removal of full details of non-owner changes in equity from the statement of changes in equity, resulting in only full disclosure of changes in equity arising from transactions with owners. The full details of transactions with non-owners, including the income tax relating to each component, are included in a new statement called the Consolidated Statement of Comprehensive Income. This standard also introduces new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows". The adoption of this standard had no effect on the financial position or performance of the Group.

IAS 23 - Borrowing Costs (Revised) (effective January 1, 2009)
The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this standard had no material effect on the financial position or performance of the Group.

IAS 27 - Consolidated and Separate Financial Statements – (Amendments) (effective July 1, 2009)
The most significant changes to this standard are as follows:

- Changes in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.
- Losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests') even if the losses exceed the non-controlling equity investment in the subsidiary.
- Upon loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognised on disposal.

The adoption of this standard had no material effect on the financial position or performance of the Group.

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) (effective January 1, 2009)
This amendment allows puttable financial instruments to be classified as equity rather than as financial liabilities once they have certain specified features. The adoption of this standard had no effect on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted *(continued)*

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment) (effective July 1, 2009)

This amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The adoption of this standard had no effect on the financial position or performance of the Group.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective October 1, 2008)

This interpretation provides guidance on hedges of foreign currency gains and losses on a net investment in a foreign operation. The adoption of this interpretation had no effect on the financial position or performance of the Group.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective July 1, 2009)

This interpretation provides guidance on accounting for arrangements where an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The adoption of this interpretation had no effect on the financial position or performance of the Group.

ii) New accounting policies not adopted

The Group has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued as these standards/interpretations do not apply to the activities of the Group:

IFRS 1 - First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments) (effective January 1, 2009)
IFRIC 15 - Agreements for the Construction of Real Estate (effective January 1, 2009)
IFRIC 18 - Transfers of Assets from Customers (effective July 1, 2009)

iii) Standards in issue not yet effective

The Group has not early adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of these standards and interpretations.

IFRS 1 - First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (Amendments) (effective January 1, 2010)
IFRS 1 - First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective July 1, 2010)
IFRS 2 - Group Cash-settled Share-based Payment Arrangements (effective January 1, 2010)
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment) (effective February 1, 2010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

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

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010)
IFRS 9 - Financial Instruments (effective January 1, 2013)
IAS 24 - Related Party Disclosures (Revised) (effective January 1, 2011)
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment) (effective January 1, 2011)

In April 2009, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2010. The following shows the IFRSs and topics addressed by these amendments:

IFRS	Subject of Amendment
IFRS 5 -	Non-current Assets Held for Sale and Discontinued Operations Disclosures
IFRS 8 -	Operating Segments Disclosure of information about segment assets
IAS 1 -	Presentation of Financial Statements Current/non-current classification of convertible instruments
IAS 7 -	Statement of Cash Flows Classification of expenditures on unrecognised assets
IAS 17 -	Leases Classification of land and buildings
IAS 36 -	Impairment of Assets Unit of accounting for goodwill impairment testing
IAS 38 -	Intangible Assets Consequential amendments arising from IFRS 3. Measuring fair value
IAS 39 -	Financial Instruments: Recognition and Measurement Assessment of loan prepayment penalties as embedded derivatives. Scope exemption for business combination contract. Cash flow hedge accounting
IFRIC 9 -	Reassessment of Embedded Derivatives Scope of IFRIC 9 and IFRS 3
IFRIC 16 -	Hedges of a Net Investment in a Foreign Operation Amendment of the restriction on the entity that can hold hedging instruments

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Republic Bank Limited and its subsidiaries as at September 30, each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiary companies

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Basis of consolidation *(continued)*

Subsidiary companies (continued)

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets, equity instruments and intangible assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Non-controlling interest represents the portion of the profit and net assets not owned, directly or indirectly, by the Parent and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investments in associates are accounted for under the equity method of accounting. The investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of the associates' net assets, less any impairment in value. The consolidated statement of income reflects the net share of the results of operations of the associates.

d) Cash and cash equivalents

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

e) Statutory deposits with Central Banks

Pursuant to the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 2008, the Parent and its subsidiary, Republic Finance & Merchant Bank Limited are 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 $2.5 billion, the Group also holds Treasury bills and other deposits of $4.1 billion with the Central Bank of Trinidad and Tobago as at September 30, 2010. Interest earned on these balances for the year was $70 million.

Pursuant to the Banking Act of Grenada 1988, Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement to its deposit liabilities.

Pursuant to the Guyana Financial Institutions Act 1995, Republic Bank (Guyana) Limited is required to maintain with the Bank of Guyana statutory reserve balances in relation to the deposit liabilities of the institution.

In accordance with statutory provisions, Barbados National Bank Inc. is required to maintain reserves in the form of certain cash resources and Government securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Derivative financial instruments

Derivative financial instruments including forward rate agreements, currency swaps, interest rate swaps and options are initially recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and liabilities when fair value is negative. Income on derivatives held for trading is included in other income.

The Group recognises certain derivatives as cash flow hedges, which is the hedge of highly probable cash flows attributable to a recognised asset or liability.

Hedge accounting is used for derivatives designated in this way provided the following criteria are met:

i) At inception of the hedge, there is formal documentation of the hedge, including the relationship between hedging instruments and hedged items, and the Group's risk management objective and strategy in undertaking the hedge.

ii) The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in equity. The ineffective portion is recognised immediately in the consolidated statement of income.

g) Financial instruments

The Group's financial assets and financial liabilities are recognised in the consolidated 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 Group 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 expires. All "regular way" purchases and sales are recognised at settlement date.

i) Advances

Advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as "Financial investment - 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial instruments *(continued)*

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 plus transaction costs and are continuously measured at fair value based on quoted market prices where available, or discounted cash flow models. All gains and losses realised and unrealised from trading securities and those designated at fair value through profit or loss are reported in other income. 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. Available-for-sale securities are initially recognised at fair value plus transaction costs, and are continuously remeasured at fair value based on quoted market prices where available or discounted cash flow models. Unquoted equity instruments are recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity 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 statement of income as an impairment expense on investment securities.

- Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost less any provision for impairment.

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.

h) Impairment of financial assets

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Impairment of financial assets *(continued)*

i) Advances

All non-performing and individually significant advances are individually reviewed and specific provisions made for the impaired portion based on the realisable value of the loan collateral 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 Group individually assesses each investment security for objective evidence of impairment. If an impaired 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 consolidated 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 Group's policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 30% and 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 Group'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 Group's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairments.

i) Finance leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated 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 premises	2%
Equipment, furniture and fittings	15% - 33.33%

k) Goodwill

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, this gain is recognised immediately in the statement of income as a credit to other income.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Employee benefits

i) Pension obligations

The Group operates a number of defined benefit plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the plans every three years. In Trinidad, the Parent, Republic Bank Limited, took the actuary's advice regarding a pension holiday, effective January 1999.

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

For these defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of income so as to spread regular costs over the service lives of employees in accordance with the advice of qualified actuaries. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10% of the defined benefit obligation and the fair value of plan assets. These gains or losses are recognised by amortising them over the average remaining working lifetime of employees.

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 9 to these financial statements.

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

The Parent 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 60% of the total entitlement) and receive the balance in ordinary shares of the Parent. 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 Parent accounts for the profit share, as an expense, through the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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.

n) 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.

The Banking Act of Grenada (No. 19 of 2005), requires that a minimum of 20% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up capital. These reserves are not available for distribution as dividends or for any other form of appropriation.

The Guyana Financial Institutions Act 1995 requires that a minimum of 15% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up or assigned capital.

The Offshore Banking Act of Barbados requires that a minimum of 25% of the net profits of each year before any dividend is paid, be transferred to a statutory reserve account until the balance on this reserve is not less than the issued and paid-up capital.

The Barbados Financial Institutions Act requires that a minimum of 25% of the net income in each year be transferred to a general reserve account until the balance on this reserve is not less than the paid-up capital. Barbados Mortgage Finance Company has been exempted from this requirement.

o) Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these financial statements as they are not the assets of the Group. These assets under administration at September 30, 2010 totalled $32.6 billion (2009: $25.2 billion).

p) Earnings per share

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders of the parent, by the weighted average number of ordinary shares in issue during the year.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, which are share options granted to Executive Management.

The difference between the weighted average number of shares used as the denominator in calculating basic earnings per share and that used for calculating diluted earnings per share is due to share options granted during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010
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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q) Foreign currency translation

The individual financial statements of each group entity is presented in the currency of the primary economic environment, in which the entity operates (its functional currency). The consolidated financial statements are expressed in Trinidad and Tobago dollars, which is the functional currency of the parent.

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

The assets and liabilities of subsidiary companies are translated into Trinidad and Tobago dollars at the mid-rates of exchange ruling at the statement of financial position date and all resulting exchange differences are recognised as a separate component of equity. All revenue and expenditure transactions are translated at an average rate.

r) Interest income and expense

Interest income and expense are recognised in the consolidated 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.

s) 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.

t) Segment reporting

A geographical segment is engaged in providing products, or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing similar products and services that are subject to risks and returns that are different from those of other business segments.

The Group analyses its operations by both geographic and business segments. The primary format is geographic reflecting its management structure. Its secondary format is that of business segments reflecting retail and commercial banking and investment banking.

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

These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Group's consolidated statement of financial position but are detailed in Note 29 (b) of these consolidated financial statements.

v) Comparative information

Certain changes in presentation have been made in these financial statements. These changes had no effect on the operating results, profit after tax or earnings per share of the Group for the previous year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

Impairment of financial assets

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

Inherent provisions on advances 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

The Group 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

In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Group, the Banks' independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plans. These are detailed in Note 9 – Employee benefits.

Goodwill

The Group financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2010 using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

Deferred taxes

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.

Fixed Assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. ADVANCES

a) Advances

		2010		
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	3,744,637	11,112,773	6,751,173	21,608,583
Non-performing advances	152,007	682,181	160,383	994,571
	3,896,644	11,794,954	6,911,556	22,603,154
Unearned interest	(42,101)	(198,476)	–	(240,577)
Accrued Interest	10,658	84,918	16,961	112,537
	3,865,201	11,681,396	6,928,517	22,475,114
Allowance for impairment losses - Note 4 (b)	(138,708)	(465,930)	(23,438)	(628,076)
Net Advances	**3,726,493**	**11,215,466**	**6,905,079**	**21,847,038**

		2009		
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	4,060,169	11,621,756	6,037,507	21,719,432
Non-performing advances	111,809	841,163	91,059	1,044,031
	4,171,978	12,462,919	6,128,566	22,763,463
Unearned interest	(96,869)	(290,916)	–	(387,785)
Accrued Interest	7,323	126,665	12,574	146,562
	4,082,432	12,298,668	6,141,140	22,522,240
Allowance for impairment losses - Note 4 (b)	(115,153)	(481,491)	(9,034)	(605,678)
Net Advances	**3,967,279**	**11,817,177**	**6,132,106**	**21,916,562**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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4. ADVANCES *(continued)*

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 Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group 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 Group's overall policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	2010			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	115,153	481,491	9,034	605,678
Translation adjustment	1,336	613	104	2,053
Charge-offs and write-offs	(38,737)	(87,743)	(421)	(126,901)
Loan impairment expense	79,916	208,157	23,514	311,587
Loan impairment recoveries	(18,960)	(136,588)	(8,793)	(164,341)
Balance carried forward	**138,708**	**465,930**	**23,438**	**628,076**
Individual impairment	120,622	443,684	19,531	583,837
Collective impairment	18,086	22,246	3,907	44,239
	138,708	**465,930**	**23,438**	**628,076**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**152,007**	**682,181**	**160,383**	**994,571**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	2009			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	86,767	133,969	6,711	227,447
Translation adjustment	933	710	76	1,719
Charge-offs and write-offs	(32,398)	(36,623)	(835)	(69,856)
Loan impairment expense	69,761	413,657	4,756	488,174
Loan impairment recoveries	(9,910)	(30,222)	(1,674)	(41,806)
Balance carried forward	**115,153**	**481,491**	**9,034**	**605,678**
Individual impairment	96,540	460,879	9,034	566,453
Collective impairment	18,613	20,612	–	39,225
	115,153	**481,491**	**9,034**	**605,678**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**111,809**	**841,163**	**91,059**	**1,044,031**

c) Net investment in leased assets included in net advances

	2010	2009
Gross investment	626,287	802,580
Unearned finance charge	(198,399)	(267,453)
	427,888	535,127
Allowance for impairment loss	–	(100)
Net investment in leased assets	427,888	535,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. ADVANCES *(continued)*

d) Net investment in leased assets has the following maturity profile

	2010	2009
Within one year	12,140	13,158
One to five years	170,712	132,372
Over five years	245,036	389,497
	427,888	535,027

5. INVESTMENT SECURITIES

a) Available-for-sale

	2010	2009
Government securities	2,110,508	2,295,437
State owned company securities	1,456,989	1,291,263
Corporate bonds/debentures	1,769,366	1,127,731
Bankers' acceptances	687,332	525,782
Equities and mutual funds	188,772	204,765
	6,212,967	5,444,978

b) Held-to-maturity

	2010	2009
Government securities	–	5,257
State owned company securities	–	164,488
	–	169,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. INVESTMENT SECURITIES *(continued)*

c) At fair value through profit or loss

	2010	2009
Held for trading		
Quoted securities	3,368	9,477
	3,368	9,477
Total investment securities	6,216,335	5,624,200

During the financial year ended September 30, 2010, a change in management objectives resulted in the sale of some investments previously categorised as "held-to-maturity". In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) all remaining investments within the "held-to-maturity" portfolio were transferred to the "available-for-sale" category, and these investments are now carried at fair-value in accordance with the standard.

6. INVESTMENT IN ASSOCIATED COMPANIES

	2010	2009
Balance at beginning of year	186,089	226,995
Share of current year profit	15,605	27,437
Dividends received	(13,209)	(11,889)
Derecognition of shareholding	–	(50,992)
Share of revaluation reserves	2,240	(5,462)
Balance at end of year	190,725	186,089
Summarised financial information in respect of the Group's associates are as follows:		
Total assets	5,206,843	5,100,815
Total liabilities	4,272,690	4,192,197
Net assets	934,153	908,618
Group's share of associates' net assets	190,725	186,089
Revenue	500,474	664,502
Profit for the period	98,163	112,764
Group's share of associates' profit for the period	15,605	27,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. INVESTMENT IN ASSOCIATED COMPANIES *(continued)*

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

	Country of incorporation	Reporting year-end of associate	Proportion of issued capital held
G4S Holdings (Trinidad) Limited	Trinidad and Tobago	December	24.50%
InfoLink Services Limited	Trinidad and Tobago	December	25.00%
East Caribbean Financial Holding Company Limited	St. Lucia	December	20.00%

7. PREMISES AND EQUIPMENT

2010	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	291,669	981,899	124,456	1,010,331	2,408,355
Exchange and other adjustments	2,646	2,306	562	(793)	4,721
Additions at cost	141,407	30,388	500	124,589	296,884
Disposal/transfer of assets	(252,683)	66,139	(8,442)	76,165	(118,821)
	183,039	1,080,732	117,076	1,210,292	2,591,139
Accumulated depreciation					
At beginning of year	–	119,045	91,573	701,749	912,367
Exchange and other adjustments	–	1,059	(61)	(2,108)	(1,110)
Charge for the year	–	15,956	4,164	116,168	136,288
Disposal of assets	–	(23)	(8,444)	(17,647)	(26,114)
	–	136,037	87,232	798,162	1,021,431
Net book value	183,039	944,695	29,844	412,130	1,569,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. PREMISES AND EQUIPMENT

2009	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	224,876	842,166	124,030	945,774	2,136,846
Exchange and other adjustments	677	5,200	578	2,107	8,562
Additions at cost	224,547	19,177	493	66,540	310,757
Disposal/transfer of assets	(158,431)	115,356	(645)	(4,090)	(47,810)
	291,669	981,899	124,456	1,010,331	2,408,355
Accumulated depreciation					
At beginning of year	–	106,503	87,764	642,305	836,572
Exchange and other adjustments	–	399	288	2,766	3,453
Charge for the year	–	12,200	3,825	97,534	113,559
Disposal of assets	–	(57)	(304)	(40,856)	(41,217)
	–	119,045	91,573	701,749	912,367
Net book value	291,669	862,854	32,883	308,582	1,495,988

Capital commitments	**2010**	2009
Contracts for outstanding capital expenditure not provided for in the financial statements	34,648	78,169
Other capital expenditure authorised by the Directors but not yet contracted for	122,253	172,247

8. GOODWILL

	2010	2009
Goodwill on acquisition brought forward	485,971	487,500
Translation adjustment	–	(1,529)
	485,971	485,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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8. GOODWILL *(continued)*

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was primarily generated from the acquisition of Barbados National Bank Inc. and acquisitions by Republic Bank (Cayman) Limited and Republic Bank (Guyana) Limited. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at September 30, 2010 using the "value in use" method. Based on the results of this review, no impairment expense was required.

The following table highlights the goodwill and impairment information for each cash-generating unit:

	Republic Bank (Cayman) Limited TT$ million	Barbados National Bank Inc. TT$ million	Republic Bank (Guyana) Limited TT$ million
Carrying amount of goodwill	62	331	93
Basis for recoverable amount	Value in use	Value in use	Value in use
Discount rate	4%	9%	15%
Cash flow projection term	Three years	Three years	Three years
Growth rate (extrapolation period)	5%	5%	5%

In each case, the cash flow projections are based on financial budgets approved by senior management. In addition, the values assigned to key assumptions reflect past performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. EMPLOYEE BENEFITS

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2010	2009	**2010**	2009
Opening defined benefit obligation	2,279,979	2,106,618	138,173	130,462
Exchange adjustments	6,161	4,817	18	47
Current service cost	89,399	82,253	8,470	7,192
Interest cost	168,614	178,268	10,423	11,302
Members' contributions	933	799	–	–
Past service cost	–	23	–	–
Actuarial (losses)/gains on obligations	(467,572)	(33,061)	8,920	(9,423)
Benefits paid	(62,386)	(59,009)	–	–
Expense allowance	(759)	(729)	–	–
Premiums paid by the Group	–	–	(1,775)	(1,407)
Closing defined benefit obligation	2,014,369	2,279,979	164,229	138,173

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

	Defined benefit pension plans	
	2010	2009
Opening fair value of plan assets	3,003,327	3,139,883
Exchange adjustments	4,211	3,783
Expected return	237,174	305,861
Actuarial losses	(10,864)	(403,597)
Contributions by employer	16,058	16,336
Members' contributions	933	799
Benefits paid	(62,386)	(59,009)
Expense allowance	(759)	(729)
Closing fair value of plan assets	3,187,694	3,003,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. EMPLOYEE BENEFITS *(continued)*

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2010	2009	**2010**	2009
Defined benefit obligation	(2,014,369)	(2,279,979)	(164,229)	(138,173)
Fair value of plan assets	3,187,694	3,003,327	–	–
	1,173,325	723,348	(164,229)	(138,173)
Unrecognised portion	(17,838)	440,168	20,698	13,683
Unutilisable surplus	(13,990)	(6,819)	(7,809)	(9,259)
Net asset/(liability) recognised in the consolidated statement of financial position	1,141,497	1,156,697	(151,340)	(133,749)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2010	2009	**2010**	2009
Current service cost	89,399	82,253	8,470	7,192
Interest on defined benefit obligation	168,614	178,268	10,423	11,302
Expected return on plan assets	(237,174)	(305,861)	–	–
Amortised net gain	2,972	1,819	43	628
Past service cost	–	23	–	–
Unutilisable surplus/(deficit)	7,171	(6,185)	–	–
Total included in staff costs	30,982	(49,683)	18,936	19,122

e) Actual return on plan assets

	Defined benefit pension plans	
	2010	2009
Expected return on plan assets	237,174	305,861
Actuarial loss on plan assets	(6,416)	(369,821)
Actual return on plan assets	230,758	(63,960)

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9. EMPLOYEE BENEFITS *(continued)*

f) Experience history

	Defined benefit pension plans				
	2010	2009	2008	2007	2006
Defined benefit obligation	(2,014,369)	(2,279,979)	(2,106,618)	(1,603,923)	(1,471,538)
Plan assets	3,187,694	3,003,327	3,139,883	2,878,934	2,608,020
Surplus	1,173,325	723,348	1,033,265	1,275,011	1,136,482
Experience adjustments on plan liabilities	16,812	69,804	(23,914)	(15,914)	(126,015)
Experience adjustments on plan assets	(10,864)	(332,685)	24,296	38,341	(408,791)

	Post-retirement medical benefits				
	2010	2009	2008	2007	2006
Defined benefit obligation	164,229	138,173	130,462	100,364	91,830
Experience adjustments on plan liabilities	14,804	21,101	6,031	(3,448)	(14,019)

g) The Group expects to contribute $14.8 million to the plans in the 2011 financial year.

h) The principal actuarial assumptions used were as follows:

	2010 %	2009 %
Discount rate	5.50 - 7.75	6.00 - 8.00
Rate of salary increase	4.25 - 7.00	4.00 - 7.50
Pension increases	0.00 - 2.50	3.00 - 5.50
Medical cost trend rates	5.75 - 7.75	6.00 - 7.25
Expected return on plan assets	5.00 - 6.70	5.00 - 8.00
NIS ceiling rates	4.00 - 5.75	4.00 - 5.00

The expected rates of return on assets are set by reference to estimated long-term returns on assets held by the plans at that date. Allowance is made for some excess performance from the plans' equity portfolio.

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9. EMPLOYEE BENEFITS *(continued)*

i) Plan asset allocation as at September 30, 2010

	Defined benefit pension plans	
	2010 %	2009 %
Equity securities	36.50	36.71
Debt securities	37.66	39.08
Property	3.27	4.03
Money market instruments/cash	22.57	20.18
Total	100.00	100.00

j) Effect of one percentage point change in medical expense increase assumption

	Aggregate service and interest costs	Year end defined benefit obligation
Medical expense increase by 1% p.a.	23,952	198,516
Medical expense decrease by 1% p.a.	13,955	127,783

10. DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	2010	2009
Pension liability	42,439	36,643
Leased assets	10,635	26,352
Unrealised reserve	14,647	40,755
Unearned loan origination fees	18,486	18,802
	86,207	122,552

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10. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Components of deferred tax assets and liabilities *(continued)*

b) Deferred tax liabilities

	2010	2009
Pension asset	292,176	295,188
Leased assets	37,537	52,123
Premises and equipment	51,191	35,457
Unrealised reserve	53,668	32,051
	434,572	414,819

11. OTHER ASSETS

	2010	2009
Accounts receivable and prepayments	269,119	320,775
Accrued income	377	875
Project financing reimbursables	548	12,052
Deferred commission and fees	15,272	4,807
Other	60,308	50,290
	345,624	388,799

12. DUE TO BANKS

Certain debt agreements of the Parent require compliance with covenants related to financial and operating matters of the Parent. In the event of default of any of these covenants, the lenders could elect to declare all amounts borrowed under the relevant agreements, together with accrued interest, to be due and payable. At September 30, 2010, the Parent is fully in compliance with all required covenants.

These liabilities are unsecured except for US$18.75 million, which is secured by a charge on one of the Parent's investments. Interest rates on these facilities range from 0.05% -1.623%.

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13. CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2010	2009
State	3,617,096	2,739,752
Corporate and commercial	6,802,974	7,409,201
Personal	18,427,684	16,080,032
Other financial institutions	1,888,153	1,242,734
Other	758,662	581,994
	31,494,569	28,053,713

14. OTHER FUND RAISING INSTRUMENTS

At September 30, 2010 investment securities held to secure other fund raising instruments of the Group amounted to $2.6 billion (2009: $2.9 billion).

Concentration of other fund raising instruments

	2010	2009
State	1,520,269	1,546,832
Corporate and commercial	305,385	122,008
Personal	84,435	296,900
Other financial institutions	1,763,440	2,191,390
Other	22,770	22,696
	3,696,299	4,179,826

15. DEBT SECURITIES IN ISSUE

	2010	2009
Unsecured		
Fixed rate bonds	841,569	867,851
	841,569	867,851

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15. DEBT SECURITIES IN ISSUE *(continued)*

	2010	2009
Secured		
a) Floating rate bonds	462,953	524,185
b) Fixed rate bonds	39,948	42,931
c) Mortgage pass-through certificates	2,339	3,278
	505,240	570,394
Total debt securities in issue	1,346,809	1,438,245

Unsecured obligations

Fixed rate bonds are denominated in both Guyanese and Trinidad and Tobago dollars and includes an unsubordinated bond issued by the parent company, Republic Bank Limited in 2008 for a term of ten years at a fixed rate of interest of 8.55%.

Secured obligations

a) For Republic Bank Limited, 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.

Other floating rate bonds are also denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

b) Fixed rate bonds for one of the subsidiaries are denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

c) Mortgage pass-through certificates are secured on a portfolio of mortgage loans, net of the related loan loss provisions to the extent that the Bank has recourse to the note holders.

16. OTHER LIABILITIES

	2010	2009
Accounts payable and accruals	688,479	748,964
Unearned loan origination fees	70,440	70,558
Deferred income	1,358	2,655
Other	123,262	92,430
	883,539	914,607

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17. STATED CAPITAL

	2010	2009	2010	2009
	Number of ordinary shares ('000)		$'000	$'000
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	160,595	160,407	583,911	568,747
Shares issued/proceeds from shares issued	–	188	–	7,328
Share-based payment	–	–	6,495	7,836
At end of year	160,595	160,595	590,406	583,911

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

	2010	2009
Weighted average number of ordinary shares	160,595	160,563
Effect of dilutive stock options	1,257	648
Weighted average number of ordinary shares adjusted for the effect of dilution	161,852	161,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. OTHER RESERVES

	Capital reserves	General contingency reserves	Net unrealised gains	Total
Balance at October 1, 2008	11,206	217,562	(43,191)	185,577
Realised gains transferred to net profit	–	–	(5,049)	(5,049)
Revaluation of available-for-sale investments	–	–	210,102	210,102
Translation adjustments	23,858	–	–	23,858
Share of changes recognised directly in associate's equity	(5,462)	–	–	(5,462)
Total income and expense for the year recognised directly in equity	18,396	–	205,053	223,449
Transfer from retained earnings	–	260,057	–	260,057
Balance at September 30, 2009	29,602	477,619	161,862	669,083
Realised gains transferred to net profit	–	–	(1,821)	(1,821)
Revaluation of available-for-sale investments	–	–	118,425	118,425
Translation adjustments	10,106	–	–	10,106
Share of changes recognised directly in associate's equity	2,240	–	–	2,240
Total income and expense for the year recognised directly in equity	12,346	–	116,604	128,950
Transfer to retained earnings	–	(55,175)	–	(55,175)
Balance at September 30, 2010	41,948	422,444	278,466	742,858

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 Group's non-distributable capital base. As at September 30, 2010, the balance in the General Contingency Reserve of $422.4 million is part of Other Reserves which totals $742.9 million.

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19. OPERATING PROFIT

		2010	2009
a)	Interest income		
	Advances	2,169,054	2,523,568
	Investment securities	350,592	283,898
	Liquid assets	169,513	276,115
		2,689,159	3,083,581
b)	Interest expense		
	Customers' current, savings and deposit accounts	357,798	452,977
	Other fund raising instruments and debt securities in issue	235,211	451,801
	Other interest bearing liabilities	30,213	39,314
		623,222	944,092
c)	Other income		
	Fee and commission from trust and other fiduciary activities	254,410	158,518
	Other fee and commission income	360,158	409,991
	Net exchange trading income	228,573	236,083
	Dividends	415	2,312
	Gains/(losses)from disposal of available-for-sale investments	3,327	(6,350)
	Other operating income	101,261	185,972
		948,144	986,526
d)	Operating expenses		
	Staff costs	598,339	588,220
	Staff profit sharing - Note 27(a)	104,469	94,880
	Employee benefits pension contribution	30,982	(49,683)
	General administrative expenses	424,284	435,730
	Property related expenses	133,837	136,829
	Depreciation expense	136,288	113,559
	Advertising and public relations expenses	56,258	63,521
	Impairment expense	2,070	6,025
	Directors' fees	4,383	4,302
		1,490,910	1,393,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. TAXATION EXPENSE

	2010	2009
Corporation tax	267,745	290,862
Deferred tax	49,400	(15,997)
	317,145	274,865
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:		
Accounting profit	1,391,530	1,313,701
Tax at applicable statutory tax rates	393,076	355,777
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(85,236)	(77,661)
Items not allowable for tax purposes	29,787	78,518
Wear and tear allowance	(38,876)	(39,678)
Other allowable deductions	(26,747)	(21,161)
Provision for Green Fund Levy and other taxes	2,994	3,224
Other permanent differences	(7,253)	(8,157)
Effect of deferred tax on pension asset/liability	(6,919)	12,504
Effect of deferred tax on leased assets	14,161	740
Effect of deferred tax on impairment of financial assets	24,614	(28,481)
Effect of deferred tax on unearned loan origination fees	1,490	(2,819)
Effect of deferred tax on premises and equipment	16,054	2,059
	317,145	274,865

The Group has tax losses in one of its subsidiary companies amounting to $710.3 million (2009: $661.8 million). No deferred tax asset has been recognised for these tax losses in the financial statements since it is not anticipated that there will be sufficient future taxable profits to offset these losses.

21. 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 were carried out on commercial terms and conditions, at market rates.

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21. RELATED PARTIES *(continued)*

	2010	2009
Advances, investments and other assets (net of provisions)		
CL Financial Group	139,536	368,742
Associates	7,068	2,777
Directors and key management personnel	24,830	29,239
Other related parties	180,393	110,065
	351,827	510,823
Provision for amounts due from related parties	310,418	199,453
Deposits and other liabilities		
CL Financial Group	237,324	476,869
Directors and key management personnel	102,995	112,092
Other related parties	59,048	38,951
	399,367	627,912
Interest and other income		
CL Financial Group	16,036	65,320
Associates	7	35
Directors and key management personnel	2,339	2,860
Other related parties	12,750	7,713
	31,132	75,928
Interest and other expense		
CL Financial Group	1,666	7,173
Directors and key management personnel	6,236	7,270
Other related parties	370	193
	8,272	14,636

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

	2010	2009
Key management compensation		
Short-term benefits	39,217	47,492
Post employment benefits	1,065	1,338
Share-based payment	6,495	7,836
	46,777	56,666

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22. RISK MANAGEMENT

22.1 Introduction

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

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

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

The Board of Directors has ultimate responsibility for the management of risk within the Group. Acting with authority delegated by the Board, the Credit, Audit, Asset and Liability Committee and Other Risks Committees, review specific risk areas.

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

The Group's activities are primarily related to the use of financial instruments. The Group accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

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

22.2 Credit risk

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

The Group's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, 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 Group's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from and independent of the business development aspect of the operations.

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

The Group 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 Group's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding liability 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 Group avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

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

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

	2010	2009
	Gross maximum exposure	
Statutory deposits with Central Banks	**3,499,747**	2,791,408
Due from banks	**5,682,156**	4,138,335
Treasury bills	**4,243,336**	3,553,374
Investment interest receivable	**83,524**	110,876
Advances	**21,847,038**	21,916,562
Investment securities	**6,022,005**	5,427,186
Total	**41,377,806**	37,937,741
Undrawn commitments	**2,895,650**	2,981,034
Acceptances	**717,463**	903,160
Guarantees and indemnities	**90,830**	87,677
Letters of credit	**119,259**	108,348
Total	**3,823,202**	4,080,219
Total credit risk exposure	**45,201,008**	42,017,960

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 Group 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 Group 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 Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.2 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:

a) Geographical sectors

The Group's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of our counterparties:

	2010	2009
Trinidad and Tobago	**28,970,169**	26,432,248
Barbados	**7,155,730**	7,677,768
Eastern Caribbean	**1,723,584**	1,669,943
Guyana	**2,622,101**	2,411,431
United States	**2,557,775**	2,236,420
Europe	**223,677**	164,659
Other Countries	**1,947,972**	1,425,491
	45,201,008	42,017,960

22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

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

b) Industry sectors

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

	2010	2009
Government and Central Government Bodies	**13,845,681**	12,970,408
Financial sector	**5,614,490**	4,396,233
Energy and mining	**649,853**	496,068
Agriculture	**307,284**	246,258
Electricity and water	**875,134**	910,822
Transport, storage and communication	**398,719**	410,924
Distribution	**3,010,142**	3,831,910
Real estate	**1,952,052**	1,828,561
Manufacturing	**1,979,156**	1,887,377
Construction	**1,899,964**	1,431,605
Hotel and restaurant	**926,413**	754,863
Personal	**9,645,970**	9,312,089
Other services	**4,096,150**	3,540,842
	45,201,008	42,017,960

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".

22.2.3 Credit quality per category of financial assets

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

- Treasury bills and Statutory deposits with Central Banks
- Due from banks
- Advances
- Financial investment securities

Treasury bills and Statutory deposits with Central Banks

These funds are placed with Central Banks in the countries where the Group is engaged in the full range of banking and financial activities and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as "Superior".

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.3 Credit quality per category of financial assets *(continued)*

Balances due from banks

The credit quality of balances due from other banks is assessed by the Group 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
2010	**4,473,640**	**450,492**	**758,024**	**5,682,156**
2009	3,040,935	330,968	766,432	4,138,335

Loans and 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:

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.3 Credit quality per category of financial assets *(continued)*

Loans and advances - Commercial and Corporate (continued)

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:

	Neither past due nor impaired				
	Superior	Desirable	Acceptable	Sub-standard	Total
2010	606,242	2,709,020	7,556,775	343,429	11,215,466
2009	653,635	2,849,728	7,536,715	777,099	11,817,177

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
2010	62,034	45,614	2,027	7,383	226,371	343,429
2009	254,116	18,190	2,034	9,313	493,446	777,099

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.3 Credit quality per category of financial assets *(continued)*

Loans and 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
2010	8,714,594	1,233,201	214,278	80,867	229,305	159,327	10,631,572
2009	8,410,751	1,207,727	95,521	86,244	201,847	97,295	10,099,385

Investment securities

The debt securities within the Group'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. Issuing company 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 in the past financial year.

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22. RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

22.2.3 Credit quality per category of financial assets *(continued)*

Investment securities *(continued)*

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

	2010				
	Superior	Desirable	Acceptable	Sub-standard	Total
Financial investments					
- Available-for-sale	4,189,198	1,479,473	325,723	27,611	6,022,005
Total	4,189,198	1,479,473	325,723	27,611	6,022,005

	2009				
	Superior	Desirable	Acceptable	Sub-standard	Total
Financial investments					
- Available-for-sale	3,630,383	1,512,861	102,932	11,264	5,257,440
- Held to maturity	160,928	–	550	8,268	169,746
Total	3,791,311	1,512,861	103,482	19,532	5,427,186

22.3 Liquidity risk

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

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

Three primary sources of funds are used to provide liquidity – retail deposits, wholesale deposits and the capital market. A substantial portion of the Group is funded with "core deposits". The Group maintains a core base of retail and wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required, providing diverse funding sources to the Group. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

22. RISK MANAGEMENT *(continued)*

22.3 Liquidity risk *(continued)*

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

22.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the statement of financial position. See Note 26 for a maturity analysis of assets and liabilities.

Financial liabilities - on balance sheet	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2010					
Customers' current, savings and deposit accounts	25,115,678	6,356,354	180,918	–	31,652,950
Other fund raising instruments	9,098	3,472,719	122,350	238,518	3,842,685
Debt securities in issue	–	206,382	724,026	1,216,071	2,146,479
Due to banks	16,870	184,779	85,703	–	287,352
Other liabilities	373,463	31,884	44	15,465	420,856
Total undiscounted financial liabilities	25,515,109	10,252,118	1,113,041	1,470,054	38,350,322
2009					
Customers' current, savings and deposit accounts	21,861,806	6,006,869	333,456	–	28,202,131
Other fund raising instruments	–	4,144,107	168,571	395,693	4,708,371
Debt securities in issue	–	155,255	708,458	1,452,623	2,316,336
Due to banks	18,222	124,554	140,392	–	283,168
Other liabilities	357,555	72,147	386	5,692	435,780
Total undiscounted financial liabilities	22,237,583	10,502,932	1,351,263	1,854,008	35,945,786

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

22. RISK MANAGEMENT *(continued)*

22.3 Liquidity risk *(continued)*

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

Financial liabilities - off balance sheet	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2010					
Acceptances	141,642	265,462	197,258	113,101	717,463
Guarantees and indemnities	35,712	46,681	7,694	743	90,830
Letters of credit	74,405	44,854	–	–	119,259
Total	251,759	356,997	204,952	113,844	927,552
2009					
Acceptances	306,701	200,954	125,961	269,544	903,160
Guarantees and indemnities	626	77,868	7,338	1,845	87,677
Letters of credit	43,892	64,456	–	–	108,348
Total	351,219	343,278	133,299	271,389	1,099,185

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

22.4 Market risk

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

22.4.1 Interest rate risk

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

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

The table below summarises the interest-rate exposure of the Group's 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.

22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.1 Interest rate risk *(continued)*

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.

	Increase/ decrease in basis points	Impact on net profit			
		2010		2009	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TT$ Instruments	+/- 50	25,380	(25,380)	27,838	(27,838)
US$ Instruments	+/- 50	7,100	(7,100)	8,770	(8,770)
EC$ Instruments	+/- 25	46	(46)	36	(36)
BDS$ Instruments	+/- 50	3,071	(3,071)	709	(709)
Other currency Instruments	+/- 50	482	(482)	7,908	(7,908)

	Increase/ decrease in basis points	Impact on net unrealised gains			
		2010		2009	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TT$ Instruments	+/- 50	(36,466)	37,805	(31,522)	32,733
US$ Instruments	+/- 50	(22,334)	22,945	(13,723)	15,547
EC$ Instruments	+/- 25	(542)	804	(1,159)	603
BDS$ Instruments	+/- 50	(18,373)	19,164	(21,500)	22,474
Other currency Instruments	+/- 50	(703)	722	(1,014)	10,369

22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk

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

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

The principal currencies of the Group's subsidiary and associated company investments are TT, US, EC and Barbados dollars.

The tables below indicate the currencies to which the Group had significant exposure at September 30, on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with all other variables held constant.

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22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2010	TTD	USD	BDS	Other	Total
Financial assets					
Cash	256,153	47,174	105,148	66,389	474,864
Statutory deposits with Central Banks	2,489,486	–	606,437	403,824	3,499,747
Due from banks	2,120,312	2,275,179	1,135	1,285,530	5,682,156
Treasury bills	2,841,354	–	250,571	1,151,411	4,243,336
Investment interest receivable	44,437	27,066	9,222	2,799	83,524
Advances	12,392,367	2,840,924	4,627,215	1,986,532	21,847,038
Investment securities	3,202,298	1,762,137	1,003,106	248,794	6,216,335
Total financial assets	**23,346,407**	**6,952,480**	**6,602,834**	**5,145,279**	**42,047,000**
Financial liabilities					
Due to banks	64	251,032	10,320	22,320	283,736
Customers' current, savings and deposit accounts	15,215,884	6,294,056	5,082,514	4,902,115	31,494,569
Other fund raising instruments	3,019,291	83,349	593,659	–	3,696,299
Debt securities in issue	1,290,874	12,442	–	43,493	1,346,809
Interest payable	76,900	11,536	27,984	8,833	125,253
Total financial liabilities	**19,603,013**	**6,652,415**	**5,714,477**	**4,976,761**	**36,946,666**
Net currency risk exposure		**300,065**	**888,357**	**168,518**	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		**3,001**	**8,884**	**1,685**	

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22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2009	TTD	USD	BDS	Other	Total
Financial assets					
Cash	231,145	42,394	97,890	69,955	441,384
Statutory deposits with Central Banks	2,078,197	–	327,138	386,073	2,791,408
Due from banks	1,331,542	2,059,290	11,164	736,339	4,138,335
Treasury bills	1,898,025	233,800	394,899	1,026,650	3,553,374
Investment interest receivable	59,464	29,445	19,247	2,720	110,876
Advances	12,245,794	2,909,434	4,921,678	1,839,656	21,916,562
Investment securities	3,138,915	1,141,950	1,057,869	285,466	5,624,200
Total financial assets	20,983,082	6,416,313	6,829,885	4,346,859	38,576,139
Financial liabilities					
Due to banks	58	232,990	10,499	30,008	273,555
Customers' current, savings and deposit accounts	12,109,219	6,282,700	5,325,183	4,336,611	28,053,713
Other fund raising instruments	3,528,902	76,603	573,004	1,317	4,179,826
Debt securities in issue	1,354,681	13,442	–	70,122	1,438,245
Interest payable	127,343	18,474	37,420	8,618	191,855
Total financial liabilities	17,120,203	6,624,209	5,946,106	4,446,676	34,137,194
Net currency risk exposure		(207,896)	883,779	(99,817)	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		(2,079)	8,838	(998)	

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22. RISK MANAGEMENT *(continued)*

22.5 Operational risk

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

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

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

23. CAPITAL MANAGEMENT

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $637 million to $7.4 billion during the year under review.

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

Capital adequacy ratio	**2010**	2009
Republic Bank Limited	29.95%	28.31%
Republic Finance & Merchant Bank Limited	69.68%	40.49%
Republic Bank (Cayman) Limited	31.74%	28.28%
Republic Bank (Grenada) Limited	18.04%	18.00%
Republic Bank (Guyana) Limited	20.53%	14.30%
Barbados National Bank Inc.	18.78%	17.45%

At September 30, 2010 the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

24. FAIR VALUE

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

Where the Group'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 Group could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material

24. FAIR VALUE *(continued)*

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 are based on quoted market prices where available and where not available are 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.

24.1 Carrying values and fair values

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

		2010	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and treasury bills	10,400,356	10,400,356	–
Investment interest receivable	83,524	83,524	–
Advances	21,847,038	22,076,706	229,668
Investment securities	6,216,335	6,216,335	–
Other financial assets	269,119	269,119	–
Financial liabilities			
Customers' current, savings and deposit accounts	31,494,569	31,548,448	(53,879)
Borrowings and other fund raising instruments	3,980,035	3,980,035	–
Debt securities in issue	1,346,809	1,495,924	(149,115)
Accrued interest payable	125,253	125,253	–
Other financial liabilities	688,479	688,479	–
Total unrecognised change in unrealised fair value			26,674

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24. FAIR VALUE *(continued)*

24.1 Carrying values and fair values *(continued)*

		2009	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and treasury bills	8,133,093	8,133,093	–
Investment interest receivable	110,876	110,876	–
Advances	21,916,562	22,141,336	224,774
Investment securities	5,624,200	5,630,188	5,988
Other financial assets	320,775	320,775	–
Financial liabilities			
Customers' current, savings and deposit accounts	28,053,713	28,083,421	(29,708)
Borrowings and other fund raising instruments	4,453,381	4,453,381	–
Debt securities in issue	1,438,245	1,532,186	(93,941)
Accrued interest payable	191,855	191,855	–
Other financial liabilities	748,964	748,964	–
Total unrecognised change in unrealised fair value			107,113

24.2 Fair value and fair value hierarchies

24.2.1 Determination of fair value and fair value hierarchies

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

Level 1

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

Level 2

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

24. FAIR VALUE *(continued)*

24.2 Fair value and fair value hierarchies *(continued)*

24.2.1 Determination of fair value and fair value hierarchies *(continued)*

Level 3

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

The following table shows an analysis of financial instruments recorded at fair value categorised by hierarchy level.

	2010			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at fair value through profit or loss	–	–	3,368	3,368
Financial investments - available-for-sale	1,300,602	4,818,953	93,412	6,212,967
	1,300,602	4,818,953	96,780	6,216,335

24.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2010, no assets were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2010, there was no movement in Level 3 financial instruments.

25. SEGMENTAL INFORMATION

The Group is organised into two main business segments: retail and commercial banking and investment banking. The Group's primary reporting format comprises geographical segments reflecting its management structure and the secondary segment is by class of business. The following is an analysis by respective segments:

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25. SEGMENTAL INFORMATION *(continued)*

i) By geographic segment

	Trinidad and Tobago	Barbados	Cayman, Guyana, and Eastern Caribbean	Eliminations	Total
2010					
Net interest income	1,399,494	381,320	285,123	–	2,065,937
Other income	894,759	104,689	109,356	(160,660)	948,144
Share of profits of associated companies	15,605	–	–	–	15,605
Operating income	2,309,858	486,009	394,479	(160,660)	3,029,686
Operating expenses	(1,050,804)	(267,942)	(185,422)	13,258	(1,490,910)
Operating profit	1,259,054	218,067	209,057	(147,402)	1,538,776
Loan impairment expense, net of recoveries	(92,249)	(43,721)	(11,276)	–	(147,246)
Profit before taxation	**1,166,805**	**174,346**	**197,781**	**(147,402)**	**1,391,530**
Taxation	(244,439)	(27,956)	(44,750)	–	(317,145)
Profit after taxation	**922,366**	**146,390**	**153,031**	**(147,402)**	**1,074,385**
Investment in associated companies	190,725	–	–	–	190,725
Total assets	33,440,086	9,097,619	8,099,264	(4,734,868)	45,902,101
Total liabilities	27,918,101	7,732,487	6,406,492	(3,547,702)	38,509,378
Depreciation	92,760	24,356	19,172	–	136,288
Capital expenditure on premises and equipment	212,073	55,394	29,417	–	296,884

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25. SEGMENTAL INFORMATION *(continued)*

i) By geographic segment *(continued)*

	Trinidad and Tobago	Barbados	Cayman, Guyana, and Eastern Caribbean	Eliminations	Total
2009					
Net interest income	1,505,903	359,994	273,592	–	2,139,489
Other income	905,158	132,985	94,987	(146,604)	986,526
Share of profits of associated companies	27,437	–	–	–	27,437
Operating income	2,438,498	492,979	368,579	(146,604)	3,153,452
Operating expenses	(967,165)	(244,442)	(198,449)	16,673	(1,393,383)
Operating profit	1,471,333	248,537	170,130	(129,931)	1,760,069
Loan impairment expense, net of recoveries	(409,794)	(34,000)	(2,574)	–	(446,368)
Profit before taxation	**1,061,539**	**214,537**	**167,556**	**(129,931)**	**1,313,701**
Taxation	(203,540)	(38,021)	(33,304)	–	(274,865)
Profit after taxation	**857,999**	**176,516**	**134,252**	**(129,931)**	**1,038,836**
Investment in associated companies	186,089	–	–	–	186,089
Total assets	30,289,274	9,237,060	7,747,569	(4,827,548)	42,446,355
Total liabilities	25,111,437	8,025,972	6,196,374	(3,643,156)	35,690,627
Depreciation	84,710	11,852	16,997	–	113,559
Capital expenditure on premises and equipment	181,743	90,962	38,052	–	310,757

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25. SEGMENTAL INFORMATION *(continued)*

ii) By class of business

	Retail and commercial banking	Investment banking	Eliminations	Total
2010				
Net interest income	1,835,652	230,285	–	2,065,937
Other income	1,038,614	70,190	(160,660)	948,144
Share of profits of associated companies	15,605	–	–	15,605
Operating income	2,889,871	300,475	(160,660)	3,029,686
Operating expenses	(1,468,379)	(35,789)	13,258	(1,490,910)
Operating profit	1,421,492	264,686	(147,402)	1,538,776
Loan impairment expense, net of recoveries	(147,298)	52	–	(147,246)
Profit before taxation	**1,274,194**	**264,738**	**(147,402)**	**1,391,530**
Taxation	(268,736)	(48,409)	–	(317,145)
Profit after taxation	**1,005,458**	**216,329**	**(147,402)**	**1,074,385**
Investment in associated companies	190,725	–	–	190,725
Total assets	41,416,334	9,220,635	(4,734,868)	45,902,101
Total liabilities	34,834,298	7,222,783	(3,547,703)	38,509,378
Depreciation	135,423	865	–	136,288
Capital expenditure on premises and equipment	296,683	201	–	296,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2010

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

25. SEGMENTAL INFORMATION *(continued)*

ii) By class of business

	Retail and commercial banking	Investment banking	Eliminations	Total
2009				
Net interest income	1,942,198	197,291	–	2,139,489
Other income	1,072,164	60,966	(146,604)	986,526
Share of profits of associated companies	27,437	–	–	27,437
Operating income	3,041,799	258,257	(146,604)	3,153,452
Operating expenses	(1,359,725)	(50,331)	16,673	(1,393,383)
Operating profit	1,682,074	207,926	(129,931)	1,760,069
Loan impairment expense, net of recoveries	(445,799)	(569)	–	(446,368)
Profit before taxation	1,236,275	207,357	(129,931)	1,313,701
Taxation	(251,313)	(23,552)	–	(274,865)
Profit after taxation	984,962	183,805	(129,931)	1,038,836
Investment in associated companies	186,089	–	–	186,089
Total assets	37,450,733	9,823,170	(4,827,548)	42,446,355
Total liabilities	31,281,410	8,052,373	(3,643,156)	35,690,627
Depreciation	112,478	1,081	–	113,559
Capital expenditure on premises and equipment	309,609	1,148	–	310,757

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26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the discounted assets and liabilities of the Group based on the remaining period at September 30 to the contractual maturity date. See Note 22.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Up to one year	One to five years	Over five years	Total
2010				
ASSETS				
Cash, due from banks and treasury bills	10,400,356	–	–	10,400,356
Statutory deposits with Central Banks	3,499,747	–	–	3,499,747
Advances	5,948,210	4,987,265	10,911,563	21,847,038
Investment securities	1,508,134	2,610,589	2,097,612	6,216,335
Other assets	468,387	442,323	3,027,915	3,938,625
	21,824,834	8,040,177	16,037,090	45,902,101
LIABILITIES				
Due to banks	199,671	84,065	–	283,736
Customers' current, savings and deposit accounts	27,845,487	3,649,082	–	31,494,569
Other fund raising instruments	3,219,155	164,170	312,974	3,696,299
Debt securities in issue	84,877	148,190	1,113,742	1,346,809
Other liabilities	1,080,839	35,860	571,266	1,687,965
	32,430,029	4,081,367	1,997,982	38,509,378
2009				
ASSETS				
Cash, due from banks and treasury bills	8,133,093	–	–	8,133,093
Statutory deposits with Central Banks	2,791,408	–	–	2,791,408
Advances	5,837,543	5,498,953	10,580,066	21,916,562
Investment securities	1,330,915	2,003,667	2,289,618	5,624,200
Other assets	512,271	406,498	3,062,323	3,981,092
	18,605,230	7,909,118	15,932,007	42,446,355
LIABILITIES				
Due to banks	138,585	134,970	–	273,555
Customers' current, savings and deposit accounts	25,883,338	2,160,632	9,743	28,053,713
Other fund raising instruments	3,752,151	107,263	320,412	4,179,826
Debt securities in issue	29,709	231,546	1,176,990	1,438,245
Other liabilities	1,163,454	31,095	550,739	1,745,288
	30,967,237	2,665,506	2,057,884	35,690,627

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

27. EQUITY COMPENSATION BENEFITS

a) Profit sharing scheme

During the 2010 financial year the Parent advanced $11.3 million to the staff profit sharing scheme (2009: $43.4 million). It is estimated that approximately $93.3 million (2009: $82 million) will be allocated to staff from the profit sharing scheme in the current financial year. The total staff profit sharing for the Group was $104.5 million (2009: $94.9 million).

b) Stock option plan

The Group has a stock option plan for senior executives. Under this arrangement, the holder has the right to purchase a specified number of ordinary shares of Republic 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 Parent's share price at the beginning of the performance period during which the option is earned. The price is calculated as the average closing share price on all trading days during the calendar month, prior to the beginning of the performance period. The process of assessment, calculation of options and approval by the Board of Directors takes place in the first quarter following the end of the financial year.

The movement in outstanding options is outlined below.

	2010	2009	**2010**	2009
	Weighted average exercise price		Number of shares	
At the beginning of the year	**$82.71**	$76.04	**1,264,094**	1,026,335
Granted	**$101.80**	$80.00	**11,876**	425,704
Forfeited	–	–	–	–
Exercised	–	$39.03	–	(187,945)
At end of year	**$82.89**	$82.71	**1,275,970**	1,264,094
Exercisable at end of year	**$82.54**	$78.70	**660,048**	392,154

27. EQUITY COMPENSATION BENEFITS *(continued)*

b) Stock option plan *(continued)*

Expiry Date	Exercise Price	**2010**	2009
14-Dec-14	$43.40	**33,401**	33,401
15-Dec-15	$78.78	**217,644**	217,644
20-Dec-16	$90.19	**267,761**	267,761
20-Dec-17	$86.75	**319,584**	319,584
20-Dec-18	$80.00	**425,704**	425,704
20-Dec-19	$101.80	**11,876**	–
		1,275,970	1,264,094

As at September 30, 2010, 1,242,569 (2009: 587,345) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share

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

Grant date	January 19, 2010
Number granted	11,876
Exercise price	$101.80
Share price at grant date	$74.00
Risk free interest rate	4.5% per annum
Expected volatility	15.0% per annum
Dividend yield	3.75% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	$6.70

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

No share options were exercised during the year. For options outstanding at September 30, 2010 the exercise price ranged from $43.40 to $101.80, and the weighted average remaining contractual life was 9.6 years.

The total expense for the share option plan was $6.495 million (2009 : $7.836 million).

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28. DIVIDENDS PAID AND PROPOSED

	2010	2009
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2009: $2.23 (2008: $2.23)	358,127	357,744
First dividend for 2010: $1.15 (2009: $1.15)	184,684	184,405
Total dividends paid	542,811	542,149
Proposed for approval at Annual General Meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2010: $2.40 (2009: $2.23)	385,428	358,127

29. CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2010, there were certain legal proceedings outstanding against the Group. No provision has been made, as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

b) Customers' liability under acceptances, guarantees, indemnities and letters of credit

	2010	2009
Acceptances	717,463	903,160
Guarantees and indemnities	90,830	87,677
Letters of credit	119,259	108,348
	927,552	1,099,185
c) Sectoral information		
State	64,272	90,647
Corporate and commercial	692,452	685,247
Personal	66,470	21,107
Other financial institutions	44,404	256,585
Other	59,954	45,599
	927,552	1,099,185

29. CONTINGENT LIABILITIES *(continued)*

d) Pledged assets

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

	Carrying Amount		Related Liability	
	2010	2009	**2010**	2009
Premises and equipment	–	310,788	–	241,171
Financial investments				
- Available-for-sale	2,848,157	3,849,954	2,654,458	3,414,953
	2,848,157	4,160,742	2,654,458	3,656,124

The assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty. The pledged assets will be returned to the Group when the underlying transaction is terminated but, in the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

30. REPUBLIC FINANCE & MERCHANT BANK LIMITED - CHANGE IN OPERATIONS AND NAME

On September 22, 2010, the Board of Directors of Republic Bank Limited, approved the transfer of the Trust Services line of business from Republic Bank Limited to Republic Finance & Merchant Bank Limited, with a change in name of the latter fully-owned subsidiary to "Republic Trust Company Limited". This change has no impact on the consolidated financial statements of the Group, and was effected to accord with best practices in corporate governance.

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

31. SUBSIDIARY COMPANIES

Name of Company	Country of incorporation	Proportion of issued capital held
Republic Finance & Merchant Bank Limited *Merchant Bank*	Trinidad and Tobago	100.00%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment-Management Company*	Trinidad and Tobago	100.00%
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
Republic Bank Trinidad & Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
Barbados National Bank Inc. *Commercial Bank*	Barbados	65.10%
BNB Finance & Trust Corporation *Merchant Bank*	Barbados	65.10%
Barbados Mortgage Finance Company Limited *Mortgage Financing*	Barbados	65.10%
Republic Caribbean Investments Limited *Investment Company*	St. Lucia	100.00%
Republic Alpha Limited *International Business Company*	St. Lucia	100.00%
Atlantic Financial Limited *International Business Company*	St. Lucia	100.00%
Republic Bank (Grenada) Limited *Commercial Bank*	Grenada	51.00%
Republic Bank (Guyana) Limited *Commercial Bank*	Guyana	51.00%