Annual Report 2011

Republic Bank Limited

We believe that every member of Republic Bank has a stake in our success. As we interweave our individual contributions, we seek out the most effective means of unlocking the true potential of our people, our country and our region. Each of us contributes to the evolution of our resources, enhancement of customer service and the improvement of the quality of life in the communities with which we share our future.

Over the course of almost 175 years, Republic Bank has formed an interconnected Group, dedicated to local and regional progress. Together with our employees, our customers and our shareholders, we embrace a vision of building successful societies, wherever the business of banking and financial services may take us.

Vision

Republic Bank,
the Caribbean Financial Institution of Choice
for our Staff, Customers and Shareholders.
We set the Standard of Excellence
in Customer Satisfaction,
Employee Engagement, Social Responsibility
and Shareholder Value,
while building successful societies.

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, Shareholders
and the communities we serve.

Values

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

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Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the Forty-First Annual Meeting of Republic Bank Limited will be held at the Ballroom of the Crowne Plaza Hotel, Wrightson Road, Port of Spain, on Wednesday December 14, 2011, 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, 2011 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, 2011.

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 2, 2011

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 16, 2011, 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 $2.75 declared for the financial year ended September 30, 2011, will be payable on December 2, 2011, to shareholders at the close of business on November 16, 2011.

Documents Available for Inspection

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

DIRECTORS

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

Managing Director
DAVID 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.)*

DAWN CALLENDER, *FCCA, CPA, MBA*

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

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.)*

W. H. PIERPONT SCOTT, *FCCA, CA*

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

KRISTINE THOMPSON, *B.Comm, MBA*

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

Consolidated Financial Summary

All figures are in thousands of Trinidad and Tobago dollars ($'000)

	2011	2010	2009	2008	2007
Total assets	**47,267,786**	45,902,101	42,446,355	41,566,700	37,362,145
Customers' deposits	**33,072,441**	31,494,569	28,053,713	27,483,709	24,245,419
Advances	**21,866,285**	21,847,038	21,916,562	23,607,144	20,374,659
Stated capital	**596,492**	590,406	583,911	568,747	552,486
Equity	**7,230,602**	6,791,036	6,204,007	5,558,603	4,861,873
Actual number of shares	**160,605**	160,595	160,595	160,407	160,172
Weighted average number of shares - diluted	**160,642**	160,609	161,211	160,295	160,090
Profit after taxation and non-controlling interest	**1,121,527**	993,874	948,445	1,203,890	1,335,689
Dividends based on the results of the financial year	**642,421**	542,811	542,811	542,176	470,906
Dividends paid during the year	**586,172**	542,811	542,149	504,708	427,305
Dividend per share based on the results of the financial year	**$4.00**	$3.55	$3.38	$3.38	$2.94
Dividend per share paid during the year	**$3.65**	$3.38	$3.38	$3.15	$2.67
Earnings per share (basic)	**$6.98**	$6.19	$5.91	$7.51	$8.34
Return on average assets	**2.51%**	2.43%	2.47%	3.30%	3.94%
Return on average equity	**16.00%**	15.30%	16.13%	23.10%	28.90%

Group Financial Calendar

Dividend Payments

- Final dividend for year ended September 30, 2011	December 2011
- Interim dividend for year ended September 30, 2012	June 2012

Results

- Publication of results for first quarter to December 31, 2011	February 2012
- Publication of results for half year to March 31, 2012	May 2012
- Publication of results for third quarter to June 30, 2012	August 2012
- Publication of results for year ending September 30, 2012	November 2012
- Report and accounts mailing	November 2012
- Annual meeting	December 2012

The Hope of a Miracle Foundation was established in 2006 by the organisation, Hispanic Women in Trinidad and Tobago. The Foundation provides assistance to families of critically ill children who require treatment, either locally or abroad. Recognising that the cost of care is a great challenge for many families, Republic Bank, in 2009, founded the Republic Bank Make A Difference Fund for Sick Children. The Bank has since partnered with the Hope of a Miracle Foundation and through this arrangement, 15 critically ill children have been given a second chance at life over the past two years.

Board of Directors

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

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

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

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

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

6 **DAWN CALLENDER**
FCCA, CPA, MBA
Director,
Finance and Risk Management,
Power Generation Company
of Trinidad and Tobago

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

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

9 **RUSSELL MARTINEAU**
SC, LLM
Senior Counsel

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

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

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

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

14 **KRISTINE THOMPSON**
B. Comm, MBA
Vice President,
Business Development,
CariSal Investment
Holdings (B.V.I.) Limited


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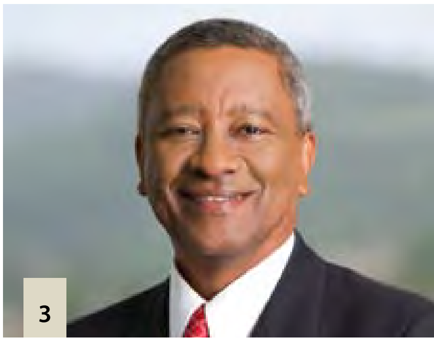
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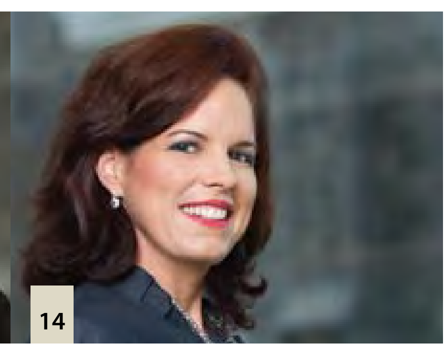
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Your Directors have pleasure in submitting their Report for the year ended September 30, 2011.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Group's profit after taxation and non-controlling interest for the year ended September 30, 2011, amounted to $1.1 billion.

The Directors have declared a dividend of $2.75 per share for the year ended September 30, 2011. A half-year dividend of $1.25 per share was paid on May 27, 2011, making a total dividend on each share of $4.00 (2010: $3.55).

Set out below are the names of the Directors and Senior Officers with an interest in the Company at September 30, 2011, together with the shareholding of their connected parties and our ten (10) largest shareholders.

DIRECTORS AND SENIOR OFFICERS

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	7,500	
Nigel M. Baptiste	9,782	
Dawn Callender	Nil	
David Dulal-Whiteway	48,179	5,000
Terrence W. Farrell	1,100	
Ronald F. deC. Harford	4,574	
William P. Lucie-Smith	Nil	6,500
Russell Martineau	Nil	1,000
Christian E. Mouttet	Nil	
Stephen Pollard	Nil	
W. H. Pierpont Scott	Nil	
Chandrabhan Sharma	1,000	
Kristine Thompson	Nil	
Gregory Thomson	15,854	
Robert Le Hunte	597	
Charles A. Mouttet	19,737	
Jacqueline H.C.Quamina	13,301	

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	29,104,942	18.12
*CLICO Investment Bank Limited *(in liquidation)*	16,196,905	10.08
Trintrust Limited	14,898,595	9.28
*First Company Limited	13,191,640	8.21
First Citizens Trust & Merchant Bank Limited	4,314,634	2.69
RBTT Trust Limited	4,084,487	2.54
Trinidad and Tobago Unit Trust Corporation	2,887,016	1.80
Guardian Life of the Caribbean Limited	2,004,162	1.25
*RBC Nominee Services (Caribbean) Limited	1,023,275	0.64

* Member of the CL Financial Group

DIRECTORS

In accordance with by-law No. I, Paragraph 4.4, Nigel M. Baptiste, Terrence W. Farrell, Stephen Pollard and W. H. Pierpont Scott 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.

Kristine Thompson was appointed a Director on February 1, 2011 to fill the casual vacancy created by the retirement of George Leonard Lewis on January 31, 2011. Likewise, Dawn Callender was appointed a Director on October 1, 2011 to fill the casual vacancy created by the retirement of Marjorie Thorpe on September 30, 2011. In accordance with By-law No.1, Paragraph 4.4.5, both Mrs. Thompson and Ms. Callender, having been appointed since the last meeting, retire from the Board and being eligible, offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

COMMUNITY INVOLVEMENT

With a continued focus on engaging the communities we serve, Republic Bank maintains and strengthens relationships with various Non-Governmental Organisations and Community-Based Organisations through the Power to Make a Difference programme.

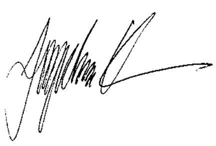
When the second phase of the programme was launched in 2009, Republic Bank moved forward, strengthening the visions and missions of these organisations with a further TT$100 million commitment toward poverty alleviation, youth development through sport, culture and education, and healthcare for the sick and elderly.

In 2011, along with our traditional beneficiaries, not only did we reinforce our commitment to the empowerment of the differently-abled, we also placed a greater focus on our staff volunteerism programme. Through this initiative, we have worked with Habitat for Humanity, United Way, Lady Hochoy Home and the Trinidad and Tobago Red Cross Society among others to improve the quality of life of persons in these communities.

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

At Republic Bank our purpose is to build successful societies, and so we must be an organisation that cares for our employees, customers, shareholders and our communities. We believe our commitment to these groups will produce extraordinary results. Blue Thunder is the theme given to our Bank's strategic objectives and our action plan for 2010–2014. It embodies our financial and competitive objectives, as well as the initiatives that would support the achievement of our goals. Blue Thunder rests upon four main pillars: cultural revitalisation and employee engagement; customer service and relationships; efficient banking and community relationships.

RONALD F. deC. HARFORD

Chairman's Review

GROWING IN UNCERTAIN TIMES

THE YEAR 2011 WAS ONE OF CONTRASTING FORTUNES. Developed countries showed marginal growth amidst an escalating sovereign debt crisis in Europe whilst the developing world forged strongly ahead, significantly contributing to overall world growth. Closer to home, the wide array of issues across Europe and the United States of America negatively impacted the tourism-based Eastern Caribbean economies. Locally, our Trinidad and Tobago marketplace was characterised by weak credit demand in a very liquid, low-interest-rate environment.

The Group recorded profit attributable to shareholders of $1.12 billion for the year ended September 30, 2011, an improvement of 12.8% over last year. Our total assets now stand at $47.3 billion, supported by a strong capital adequacy ratio for the Bank of 30.6%. The Board of Directors has declared a final dividend of $2.75 for the half year ended September 30, 2011, making the year's payout ratio 57.3%. The Bank confirms that its dividend policy is to payout 40% to 60% as appropriate.

I applaud the management for their initiative in producing these excellent financial results. Equally laudable were their efforts in energising and empowering staff towards creating a customer centric organisation. This will have lasting beneficial effects on the organisation as Republic Bank Limited further differentiates its quality of service from its competitors.

The Group remains committed to its vision of being the Caribbean financial institution of choice for its customers, staff and shareholders. Our brand continues to represent trust and stability to customers, security to staff and a sound investment for shareholders. This year we were adjudged Bank of the Year for Trinidad and Tobago, by the prestigious *Banker* magazine, a publication of the *Financial Times* of London. The Bank was also awarded the Global Finance award for the Best Sub-Custodian Bank in the Caribbean for 2011, based on exceptional work in customer relations, quality of service, competitive pricing, technology platforms, business continuity plans and knowledge of local regulations and practices, including Anti-Money Laundering and Anti-Terrorism.

Global

A number of headwinds challenged economic progress in 2011. Following moderate economic growth from January to March, the devastating earthquake and tsunami in Japan and political unrest in a number of Middle East countries thwarted global growth during the year. The downgrade of US debt by ratings agency Standard & Poor's and the worsening sovereign debt crisis in Europe dented both investor and consumer confidence alike. With the economic outlook for Europe and the USA showing less promise, the consequent negative effects are being felt across all regions.

The International Monetary Fund (IMF) in its September World Economic Outlook Report lowered its projections for global GDP growth to 4.0% for both 2011 and 2012, compared to the 5.1% rate registered in 2010.

Regional

Mixed performance prevailed in the region, with economies endowed with natural resources and an agricultural base out-performing those that found themselves as a net importer of these commodities. The current economic slowdown in the leading economies has dampened short-term growth prospects the world over, with cause for concern in the tourism reliant economies of the Caribbean.

The Barbados Central Bank reported that the economy grew by just 1% in the January to September period–less than half of what was anticipated. This growth was led by an expansion in the domestic sector which saw modest growth in the construction, wholesale and retail sectors expanding by 3% and 2% respectively.

Although there were increases in tourist arrivals, inflows from the sector continue to decline, as the amount spent by the visitors is far less than anticipated. Declining revenues, increasing debt, rising cost of imports and unemployment are just some of the major concerns facing the Barbados economy, and these challenges are expected to continue into 2012.

The Guyanese economy performed solidly in 2011, propelled by strong growth in the agriculture and mining sectors. Economic activity expanded by 5.9% for the first half of the year, representing the fastest growth rate in several decades. With the world's growing demand for commodities and the synergies from the emerging powerhouse of Brazil as a next-door neighbour, Guyana is well poised for growth in 2012.

Grenada's economy showed some modest improvement during 2011. According to preliminary data, the tourism sector improved marginally, resulting in an overall growth in the economy of 1%. Total public debt is projected to reach 100% of GDP in 2011. With an unemployment rate of over 30%, the economy is expected to continue to experience serious challenges in 2012.

Trinidad and Tobago

The Trinidad and Tobago economy recorded a small decline in 2010, the second consecutive year of decline. This performance was due mainly to the contraction of the non-energy sector, which declined by 2.3%.

Despite the Government's efforts to stimulate growth this year, weak global conditions, declining oil production, escalating crime rates and the slowdown in business credit have all contributed to stifled growth. Recent estimates from the Ministry of Finance have indicated that 2011 will be our third straight year of decline.

In the recent national Budget, the Trinidad and Tobago economy is projected to register growth of 1.7% in 2012. Among Government's objectives for fiscal 2012 are job creation, spurring investment activity and national security. Increased Government spending is expected in fiscal 2012, which is hoped to have a positive impact on the economy.

OUTLOOK

The Republic Bank Group has successfully weathered the financial storms of the past few years based on our financial strength and our prudent risk management practices. I remain confident that these strengths will serve us well in the future.

This year two of our long-standing Directors retired from the Board after many years of dedicated service. George Leonard Lewis retired in January after serving 27 years and Marjorie Thorpe retired in September, following eight years of service to the Board. Both of them provided astute advice and wise counsel, for which the Bank is very grateful. In their places, I welcome Kristine Thompson and Dawn Callender to the Board. Kristine is Vice President, Business Development, CariSal Investment Holdings (BVI) Limited and has extensive experience in the field of financial services. Dawn, a chartered accountant, is the Director of Finance and Head of Corporate Strategy at Power Generation Company of Trinidad and Tobago Limited. I look forward to the benefit of their valuable contributions.

I wish to thank my fellow directors for another year of committed service, the management and staff of the Group for their continued dedication and hard work, and our customers for their loyalty and patronage.

DAVID DULAL-WHITEWAY

Managing Director's Discussion and Analysis

I AM PLEASED TO REPORT THAT THE GROUP RECORDED PROFIT attributable to equity holders of the parent of $1.1 billion, an improvement of 12.8% over that reported for 2010. As expected in this liquid environment, we have seen a tightening in our net interest margins, now at 4.58% in 2011. To our benefit, however, our efforts centered around improving the operating efficiency of the organisation are delivering good results, with our efficiency ratio improving from 49.2% in 2010, to 46.7% in 2011. The Group's total assets at $47.3 billion, represent a 3% improvement from last year, mostly reflected in liquid assets. The Board of Directors has declared a final dividend of $2.75 per share (Interim: $1.25 per share). This represents a dividend yield of 4.30% on a share price of $93.09, with a Price Earnings multiple of 13.3. These are indeed commendable ratios in this marketplace.

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 38 to 104 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 15 subsidiaries and three associated companies. The Group is engaged in a wide range of banking, financial and related activities in the Caribbean.

The Group's Statement of Financial Position as at September 30, 2011, reflects an asset base of $47.3 billion or a 3% improvement on that reported for 2010.

All figures are in TT$M	2011	2010	Change	% Change
Profitability				
Net interest income	**2,134.5**	2,065.9	68.6	3.3
Other income	**1,176.8**	948.1	228.6	24.1
Share of profits of associated companies	**8.8**	15.6	(6.8)	(43.6)
Core operating expenses	**(1,573.1)**	(1,459.9)	(113.2)	(7.8)
Employee benefits pension contribution	**24.2**	(31.0)	55.2	178.2
Loan impairment expense	**(288.6)**	(147.2)	(141.4)	(96.0)
Profit before taxation	**1,482.6**	**1,391.5**	**91.1**	**6.5**
Taxation	**(311.4)**	(317.1)	5.8	1.8
Profit after taxation	**1,171.2**	**1,074.4**	**96.9**	**9.0**
Non-controlling interest	**(49.7)**	(80.5)	30.8	38.2
Profit attributable to equity holders of the parent	**1,121.5**	**993.9**	**127.7**	**12.8**
Statement of Financial Position				
Total assets	**47,267.8**	45,902.1	1,365.7	3.0
Total advances	**21,866.3**	21,847.0	19.2	0.1
Total deposits	**33,072.4**	31,494.6	1,577.9	5.0
Total equity	**7,851.3**	7,392.7	458.6	6.2

The defining characteristics of the financial system in 2010 persisted in 2011. The growth in the deposit base of 5% speaks to the high levels of liquidity in the system, and meager growth in advances of 0.1% emphasises the lack of credit demand. Combined, these two factors have caused some slippage in our Loans to Deposits ratio, now at 66%. In Trinidad and Tobago, the average excess liquidity of commercial banks for the year increased from $11.3 billion to $12.1 billion, of which $4.6 billion was cash in excess of reserve requirements. Looking at our own liquidity ratios, our liquid assets ratio of approximately 30% is mainly comprised of Treasuries and placements with other banks.

Profit attributable to shareholders of $1.1 billion represents an increase of 12.8% over 2010. Net interest margins tightened over the period, and most of the growth in revenue was due to Other Income, increasing by $228.6 million from 2010. Included in this growth is recoveries of approximately $186 million.

ANALYSIS OF PERFORMANCE BY TERRITORY

Net interest income for the Group had mixed fortunes and represents the diverse economic environments of the countries in which we operate. Although all areas operated with an overabundance of liquidity, in the case of Trinidad and Tobago our loan expansionary strategy resulted in an increase in our overall loan portfolio and the maintenance of our dominant market share. A less than favorable economic environment in Barbados did not facilitate the same approach, as both the investment and loan book contracted, resulting in a decrease in Net Interest Income by 6.3%. Increases in Net Interest Income in Cayman and Guyana offset contractions in Net Interest Income in the Eastern Caribbean, resulting in a 4.5% increase in that group as a whole.

Other Income

The Trinidad and Tobago operations benefited significantly from recoveries of previously written-off loans. Adjusting for this item, the core operation registered a 2.9% increase which was in line with the 3.2% increase from our Barbados operations, both areas reversing the negative trends which prevailed in 2010.

NET INTEREST INCOME ($'000s)

Country	2011	2010	Change	% Change
Trinidad and Tobago	**1,479,332**	1,399,494	79,838	5.7
Barbados	**357,205**	381,320	(24,115)	(6.3)
Cayman/Guyana/Eastern Caribbean	**298,005**	285,123	12,882	4.5
Total	**2,134,542**	**2,065,937**	**68,605**	**3.3**

OTHER INCOME ($'000s)

Country	2011	2010	Change	% Change
Trinidad and Tobago	**1,089,576**	894,759	194,816	21.8
Barbados	**108,058**	104,689	3,369	3.2
Cayman/Guyana/Eastern Caribbean	**107,263**	109,356	(2,093)	(1.9)
Inter-company eliminations	**(128,144)**	(160,660)	32,516	20.2
Total	**1,176,753**	**948,144**	**228,609**	**24.1**

Operating Expenses

Over the past two years operating expenses have been affected by wide swings in the accounting for the impact of the Bank's pension plan, moving from a $30.9 million charge in 2010 to a $24.2 million credit in 2011. Adjusting for these swings and other one off items, core expenses in Trinidad and Tobago operations increased by 4.7%. Driving the 8.2% increase in Barbados were legacy expenses associated with our Finacle Banking System, operationalised in 2010, together with increases in staff costs. The increase in the other territories category of 8.8% was driven by Republic Bank (Grenada) Limited, where we prudently marked down certain regional Government bonds.

OPERATING EXPENSES ($'000s)

	2011	2010	Change	% Change
Core operating expenses	**1,573,096**	**1,459,929**	**(113,167)**	**(7.8)**
(Less)/Add Pension (credit)/cost	**(24,240)**	30,981	55,221	(178.2)
Total operating expenses	**1,548,856**	1,490,910	(57,946)	(3.9)
Trinidad and Tobago	**1,110,365**	1,042,454	(67,911)	(6.5)
Barbados	**270,021**	249,515	(20,506)	(8.2)
Cayman/Guyana/Eastern Caribbean	**196,847**	181,218	(15,629)	(8.6)
Inter-company eliminations	**(4,137)**	(13,258)	9,122	68.8
Total	**1,573,096**	**1,459,929**	**(113,167)**	**(7.8)**

Loans and Advances Portfolio

2011 was the second consecutive year of flat performance in the Group's performing advances. This was the net effect of marginal growth in Trinidad and Tobago coupled with a 4% decline in the Barbados market. While we have not experienced any growth, the quality of the loan portfolio has improved. Non-performing loans to Gross Loans has moved from 4.4% in 2010 to 3.3% in 2011. Barbados continues to have high levels of provisioning as a consequence of the decline in that economy. Trinidad and Tobago's Non-Performing Loans to Gross Loans has improved from 3.3% to 1.7%. The Group maintains a very satisfactory coverage of Non-Performing Loans of 109%, through its provision and contingency reserves.

LOANS AND ADVANCES ($ MILLIONS)

	2007	2008	2009	2010	2011
Performing loans	19,731	23,417	21,478	21,481	**21,477**
Non-performing loans	469	417	1,044	995	**732**
Gross loans	20,200	23,834	22,522	22,475	**22,209**
Loan provision	(283)	(227)	(606)	(628)	**(343)**
Net loans	19,917	23,607	21,916	21,847	**21,866**
Contingency reserve	196	218	477	422	**455**
Non-performing loans to gross loans	2.3%	1.7%	4.6%	4.4%	**3.3%**
Provision and Contingency reserves as a % of non-performing loans	102.0%	106.7%	103.7%	105.6%	**109.0%**

LOANS AND ADVANCES - 2011 ($ MILLIONS)

	T'dad and T'go	B'dos	Cay/Guy/ East Car.	Total
Performing loans	14,886	4,182	2,409	**21,477**
Non-performing loans	265	364	103	**732**
Gross loans	15,151	4,546	2,512	**22,209**
Loan provision	(199)	(109)	(35)	**(343)**
Net loans	14,952	4,437	2,477	**21,866**
Contingency reserve	156	265	34	**455**
Non-performing loans to gross loans	1.7%	8.0%	4.1%	**3.3%**
Provision and Contingency reserves as a % of non-performing loans	134.2%	102.8%	66.5%	**109.0%**

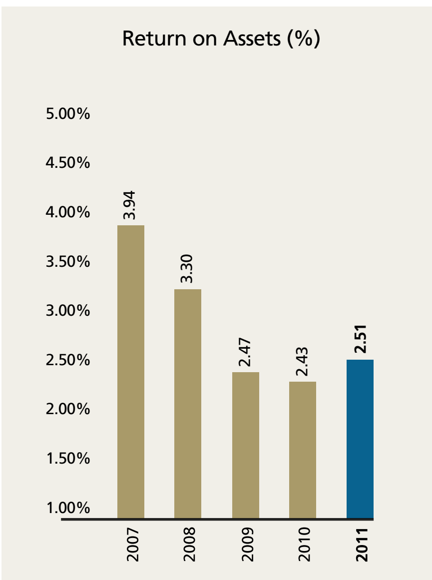
TOTAL ASSETS

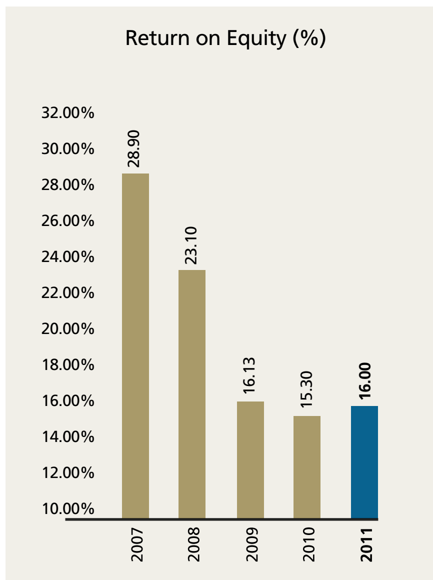
The Group's total asset base now stands at $47.3 billion, an increase of 3.0% on that reported for September 2010. As economic conditions this year have basically mirrored those of 2010, the mix of the Statement of Financial Position has also remained very similar. In this past year, only the assets of the Trinidad and Tobago and Guyana operations have shown some marginal growth, mostly driven out of advances. The shrinkage that all other operations experienced is very reflective of the prevailing times.

TOTAL ASSETS ($'000S)

Country	2011	2010	Change	% Change
Trinidad and Tobago	33,846,758	33,440,086	406,672	1.2
Barbados	8,921,936	9,097,619	(175,683)	(1.9)
Cayman/Guyana/Eastern Caribbean	8,016,242	8,099,264	(83,022)	(1.0)
Inter-company eliminations	(3,517,150)	(4,734,868)	1,217,718	25.7
Total	47,267,786	45,902,101	1,365,685	3.0

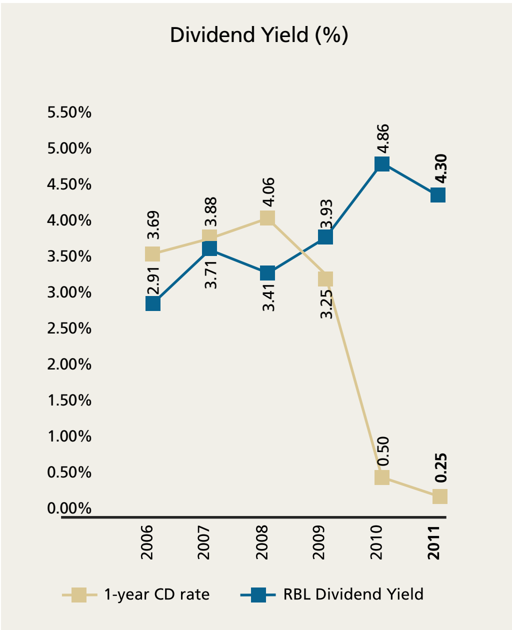
KEY PERFORMANCE RATIOS

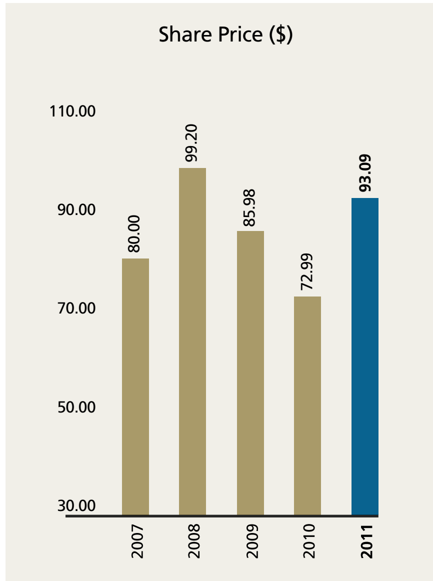




The Group's improved profitability this year of $1.1 billion translates into improved return on assets and return on equity ratios of 2.51% and 16.0% respectively.

The share price at the close of the financial year was TT$93.09, resulting in a price earnings ratio of 13.3. With the approved dividend of $4.00, the dividend yield is 4.30%. Capital gains and dividends provided shareholders with a 33% return this year.





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 Basel Committee on Banking Regulations and Supervisory Practice (the Basel 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.

The Group is well in excess of required capital. The Bank's dividend policy has as a result, been adjusted to distribute 40% to 60% of Group net earnings to shareholders. This year's dividend at $4.00 represents a 12.7% increase on 2010, $3.55. This amounts to 57.3% of net profit. Our solid capital base leaves us in a very strong position to fund future growth and expansion.

CAPITAL ADEQUACY RATIO

	2011	2010
Republic Bank Limited	**30.63%**	29.95%
Republic Finance and Merchant Bank Limited	**76.99%**	69.68%
Republic Bank (Cayman) Limited	**18.94%**	31.74%
Republic Bank (Grenada) Limited	**16.50%**	18.04%
Republic Bank (Guyana) Limited	**18.60%**	20.53%
Barbados National Bank Inc.	**19.79%**	18.78%

OUTLOOK

Most economic experts predict a very flat world economy for 2012, and so our prognosis for the immediate future is very much in line with what pertained in the past financial year. As efforts are made to encourage private sector investment and alleviate the crime situation here in Trinidad and Tobago, we are hopeful to see some increase in credit demand. The fundamentals of the Guyanese economy remain positive and 2012 should be another year of good growth for them. However, we anticipate our operations in Barbados and Grenada will continue to feel the impact of their challenging economies.

Our strategy, as we have done in the past, is to maximise the benefits for the Bank in the economies in which we expect to see positive growth, while working closely with our customers in the areas where challenging economic conditions prevail. Our sound risk and treasury management, containment of our operating expenses and the engagement of our committed staff are the pillars on which the organisation will move forward.

I thank the Board of Directors for their oversight, the management and staff for their commitment to excellence and the customers and shareholders of this organisation for their loyalty and support.

Republic Bank and the Trinidad and Tobago Cancer Society have been working to ensure that people are fully informed about cancer and the avenues available for prevention and care. Our partnership with the Cancer Society is focused on the provision of important information and medical services, which will aid in early detection and diagnosis. Along with event sponsorships, deeds of covenant and other financial contributions, each year the Bank hosts two major events during Cancer Month: "Walk for Life" (a remembrance walk) and "Edufest", a day of learning and fun aimed at teaching secondary school students about cancer.

The Board of Directors reviewed and adopted the Managing Director's Discussion and Analysis at the Meeting of November 2, 2011.

RONALD F. deC. HARFORD

DAVID DULAL-WHITEWAY

GREGORY I. THOMSON

NIGEL M. BAPTISTE

SHAZAN ALI

DAWN CALLENDER

TERRENCE W. FARRELL

WILLIAM P. LUCIE-SMITH

RUSSELL MARTINEAU

CHRISTIAN E. MOUTTET

STEPHEN POLLARD

W. H. PIERPONT SCOTT

CHANDRABHAN SHARMA

KRISTINE THOMPSON

Executive Management

1 **FARID ANTAR**
General Manager,
Corporate Operations and
Process Improvement

2 **GLORIA ANTHONY**
General Manager,
Commercial and Retail Banking

3 **CHARMAINE CABALLERO**
General Manager,
Human Resources

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

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

6 **ROBERT LE HUNTE**
General Manager,
Planning and Financial Control

7 **CHARLES A. MOUTTET**
General Manager,
Treasury

8 **ROOPNARINE OUMADE SINGH**
General Manager,
Risk Management

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

10 **ANDREA TAYLOR-HANNA**
General Manager,
Internal Audit

11 **ANTHONY WONG**
General Manager,
Information Technology
Management

12 **KAREN YIP CHUCK**
General Manager,
Trust and Asset Management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Website: www.republictt.com

EXECUTIVE MANAGEMENT

Managing Director
DAVID 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*

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

General Manager, Commercial and Retail Banking
GLORIA ANTHONY, *ACIB, MBA*

General Manager, Corporate and Investment Banking
IAN R. DE SOUZA, *Dip. (Mgmt.), BSc (Econ.), MBA, CMA*

General Manager, Corporate Operations and Process Improvement
FARID ANTAR, *ACIB, ACIS*

General Manager, Group Marketing and Communications
ANNA-MARÍA GARCÍA-BROOKS, *Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), MBA*

General Manager, Human Resources
CHARMAINE CABALLERO, *BA (Econ. and Math.), MBA*

General Manager, Information Technology Management
ANTHONY WONG, *Dip. (Mgmt.), MBA*

General Manager, Internal Audit
ANDREA TAYLOR-HANNA, *Dip. (Business Mgmt.), FCCA, CA*

General Manager, Planning and Financial Control
ROBERT LE HUNTE, *BA (Econ.), MSc (Acct.), CA, MBA*

General Manager, Risk Management
ROOPNARINE OUMADE SINGH, *BSc (Econ.), MSc (Econ.), MBA*

General Manager, Treasury
CHARLES A. MOUTTET, *ACIB*

General Manager, Trust and Asset Management
KAREN YIP CHUCK, *Dip. (Business Admin.), ACIB, BSc (Hons.) (Econ.), MBA, CIA*

HEAD OFFICE DEPARTMENTS

ADMINISTRATION

Administration Manager
SONIA HAFEEZ, *Dip. (Business Mgmt.)*

Assistant Manager, Administration
WENDY ANNE BOSSE, *BSc (Hons.) (Mgmt. Studies), AICB*

BRANCH SUPPORT SERVICES

Manager
JONELLE SALINA, *Dip. (Financial Mgmt.), BSc (Mgmt. with Psychology), MBA*

BUSINESS SYSTEMS AND PROCESS IMPROVEMENT

Manager
NATHASHA SHAKIRA SMITH-CEDENO, *BSc (Computer Science and Mgmt.)*

Manager
ANTONIA DICKSON-FREDERICK, *Dip. (Bkg.), BSc (Accounting)*

CENTRALISED CREDIT UNIT

Credit Manager
GRACE WEI, *Dip. (Business Mgmt.), ACIB, BSc (Financial Mgmt.)*

CENTRALISED SECURITIES UNIT

Manager
ROBERT SHARPE, *Dip. (Business Mgmt.)*

COMMERCIAL AND RETAIL BANKING

Regional Sales Manager (North)
PAULA BALDWIN, *Dip. (Business Mgmt.)*

Regional Sales Manager (East/Central/Tobago)
SUSAN TORRY, *Dip. (Business Mgmt.), ACIB, BSc (Hons.) (Industrial Mgmt.)*

Regional Sales Manager (South)
SURESH SUPERSAD, *Dip. (Business Mgmt.)*

Manager, Customer Care and Support Centre
PETER ADAM, *Dip. (Business Mgmt.)*

Branch Sales Manager (Relief)
CHERYL PHILLIPS-CLEMENT, *Dip. (Business Mgmt.)*

Branch Sales Manager (Relief)
MARIA FRASER

Branch Sales Manager (Relief)
DEBORAH CARRINGTON

CORPORATE OPERATIONS AND PROCESS IMPROVEMENT

Senior Manager
ANTHONY C. SUBERO, *Dip. (Business Mgmt.), LIDPM*

ECONOMIC INTELLIGENCE UNIT

Senior Economist
RONALD RAMKISSOON, *BSc (Hons.) (Econ.), MSc (Econ.), PhD (Agri. Econ.)*

GROUP MARKETING AND COMMUNICATIONS

Manager, Group Corporate Communications
TISHA LEE, *B.Comm. (Marketing)*

Marketing Manager, Channel Management
MARSHA O'NEAL, *BSc (Sociology and Mgmt. Studies), MBA*

Manager, Market Intelligence and Segments
SHAZARD MOHAMMED, *BSc (Hons) (Econ.), PgD Marketing*

HUMAN RESOURCES

Senior Manager
DENISE BOODRAM, *ADHRM, MBA*

Industrial Relations Manager
STEPHANIE FINGAL, *BA (Hons.) (Mgmt. and History)*

Manager, Compensation and Benefits
ADDISON MITCHELL, *BSc (Computer Science and Mgmt.) HND (Computer Studies)*

Manager, HRIS
EMERSON DIXON, *Dip. IMIS*

Manager, Manpower Planning
ANNELEISE THOMAS, *BSc (Sociology with HR Mgmt.)*

Manager, Training and Organisational Development
CORRINE BROWN, *BSc (General), MBA*

INTERNAL AUDIT

Senior Manager
SHANTI RAMDHANEY, *Dip. (Mgmt.), FCIB, MBA*

Manager, Commercial and Retail Banking, Audits
HAMIDA LENNARD, *Dip. (Business Mgmt.)*

Manager, Corporate Activities, Audits
MICHAEL WALCOTT, *BA (Accounting)*

Manager, Finance Audits
JOY INNISS, *FCCA*

Manager, IT Audits
JOYCE RAMKUMAR, *BSc (Information Systems), ADMIS*

Manager, Professional Practices
FARINA KARIM-RAGBIR, *Dip. (Business Mgmt.)*

Manager
JAGNATH MOONIAN, *ACCA*

INVESTMENT BANKING

Project Manager, Project Financing
WAYNE L. REID, *BSc (Civil Eng.), MSc (Constr. Eng.), MAPETT, MASCE, MCSCE, MIFMA*

Regional Manager, Investment Banking
RICHARD SAMMY, *BSc (Hons.) (Mgmt. Studies), MBA*

Regional Manager, Investment Banking
BRIAN WOO, *BA (Hons.), (Operations Research), MBA (Finance)*

LEGAL

Assistant Manager, Legal Services
JANELLE BERNARD, *LLB (Hons.), LEC*

Assistant Manager, Legal Services
KIMBERLY ERRIAH, *LLB (Hons.), LEC*

Assistant Manager, Legal Services
AYANNA Mc GOWAN, *LLB (Hons.), LEC*

LOAN DELIVERY CENTRE

Manager
CHANDRA GHURAN, *Dip. (Bkg.), Dip. (Business Mgmt.), MBA*

Assistant Manager
WILMA WILLIAMS, *Dip. (Marketing), Dip. (Bkg.), ALLC*

OPERATIONAL RISK

Manager, Business Continuity Planning
KAMAL SONNYLAL, *CBCP*

Manager, Corporate Security
TERRENCE A.M. BUTCHER, *Dip. (CFAFD)*

Manager, IT Security
ADESH RAMPAT, *BSc (Electronics Eng.), PgD (MIS)*

Manager, IT Security
BRIAN KESHWAH, *BSc (Computing)*

PLANNING AND FINANCIAL CONTROL

Chief Accountant
HAMANT LALLA, *FCCA, MBA (Finance)*

Senior Manager, Planning and Financial Control
RIAH DASS-MUNGAL, *ACCA, BSc (Acct.)*

Manager, Group Finance and Planning
MARSHA Mc LEOD-MARSHALL, *FCCA*

Manager, Business Performance Management
LANA RAMROOP, *BSc (Electrical and Computer Eng.)*

PORTFOLIO MANAGEMENT

Project Manager
GILLIAN PIERRE, *Dip. (Business Mgmt.)*

PREMISES

Premises Manager
MARK BISHOP, *Dip. (Business Mgmt.), B.Eng. (Civil Eng.)*

Assistant Manager
MARVIN SINANAN, *BSc (Civil Eng.)*

RISK MANAGEMENT

Senior Credit Manager
VIJAI RAGOONANAN, *CA, BSc (Mgmt. Studies), MSc (Acct.)*

Credit Manager
DENNIS KURBANALI, *ACIB, MBA*

Credit Manager
LISA MARIA PARMASSAR, *BSc (Econ. with Acct.), MBA*

SPECIAL PROJECTS

Manager
WAYNE GOMES, *Dip. (Business Mgmt.)*

Manager
OMARWATEE LACKHAN, *FCCA*

Manager
VALINI RAJBALLIE, *ACIB*

Manager
VALERIE KELSICK, *BSc (Civil Eng.), MBA (Finance and Int. Business), MAPETT (Reg. Eng.)*

SPECIALIST OFFICES

CREDIT CARD CENTRE

Assistant General Manager, Card Business
MICHELLE PALMER-KEIZER, *Adv. Dip. (Marketing Mgmt.), MABE*

Operations Manager
SANDRA BAHADURSINGH, *Dip. (Business Mgmt.)*

Credit Manager
SANDRA DOPSON, *Dip. (Business Mgmt.)*

FOREIGN EXCHANGE CENTRE (FOREX)/GROUP TREASURY

Senior Manager, Treasury
DAVID ROBINSON, *BA, CFA*

Manager, Foreign Exchange and Dealing
COURTNEY BUCKRADEE, *Dip. (Business Mgmt.)*

Manager
CHARLOTTE SAHADEO-BELLEMARE, *Dip. (Marketing), Dip. (Bkg.), Dip. (Business Mgmt.), BA (French and Spanish)*

INFORMATION TECHNOLOGY MANAGEMENT DIVISION

Senior Manager, Technology Advancement
DENYSE RAMNARINE, *BSc (Computer Science and Physics), MSc (Telecom.), Dip. (Business Mgmt.)*

Senior Manager, Technology Delivery
ALDRIN RAMGOOLAM, *Dip. (Business Mgmt.), BSc (Computer Science)*

Manager, Data Centre Services
JUDITH PUNCH-WAFE, *Dip. (Business Mgmt.), Dip. (HR Mgmt.), ACCA*

Manager, End User Services
ROY LOGIE, *BSc (Electrical and Computer Eng.), MSc (Computer Science)*

Manager, Information Reporting and Data Management
BRENT CABRERA, *Dip. (Computer Science Design), MSc (Strategic Business IT), PgD (Strategic Business IT)*

Manager, Infrastructure
MICHAEL BISSRAM, *Dip. (Business Mgmt.)*

Manager, Production Support
JUDY DHORAY, *BSc (Math/Computer Science), MSc (Computer Science), MBA*

Manager, Project Execution/IT Governance
MARLON PERSAD, *BSc (Computer Science), MSc (Computer Science)*

Manager, Technology Deployment
DARRYL HEADLEY, *BSc (Computing)*

TRUST AND ASSET MANAGEMENT DIVISION

Senior Manager, Trust Services
ENA DALCHAN-MAHABIR, *ACCA*

Manager, Marketing and Product Development
BRENDON HOWELL, *BSc (Hons.) (Acct.), CFA*

Manager, Investments
STEVE ROBERTS, *BSc (Hons.) (Mgmt. Studies)*

Manager, Investments
GISELLE BUSBY, *BSc (Mgmt. Studies)*

Manager, Trust Services
DESMOND MARK, *Dip. (Business Mgmt.)*

Operations Manager
SABATRY RAMNATH, *BSc (Hons.) (Computing)*

Manager
BALDATH RAMKISSOON, *BSc (Mgmt.), MBA*

CORPORATE BUSINESS CENTRES

CORPORATE BUSINESS CENTRE – EAST

Regional Corporate Manager
SHRI BABALL, *Dip. (Business Mgmt.)*

Corporate Manager
KIMLAN COCKBURN, *AIBAF*

Credit Manager
VAUGHN WELSH, *ACIB, Dip (Bkg.)*

Credit Manager
RAWLSTON SINGH, *Dip. (Bkg.)*

CORPORATE BUSINESS CENTRE – NORTH

Regional Corporate Manager
ANTHONY JORDAN, *BSc (Mgmt. Studies), ACIB, MBA*

Corporate Manager
MARIO AFFONSO, *Dip. (Business Mgmt.)*

Corporate Manager
DEREK MOHAMMED, *Dip. (Business Mgmt.), ACIB*

Corporate Manager
AMRAL KHAN, *Dip. (Business Mgmt.), BSc (Hons.) (Mgmt. Studies)*

Corporate Manager
JEAN MOHAMMED

Corporate Manager
KAREN TOM YEW-JARDINE, *BSc (Mgmt.), MBA (Finance), LLB*

Corporate Manager
DAVI SAMAROO-SINGH, *BSc (Econ.)*

Credit Manager
KWAME HANNIBAL, *BSc (Physics), MBA*

Credit Manager
JIMMY CEDENO, *BSc (Mgmt. Studies), MBA*

Credit Manager
ADRIAN RILEY, *BSc (Acct.), MBA (Finance)*

CORPORATE BUSINESS CENTRE – SOUTH/CENTRAL

Regional Corporate Manager
FRANCIS RODRIGUES*, Dip. (Business Mgmt.)*

Corporate Manager
IAN LEONARD, *BSc (Hons.) (Mgmt. Studies)*

Corporate Manager
RAMISH MAHARAJ, *Dip. (Business Mgmt.), ACIB, MBA*

Corporate Manager
KRISHENDATH RAMOUTAR, *FCCA, CA, BSc (Hons.) (Mgmt. Studies)*

Corporate Manager
PARBATIE KHAN, *Dip (Business Mgmt.), ACIB, MBA*

Credit Manager
CHARMAINE KHAN, *Dip (Bkg.)*

Credit Manager
KALAWATEE BICKRAMSINGH, *Dip. (Financial Mgmt.), ACCA, MBA*

BRANCH SALES MANAGERS

Arima
SHEDLEY BRANCHE, *BSc (Hons.) (Mgmt.), MBA*

Centre City, Chaguanas
JENNIFER GANESS, *Dip. (Business Mgmt.)*

Cipero Street
DAVE MANSINGH, *Dip. (Bkg.), ACIB*

Couva
KEITHAN WESTON, *AIBAF*

Diego Martin/Glencoe
ERTHA DE SOUZA, *Dip. (Mgmt.)*

Ellerslie Court
ANDREA KURBANALI, *Dip. (Financial Mgmt.)*

Gulf View
ROOPMIN RAMKISSOON-RAMDEO, *ACIB*

Harris Promenade
WENDY ANN JOSEPH, *Dip. (Business Mgmt.), AICB, MBA*

High Street
FAROOK HOSEIN

Independence Square
HILTON HYLAND, *Dip. (Business Mgmt.), MBA*

Long Circular Mall
WENDY HAY-Mc LETCHIE, *Dip. (Business Mgmt.)*

Marabella
FRANCISCO HERNANDEZ

Mayaro/Rio Claro
JEMMA PERSAD, *Dip. (Bkg.)*

Park Street/Hilton
SHANTIE RAMOUTAR, *ACIB*

Penal
NIRMALA SEETARAM-HARRILAL, *Dip. (Bkg.)*

Pointe-a-Pierre
DIANE RAGHOO

Point Fortin
JEMMA RAMPERSAD

Princes Town
ANNETTE WATTIE, *Dip. (Business Mgmt.), ACIB*

Promenade Centre
NAJETTE ABRAHAM, *Dip. (Business Mgmt.)*

Sangre Grande
INDAR CADAN, *Dip. (Business Mgmt.)*

San Juan
RICHARD Mc LETCHIE, *Dip. (Financial Mgmt.)*

Siparia/Fyzabad
TARAWATIE MOHAMMED

Area Manager, Tobago
ALLISON COOPER, *Dip. (Business Mgmt.)*

Tobago
ANNETTE LEWIS-WILLIAMS

Tragarete Road
RHONDA JOSEPH-WALTERS, *Dip. (Bkg.)*

Trincity Mall
SUSAN WILLIAMS, *Dip. (Business Mgmt.)*

Tunapuna West/East
CLEOPATRA JOSEPH-CHARLES, *Dip. (Business Mgmt.)*

UWI
GABRIELLE DINDAYAL

Valpark/Grand Bazaar
INGRID MACKENZIE

Westmall
BRAD TOM YEW, *BSc (Marketing), MBA (Finance)*

Woodbrook
ISELDA RICHARDS

Subsidiaries

BARBADOS NATIONAL BANK INC. (BNB) has been offering diverse financial services in Barbados for over 30 years and is one of the largest banks on the island. Through its nine conveniently located branches and large network of ATMs, BNB is able to offer its clients an array of banking services, including personal and commercial banking, corporate and investment banking, as well as specialised services, through its subsidiaries, Barbados Mortgage Finance Company Limited and BNB Finance and Trust Corporation.

REGISTERED OFFICE
Independence Square, Bridgetown, Barbados, West Indies
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Swift: BNBABBBB E-mail: info@bnbbarbados.com Website: www.bnbbarbados.com

Managing Director and Chief Executive Officer
DERWIN HOWELL, *BSc (Hons.)(Elec. Eng.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C.Eng.*

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 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, *Dip. (Business Mgmt.), ACIB, BBA*

REPUBLIC BANK (GRENADA) LIMITED was incorporated on October 12, 1979. It is well represented, with six branches and 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$1.896 million after tax for the financial year ended September 30, 2011.

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

Managing Director
KEITH A. JOHNSON, *ACIB, BSc, (Acct.) (Dist.), MBA (Dist.)*

REPUBLIC BANK (GUYANA) LIMITED, established in 1836, continues its proud tradition of leadership in quality financial service in Guyana's banking sector. Fiscal 2011 was a productive year, with a G$1,928 billion after-tax net profit. The Bank commissioned a new Branch at Diamond on January 15, 2011, offering a complete range of financial services to the East Bank of Demerara community.

REGISTERED OFFICE
Republic Bank (Guyana) Limited, Promenade Court,
155-156 New Market Street, North Cummingsburg, Georgetown, Guyana
Telephone: (592) 223-7938-49 Fax: (592) 233-5007
SWIFT: RBGL GYGG E-mail: email@republicguyana.com
Webite: www.republicguyana.com

Managing Director
JOHN N. ALVES, *FICB*

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. The company 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*


P.F.C.C.

The Power to Make a Difference

The Invisible Ones – Nurturing Their True Potential

In 2011, the eighth consecutive year of our Power to Make a Difference programme, Republic Bank has once again confirmed our dedication to youth empowerment and championing the rights of the differently-abled, in order to help both groups succeed in their goals of high achievement in all areas of life.

Since the programme's inception in 2003, we have encouraged achievement in communities through the use of advocacy and teamwork. Together with Non-Governmental Organisations and Community-Based Organisations, we have changed the shape and scope of Corporate Social Responsibility, both locally and regionally. And we have been steered by the belief that if the nation's young, elderly and socially disadvantaged can retain the hope, vision and wherewithal to achieve, we would have fulfilled our mandate to be our brothers' and sisters' keeper.

Over the years, we have directed our resources in a variety of ways as we worked with communities to support their ideals for improvement. The recent economic challenges have not diminished our zeal, as we continue to heed our communities' calls for help.

Power to Make a Difference – Year Eight – Advocacy for the Differently-abled

Through our deeper involvement with the Non-Governmental Organisations community, we have gained a clearer appreciation of the struggles of people with physical and mental challenges.

While we support the interests of the differently-abled, including those with visible or physical disabilities, we have also been drawn to the area of hidden disabilities because these tend to be misdiagnosed, or worse, remain undetected, with dire consequences. In 2011, we redoubled our efforts to support the Dyslexia Association and its training of teachers, while continuing our support of the Autistic Society's training programme for parents of autistic children.

Collaborations with the L.I.F.E. Centre (School for Autistic Children); Lady Hochoy Home, Arima; Eshe's Learning Centre; DRETCHI Speech and Language Training, the Foundation for the Enhancement and Enrichment of Life (F.E.E.L.) and Persons Associated with Visual Impairment (P.A.V.I.) have benefited thousands of differently-abled children in Trinidad and Tobago, through various programmes and facilities.

Staff volunteerism has played a key role in the success of our Power to Make a Difference programme and our objective of holistic support of the work of charitable organisations. Through this programme, and as part of the Bank's Blue Thunder initiative, every member of the Republic team is encouraged to give of their time and energy to assist individuals and groups in need. As volunteers, we have participated in many projects, including the United Way Day of Caring, flood relief efforts of the Trinidad and Tobago Red Cross Society, construction of homes with Habitat for Humanity, and in creating the Lady Hochoy Home mural depicting the Rights of the Child, repainting of the Joshua Home for Boys, mentoring of teenaged girls from Sophia House, and supplying monthly groceries and other items to needy families.

Youth Programmes

The empowerment of young people continues to be one of the main focuses of the Power to Make a Difference programme. The most enduring testament to our work is seen in the high attendance numbers at a variety of eagerly anticipated sport programmes. Over the last eight years, close to 20,000 young achievers have benefited from the annual Republic Bank Trinidad and Tobago Junior Golf Open, our on-going sponsorship for the Trinidad and Tobago National Junior Golf Teams and the biannual Republic Bank Chaguaramas Junior Golf Clinics, the Republic Bank Cup Youth Football Camps and Tournaments and the Republic Bank Laventille Netball and Basketball Leagues.

This vision of youth empowerment continues to extend into programmes specifically designed to extract, develop and showcase the potential and talents of young people from many walks of life. In 2010/2011, we maintained our Republic Bank RightStart Pan Minors Music Literacy Scholarship Programme; sponsorship of the Republic Bank Junior Parade of the Bands; the Sanatan Dharma Maha Sabha's (SDMS) children's cultural festival, Baal Vikaas Vihaar; sponsorship of the University of the West Indies' World of Work (WOW) programme; the Annual Republic Bank Agricultural Science Competition and the Republic Bank Primary and Secondary Schools' Refurbishment programmes. We also sponsored Trinidad and Tobago's first BOCAS Literary Festival, with special attention being paid to the development of children's writing and storytelling skills.

Republic Bank remains committed to building successful societies and we are confident that these objectives can be achieved through deeper engagement with the various communities that we serve.

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 which 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;
- approving and monitoring the related party policy and transactions falling within the purview of the policy;
- monitoring senior management's performance and 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;
- approving credit facilities.

Our Board of Directors is currently made up of 14 Directors, 11 of whom are Non-Executive Directors and three 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 are independent directors. In circumstances where a Director and or his business is a customer of the Bank, transactions are at arm's length and the relationship is conducted in accordance with the Related Party policy. The 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, has always been a priority 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, Nigel M. Baptiste, Terrence W. Farrell, Stephen Pollard and W. H. Pierpont Scott retire from the Board by rotation and being eligible, have offered themselves for re-election. On February 1, 2011, Kristine Thompson filled the casual vacancy created by the retirement of George Leonard Lewis who served with distinction and dedication as a director of Republic Bank Limited for almost 27 years. As well, on October 1, 2011, Dawn Callender stepped in to fill the vacancy created by the retirement of Marjorie Thorpe who served diligently for eight and a half years. In accordance with the Company's By-law, both Mrs. Thompson and Ms. Callender will retire from the Board and being eligible, have offered themselves 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.

Director training and professional development takes place on topics of interest when a need is identified and a suitable speaker sourced. This financial year a presentation was made to the Board on anti money laundering with a focus on The Caribbean Financial Action Task Force and Trinidad and Tobago compliance. This complemented the subsequent updating of the Bank's anti money laundering policies in keeping with the revised legislation.

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 which 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
DAWN CALLENDER
RONALD F. deC. HARFORD
RUSSELL MARTINEAU
STEPHEN POLLARD
W.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 and we advise that sixteen (16) such meetings were scheduled 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:-

TERRENCE W. FARRELL
WILLIAM P. LUCIE-SMITH
CHRISTIAN E. MOUTTET
STEPHEN POLLARD
W.H. PIERPONT SCOTT
CHANDRABHAN SHARMA
KRISTINE THOMPSON

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. Two (2) such meetings were held for the fiscal year.

The Committee comprises:
RONALD F. deC. HARFORD, Chairman
SHAZAN ALI
TERRENCE W. FARRELL
RUSSELL MARTINEAU
CHRISTIAN E. MOUTTET
W.H. PIERPONT SCOTT

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) such meetings were held for the fiscal year.

The Committee comprises:
CHANDRABHAN SHARMA, Chairman
SHAZAN ALI
DAWN CALLENDER
TERRENCE W. FARRELL
STEPHEN POLLARD
KRISTINE THOMPSON
Two (2) Executive Directors

Signed on behalf of the Board

RONALD F. deC. HARFORD
Chairman

September 30, 2011

Financial Reporting Requirements

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 which 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, 2011

Building communities is at the heart of Republic Bank's corporate social responsibility drive, but for these staff members it took on a literal meaning. Partnering with the Habitat for Humanity organisation, employees assisted with the foundation works for homes for the less fortunate in Trinidad and Tobago. The volunteer programmes enable the Bank's staff the opportunity to add their personal touch, to really make a difference throughout the year.

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, 2011, 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 consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2011, 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 2, 2011

Consolidated Statement of Financial Position

as at September 30, 2011
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2011	2010
ASSETS			
Cash		401,051	474,864
Statutory deposits with Central Banks		3,417,139	3,499,747
Due from banks		7,899,783	5,682,156
Treasury bills		3,005,300	4,243,336
Investment interest receivable		73,509	83,524
Advances	4	21,866,285	21,847,038
Investment securities	5	6,662,473	6,216,335
Investment in associated companies	6	195,428	190,725
Premises and equipment	7	1,564,540	1,569,708
Goodwill	8	485,971	485,971
Net pension asset	9	1,183,302	1,141,497
Deferred tax assets	10	108,073	86,207
Taxation recoverable		37,443	35,369
Other assets	11	367,489	345,624
TOTAL ASSETS		47,267,786	45,902,101
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	188,047	283,736
Customers' current, savings and deposit accounts	13	33,072,441	31,494,569
Other fund raising instruments	14	3,071,414	3,696,299
Debt securities in issue	15	1,251,281	1,346,809
Provision for post-retirement medical benefits	9	168,679	151,340
Taxation payable		141,060	93,261
Deferred tax liabilities	10	444,737	434,572
Accrued interest payable		70,904	125,253
Other liabilities	16	1,007,906	883,539
TOTAL LIABILITIES		39,416,469	38,509,378
EQUITY			
Stated capital	17	596,492	590,406
Statutory reserves		697,775	598,369
Other reserves	18	673,225	742,858
Retained earnings		5,263,110	4,859,403
Attributable to equity holders of the parent		7,230,602	6,791,036
Non-controlling interest		620,715	601,687
TOTAL EQUITY		7,851,317	7,392,723
TOTAL LIABILITIES AND EQUITY		47,267,786	45,902,101

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

These financial statements were approved by the Board of Directors on November 2, 2011 and signed on its behalf by:

RONALD F. deC HARFORD	DAVID DULAL-WHITEWAY	WILLIAM P. LUCIE-SMITH	JACQUELINE H. C. QUAMINA
Chairman	Managing Director	Director	Corporate Secretary

Consolidated Statement of Income

For the year ended September 30, 2011
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

	Notes	2011	2010
Interest income	19 (a)	2,536,666	2,689,159
Interest expense	19 (b)	(402,124)	(623,222)
Net interest income		2,134,542	2,065,937
Other income	19 (c)	1,176,753	948,144
		3,311,295	3,014,081
Operating expenses	19 (d)	(1,548,856)	(1,490,910)
Share of profits of associated companies	6	8,795	15,605
Operating profit		1,771,234	1,538,776
Loan impairment expense, net of recoveries	4 (b)	(288,627)	(147,246)
Net profit before taxation		1,482,607	1,391,530
Taxation expense	20	(311,355)	(317,145)
Net profit after taxation		1,171,252	1,074,385
Attributable to:			
Equity holders of the parent		1,121,527	993,874
Non-controlling interest		49,725	80,511
		1,171,252	1,074,385
Earnings per share ($)			
Basic		$6.98	$6.19
Diluted		$6.98	$6.19
Weighted average number of shares ('000)			
Basic		160,597	160,595
Diluted		160,642	160,609

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2011
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2011	2010
Net profit after taxation	1,171,252	1,074,385
Other comprehensive income:		
Realised losses/(gains) transferred to statement of income	22,742	(1,919)
Tax effect	(6,468)	98
	16,274	(1,821)
Revaluation of available-for-sale investments	(130,009)	129,644
Tax effect	5,047	(8,135)
	(124,962)	121,509
Translation adjustments	5,625	18,129
Share of changes recognised directly in associate's equity	(767)	2,240
Other comprehensive (loss)/income for the year, net of tax	(103,830)	140,057
Total comprehensive income for the year, net of tax	1,067,422	1,214,442
Attributable to:		
Equity holders of the parent	1,019,030	1,122,824
Non-controlling interest	48,392	91,618
	1,067,422	1,214,442

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2011
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, 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**
Total comprehensive income for the year	–	–	(102,497)	1,121,527	1,019,030	48,392	1,067,422
Issue of shares	811	–	–	–	811	–	811
Share-based payment	5,275	–	–	–	5,275	–	5,275
Transfer to general contingency reserve	–	–	32,864	(32,864)	–	–	–
Transfer to statutory reserves	–	99,406	–	(99,406)	–	–	–
Other	–	–	–	622	622	–	622
Dividends	–	–	–	(586,172)	(586,172)	–	(586,172)
Dividends paid to non-controlling interest	–	–	–	–	–	(29,364)	(29,364)
Balance at September 30, 2011	**596,492**	**697,775**	**673,225**	**5,263,110**	**7,230,602**	**620,715**	**7,851,317**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2011
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2011	2010
Operating activities		
Profit before taxation	1,482,607	1,391,530
Adjustments for:		
Depreciation	140,730	136,288
Loan impairment expense, net of recoveries	288,627	147,246
Investment securities impairment expense	3,460	2,070
Translation difference	1,833	(15,816)
Loss on sale of premises and equipment	1,821	951
Revaluation loss on investment securities	16,560	11,729
Share of profits of associated companies	(8,795)	(15,605)
Stock option expense	5,275	6,495
(Increase)/decrease in employee benefits	(24,466)	32,791
Increase in advances	(307,713)	(77,978)
Increase in customers' deposits and other fund raising instruments	952,987	2,957,329
Decrease/(increase) in statutory deposits with Central Banks	82,608	(708,339)
(Increase)/decrease in other assets and investment interest receivable	(11,850)	70,527
Increase/(decrease) in other liabilities and accrued interest payable	70,018	(97,670)
Taxes paid, net of refund	(273,658)	(262,128)
Cash provided by operating activities	2,420,044	3,579,420
Investing activities		
Purchase of investment securities	(2,602,629)	(2,587,791)
Redemption of investment securities	1,927,885	2,301,546
Dividends from associated companies	3,325	13,209
Additions to premises and equipment	(222,483)	(296,884)
Proceeds from sale of premises and equipment	84,149	91,767
Cash used in investing activities	(809,753)	(478,153)
Financing activities		
(Decrease)/increase in balances due to other banks	(95,689)	10,181
Repayment of debt securities	(95,528)	(91,437)
Proceeds from share issue	811	–
Dividends paid to shareholders of the parent	(586,172)	(542,811)
Dividends paid to non-controlling shareholders of the subsidiaries	(29,364)	(41,652)
Cash used in financing activities	(805,942)	(665,719)

Consolidated Statement of Cash Flows

For the year ended September 30, 2011
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	2011	2010
Net increase in cash and cash equivalents	804,349	2,435,548
Net foreign exchange difference	85	(14,726)
Cash and cash equivalents at beginning of year	9,461,186	7,040,364
Cash and cash equivalents at end of year	10,265,620	9,461,186
Cash and cash equivalents at end of year are represented by:		
Cash on hand	401,051	474,864
Due from banks	7,899,783	5,682,156
Treasury bills - original maturities of three months or less	1,699,680	3,028,611
Bankers' acceptances - original maturities of three months or less	265,106	275,555
	10,265,620	9,461,186
Supplemental information:		
Interest received during the year	2,675,436	2,750,535
Interest paid during the year	456,473	689,824
Dividends received	1,020	415

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

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 30 while associate companies are listed in Note 6. Republic Bank Limited is the ultimate Parent of the Group. This company is listed on the Trinidad and Tobago Stock Exchange.

The CL Financial Group holds through its various subsidiaries 51.5% 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, 2011, the combined shareholding of Republic Bank Limited for CLICO and CIB is 51.2%.

For the purpose of these consolidated 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 consolidated 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 consolidated 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, 2010 except for the adoption of new standards and interpretations noted on the following page:

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IFRS 2 - Share-based payment: Group Cash-settled Share-based Payment Transactions (effective January 1, 2010)

IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the Parent or another entity in the Group pays for those goods or services. The amendments clarify that the scope of IFRS 2 includes such transactions. This amendment is applied retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in respect of changes in accounting policy. For group reporting and consolidated financial statements, the amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the Group, they are outside the scope of IFRS 2. The adoption of this amendment had no effect on the financial position or performance of the Group.

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (effective February 1, 2010)

The amendment to IAS 32 is to amend the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of this amendment had no effect on the financial position or performance of the Group.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010)

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation had no effect on the financial position or performance of the Group.

IAS 1 - Presentation of Financial Statements (effective January 1, 2010)

The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The adoption of this standard had no effect on the financial position or performance of the Group.

IAS 7 - Statement of Cash Flows (effective January 1, 2010)

Only expenditure that results in a recognised asset on the statement of financial position can be classified as a cash flow from investing activities. The adoption of this standard had no effect on the financial position or performance of the Group.

IAS 17 - Leases (effective January 1, 2010)

The specific guidance on classifying land as a lease has been removed so that only the general guidance remains. The adoption of this standard had no effect on the financial position or performance of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IAS 36 - Impairment of Assets (effective January 1, 2010)

The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes. The adoption of this standard had no effect on the financial position or performance of the Group.

IAS 39 - Financial Instruments: Recognition and Measurement (effective January 1, 2010)

Assessment of loan prepayment penalties as embedded derivatives: A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The adoption of this standard had no effect on the financial position or performance of the Group.

Scope exemption for business combination contract: The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. This is effective prospectively to all unexpired contracts for annual periods beginning on or after January 1, 2010. The adoption of this standard had no effect on the financial position or performance of the Group.

Cash flow hedge accounting: Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. This is effective prospectively to all unexpired contracts for annual periods beginning on or after January 1, 2010. The adoption of this standard had no effect on the financial position or performance of the Group.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (effective January 1, 2010)

This amendment clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. The adoption of this standard had no effect on the financial position or performance of the Group.

IFRS 8 - Operating Segments (effective January 1, 2010)

Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker. The adoption of this standard 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 that have been issued as these standards do not apply to the activities of the Group:

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)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Standards in issue not yet effective

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

IAS 12 - Income Taxes - Recovery of Underlying Assets (effective January 1, 2012)

The amendment clarified the determination of deferred tax in investment property measured at fair value by introducing a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendment introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 to always be measured on the sale basis of the asset.

IAS 24 - Related Party Disclosures (effective January 1, 2011)

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 1 - First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective July 1, 2011)

The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation.

IFRS 7 - Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (effective July 1, 2011)

The amendment requires additional disclosures about financial assets that have been transferred, but not derecognised, to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and is not expected to have an impact on the Group's financial position or performance.

IFRS 9 - Financial Instruments: Classification and Measurement ((Phase 1) effective January 1, 2013)

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting IFRS 9, however, since the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect at this time.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Standards in issue not yet effective (continued)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (effective January 1, 2011)

The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the Group.

IFRS 10 - Consolidated Financial Statements, IAS 27 Separate Financial Statements (effective January 1, 2013)

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities resulting in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

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

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10.

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

IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new.

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

IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e., an 'exit price'). 'Fair value' as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

IAS 1 - Presentation of Items of Other Comprehensive Income — Amendments to IAS 1 (effective July 1, 2012)

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods.

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)

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

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

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

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

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

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

In May 2010, 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 July 1, 2010 or January 1, 2011. The following shows the IFRSs and topics addressed by these amendments:

IFRS	Subject of Amendment
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IAS 34	Interim Financial Reporting
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IFRIC 13	Customer Loyalty Programmes

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.

c) Basis of consolidation *(continued)*

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.

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 Bank and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated financial position, separately from the equity holders of the Parent.

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 Bank and its subsidiary, Republic Finance and 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 $2.6 billion, the Group also holds Treasury bills and other deposits of $2.6 billion with the Central Bank of Trinidad and Tobago as at September 30, 2011. Interest earned on these balances for the year was $35 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.

f) Derivative financial instruments

Derivative financial instruments including forward rate agreements, currency swaps, interest rate swaps and options are initially recognised in the consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Derivative financial instruments *(continued)*

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 investments - available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of income. The losses arising from impairment are recognised in the consolidated statement of income in 'Loan impairment expense'.

ii) Investment securities

- At fair value through profit or loss

Financial assets are classified in this category if they are either acquired for the purpose of selling in the short term or if so designated by management. Securities held as financial assets at fair value through profit or loss are initially recognised at fair value 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial instruments *(continued)*

ii) Investment securities (continued)

- 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 other comprehensive income net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income.

When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the consolidated 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. As at September 30, 2011, the Group does not have any financial assets that fall into this category.

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

i) Advances

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Impairment of financial assets *(continued)*

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% or a prolonged decline to be one in which fair value is below the weighted-average cost for greater than one year. This policy is applied by all subsidiaries at the individual security level.

If an available-for-sale equity security is impaired based upon the 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 statement of financial position under advances.

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 statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

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 consolidated 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.

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 and Tobago, the Parent, Republic Bank Limited, took the actuary's advice regarding a pension holiday, effective January 1999.

Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of 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 consolidated financial statements.

ii) Other post-retirement obligations

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Employee benefits *(continued)*

iii) Profit sharing scheme

The Bank operates an employee profit sharing scheme, which is administered by Trustees in accordance with terms outlined in the Profit Sharing Scheme Rules. The profit share to be distributed to employees each year is based on a specific formula outlined in the Profit Sharing Scheme Rules, and employees have the option to receive their profit share allocation in cash (up to a maximum of 60% of the total entitlement) and receive the balance in ordinary shares of the Bank. The number of shares to be allocated is based on the employees' total entitlement less the cash element, divided by the average price of the unallocated shares purchased by the Trustees. The Bank accounts for the profit share, as an expense, through the consolidated statement of income.

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 consolidated financial statements as they are not the assets of the Group. These assets under administration at September 30, 2011 totalled $25.2 billion (2010: $24.2 billion).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 in other comprehensive income. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 consolidated 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, 2011 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.

4. ADVANCES

a) Advances

	2011			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	3,856,187	10,146,135	7,583,030	21,585,352
Non-performing advances	104,810	417,103	210,571	732,484
	3,960,997	10,563,238	7,793,601	22,317,836
Unearned interest	(44,507)	(175,732)	–	(220,239)
Accrued interest	20,123	70,151	21,549	111,823
	3,936,613	10,457,657	7,815,150	22,209,420
Allowance for impairment losses - Note 4 (b)	(66,631)	(224,899)	(51,605)	(343,135)
Net advances	**3,869,982**	**10,232,758**	**7,763,545**	**21,866,285**

	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**

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.

4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	2011			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	138,708	465,930	23,438	628,076
Translation adjustment	(249)	(180)	(23)	(452)
Charge-offs and write-offs	(97,083)	(475,410)	(623)	(573,116)
Loan impairment expense	46,572	309,801	41,449	397,822
Loan impairment recoveries	(21,317)	(75,242)	(12,636)	(109,195)
Balance carried forward	66,631	224,899	51,605	343,135
Individual impairment	45,118	206,156	46,087	297,361
Collective impairment	21,513	18,743	5,518	45,774
	66,631	224,899	51,605	343,135
Gross amount of loans individually determined to be impaired, before deducting any allowance	104,810	417,103	210,571	732,484

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

4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	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**

c) Net investment in leased assets included in net advances

	2011	2010
Gross investment	534,704	626,287
Unearned finance charge	(167,173)	(198,399)
Net investment in leased assets	367,531	427,888

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

	2011	2010
Within one year	13,854	12,140
One to five years	120,619	170,712
Over five years	233,058	245,036
	367,531	427,888

5. INVESTMENT SECURITIES

a) Available-for-sale

	2011	2010
Government securities	**2,168,940**	2,110,508
State owned company securities	**1,258,665**	1,456,989
Corporate bonds/debentures	**2,402,789**	1,769,366
Bankers' acceptances	**626,096**	687,332
Equities and mutual funds	**203,030**	188,772
	6,659,520	6,212,967

b) At fair value through profit or loss

Held for trading

	2011	2010
Quoted securities	**2,953**	3,368
	2,953	3,368
Total investment securities	**6,662,473**	6,216,335

6. INVESTMENT IN ASSOCIATED COMPANIES

	2011	2010
Balance at beginning of year	**190,725**	186,089
Share of current year profit	**8,795**	15,605
Dividends received	**(3,325)**	(13,209)
Share of revaluation reserves	**(767)**	2,240
Balance at end of year	**195,428**	190,725

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

6. **INVESTMENT IN ASSOCIATED COMPANIES** *(continued)*

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

	2011	2010
Total assets	**8,425,348**	5,206,843
Total liabilities	**7,471,973**	4,272,690
Net assets	**953,375**	934,153
Group's share of associates' net assets	**195,428**	190,725
Revenue	**632,147**	500,474
Profit for the period	**76,263**	98,163
Group's share of associates' profit for the period	**8,795**	15,605

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

2011	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
Cost					
At beginning of year	183,039	1,080,732	117,076	1,210,292	2,591,139
Exchange and other adjustments	(53)	(951)	107	5,528	4,631
Additions at cost	67,732	36,104	2,720	115,927	222,483
Disposal/transfer of assets	(88,985)	9,552	–	(63,415)	(142,848)
	161,733	1,125,437	119,903	1,268,332	2,675,405
Accumulated depreciation					
At beginning of year	–	136,037	87,232	798,162	1,021,431
Exchange and other adjustments	–	(103)	47	5,214	5,158
Charge for the year	–	16,188	2,682	121,860	140,730
Disposal of assets	–	(251)	–	(56,203)	(56,454)
	–	151,871	89,961	869,033	1,110,865
Net book value	161,733	973,566	29,942	399,299	1,564,540

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

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

7. PREMISES AND EQUIPMENT *(continued)*

Capital Committments

	2011	2010
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	127,648	34,648
Other capital expenditure authorised by the Directors but not yet contracted for	133,941	122,253

8. GOODWILL

	2011	2010
Goodwill on acquisition brought forward	485,971	485,971
	485,971	485,971

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was primarily generated from the acquisitions 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, 2011 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.

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	
	2011	2010	2011	2010
Opening defined benefit obligation	2,014,369	2,279,979	164,229	138,173
Exchange adjustments	(429)	6,161	1,352	18
Current service cost	66,088	89,399	9,078	8,470
Interest cost	127,257	168,614	10,422	10,423
Members' contributions	941	933	–	–
Past service cost	1,587	–	–	–
Actuarial (losses)/gains on obligations	(11,933)	(467,572)	10,479	8,920
Benefits paid	(73,575)	(62,386)	(43)	–
Expense allowance	(737)	(759)	–	–
Premiums paid by the Group	–	–	(1,945)	(1,775)
Closing defined benefit obligation	2,123,568	2,014,369	193,572	164,229

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

	Defined benefit pension plans	
	2011	2010
Opening fair value of plan assets	3,187,694	3,003,327
Exchange adjustments	(164)	4,211
Expected return	214,225	237,174
Actuarial gains/(losses)	111,149	(10,864)
Contributions by employer	17,417	16,058
Members' contributions	941	933
Benefits paid	(73,575)	(62,386)
Expense allowance	(737)	(759)
Closing fair value of plan assets	3,456,950	3,187,694

Notes to the Consolidated Financial Statements

For the year ended September 30, 2011
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

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	
	2011	2010	**2011**	2010
Defined benefit obligation	**(2,123,568)**	(2,014,369)	**(193,572)**	(164,229)
Fair value of plan assets	**3,456,950**	3,187,694	**154**	–
	1,333,382	1,173,325	**(193,418)**	(164,229)
Unrecognised portion	**(134,980)**	(17,838)	**32,394**	20,698
Unutilisable surplus	**(15,100)**	(13,990)	**(7,655)**	(7,809)
Net asset/(liability) recognised in the consolidated statement of financial position	**1,183,302**	1,141,497	**(168,679)**	(151,340)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2011	2010	**2011**	2010
Current service cost	**66,088**	89,399	**9,078**	8,470
Interest on defined benefit obligation	**127,257**	168,614	**10,422**	10,423
Expected return on plan assets	**(214,225)**	(237,174)	**–**	–
Amortised net gain/(loss)	**99**	2,972	**(48)**	43
Past service cost	**1,587**	–	**–**	–
Unutilisable (deficit)/surplus	**(5,046)**	7,171	**–**	–
Total included in staff costs	**(24,240)**	30,982	**19,452**	18,936

e) Actual return on plan assets

	Defined benefit pension plans	
	2011	2010
Expected return on plan assets	**214,225**	237,174
Actuarial gain/(loss) on plan assets	**116,570**	(6,416)
Actual return on plan assets	**330,795**	230,758

9. EMPLOYEE BENEFITS *(continued)*

f) Experience history

	Defined benefit pension plans				
	2011	2010	2009	2008	2007
Defined benefit obligation	**(2,123,568)**	(2,014,369)	(2,279,979)	(2,106,618)	(1,603,923)
Plan assets	**3,456,950**	3,187,694	3,003,327	3,139,883	2,878,934
Surplus	**1,333,382**	**1,173,325**	**723,348**	**1,033,265**	**1,275,011**
Experience adjustments on plan liabilities	**6,925**	16,812	69,804	(23,914)	(15,914)
Experience adjustments on plan assets	**111,149**	(10,864)	(332,685)	24,296	38,341

	Post-retirement medical benefits				
	2011	2010	2009	2008	2007
Defined benefit obligation	**193,572**	164,229	138,173	130,462	100,364
Experience adjustments on plan liabilities	**10,783**	14,804	21,101	6,031	(3,448)

g) The Group does not expect to contribute to the plans in the 2012 financial year.

h) The principal actuarial assumptions used were as follows:

	2011 %	2010 %
Discount rate	**5.50 - 7.75**	5.50 - 7.75
Rate of salary increase	**4.00 - 7.00**	4.25 - 7.00
Pension increases	**0.00 - 2.50**	0.00 - 2.50
Medical cost trend rates	**7.00 - 7.75**	5.75 - 7.75
Expected return on plan assets	**5.00 - 6.70**	5.00 - 6.70
NIS ceiling rates	**4.00 - 5.00**	4.00 - 5.75

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

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

9. EMPLOYEE BENEFITS *(continued)*

i) Plan asset allocation as at September 30

	Defined benefit pension plans	
	2011 %	2010 %
Equity securities	**40.39**	36.50
Debt securities	**34.22**	37.66
Property	**3.58**	3.27
Money market instruments/cash	**21.81**	22.57
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.	24,376	233,425
Medical expense decrease by 1% p.a.	14,617	153,380

10. DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	2011	2010
Pension liability	**46,602**	42,439
Leased assets	**27,773**	10,635
Unrealised reserve	**12,664**	14,647
Unearned loan origination fees	**21,034**	18,486
	108,073	86,207

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

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

b) Deferred tax liabilities

	2011	2010
Pension asset	**302,388**	292,176
Leased assets	**57,589**	37,537
Premises and equipment	**54,391**	51,191
Unrealised reserve	**30,369**	53,668
	444,737	434,572

11. OTHER ASSETS

	2011	2010
Accounts receivable and prepayments	**292,705**	269,119
Accrued income	**10**	377
Project financing reimbursables	**499**	548
Deferred commission and fees	**11,535**	15,272
Other	**62,740**	60,308
	367,489	345,624

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, 2011, the Parent is fully in compliance with all required covenants.

These liabilities are unsecured except for US$12.5 million, which is secured by a charge on one of the Parent's investments. Interest rates on these facilities range from 0.025% -1.4170%.

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

13. CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2011	2010
State	4,297,936	3,617,096
Corporate and commercial	6,950,747	6,802,974
Personal	19,410,157	18,427,684
Other financial institutions	1,754,741	1,888,153
Other	658,860	758,662
	33,072,441	31,494,569

14. OTHER FUND RAISING INSTRUMENTS

At September 30, 2011 investment securities held to secure other fund raising instruments of the Group amounted to $2.1 billion (2010: $2.6 billion).

Concentration of other fund raising instruments

	2011	2010
State	1,570,520	1,520,269
Corporate and commercial	256,201	305,385
Personal	29,190	84,435
Other financial institutions	1,192,155	1,763,440
Other	23,348	22,770
	3,071,414	3,696,299

15. DEBT SECURITIES IN ISSUE

	2011	2010
Unsecured		
a) Fixed rate bonds	798,330	841,569
	798,330	841,569
Secured		
a) Floating rate bonds	426,075	462,953
b) Fixed rate bonds	25,281	39,948
c) Mortgage pass-through certificates	1,595	2,339
	452,951	505,240
Total debt securities in issue	1,251,281	1,346,809

Unsecured obligations

a) Fixed rate bonds are denominated in Trinidad and Tobago dollars and include 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.

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

16. OTHER LIABILITIES

	2011	2010
Accounts payable and accruals	828,385	688,479
Unearned loan origination fees	79,199	70,440
Deferred income	1,562	1,358
Other	98,760	123,262
	1,007,906	883,539

17. STATED CAPITAL

	2011	2010	2011	2010
	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	160,595	590,406	583,911
Shares issued/proceeds from shares issued	10	–	811	–
Share-based payment	–	–	5,275	6,495
At end of year	160,605	160,595	596,492	590,406

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

	2011	2010
Weighted average number of ordinary shares	160,597	160,595
Effect of dilutive stock options	45	14
Weighted average number of ordinary shares adjusted for the effect of dilution	160,642	160,609

18. OTHER RESERVES

	Capital reserves	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 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**
Realised losses transferred to net profit	–	–	16,274	16,274
Revaluation of available-for-sale investments	–	–	(124,472)	(124,472)
Translation adjustments	6,469	–	–	6,469
Share of changes recognised directly in associate's equity	(768)	–	–	(768)
Total income and expense for the year recognised directly in equity	5,701	–	(108,198)	(102,497)
Transfer from retained earnings	–	32,864	–	32,864
Balance at September 30, 2011	**47,649**	**455,308**	**170,268**	**673,225**

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 consolidated 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, 2011 the balance in the General Contingency Reserve of $455.3 million is part of Other Reserves which totals $673.2 million.

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

19. OPERATING PROFIT

	2011	2010
a) Interest income		
Advances	2,130,151	2,169,054
Investment securities	319,379	350,592
Liquid assets	87,136	169,513
	2,536,666	2,689,159
b) Interest expense		
Customers' current, savings and deposit accounts	215,755	357,798
Other fund raising instruments and debt securities in issue	158,188	235,211
Other interest bearing liabilities	28,181	30,213
	402,124	623,222
c) Other income		
Fees and commission from trust and other fiduciary activities	204,796	197,835
Other fees and commission income	487,703	416,733
Net exchange trading income	209,932	228,573
Dividends	1,020	415
Gains from disposal of available-for-sale investments	2,495	3,327
Other operating income	270,807	101,261
	1,176,753	948,144
d) Operating expenses		
Staff costs	653,229	598,339
Staff profit sharing - Note 27(a)	102,984	104,469
Employee benefits pension contribution - Note 9(d)	(24,240)	30,982
General administrative expenses	476,595	424,284
Property related expenses	143,577	133,837
Depreciation expense	140,730	136,288
Advertising and public relations expenses	46,782	56,258
Impairment expense	3,460	2,070
Directors' fees	5,739	4,383
	1,548,856	1,490,910

20. TAXATION EXPENSE

	2011	2010
Corporation tax	318,388	267,745
Deferred tax	(7,033)	49,400
	311,355	317,145

Reconciliation between taxation expense and accounting profit

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

	2011	2010
Accounting profit	1,482,607	1,391,530
Tax at applicable statutory tax rates	388,042	393,076
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(54,497)	(85,236)
Items not allowable for tax purposes	44,894	29,787
Wear and tear allowance	(31,713)	(38,876)
Other allowable deductions	(10,282)	(26,747)
Provision for Green Fund Levy and other taxes	2,472	2,994
Other permanent differences	(20,528)	(7,253)
Effect of deferred tax on pension asset/liability	1,469	(6,919)
Effect of deferred tax on leased assets	(12,188)	14,161
Effect of deferred tax on impairment of financial assets	2,838	24,614
Effect of deferred tax on unearned loan origination fees	(1,452)	1,490
Effect of deferred tax on premises and equipment	2,300	16,054
	311,355	317,145

The Group has tax losses in two of its subsidiary companies amounting to $690.0 million (2010: $706.9 million) (restated). 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.

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

21. RELATED PARTIES *(continued)*

	2011	2010
Advances, investments and other assets (net of provisions)		
CL Financial Group	133,816	165,561
Associates	–	7,068
Directors and key management personnel	36,994	24,830
Other related parties	193,413	180,393
	364,223	377,852
Provision for amounts due from related parties	–	310,418
Deposits and other liabilities		
CL Financial Group	322,304	237,324
Directors and key management personnel	89,542	102,995
Other related parties	67,211	59,048
	479,057	399,367
Interest and other income		
CL Financial Group	10,990	16,036
Associates	–	7
Directors and key management personnel	2,035	2,339
Other related parties	9,794	12,750
	22,819	31,132
Interest and other expense		
CL Financial Group	2,465	1,666
Directors and key management personnel	7,077	6,236
Other related parties	383	370
	9,925	8,272

21. RELATED PARTIES *(continued)*

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

Key management compensation

	2011	2010
Short-term benefits	43,303	39,217
Share-based payment	5,275	6,495
	48,578	45,712

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/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. RISK MANAGEMENT *(continued)*

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.

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 balance may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

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

The 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.

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:

	Gross maximum exposure	
	2011	2010
Statutory deposits with Central Banks	**3,417,139**	3,499,747
Due from banks	**7,899,783**	5,682,156
Treasury bills	**3,005,300**	4,243,336
Investment interest receivable	**73,509**	83,524
Advances	**21,866,285**	21,847,038
Investment securities	**6,456,490**	6,022,005
Total	**42,718,506**	41,377,806
Undrawn commitments	**3,588,695**	2,895,650
Acceptances	**1,322,662**	717,463
Guarantees and indemnities	**84,006**	90,830
Letters of credit	**140,867**	119,259
Total	**5,136,230**	3,823,202
Total credit risk exposure	**47,854,736**	45,201,008

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.

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

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:

	2011	2010
Trinidad and Tobago	28,620,016	28,970,169
Barbados	7,368,950	7,155,730
Eastern Caribbean	1,591,520	1,723,584
Guyana	3,077,457	2,622,101
United States	4,427,366	2,557,775
Europe	396,287	223,677
Other Countries	2,373,140	1,947,972
	47,854,736	45,201,008

b) Industry sectors

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

	2011	2010
Government and Central Government Bodies	12,513,925	13,845,681
Financial sector	8,829,794	5,614,490
Energy and mining	1,177,632	649,853
Agriculture	423,249	307,284
Electricity and water	607,001	875,134
Transport, storage and communication	411,647	398,719
Distribution	3,334,371	3,010,142
Real estate	2,016,129	1,952,052
Manufacturing	1,748,429	1,979,156
Construction	1,665,472	1,899,964
Hotel and restaurant	919,405	926,413
Personal	10,645,918	9,645,970
Other services	3,561,764	4,096,150
	47,854,736	45,201,008

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 *(continued)*

Credit exposure with state-owned bodies has 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 consolidated 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'.

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
2011	**4,631,772**	**1,738,859**	**1,529,152**	**7,899,783**
2010	4,473,640	450,492	758,024	5,682,156

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

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

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

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

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

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

Sub-standard: Past due or individually impaired.

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

	Neither past due nor impaired				
	Superior	Desirable	Acceptable	Sub-standard	Total
2011	**561,676**	**2,658,978**	**6,520,596**	**491,508**	**10,232,758**
2010	606,242	2,709,020	7,556,775	343,429	11,215,466

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)

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
2011	**32,206**	**107,922**	**50,062**	**90,372**	**210,946**	**491,508**
2010	62,034	45,614	2,027	7,383	226,371	343,429

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
2011	**9,658,649**	**1,316,559**	**200,006**	**76,209**	**157,927**	**224,177**	**11,633,527**
2010	8,714,594	1,233,201	214,278	80,867	229,305	159,327	10,631,572

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.

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

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:

	Superior	Desirable	Acceptable	Sub-standard	Total
Financial investments - Available-for-sale					
2011	**5,043,713**	**1,049,524**	**177,190**	**186,063**	**6,456,490**
2010	4,189,198	1,479,473	325,723	27,611	6,022,005

22.3 Liquidity risk

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

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

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

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

22.3.1 Analysis of financial liabilities by remaining contractual maturities

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

22. RISK MANAGEMENT *(continued)*

22.3 Liquidity risk *(continued)*

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

Financial liabilities - on Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2011					
Customers' current, savings and deposit accounts	27,017,441	6,114,919	43,197	–	33,175,557
Other fund raising instruments	3,087	2,733,190	264,075	231,825	3,232,177
Debt securities in issue	–	116,799	693,060	1,229,200	2,039,059
Due to banks	17,420	132,086	39,983	–	189,489
Other liabilities	316,136	41,467	1,702	14,916	374,221
Total undiscounted financial liabilities	**27,354,084**	**9,138,461**	**1,042,017**	**1,475,941**	**39,010,503**
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**

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 Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2011					
Acceptances	143,860	276,721	867,248	34,833	1,322,662
Guarantees and indemnities	17,035	50,943	15,854	174	84,006
Letters of credit	89,395	50,336	1,136	–	140,867
Total	250,290	378,000	884,238	35,007	1,547,535
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

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 Parent and each subsidiary. Asset and Liability management is a vital part of the risk management process of the Group. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Group, including interest rate, foreign exchange, liquidity and market risks.

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

22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.1 Interest rate risk *(continued)*

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.

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

		Impact on net profit			
		2011		2010	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TTD Instruments	+/- 50	25,370	(25,370)	25,380	(25,380)
USD Instruments	+/- 50	9,673	(9,673)	7,100	(7,100)
ECD Instruments	+/- 25	3	(3)	46	(46)
BBD Instruments	+/- 50	2,502	(2,502)	3,071	(3,071)
Other currency Instruments	+/- 50	450	(450)	482	(482)

		Impact on equity			
		2011		2010	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TTD Instruments	+/- 50	(29,956)	31,067	(36,466)	37,805
USD Instruments	+/- 50	(36,036)	36,200	(22,334)	22,945
ECD Instruments	+/- 25	(52)	52	(542)	804
BBD Instruments	+/- 50	(15,720)	16,340	(18,373)	19,164
Other currency Instruments	+/- 50	(444)	448	(703)	722

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.

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

22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets and related funding of overseas subsidiaries and associates, from the respective local currency to Trinidad and Tobago dollars. 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 Trinidad and Tobago, United States, Eastern Caribbean 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.

2011	TTD	USD	BBD	Other	Total
FINANCIAL ASSETS					
Cash	235,904	32,867	78,075	54,205	401,051
Statutory deposits with Central Banks	2,588,499	–	397,701	430,939	3,417,139
Due from banks	2,989,683	3,639,974	7,798	1,262,328	7,899,783
Treasury bills	983,809	–	699,436	1,322,055	3,005,300
Investment interest receivable	37,696	26,374	6,009	3,430	73,509
Advances	12,989,028	2,288,800	4,432,531	2,155,926	21,866,285
Investment securities	3,081,005	2,559,318	840,823	181,327	6,662,473
TOTAL FINANCIAL ASSETS	22,905,624	8,547,333	6,462,373	5,410,210	43,325,540
FINANCIAL LIABILITIES					
Due to banks	64	161,863	10,190	15,930	188,047
Customers' current, savings and deposit accounts	15,608,608	7,364,218	4,989,757	5,109,858	33,072,441
Other fund raising instruments	2,230,960	147,152	693,302	–	3,071,414
Debt securities in issue	1,251,281	–	–	–	1,251,281
Interest payable	33,139	5,040	26,960	5,765	70,904
TOTAL FINANCIAL LIABILITIES	19,124,052	7,678,273	5,720,209	5,131,553	37,654,087
NET CURRENCY RISK EXPOSURE		869,060	742,164	278,657	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		8,691	7,422	2,787	

22. RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2010	TTD	USD	BBD	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**	

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.

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

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 $459 million to $7.85 billion during the year under review.

Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the respective Central Banks for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

Capital adequacy ratio

	2011	2010
Republic Bank Limited	30.63%	29.95%
Republic Finance and Merchant Bank Limited	76.99%	69.68%
Republic Bank (Cayman) Limited	18.94%	31.74%
Republic Bank (Grenada) Limited	16.50%	18.04%
Republic Bank (Guyana) Limited	18.60%	20.53%
Barbados National Bank Inc.	19.79%	18.78%

At September 30, 2011 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 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.

The carrying value of certain financial instruments is assumed to approximate their fair values due to their short-term maturity. 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.

24. FAIR VALUE *(continued)*

The fair values of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates, therefore, the carrying values are assumed to equal fair values.

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

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:

	2011		
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury bills	11,306,134	11,306,134	–
Investment interest receivable	73,509	73,509	–
Advances	21,866,285	22,077,918	211,633
Investment securities	6,662,473	6,662,473	–
Other financial assets	314,901	314,901	–
Financial liabilities			
Customers' current, savings and deposit accounts	33,072,441	33,093,015	(20,574)
Borrowings and other fund raising instruments	3,259,461	3,259,461	–
Debt securities in issue	1,251,281	1,412,739	(161,458)
Accrued interest payable	70,904	70,904	–
Other financial liabilities	828,385	828,385	–
Total unrecognised change in unrealised fair value			29,601

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

24. FAIR VALUE *(continued)*

24.1 Carrying values and fair values *(continued)*

	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	284,391	284,391	–
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**

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.

	2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at fair value through profit or loss	–	–	2,953	2,953
Financial investments -available-for-sale	2,206,908	4,386,977	65,635	6,659,520
	2,206,908	4,386,977	68,588	6,662,473

	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	1,325,853	4,818,953	68,161	6,212,967
	1,325,853	4,818,953	71,529	6,216,335

24.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2011, no assets were transferred between Level 1 and Level 2.

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

24. FAIR VALUE *(continued)*

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

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

	Balance at beginning of year	Exchange adjustments	Additions	Disposals	Balance at end of year
Financial assets designated at fair value through profit or loss	3,368	27	-	(442)	2,953
Financial investments -available-for-sale	68,161	(2)	-	(2,524)	65,635
	71,529	25	–	(2,966)	68,588

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:

i) By geographic segment

2011	Trinidad and Tobago	Barbados	Cayman Guyana, and Eastern Caribbean	Eliminations	Total
Net interest income	1,479,332	357,205	298,005	–	2,134,542
Other income	1,089,576	108,058	107,263	(128,144)	1,176,753
Share of profits of associates	8,795	–	–	–	8,795
Operating income	2,577,703	465,263	405,268	(128,144)	3,320,090
Operating expenses	(1,071,155)	(281,388)	(200,450)	4,137	(1,548,856)
Operating profit	1,506,548	183,875	204,818	(124,007)	1,771,234
Loan impairment expense, net of recoveries	(185,360)	(82,885)	(20,382)	–	(288,627)
Profit before taxation	1,321,188	100,990	184,436	(124,007)	1,482,607
Taxation	(263,234)	(9,227)	(38,894)	–	(311,355)
Profit after taxation	1,057,954	91,763	145,542	(124,007)	1,171,252

25. SEGMENTAL INFORMATION *(continued)*

i) By geographic segment *(continued)*

2011	Trinidad and Tobago	Barbados	Cayman Guyana, and Eastern Caribbean	Eliminations	Total
Investment in associated companies	**195,428**	**–**	**–**	**–**	**195,428**
Total assets	**33,846,758**	**8,921,936**	**8,016,242**	**(3,517,150)**	**47,267,786**
Total liabilities	**27,908,191**	**7,562,078**	**6,276,366**	**(2,330,166)**	**39,416,469**
Depreciation	**93,913**	**27,136**	**19,681**	**–**	**140,730**
Capital expenditure on premises and equipment	**166,283**	**16,569**	**39,631**	**–**	**222,483**

2010	Trinidad and Tobago	Barbados	Cayman Guyana, and Eastern Caribbean	Eliminations	Total
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 associates	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

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

25. SEGMENTAL INFORMATION *(continued)*

ii) By class of business

2011	Retail and commercial banking	Investment banking	Eliminations	Total
Net interest income	1,870,953	263,589	–	2,134,542
Other income	1,258,375	46,522	(128,144)	1,176,753
Share of profits of associates	8,795	–	–	8,795
Operating income	3,138,123	310,111	(128,144)	3,320,090
Operating expenses	(1,522,726)	(30,267)	4,137	(1,548,856)
Operating profit	1,615,397	279,844	(124,007)	1,771,234
Loan impairment expense, net of recoveries	(284,336)	(4,291)	–	(288,627)
Profit before taxation	1,331,061	275,553	(124,007)	1,482,607
Taxation	(281,967)	(29,388)	–	(311,355)
Profit after taxation	1,049,094	246,165	(124,007)	1,171,252
Investment in associated companies	195,428	–	–	195,428
Total assets	42,694,073	8,090,863	(3,517,150)	47,267,786
Total liabilities	35,705,637	6,040,998	(2,330,166)	39,416,469
Depreciation	140,131	599	–	140,730
Capital expenditure on premises and equipment	222,362	121	–	222,483

25. SEGMENTAL INFORMATION *(continued)*

ii) By class of business *(continued)*

2010	Retail and commercial banking	Investment banking	Eliminations	Total
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 associates	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

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.

2011	Up to one year	One to five years	Over five years	Total
ASSETS				
Cash, due from banks and Treasury bills	11,306,134	–	–	11,306,134
Statutory deposits with Central Banks	3,417,139	–	–	3,417,139
Advances	5,426,406	5,224,814	11,215,065	21,866,285
Investment securities	1,809,891	3,145,043	1,707,539	6,662,473
Other assets	421,516	442,233	3,152,006	4,015,755
	22,381,086	8,812,090	16,074,610	47,267,786

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

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

2011	Up to one year	One to five years	Over five years	Total
LIABILITIES				
Due to banks	148,484	39,563	–	188,047
Customers' current, savings and deposit accounts	33,030,092	42,247	102	33,072,441
Other fund raising instruments	2,693,341	194,178	183,895	3,071,414
Debt securities in issue	–	148,034	1,103,247	1,251,281
Other liabilities	1,201,546	20,929	610,811	1,833,286
	37,073,463	444,951	1,898,055	39,416,469

2010	Up to one year	One to five years	Over five years	Total
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

27. EQUITY COMPENSATION BENEFITS

a) Profit sharing scheme

During the 2011 financial year Republic Bank (the Parent) advanced $141.9 million to the staff profit sharing scheme (2010: $11.3 million). It is estimated that approximately $96.0 million (2010: $93.3 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 $103 million (2010: $104.5 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 Bank'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 are outlined below.

	Weighted average exercise price		Number of shares	
	2011	2010	**2011**	2010
At the beginning of the year	**$82.89**	$82.71	**1,263,543**	1,251,667
Granted	**$85.94**	$101.80	**383,636**	11,876
Exercised	**$78.78**	–	**(10,298)**	–
At end of year	**$83.60**	$82.89	**1,636,881**	1,263,543
Exercisable at end of year	$83.81	$82.54	980,482	660,048

Expiry Date	Exercise Price	**2011**	2010
14-Dec-14	$43.40	**33,401**	33,401
15-Dec-15	$78.78	**207,346**	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	**413,277**	413,277
20-Dec-19	$101.80	**11,876**	11,876
21-Feb-21	$85.94	**383,636**	–
		1,636,881	1,263,543

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

27. EQUITY COMPENSATION BENEFITS *(continued)*

b) Stock option plan *(continued)*

As at September 30, 2011, 982,857 (2010: 1,242,569) of the outstanding options were anti-dilutive and therefore not included in the calculation of diluted earnings per share.

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

Grant date	December 17, 2010 to February 21, 2011
Number granted	383,636
Exercise price	$85.94
Share price at grant date	$76.01 to $81.50
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	$9.51 to $13.18

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

The share price at the date of exercise for share options exercised during the year was $92.00. For options outstanding at September 30, 2011 the exercise price ranged from $43.40 to $101.60 and the weighted average remaining contractual life was 9.3 years.

The total expense for the share option plan was $5.275 million (2010: $6.495 million).

28. DIVIDENDS PAID AND PROPOSED

	2011	2010
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2010: $2.40 (2009: $2.23)	**385,428**	358,127
First dividend for 2011: $1.25 (2010: $1.15)	**200,744**	184,684
Total dividends paid	**586,172**	542,811
Proposed for approval at Annual General meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2011: $2.75 (2010: $2.40)	**441,664**	385,428

29. CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2011 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

	2011	2010
Acceptances	1,322,662	717,463
Guarantees and indemnities	84,006	90,830
Letters of credit	140,867	119,259
	1,547,535	927,552

c) Sectoral information

	2011	2010
State	56,391	64,272
Corporate and commercial	1,397,102	692,452
Personal	27,681	66,470
Other financial institutions	45,706	44,404
Other	20,655	59,954
	1,547,535	927,552

d) Pledged assets

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

	Carrying Amount		Related Liability	
	2011	2010	2011	2010
Financial investments -available-for-sale	2,274,436	2,848,157	1,995,813	2,654,458

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.

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

30. SUBSIDIARY COMPANIES

Name of Company	Country of incorporation	Proportion of issued capital held
Republic Finance and Merchant Bank Limited *Merchant Bank*	Trinidad and Tobago	100.00%
London Street Project Company Limited *Facilitate Financing of Property Development Projects*	Trinidad and Tobago	100.00%
Republic Investments Limited *Investment-Management Company*	Trinidad and Tobago	100.00%
Republic Securities Limited *Securities Brokerage Company*	Trinidad and Tobago	100.00%
Republic Bank (Cayman) Limited *Offshore Bank*	Cayman Islands	100.00%
Republic Insurance Company (Cayman) Limited *Insurance Company*	Cayman Islands	100.00%
Republic Bank Trinidad and Tobago (Barbados) Limited *Offshore Bank*	Barbados	100.00%
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%

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