Republic Bank Limited

ANNUAL REPORT 2012

In celebrating 175 years of service to the people of Trinidad and Tobago, we have taken a look back at our journey, at our successes and the steps we took to achieve them. Our path, like any other in the field, has been met with challenges and victories, each making us stronger in its own way. As the decades have passed, Republic Bank has come to the firm realisation that our solid foundation has remained as such through a steadfast commitment to the needs of our customers, staff, shareholders and communities.

And in looking toward the next 175 years, we stand fast and true in our belief that each individual has the ability to make a lasting contribution to the overall good of the Nation. Guided by this belief, we will move forward, even more focussed on those we serve locally and regionally, with the aim of building successful communities and having a positive impact on our societies.

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.

Table of Contents

Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the Forty Second Annual Meeting of Republic Bank Limited will be held at the Ballroom of the Hilton Trinidad and Conference Centre, Lady Young Road, Port of Spain on Monday December 17, 2012 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, 2012 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, 2012.

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 7, 2012

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 19, 2012 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 $3.00 declared for the financial year ended September 30, 2012 will be payable on December 3, 2012 to shareholders at the close of business on November 19, 2012.

Documents Available for Inspection

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

Corporate Information

DIRECTORS

Chairman
Ronald F. deC. Harford, *CM, FCIB, FIBAF, FCABFI, LLD*

Managing Director
David Dulal-Whiteway, *BSc (Mgmt. Studies), MBA, CGA*

Executive Director
Nigel M. Baptiste, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*

Shazan Ali, *BSc (Mechanical Eng.)*

Dawn Callender, *FCCA, CPA, MBA*

Terrence W. Farrell, *LLB, BSc (Econ.), MSc (Econ.), PhD*

Derwin M. Howell, *BSc (Elec. Eng.) (Hons.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C. Eng.*

William P. Lucie-Smith, *MA (Oxon), FCA*

Russell Martineau, *CM, SC, LLM (Lond.)*

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
Nigel M. Baptiste, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*

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

GROUP HEAD OFFICE
Republic House
PO Box 1153
9-17 Park Street, Port of Spain
Trinidad and Tobago, West Indies
Tel: (868) 625-4411, 623-1056
Fax: (868) 624-1323
Swift: RBNKTTPX
Email: email@republictt.com
Website: 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)

	2012	2011	2010	2009	2008
Total assets	51,596,421	47,146,600	45,902,101	42,446,355	41,566,700
Advances	23,317,199	21,866,285	21,847,038	21,916,562	23,607,144
Customers' deposits	37,090,139	33,072,441	31,494,569	28,053,713	27,483,709
Stated capital	628,150	596,492	590,406	583,911	568,747
Equity	7,891,575	7,084,365	6,791,036	6,204,007	5,558,603
Actual number of shares in issue	160,929	160,605	160,595	160,595	160,407
Weighted average number of shares - diluted	159,776	158,842	160,609	161,211	160,295
Profit after taxation and non-controlling interest	1,158,968	1,121,527	993,874	948,445	1,203,890
Dividends based on the results of the financial year	683,950	642,420	570,112	542,811	542,176
Dividends paid during the year	642,819	586,172	542,811	542,149	504,708
Dividend per share based on the results of the financial year	$4.25	$4.00	$3.55	$3.38	$3.38
Dividend per share paid during the year	$3.65	$3.65	$3.38	$3.38	$3.15
Earnings per share (basic)	$7.27	$7.06	$6.19	$5.91	$7.51
Return on average assets	2.48%	2.52%	2.43%	2.47%	3.30%
Return on average equity	15.48%	16.17%	15.30%	16.13%	23.10%

Group Financial Calendar

DIVIDEND PAYMENTS

Final dividend for year ended September 30, 2012	December 2012
Interim dividend for year ending September 30, 2013	June 2013

RESULTS

Publication of results for first quarter to December 31, 2012	February 2013
Publication of results for half year to March 31, 2013	May 2013
Publication of results for third quarter to June 30, 2013	August 2013
Publication of results for year ending September 30, 2013	November 2013
Report and accounts mailing	November 2013
Annual meeting	December 2013

Board of Directors

Ronald F. deC. Harford, *CM, FCIB, FIBAF, FCABFI, LLD*
Chairman, Republic Bank Limited

David Dulal-Whiteway, *BSc (Mgmt. Studies), MBA, CGA*
Managing Director, Republic Bank Limited

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

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

Dawn Callender, *FCCA, CPA, MBA*
Director, Finance and Risk Management, Power Generation Company of Trinidad and Tobago

Terrence W. Farrell, *LLB, BSc (Econ.), MSc (Econ.), PhD*
Consultant

Derwin M. Howell, *BSc (Elec. Eng.) (Hons.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C. Eng.*
Managing Director and Chief Executive Officer, Republic Bank (Barbados) Limited

William P. Lucie-Smith, *MA (Oxon), FCA*
Retired Chartered Accountant

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

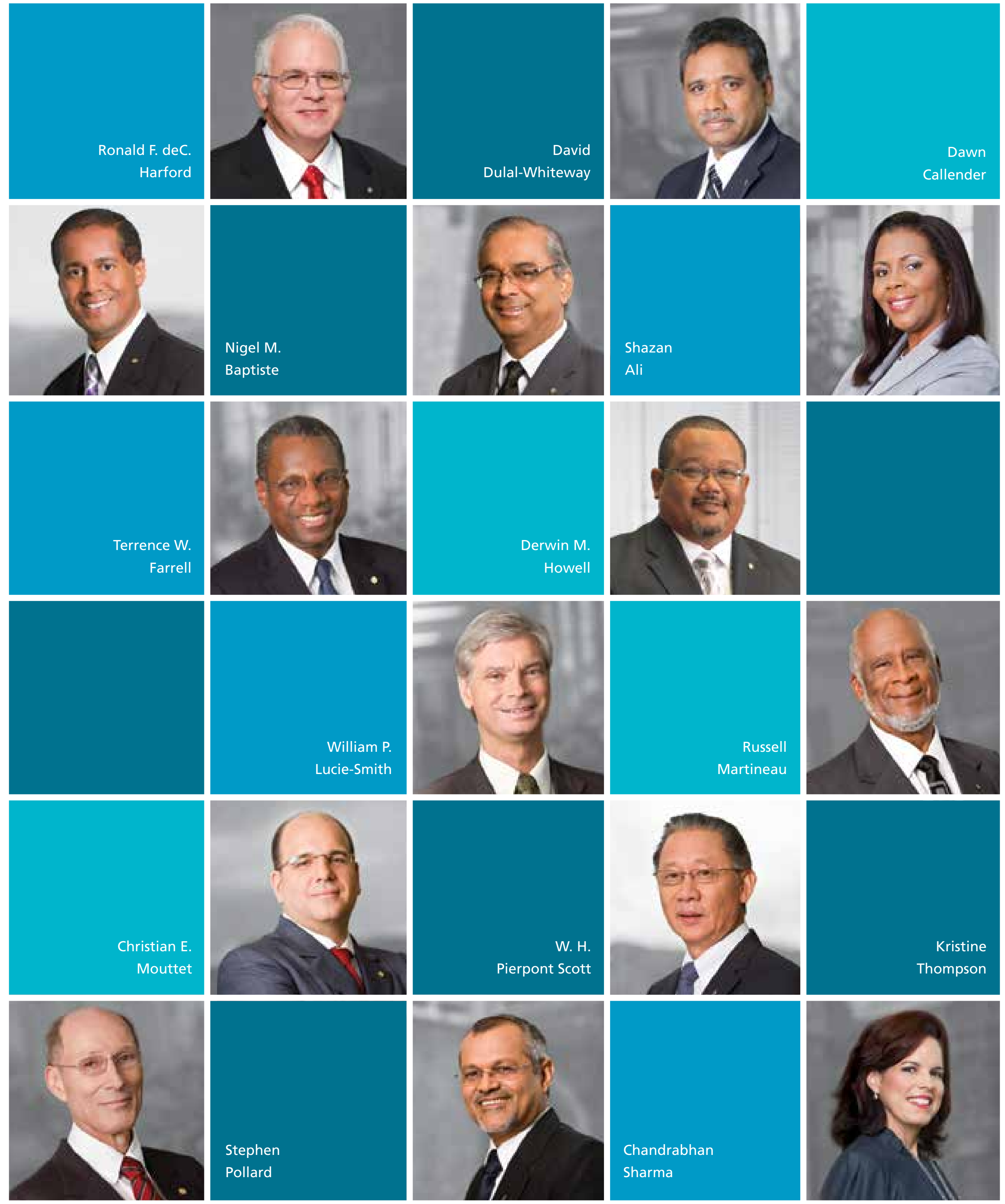
W. H. Pierpont Scott, *FCCA, CA*
Financial Director, William H. Scott Limited

Russell Martineau, *CM, SC, LLM (Lond.)*
Senior Counsel

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

Chandrabhan Sharma, *BSc (Eng.), MSc, PhD*
Deputy Dean, Faculty of Engineering, The University of the West Indies

Kristine Thompson, *B. Comm, MBA*
Vice President, Business Development, CariSal Investment Holdings (B.V.I.) Limited



Directors Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2012.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Group's profit after taxation and minority interest for the year ended September 30, 2012 amounted to $1,158,968,000.

The Directors have declared a dividend of $3.00 per share for the year ended September 30, 2012. A half-year dividend of $1.25 per share was paid on May 29, 2012, making a total dividend on each share of $4.25 (2011: $4.00).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2012, together with their connected parties and our ten (10) largest shareholders.

DIRECTORS AND SENIOR OFFICERS

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	11,212	
Nigel M. Baptiste	11,304	
Dawn Callender	Nil	
David Dulal-Whiteway	53,058	5,000
Terrence W. Farrell	1,100	
Ronald F. deC. Harford	4,574	
Derwin M. Howell	34,307	
William P. Lucie-Smith	Nil	7,500
Russell Martineau	Nil	1,000
Christian E. Mouttet	Nil	5,000
Stephen Pollard	Nil	
W. H. Pierpont Scott	1,000	
Chandrabhan Sharma	1,000	
Kristine Thompson	Nil	
Robert Le Hunte	3,564	
Charles A. Mouttet	21,996	
Jacqueline H.C. Quamina	16,664	

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 Report. This comment may change due to developments.

10 LARGEST SHAREHOLDERS

Shareholder	Ordinary Shares	%
*Colonial Life Insurance Company Ltd.	51,858,299	32.22
National Insurance Board	29,104,942	18.09
*CLICO Investment Bank Ltd. *(In liquidation)*	16,196,905	10.06
Trintrust Limited	15,131,288	9.40
*First Company Limited *(Part of the CL Financial Group)*	13,191,640	8.20
First Citizens Trust & Merchant Bank Ltd.	4,317,727	2.68
RBTT Trust Limited	4,128,168	2.56
Trinidad & Tobago Unit Trust Corporation	2,887,016	1.79
Guardian Life of the Caribbean Ltd.	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, Ronald F. deC. Harford, Russell Martineau, Christian E. Mouttet and Chandrabhan Sharma retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

Derwin M. Howell was appointed a Director on August 1, 2012 to fill the casual vacancy created by the retirement of Gregory I. Thomson in March, 2012. In accordance with By-law No. 1, Paragraph 4.4.5, Mr. Howell having been appointed since the last meeting, retires from the Board and being eligible, offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

COMMUNITY INVOLVEMENT

For the past 175 years, Republic Bank has played an integral part in weaving the economic and social fabric of Trinidad and Tobago. In the last ten years, the Bank has formalised its commitment to making a positive difference in the lives of the citizens, with the implementation of our Power to Make a Difference programme.

With the programme's many interventions, the Bank has sought to heighten awareness of the challenges of the differently-abled, to provide opportunities for the development of the Nation's youth and the marginalised in our communities and to enhance the quality of life of the sick and elderly in the wider Caribbean.

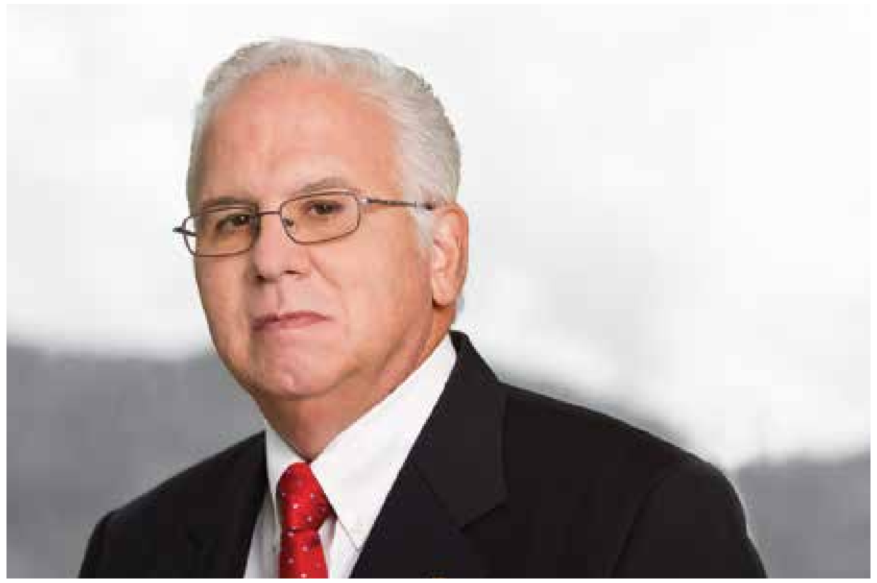
In the financial year 2011/2012, Republic Bank placed the spotlight on the visually impaired with our vision caravans and music sessions through partnership with the Trinidad and Tobago Association for the Blind and Visually Impaired and the Persons Associated with Visual Impairment (PAVI). We also brought greater attention to the areas of diabetes, cancer, autism and dyslexia throughout the year with our ties to the Helen Bhagwansingh Diabetes Education Research and Prevention Institute (DERPI), Autistic Society of Trinidad and Tobago, the Dyslexia Association and the Trinidad and Tobago Cancer Society. Demonstration of commitment was not limited to financial contributions, as staff proved that they, too, are ready to accept the mantle of being responsible citizens by readily assisting Foundation for Enhancement and Enrichment of Life (FEEL) with the preparation of hampers for families affected by the floods in our country, as well as various community outreach projects within their own catchment areas.

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



Ronald F. deC. Harford

STABILITY AND STRENGTH

I am pleased to report that the Group recorded profit attributable to shareholders of $1.2 billion for the financial year ended September 30, 2012. This represents a 3.3% increase over profits reported for 2011. Achieving these results in the prevailing economic climate of lackluster growth and weak global recovery, is no mean feat, and for this I commend the management and staff for their unswerving dedication and commitment to the Group. It also speaks volumes about the strength of the organisation, partly reflected in total assets now standing at $51.6 billion.

For the third consecutive year, Republic Bank has been named the Best Bank in Trinidad and Tobago for 2012, by LatinFinance. This is an award of which we are indeed proud. Also, in the Banker magazine's ranking of the top 1000 World banks of 2012, Republic Bank received a Country Ranking:1 and a World Ranking: 671. We are honored and encouraged by these accolades from such esteemed institutions.

Looking back on the past fiscal year on the global front, following some optimistic signs towards the end of 2011, global growth slowed by the second quarter of 2012 and has been generally faltering since. The International Monetary Fund (IMF) has stated that weakened financial institutions and inadequate policies in key advanced economies are among the several factors accounting for slower global growth. Despite policies implemented to resolve the debt crisis in Europe, the situation remains difficult, requiring new interventions to prevent matters from deteriorating. The economic outlook for developed countries is expected to remain challenging at least in the short term and as such the global recovery is likely to be somewhat longer in coming. Compared to the 3.8% global growth rate recorded in 2011, the IMF in its October 2012 World Economic Outlook report varied its projections to 3.3% for 2012 and 3.6% for 2013.

As growth in the leading economies such as the United States and the United Kingdom faltered, the economic fortunes of the Caribbean region waned. Buoyant prices in commodities such as food, fuel and metals, presented additional challenges for some countries but also supported the economies of the region's mineral and food exporters. The tenuous recovery projected for the global economy will continue to have a direct impact on the region.

BARBADOS

Following its marginal expansion of 0.4% in 2011, the Barbados economy is estimated to have grown by 0.6% for the first half of 2012 with the major impetus coming from a growth in tourism output, driven more from increased length of visitor stays as opposed to an increase in arrivals. The Central Bank of Barbados reported that the construction sector also grew by an estimated 1.3% in the first half of 2012 due to a mix of private commercial building activity, some tourism-related projects and public sector capital projects.

Inflation moderated somewhat to 8.9%, but some job losses in tourism, manufacturing and agriculture pushed the unemployment rate to 11.8%. During the presentation of the Barbados National Budget in June, some of the key measures announced were the reduction of the personal income tax payable in the lowest income band, from 20% to 17.5% and the planned divestment of the Grantley Adams International Airport, the Barbados National Oil Company and the Barbados Port Authority by way of public offerings. The fiscal package also included a reduction of tax rates paid by international business companies, in order to increase the island's appeal as a business destination.

For much of the year, activity in the financial sector was mixed. During the year, whilst there was a small increase in total loans, there was a noticeable jump in the ratio of non-performing loans to total commercial bank loans from 10.6% in September 2011 to 12.4% in June 2012. In July 2012, Standard & Poor's rating agency downgraded Barbados' long-term foreign and local-currency sovereign credit ratings to 'BB+/B' from 'BBB-/A-3'. The agency cited competitive challenges in tourism and international business, the difficult external environment and further debt accumulation as the main reasons for the downgrade.

With international and regional conditions likely to remain depressed over the next few months, the likelihood of a near term resurgence in the Barbados economy is low. Economic growth for 2012 is projected to be marginal.

GUYANA

Guyana's economy continued to expand in 2012 albeit at a more moderate pace of 2.8%, compared to 5.4% in 2011. Growth was driven by the mining and quarrying sector with a 56.3% increase in bauxite output recorded for the first six months of the year. Also, gold declarations increased as high gold prices in the world market saw increased mining activities by small and medium scale miners. Unfavorable weather along with industrial action had an adverse effect on sugar production resulting in a 33% decline and leading to a 2.2% contraction in the overall agriculture sector. Developments thus far, have borne out the broad findings of IMF officials in a July visit during which they highlighted the bright spots in the economy but also noted the need to reform state enterprises such as the Guyana Sugar Company and Guyana Power and Light.

Commercial banking activity was quite strong with deposit growth of 12.8% and even stronger loan growth of 18.9%. Guyana's government expects the economy to grow by 3.8% in 2012, with much of this impetus coming from the mining and quarrying sectors.

GRENADA

Grenada's economy saw marginal improvement in 2012 led by higher output in the agriculture sector and increased stay-over arrivals. Preliminary data indicated that economic activity in the first quarter of 2012 was higher than the same period in 2011. The country's debt struggles continued however, with negative consequences resulting from its inability to meet some of its outstanding commitments. On October 8, Standard & Poor's (S&P) lowered Grenada's local currency sovereign credit ratings to 'CCC+/C' from 'B-/B' because of its severe liquidity constraints. S&P also lowered its foreign currency sovereign credit ratings on Grenada from 'B-/B' to 'SD' (selective default) as the government of Grenada failed to pay the coupon due September 15, 2012, on its US$193 million bond due in 2025. This commitment was subsequently met in October 2012.

Activity in the financial sector was generally flat and weighing all the circumstances, economic growth is unlikely in 2012.

TRINIDAD AND TOBAGO

The domestic economy is projected to expand by 1.0% in 2012, driven largely by the non-energy sector which is expected to expand by an estimated 1.9%.

The petroleum sector is projected to decline by 1% in 2012, a slower rate than the 3.9% contraction of the previous year. The oil price remained strong during 2012 and the US Energy Information Administration forecasts oil prices to average US$95.66 per barrel, compared with US$94.86 a year ago. Natural gas production averaged 4.2 billion cubic feet per day during the first eight months of 2012, unchanged from the same period in 2011, and is predicted to remain at that level for the rest of the year, though prices have weakened from 2011.

After accelerating significantly in the second quarter of 2012, headline inflation eased to 7.7% year-on-year in September from its peak of 12.6% in May. The Central Bank remains focused on stimulating domestic economic activity and reduced the "Repo" rate to 2.75% in September 2012, after holding it at 3% since July 2011. Latest data suggests that private sector credit remained weak, expanding by only 0.6% in the first half of the year. However, with continuing low interest rates, we expect to see a higher level of growth in the next fiscal year.

During the period central government debt increased from 36% to 46.6% of GDP mainly resulting from government's issuance of bonds to facilitate the repayment of CLICO and British American Insurance Company Limited policy holders whose investments exceeded $75,000 in value. In October 2012, the CLICO Investment Fund was launched by the Government of the Republic of Trinidad and Tobago to offer to the bondholders redemption of their 11-20 year bonds for units in the fund, which is valued at over $4 billion. The fund assets are comprised in part of approximately 40.3 million Republic Bank shares, which has had the welcome effect of both reducing the CL Financial Group shareholding in Republic Bank Limited from 51.4% to 26.5% and the government's debt exposure.

The government's 2012/2013 budget stated its top priority going forward is to stimulate growth and generate prosperity. In this regard, it has listed a number of projects and incentives to stimulate the economy. With gas supply to the downstream energy sector still not regularised following the overhaul on various plants during the year, coupled with falling oil production, the energy sector has not compensated for the general weakness of the non-energy economy. Nevertheless, there is cause for optimism in the sector as next year's exploration activity will be at its highest level in over ten years. GDP growth is expected to average 2.5% over the next 3 years, partly based on government projects and the increased exploration activity. We are mindful however, that continuing weakness in the global economy is likely to hamper government's ability to achieve its stated objectives.

OUTLOOK

The Group expects to continue to perform creditably, even in weak economic conditions. Any unanticipated improvements in regional economic conditions will further strengthen the Group's performance.

In March 2012, Gregory I. Thomson, Deputy Managing Director, retired from the Bank after nineteen years of exemplary service. During the last 10 years, he presided over the Bank's risk management function and we thank him for his wise counsel and astute judgment.

On August 1, 2012, Derwin M. Howell joined the Board of Directors. He is currently on secondment to Republic Bank (Barbados) Limited, as Managing Director and Chief Executive Officer and will take up his appointment as Executive Director, Republic Bank Limited on January 1, 2013. I welcome him to the Board.

I thank my fellow directors for their commitment, the management and staff for their hard work and perseverance and our customers for their continued support of this organisation.

Managing Director's Discussion and Analysis

David Dulal-Whiteway

Republic Bank Limited recorded profit attributable to equity holders of the parent of $1.2 billion for the year ended September 30, 2012, representing a 3.3% increase over that reported for 2011. The Group's assets now stand at $51.6 billion, a 9.4% improvement over last year. Though economic conditions remained tough in most of the countries in which we operate, our ability to generate these results was founded in our tight adherence to the basic principles of banking, especially with regard to treasury and risk management. The Board of Directors has declared a final dividend of $3.00 per share (Interim dividend: $1.25 per share). This represents a total dividend per share of $4.25, which, on a share price of $105.51 as at the close of the financial year, equates to a dividend yield of 4.03% for our shareholders. This yield, together with the capital appreciation on our share over the past year of $12.42, represents a total return of 17.9% to our shareholders who have purchased and kept our shares over the entire year.

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 40 to 112 of this report. All amounts are stated in Trinidad and Tobago dollars.

RESULTS OF OPERATIONS: HIGHLIGHTS

Summary Results of Operations

All figures are in TT$M	2012	2011	Change	% Change
Profitability				
Net interest income	2,139.8	2,134.5	5.2	0.2
Other income	1,103.7	1,176.8	(73.1)	(6.2)
Share of profits of associated companies	12.2	8.8	3.4	38.9
Core operating expenses	(1,648.9)	(1,573.1)	(75.8)	(4.8)
Employee benefits pension contribution	30.9	24.2	6.7	27.6
Loan impairment expense	(103.6)	(288.6)	185.0	64.1
Profit before taxation	1,534.1	1,482.6	51.5	3.5
Taxation	(307.5)	(311.4)	3.8	1.2
Profit after taxation	1,226.6	1,171.3	55.4	4.7
Non-controlling interest	(67.6)	(49.7)	(17.9)	(36.0)
Profit attributable to Equity Holders of the parent	1,159.0	1,121.5	37.4	3.3

The strength of our organisation continues to be reflected in our growing asset base, which stood at $51.6 billion as at September 30, 2012. This growth in total assets was largely fuelled by an increase in advances of $1.5 billion or 6.6% from 2011. This compares favourably with the meager growth in advances we witnessed last year (0.1%), and we take this as a favourable indicator of the market's increased credit demand. Growth in deposits of 12.1% is an accurate reflection of the burgeoning liquidity in the domestic economy. The continued outstripping of loan growth by deposit growth has resulted in 31.9% of our assets now being held in cash or Treasury bills earning less than 0.25%.

The Group's 3.3% increase in profit attributable to equity holders of the parent to $1.2 billion, has to be viewed against the backdrop of the high liquid environment, narrowing net interest margins and aggressive competition for business. We are, therefore, pleased with our performance in the prevailing business climate.

ANALYSIS OF PERFORMANCE BY TERRITORY

Net Interest Income

The decline of 1.5% in the Net Interest Income in Trinidad and Tobago reflects the fall in the Bank's prime lending rate from an average of 8.15% during 2011 to 7.75% for 2012. This fall in prime outweighed the impact of loan growth during the year in Trinidad and Tobago, amounting to $1.0 billion. It is also the main contributing factor to the Group's net interest margin moving from 4.58% in 2011 to 4.33% in 2012. We foresee further tightening in margins over the coming year under the current soft monetary policy of the Central Bank of Trinidad and Tobago. This has led them to reduce the "Repo" rate to 2.75% in September 2012, after holding it at 3% since July 2011.

Net Interest Income ($'000s)

Country	2012	2011	Change	% Change
Trinidad and Tobago	1,456,834	1,479,332	(22,499)	(1.5)
Barbados	353,191	357,205	(4,014)	(1.1)
Cayman/Guyana/East Caribbean	329,760	298,005	31,755	10.7
Total	2,139,785	2,134,542	5,242	0.2

Other Income ($'000s)

Country	2012	2011	Change	% Change
Trinidad and Tobago	994,936	1,089,576	(94,640)	(8.7)
Barbados	116,300	108,058	8,242	7.6
Cayman/Guyana/East Caribbean	130,726	107,263	23,463	21.9
Inter-company eliminations	(138,291)	(128,144)	(10,148)	(7.9)
Total	1,103,671	1,176,753	(73,082)	(6.2)

OTHER INCOME

The sharp decline in Other Income in the Trinidad and Tobago market of $94.6 million was mainly as a result of a one-off recovery received in 2011. If the impact of this is removed from 2011, other income shows a commendable increase of 10.1% from last year. The Barbados operations reflected a healthy increase in other income on the strength of its credit card operations as well as from recoveries. This has helped them in offsetting the declining net interest income, spurred in large part from weak economic performance. The Cayman/Guyana/East Caribbean territory shows a good improvement from last year.

OPERATING EXPENSES

The Group's operating expenses increased by 4.8% from 2011 to 2012, with the majority of this increase stemming from the Trinidad and Tobago operations, an environment in which headline inflation stood at 7.9% in August 2012. The Group's operating efficiency has shown some slippage from the 46.7% reported in 2011, to 49.7% in 2012, fuelled in part as well by the decline in other income. Improving the Group's efficiency ratio continues to be an area of strategic focus, as we try to manage increasing costs across the Group, whilst improving the service offering to our customers.

Operating Expenses ($'000s)

	2012	2011	Change	% Change
Core operating expenses	1,648,865	1,573,096	(75,769)	(4.8)
Less Pension credit	(30,929)	(24,240)	6,689	27.6
Total operating expenses	1,617,936	1,548,856	(69,080)	(4.5)
Trinidad and Tobago	1,158,876	1,110,365	(48,512)	(4.4)
Barbados	272,307	270,021	(2,286)	(0.8)
Cayman/Guyana/East Caribbean	227,760	196,847	(30,913)	(15.7)
Inter-company eliminations	(10,078)	(4,137)	5,942	143.6
Total	1,648,865	1,573,096	(75,770)	(4.8)

Loans and Advances ($ millions)

	2008	2009	2010	2011	2012
Performing Loans	23,417	21,478	21,481	21,477	22,928
Non-performing Loans	417	1,044	995	732	778
Gross loans	23,834	22,522	22,475	22,209	23,707
Loan Provision	(227)	(606)	(628)	(343)	(390)
Net Loans	23,607	21,916	21,847	21,866	23,317
Contingency Reserve	218	477	422	455	453
Non-performing Loans to Gross Loans (%)	1.7	4.6	4.4	3.3	3.3
Provision and Contingency Reserves as a % of Non-performing loans	106.7	103.7	105.6	109.0	108.3

Loans and Advances 2012 ($ millions)

	T'dad and T'go	B'dos	Cay/Guy/ East Car.	Total
Performing Loans	15,854	4,267	2,808	22,928
Non-performing Loans	284	367	128	778
Gross loans	16,138	4,634	2,935	23,707
Loan Provision	(188)	(149)	(53)	(390)
Net Loans	15,950	4,485	2,883	23,317
Contingency Reserve	183	229	41	453
Non-performing Loans to Gross Loans (%)	1.8	7.9	4.4	3.3
Provision and Contingency Reserves as a % of Non-performing loans	130.8	102.9	73.7	108.3

LOANS AND ADVANCES PORTFOLIO

Following the flat performance in loans over the past three consecutive years, in 2012 there was a 6.6% increase in net loans and advances, with all territories reporting an increase from 2011. Notably, the most significant improvement from last year was in the Cayman/Guyana/East Caribbean area, which was achieved on the strength of Guyana, registering 18.5% growth in advances from 2011, whilst maintaining its Non-performing loans to gross loans ratio at 4.4%. Guyana remains an economy that continues to expand, albeit at a more moderate pace than the past few years. Loan growth in Trinidad and Tobago of 6.7% is encouraging amidst flat economic performance. This portfolio maintains the healthiest credit quality across the Group, with Non-performing loans to gross loans of 1.8%. The weak Barbados economy is reflected in their non-performing loans to gross loans of 7.9%. The Group has held its policy of full loan loss cover through its provisions and contingency reserves. This continues to serve us well in the face of weakening economies and trying times.

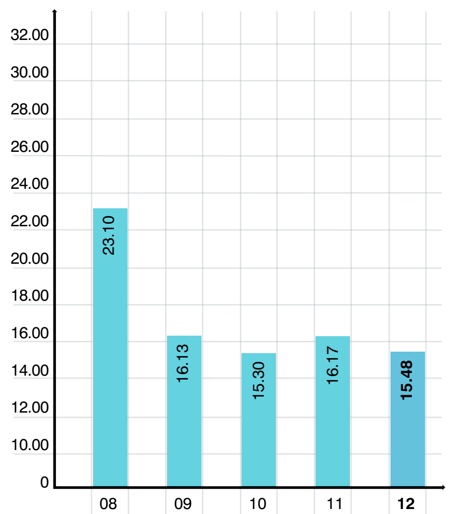
Total Assets ($'000s)

Country	2012	2011	Change	% Change
Trinidad and Tobago	37,336,417	33,700,521	3,635,895	10.8
Barbados	8,745,627	8,939,042	(193,415)	(2.2)
Cayman/Guyana/East Caribbean	9,077,743	8,024,187	1,053,556	13.1
Inter-company eliminations	(3,563,366)	(3,517,150)	(46,216)	(1.3)
Total	51,596,421	47,146,600	4,449,820	9.4

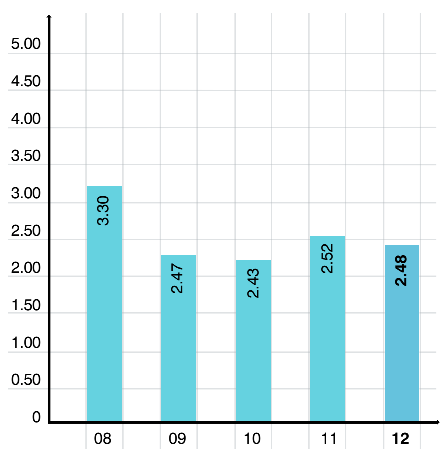
TOTAL ASSETS

Group Total Assets at September 30, 2012 of $51.6 billion reflects growth of 9.4% from 2011. Good loan growth in Trinidad and Tobago together with growing liquid assets in Treasury bills has accounted for the majority of this increase. In the Cayman/Guyana/East Caribbean territory performance was driven mainly from strong asset growth in Guyana. The slight dip in assets of Barbados is reflective of the prevailing economic times.

Return on Equity (%)

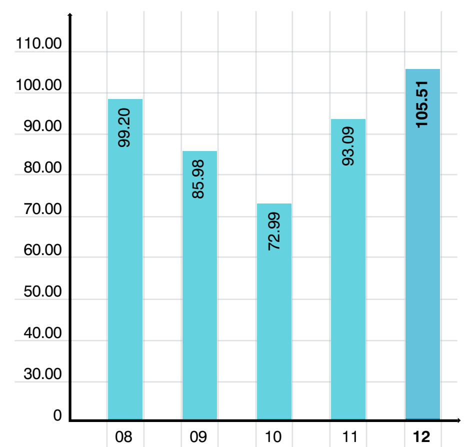


Return on Assets (%)



As the growth in total assets and equity has outstripped the growth in profits, we have experienced a slight dip in the resultant ratios. Return on assets for 2012 marginally dropped to 2.48% from 2.52% reported last year and return on equity of 15.48% was little short of the 16.17% reported in 2011. The Bank's price earnings ratio, based on a closing share price of $105.51, amounts to 14.6 times with an Earnings per Share of $7.28. Our shareholders have received capital appreciation on our share of 13.3%, and when combined with the total year dividend of $4.25, the total return to shareholders is 17.9%, thus making us one of the better performing stocks on the Trinidad and Tobago Stock Exchange from a total return perspective over the past year.

Share Price ($)



CAPITAL STRUCTURE

Capital Adequacy Ratio (%)

	2012	2011
Republic Bank Limited	30.69	30.63
Republic Finance and Merchant Bank Limited	67.84	76.99
Republic Bank (Cayman) Limited	22.46	18.94
Republic Bank (Grenada) Limited	17.50	16.50
Republic Bank (Guyana) Limited	19.84	18.60
Republic Bank (Barbados) Limited	19.61	19.79

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 was adjusted in 2011 to distribute 40% to 60% of Group net earnings to shareholders. This year's dividend at $4.25 represents a 6.3% increase on 2011, $4.00. This amounts to 59.0% of net profit, compared to a payout ratio of 57.3% in 2011. Our strong capital base facilitates future growth and expansion.

OUTLOOK

The Group's strategic focus of growth through expansion and optimising operating efficiency will continue to guide our decision-making in the short to medium term. We remain committed to growing the organisation and further strengthening the Republic Bank brand, which will redound to the benefit of all our stakeholders. We are optimistic that growth in the Trinidad and Tobago economy will be stronger in 2013 than it was in 2012, though this remains heavily dependent on Government's ability to generate some momentum through its planned construction projects. We share this optimism for the economies of Guyana and to a lesser extent, Barbados, but still remain very cautious about the Grenada economy.

Notwithstanding economic performance, our ability to generate these results was hinged on the talent that exists in the Republic Group. For this, I extend my heartfelt gratitude to the management and staff of the organisation whose commitment and perseverance never disappoints. I also thank the Board of Directors for their wise counsel. Finally, I thank each and every customer and shareholder of this Bank, for your belief in us and your continued loyalty.

The Board of Directors has reviewed and adopted the Managing Director's Discussion and Analysis at the Meeting of November 7, 2012.

Ronald F. deC. Harford

David Dulal-Whiteway

Nigel M. Baptiste

Shazan Ali

Dawn Callender

Terrence W. Farrell

Derwin M. Howell

William P. Lucie-Smith

Russell Martineau

Christian E. Mouttet

Stephen Pollard

W. H. Pierpont Scott

Chandrabhan Sharma

Kristine Thompson

Group Profile

EXECUTIVE MANAGEMENT

Managing Director

David Dulal-Whiteway, *BSc (Mgmt. Studies), MBA, CGA*

Executive Director

Nigel M. Baptiste, *BSc (Econ.) (Hons.), 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 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 (Econ.) (Hons.), MBA, CIA*

HEAD OFFICE DEPARTMENTS

ADMINISTRATION

Administration Manager

Wendy Anne Bosse, *BSc (Mgmt. Studies) (Hons.), AICB*

BRANCH SUPPORT SERVICES

Manager

Valini Rajballie, *ACIB*

BUSINESS SYSTEMS AND PROCESS IMPROVEMENT

Manager

Natasha 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)

Suresh Supersad, *Dip. (Business Mgmt.)*

Regional Sales Manager (East/Central/Tobago)

Susan Torry, *Dip. (Business Mgmt.), BSc (Industrial Studies) (Hons.), ACIB, LLB*

Regional Sales Manager (South)

Annette Wattie, *Dip. (Business Mgmt.), ACIB*

Manager, Customer Care and Support Centre

Peter Adam, *Dip. (Business Mgmt.)*

Branch Sales Manager (Relief)

Geeta Harricharan, *Dip. (Bkg.), BSc (Banking and Finance)*

CORPORATE OPERATIONS AND PROCESS IMPROVEMENT

Senior Manager

Anthony C. Subero, *Dip. (Business Mgmt.), LIDPM*

ECONOMIC INTELLIGENCE UNIT
Senior Economist
Ronald Ramkissoon, *BSc (Econ.) (Hons.), 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 (Econ.) (Hons), PGD Marketing*

Marketing Manager, Product Development
Kwame Blanchfield, *BA (History and Government)*

Marketing Manager, Product Development, Deposits and Investments
Lisa Mc Carthy, *BA (Marketing)*

HUMAN RESOURCES
Senior Manager
Corrine Brown, *BSc (General), MBA*

Industrial Relations Manager
Stephanie Fingal, *BA (Mgmt. and History) (Hons.)*

Assistant Manager, Industrial Relations
Giselle Estrada, *MBA*

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
Jonelle Salina, *Dip. (Financial Mgmt.), BSc (Mgmt. with Psychology), MBA*

INTERNAL AUDIT
Senior Manager
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 (Mgmt. Studies) (Hons.), MBA*

LEGAL
Manager
Janelle Bernard, *LLB (Hons.), LEC, MBA*

Manager
Kimberly Erriah, *LLB (Hons.), LEC, MBA*

Manager
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.), Pg.D. (MIS)*

Manager, IT Security
Brian Keshwah, *BSc (Computing)*

PLANNING AND FINANCIAL CONTROL
Senior Manager, Planning and Financial Control
Riah Dass-Mungal, *BSc (Acct.), FCCA*

Chief Accountant
Hamant Lalla, *FCCA, MBA (Finance)*

Manager, Group Finance and Planning
Marsha McLeod-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
Valerie Kelsick, *BSc (Civil Eng.), MBA (Finance and Int. Business), MAPETT (Reg. Eng.)*

Manager
Omarwatee Lackhan, *FCCA, CA*

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, Application and Technology Delivery
Denyse Ramnarine, *BSc (Computer Science and Physics), MSc (Telecom.), Dip. (Business Mgmt.)*

Senior Manager, Technology Advancement
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.), MIEE*

Manager, Information Reporting and Data Management
Brent Cabrera, *Dip. (Computer Systems Design), MSc (Strategic Business IT), IMBA*

Manager, Infrastructure
Michael Bissram, *Dip. (Business Mgmt.)*

Manager, Production Support
Judy Dhoray, *BSc (Maths/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)*

Manager
Kiran Ramlakhan, *BSc (Computer Science and Mgmt.), MSc (Computer Science)*

TRUST AND ASSET MANAGEMENT DIVISION
Senior Manager, Trust Services
Ena Dalchan-Mahabir, *ACCA*

Manager, Trust Services
Courtney Inniss, *BSc (Mgmt.)*

Manager, Investments
Steve Roberts, *BSc (Mgmt. Studies) (Hons.)*

Manager, Investments
Giselle Busby, *BSc (Mgmt. Studies)*

Manager, Marketing and Product Development
Brendon Howell, *BSc (Acct.) (Hons.), CFA*

Manager
Baldath Ramkissoon, *BSc (Mgmt.), MBA*

Operations Manager
Sabatry Ramnath, *BSc (Computing) (Hons.)*

CORPORATE BUSINESS CENTRES

CORPORATE BUSINESS CENTRE – EAST
Regional Corporate Manager
Shri Baball, *Dip. (Business Mgmt.)*

Corporate Manager
Anthony Clerk, *Dip. (Business Mgmt.), AIBAF*

Credit Manager
Vaughn Welsh, *Dip. (Bkg.), ACIB, MBA*

Credit Manager
Jimmy Cedeno, *BSc (Mgmt. Studies), MBA*

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, *BSc (Mgmt. Studies) (Hons.), MBA*

Corporate Manager
Karen Tom Yew-Jardine, *BSc (Mgmt.), MBA (Finance), LLB*

Corporate Manager
Davi Samaroo-Singh, *BSc (Econ.)*

Credit Manager
Andre Crosby

Credit Manager
Adrian Riley, *BSc (Acct.), MBA (Finance)*

CORPORATE BUSINESS CENTRE – SOUTH/CENTRAL
Regional Corporate Manager
Farook Hosein

Corporate Manager
Ian Leonard, *BSc (Mgmt. Studies) (Hons.)*

Corporate Manager
Ramish Maharaj, *Dip. (Business Mgmt.), ACIB, MBA*

Corporate Manager
Parbatie Khan, *Dip. (Business Mgmt.), ACIB, MBA*

Corporate Manager
Rawlston Singh, *Dip. (Bkg.)*

Credit Manager
Charmaine Khan, *Dip. (Bkg.)*

Credit Manager
Kalawatee Bickramsingh, *Dip. (Financial Mgmt.), ACCA, MBA*

BRANCH SALES NETWORK

BRANCH SALES MANAGER
ARIMA
Shedley Branche, *BSc (Mgmt.) (Hons.), MBA*

CENTRE CITY, CHAGUANAS
Jennifer Ganess, *Dip. (Business Mgmt.)*

CIPERO STREET
Dave Mansingh, *Dip. (Bkg.), ACIB*

COUVA
Gabrielle Dindayal

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
Francisco Hernandez

INDEPENDENCE SQUARE
Hilton Hyland, *Dip. (Business Mgmt.), MBA*

LONG CIRCULAR MALL
Wendy Hay-Mc Letchie, *Dip. (Business Mgmt.)*

MARABELLA
Debra Carrington

MAYARO/RIO CLARO
Jemma Persad, *Dip. (Bkg.)*

PARK STREET/HILTON
Shantie Ramoutar, *ACIB, MBA*

PENAL
Keithan Weston, *AIBAF*

POINTE-A-PIERRE
Diane Raghoo

POINT FORTIN
Jemma Rampersad

PRINCES TOWN
Nirmala Seetaram-Harrilal, *Dip. (Bkg.)*

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, *ACCA*

TRAGARETE ROAD
Rhonda Joseph-Walters, *Dip. (Bkg.)*

TRINCITY
Susan Williams, *Dip. (Business Mgmt.)*

TUNAPUNA WEST/EAST
Cleopatra Joseph-Charles, *Dip. (Business Mgmt.)*

UWI
Maria Fraser

VALPARK/GRAND BAZAAR
Ingrid McKenzie

WESTMALL
Brad Tom Yew, *BSc (Marketing), MBA (Finance)*

WOODBROOK
Iselda Richards

Executive Management

Farid Antar
General Manager, Corporate Operations and Process Improvement

Gloria Anthony
General Manager, Commercial and Retail Banking

Charmaine Caballero
General Manager, Human Resources

Ian R. De Souza
General Manager, Corporate and Investment Banking

Anna-María García-Brooks
General Manager, Group Marketing and Communications

Robert Le Hunte
General Manager, Planning and Financial Control

Charles A. Mouttet
General Manager, Treasury

Roopnarine Oumade Singh
General Manager, Risk Management

Jacqueline H.C. Quamina
Group General Counsel/Corporate Secretary

Andrea Taylor-Hanna
General Manager, Internal Audit

Anthony Wong
General Manager, Information Technology Management

Karen Yip Chuck
General Manager, Trust and Asset Management

Subsidiaries

Derwin Howell

Gary Darwent

Godfrey Gosein

Keith A. Johnson

John N. Alves

REPUBLIC BANK (BARBADOS) LIMITED

Republic Bank (Barbados) Limited, formerly Barbados National Bank Inc. (BNB), is one of the largest banks in Barbados, offering diverse financial services, for over 30 years. With 10 conveniently located branches and one of the largest ATM networks on the island, Republic Bank offers an array of banking services, including, personal, commercial, corporate and investment banking specialised services through the Republic Bank Mortgage Centre, its subsidiary Republic Finance & Trust (Barbados) Corporation and its mutual fund, Republic Funds (Barbados) Inc.

Registered Office

Independence Square
Bridgetown
Barbados, West Indies
Telephone: (246) 431-5999
Fax: (246) 429-2606
Swift: BNBABBBB
E-mail: info@republicbarbados.com
Website: www.republicbarbados.com

Managing Director and Chief Executive Officer

Derwin M. Howell, *BSc (Elec. Eng.) (Hons.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C.Eng.*

REPUBLIC BANK (CAYMAN) LIMITED

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

Republic Bank (Grenada) Limited was incorporated on October 12, 1979. It is well represented in the state of Grenada with six (6) branches and twelve (12) ATMs, and is the market share leader in assets, loans and deposits. The Bank recorded a successful year of operations with a profit of EC$8.7 million after tax for the financial year ended September 30, 2012.

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, *BSc (Accountancy), MBA, AICB*

REPUBLIC BANK (GUYANA) LIMITED

Republic Bank (Guyana) Limited, established in 1836, continues its proud tradition of leadership in quality financial service in Guyana's banking sector. Fiscal 2012 was a productive year, with a G$2.013 billion after tax net profit. The Bank's focus over the past year was one of customer engagement, youth development through culture and education, supporting the differently-abled and helping our customers to achieve their goals through our many services.

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

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*

The Power to Make a Difference

"The strength of the Nation depends on the strength of its citizens."

Dr Eric Eustace Williams – August 31, 1962

This is a year of dual commemoration for Republic Bank. As we celebrate with Trinidad and Tobago our 50th year of Independence, the Bank also celebrates 175 years of service to the people of this country. Having been a key part of Trinidad and Tobago's financial, social and cultural history for decades, Republic Bank takes pride in being keenly attuned to the ever-changing needs of the Caribbean's people, businesses and governments.

Acting on the firm belief that we could help make a positive difference in the lives of the young, the elderly, the disenfranchised and differently-abled in our communities, we launched, in 2003, our groundbreaking Power to Make a Difference programme. In so doing, we changed the face of corporate social responsibility. Nine years later, we have seen and experienced the beneficial results of this decision, even as we continue the journey.

We believe in the value of every human life and in the ability of every individual to contribute to the development of our nation. This belief has guided the evolution of Power to Make a Difference over the years, under the four pillars – the Power to Care, the Power to Learn, the Power to Succeed and the Power to Help.

Our hope is that, as we continue to fulfil the aims and beliefs of this initiative, many others would be motivated to take up and carry the torch of social responsibility, to the overall benefit of Trinidad and Tobago and the Region.

Our history, as one of the longest serving financial institutions in Trinidad and Tobago, has been one of leadership and achievement. The partnerships we have forged throughout the years have catalysed our social investment efforts, and the success of these efforts has inspired us to keep moving forward with our vision.

Our relationships with numerous non-governmental organisations (NGOs) and community-based organisations (CBOs) have helped transform the shape and face of communities, while unlocking the potential of their members.

We believe that our nation's future lies in investing in our young people, and through the Power to Make a Difference, we have placed a major focus on empowering our youth, through sporting, educational and cultural programmes. These programmes have enabled thousands of young people to employ their talents and realise their potential. This includes our sponsorship of the Trinidad and Tobago Junior Golf Open and National Junior Golf Teams; the Republic Bank Chaguaramas Junior Golf Clinics; Starting New At Golf (SNAG) clinics; the Republic Bank RightStart Cup Youth Football Camps and Tournaments and the Republic Bank Laventille Netball and Basketball Leagues.

We also consider culture an important vehicle for youth development. With the aim of giving young people an understanding of the Nation's history and culture, we have sponsored the annual Republic Bank Junior Parade of Bands; the Sanatan Dharma Maha Sabha's children's festival, Baal Vikaas Vihaar; PETE the Panstick pan-in-education software and the annual Republic Bank Pan Minors Music Literacy Scholarship programme. Our educational focus also extends to the Republic Bank National Agriscience Competition; the construction of the Catholic Religious Education Development Institute's (CREDI) administrative facilities and various Primary and Secondary School Refurbishment Programmes and Bus Donations.

In continuing our commitment to the needs of the differently-abled, we have worked with NGOs in their struggle to improve the quality of life of those with both visible and hidden disabilities. We have worked with the Autistic Society of Trinidad and Tobago and the Dyslexia Association and we have partnered with the Immortelle Children's Centre for Special Education. We have also worked with the Trinidad and Tobago Blind Welfare Association and Persons Associated with Visual Impairment (PAVI) in providing the necessary tools for the visually impaired, as well as Vision Caravans to rural areas throughout our twin islands.

We have also extended our support to other initiatives, such as the Trinidad and Tobago Cancer Society's Edufest, Walk for Life and other awareness efforts; the St Ann's-Cascade Motivational Programme; the Love Movement Youth Outreach, Bethel Empowerment and Skills Training Centre (BEST) in Tobago, and the Loveuntil Foundation. Last year, we sponsored Exodus Steelband; we were also involved in the Archbishop's Annual Appeal's restoration of the Minor Basilica of the Cathedral of the Immaculate Conception and All Saint's Anglican Church's renovations to the Parish Hall.

As a corporate citizen, Republic Bank believes that it is not enough to merely be aware of the needs of those around us – we must do what we can to fulfil those needs. However large or small the impact of our efforts may be, we stand firm in the knowledge that no effort is wasted. The differently-abled child who now has a wheelchair; the dyslexic student who can now function in a classroom of his peers; the young footballer who has received a football scholarship; the senior citizen who now has a comfortable place to sleep – their smiles, their well-being, their successes and their survival – these are the only reasons we need for continuing to embrace the Power to Make a Difference.

Republic Bank and The Dyslexia Association's Visualizing and Verbalizing workshop for teachers

Republic Bank National Agriscience Competition

Republic Bank and Trinidad and Tobago Cancer Society Remembrance Walk

All Saint's Anglican Church renovations to the Parish Hall

PROGRESS

1940
Republic Bank
First Headquarters
Marine Square, now
Independence Square,
Port of Spain, Trinidad

1988
Launch of the
Blue Machine

VISION

1992
Acquired 51 % of
the National
Commercial Bank
of Grenada Limited

COMMUNITY

2003
Power To Make A
Difference program
was launched with
a pledge to invest
$40 million in the
first 5 year phase

SERVICE

2007
Earned the designation
as a Service Excellence
Organisation from
Canadian based OTEC

EXCELLENCE

BEST EMERGING MARKET BANK 2006
GLOBAL FINANCE

The Banker
Bank of the Year 2006
Trinidad & Tobago

LATINFINANCE
BANKS of the YEAR 2006

2006
Won three international
awards from leading
financial publications

2009
Trincity Branch
opened

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;
- 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 comprises 14 Directors, 11 of whom are Non-Executive Directors and 3 are Executive Directors. We currently have 12 Non-Executive Directors and this anomaly will be corrected when Derwin M. Howell, Director assumes the position of Executive Director, in January 2013. This balance of Non-Executive Directors to Executive Directors ensures that the Board is able to exercise independent judgement with sufficient management information to enable proper and objective assessment of corporate affairs. The Non-Executive Directors reflect a diverse cross-section of the professional and business community and are all highly respected, independent individuals with a wealth of experience in their respective fields. Discussion at Board meetings is, therefore, rich with the combined wisdom of the individuals, as well as reflective of their varied cultural and religious backgrounds.

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

Anti-Money Laundering and Combatting Terrorist Financing (AML/CTF) is an aspect of compliance that requires constant focus by the Board. As legislative and regulatory demands become more complex and challenging, we constantly review our systems and make use of technology to ensure that our compliance is robust and negative impact on our legitimate customers minimal. A robust AML/CTF system requires constant training at all levels of staff and we are pleased to report that an almost full contingent of board members attended the Caribbean Regional Compliance Association Conference on Anti-Money Laundering/Combating Terrorist Financing (AML/CTF) on March 1-2, 2012 at the Hyatt Regency in Trinidad.

At the Annual Meeting, one-third of the Directors retire and may offer themselves for re-election. At the upcoming Annual Meeting, Ronald F. deC. Harford, Russell Martineau, Christian E. Mouttet and Chandrabhan Sharma retire from the Board by rotation and being eligible, have offered themselves for re-election. On August 1, 2012, Derwin M. Howell was appointed a Director to fill the vacancy created by the retirement of Gregory I. Thomson in March this year. Having retired in his capacity as Deputy Managing Director, Mr Thomson served the Bank diligently for a period of 19 years. Mr Howell is currently on secondment to Republic Bank (Barbados) Limited, formerly Barbados National Bank Inc. as Managing Director and Chief Executive Officer and will take up his appointment as Executive Director, Republic Bank Limited on January 1, 2013. In accordance with the Company's By-law, Mr Howell will also retire from the Board and being eligible, has offered himself for re-election.

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

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

The Bank's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner 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 nineteen (19) 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, reviewing the Group's Management Succession Plan and addressing issues which from time to time may emerge, having implications for the good governance within the Group and meets as the need arises. Three (3) 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
The Managing Director
Executive Director

OTHER RISKS COMMITTEE

This Committee meets quarterly to review policies and procedures and ensures that the Bank is not exposed to unnecessary risk with respect to its operations in IT, Operational Risk, Trust and Asset Management, Asset Liability Management and Credit Card Operations. Three (3) 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

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, 2012

Contents

Independent Auditors' Report

TO THE SHAREHOLDERS OF REPUBLIC BANK LIMITED

We have audited the consolidated financial statements of Republic Bank Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at September 30, 2012, 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 misstatement, 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, 2012, 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 7, 2012

Consolidated Statement of Financial Position

As at September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2012	2011
ASSETS			
Cash		486,893	401,051
Statutory deposits with Central Banks		3,972,810	3,417,139
Due from banks		7,224,545	7,899,783
Treasury bills		4,806,156	3,005,300
Investment interest receivable		78,503	73,509
Advances	4	23,317,199	21,866,285
Investment securities	5	7,788,049	6,662,473
Investment in associated companies	6	207,162	195,428
Premises and equipment	7	1,558,285	1,564,540
Goodwill	8	485,971	485,971
Pension assets	9	1,254,584	1,208,353
Deferred tax assets	10	111,467	108,073
Taxation recoverable		49,782	50,053
Other assets	11	255,015	208,642
TOTAL ASSETS		51,596,421	47,146,600
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	84,506	188,047
Customers' current, savings and deposit accounts	13	37,090,139	33,072,441
Other fund raising instruments	14	2,691,762	3,071,414
Debt securities in issue	15	1,240,547	1,251,281
Pension liability	9	22,244	25,051
Provision for post-retirement medical benefits	9	187,789	168,679
Taxation payable		104,795	141,060
Deferred tax liabilities	10	467,125	444,737
Accrued interest payable		62,898	70,904
Other liabilities	16	1,089,429	1,007,906
TOTAL LIABILITIES		43,041,234	39,441,520
EQUITY			
Stated capital	17	628,150	596,492
Statutory reserves		892,652	697,775
Other reserves	18	783,805	526,988
Retained earnings		5,586,968	5,263,110
Attributable to equity holders of the parent		7,891,575	7,084,365
Non-controlling interest		663,612	620,715
TOTAL EQUITY		8,555,187	7,705,080
TOTAL LIABILITIES AND EQUITY		51,596,421	47,146,600

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

These financial statements were approved by the Board of Directors on November 7, 2012 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, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

	Notes	2012	2011
Interest income	19 (a)	2,494,704	2,536,666
Interest expense	19 (b)	(354,919)	(402,124)
Net interest income		2,139,785	2,134,542
Other income	19 (c)	1,103,671	1,176,753
		3,243,456	3,311,295
Operating expenses	19 (d)	(1,617,936)	(1,548,856)
Share of profits of associated companies	6	12,220	8,795
Operating profit		1,637,740	1,771,234
Loan impairment expense, net of recoveries	4 (b)	(103,601)	(288,627)
Net profit before taxation		1,534,139	1,482,607
Taxation expense	20	(307,534)	(311,355)
Net profit after taxation		1,226,605	1,171,252
Attributable to:			
Equity holders of the parent		1,158,968	1,121,527
Non-controlling interest		67,637	49,725
		1,226,605	1,171,252
Earnings per share ($)			
Basic		$7.27	$7.06
Diluted		$7.25	$7.06
Weighted average number of shares ('000)			
Basic	17	159,470	158,797
Diluted	17	159,776	158,842

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2012	2011
Net profit after taxation		1,226,605	1,171,252
Other comprehensive income:			
Realised (gains)/losses transferred to statement of income		(11,940)	22,742
Tax effect		7	(6,468)
		(11,933)	16,274
Revaluation of available-for-sale investments		238,398	(130,009)
Tax effect	10	(25,786)	5,047
		212,612	(124,962)
Translation adjustments		10,578	5,625
Share of changes recognised directly in associate's equity		2,518	(767)
Other comprehensive income/(loss) for the year, net of tax		213,775	(103,830)
Total comprehensive income for the year, net of tax		1,440,380	1,067,422
Attributable to:			
Equity holders of the parent		1,372,446	1,019,030
Non-controlling interest		67,934	48,392
		1,440,380	1,067,422

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2012
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, 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
Unallocated shares	–	–	(146,237)	–	(146,237)	–	(146,237)
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	526,988	5,263,110	7,084,365	620,715	7,705,080
Total comprehensive income for the year	–	–	213,478	1,158,968	1,372,446	67,934	1,440,380
Issue of shares	24,837	–	–	–	24,837	–	24,837
Share-based payment	6,821	–	–	–	6,821	–	6,821
Allocation of shares	–	–	45,214	–	45,214	–	45,214
Transfer from general contingency reserve	–	–	(1,875)	1,875	–	–	–
Transfer to statutory reserves	–	194,877	–	(194,877)	–	–	–
Other	–	–	–	711	711	–	711
Dividends	–	–	–	(642,819)	(642,819)	–	(642,819)
Dividends paid to non-controlling interest	–	–	–	–	–	(25,037)	(25,037)
Balance at September 30, 2012	628,150	892,652	783,805	5,586,968	7,891,575	663,612	8,555,187

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2012	2011
Operating activities			
Profit before taxation		1,534,139	1,482,607
Adjustments for:			
Depreciation	7	149,966	140,730
Loan impairment expense, net of recoveries	4 (b)(ii)	103,601	288,627
Investment securities impairment expense		5,730	3,460
Translation difference		(15,034)	1,833
Loss on sale of premises and equipment		1,802	1,821
Revaluation loss on investment securities		7,726	16,560
Share of profits of associated companies	6	(12,220)	(8,795)
Stock option expense	17	6,821	5,275
Increase in employee benefits		(29,928)	(24,466)
Increase in advances		(1,554,516)	(307,713)
Increase in customers' deposits and other fund raising instruments		3,638,046	952,987
(Increase)/decrease in statutory deposits with Central Banks		(555,671)	82,608
(Increase)/decrease in other assets and investment interest receivable		(51,367)	134,387
Increase in other liabilities and accrued interest payable		73,508	70,018
Taxes paid, net of refund		(351,033)	(273,658)
Cash provided by operating activities		2,951,570	2,566,281
Investing activities			
Purchase of investment securities		(3,559,161)	(2,602,629)
Redemption of investment securities		2,711,895	1,927,885
Dividends from associated companies	6	3,004	3,325
Additions to premises and equipment	7	(154,184)	(222,483)
Proceeds from sale of premises and equipment		6,717	84,149
Cash used in investing activities		(991,729)	(809,753)
Financing activities			
Decrease in balances due to other banks		(103,541)	(95,689)
Repayment of debt securities		(10,734)	(95,528)
Proceeds from share issue		24,837	811
Allocation of shares to profit sharing plan		45,214	(146,237)
Dividends paid to shareholders of the parent	28	(642,819)	(586,172)
Dividends paid to non-controlling shareholders of the subsidiaries		(25,037)	(29,364)
Cash used in financing activities		(712,080)	(952,179)

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2012	2011
Net increase in cash and cash equivalents		1,247,761	804,349
Net foreign exchange difference		(4,077)	85
Cash and cash equivalents at beginning of year		10,265,620	9,461,186
Cash and cash equivalents at end of year		11,509,304	10,265,620
Cash and cash equivalents at end of year are represented by:			
Cash on hand		486,893	401,051
Due from banks		7,224,545	7,899,783
Treasury bills - original maturities of three months or less		3,513,553	1,699,680
Bankers' acceptances - original maturities of three months or less		284,313	265,106
		11,509,304	10,265,620
Supplemental information:			
Interest received during the year		2,464,027	2,675,436
Interest paid during the year		(362,925)	(456,473)
Dividends received		607	1,020

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

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

1 CORPORATE INFORMATION

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

The Republic Bank Group (the 'Group') is a financial services group comprising thirteen (13) 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 51.4% 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, 2012, the combined shareholding of Republic Bank Limited for CLICO and CIB is 51.1%.

By an order of the High Court dated October 17, 2011, Clico Investment Bank Limited was ordered to be wound up and the Deposit Insurance Corporation (DIC) was appointed liquidator. Accordingly, 18.3% shareholding in Republic Bank Limited owned by Clico Investment Bank Limited and First Company Limited are now under the control of the Deposit Insurance Corporation as liquidator.

On November 1, 2012, the CLICO Investment Fund (the Fund) was launched by the Government of the Republic of Trinidad and Tobago. This fund was constituted to offer to 11-20 year Bondholders who were holders of Short Term Investment Products (STIP) purchased from Colonial Life insurance Company (Trinidad) limited, an exchange of their 11-20 year Bonds for Units in the Fund. The Fund assets are comprised in part of 40,072,299 Republic Bank Limited shares representing 24.8% of the total share capital of Republic Bank Limited, which had the effect of reducing the CLICO and CIB shareholdings from 51.1% to 26.2%. These shares are owned by the Fund.

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 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.

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies

i) New accounting policies/improvements 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, 2011 except for the adoption of new standards and interpretations noted below:

IAS 24 - Related Party Disclosures (Revised) (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 introduced a partial exemption of disclosure requirements for government-related entities. The adoption of this standard had no effect on the disclosures of the Group.

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

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

IFRIC 14 - Prepayments of a minimum funding requirement (Amendments) (effective January 1, 2011)

The amendment provided guidance on assessing the recoverable amount of a net pension asset. The amendment permitted an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this standard had no impact on the financial statements of the Group.

IAS 1 - Presentation of Financial Statements (effective January 1, 2011)

The amendment clarified that an entity will present an analysis of other comprehensive income (OCI) for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IAS 34 - Interim Financial Reporting (effective January 1, 2011)

The amendment provided guidance to illustrate how to apply the disclosure principles in IAS 34 and required additional disclosures of the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets. The amendment has applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IFRS 7 - Financial Instruments: Disclosures (effective January 1, 2011)

The amendments emphasised the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments as follows:

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies/improvements adopted (continued)

- The amendments clarified that only financial assets with carrying amounts that do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

- The amendments required, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements, including the amount that best represents the maximum exposure to credit risk (e.g. a description of the extent to which collateral mitigates credit risk);

- The amendments removed the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

- The amendments removed the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and

- The amendments clarified that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets held at the reporting date.

IFRIC 13 - Customer Loyalty Programmes (effective January 1, 2011)

The amendment clarified that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

ii) New accounting policies not adopted

The Group has not adopted the following amendment that has been issued as this standard does not apply to the activities of the Group:

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

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.

For the year ended September 30, 2012
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)

The Group is currently assessing the impact of adopting these standards and interpretations 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.

IFRS 1 - Government Loans - Amendment to IFRS 1 (effective January 1, 2013)
The amendment has added an exception to the retrospective application of IFRS 9 Financial instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to Government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to Government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective January 1, 2013)
These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

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

IAS 12 - Income Taxes (Amendment)/Deferred taxes - Recovery of Underlying Assets (effective January 1, 2012)
The amendment clarifies 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.

IFRS 9 - Financial Instruments: Classification and Measurement (Phase 1) (effective January 1, 2015)
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Standards in issue not yet effective (continued)

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 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control.

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. The objective of the new disclosure requirements is to help the users of financial statements understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and to understand the nature of, and the risks associated with the entity's interest in other entities.

IFRS 13 - Fair Value Measurement (effective January 1, 2013)
IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e., an 'exit price'). 'Fair value' as used in IFRS 2 *Sharebased 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.

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 the year ended September 30, 2012
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)

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

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.

c) Basis of consolidation

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

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

Subsidiary companies

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 $3.1 billion, the Group also holds Treasury bills and other deposits of $6.9 billion with the Central Bank of Trinidad and Tobago as at September 30, 2012. Interest earned on these balances for the year was $18 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, Republic Bank (Barbados) Limited, is required to maintain reserves in the form of certain cash resources and government securities.

f) 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 has expired. All 'regular way' purchases and sales are recognised at settlement date.

i) Advances

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

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Financial instruments *(continued)*

ii) Investment securities (continued)

At fair value through profit or loss (continued)

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

Available-for-sale

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

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

iii) Debt securities and other fund raising instruments

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

g) 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)*

g) 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.

h) Leases

Finance Leases

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

Operating Leases

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

i) Premises and equipment

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

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

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

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Premises and equipment *(continued)*

Depreciation other than on leasehold buildings and leased equipment is computed on the declining balance method at rates expected to apportion the cost of the assets over their estimated useful lives.

The depreciation rates used are as follows:

Freehold and leasehold premises	2%
Equipment, furniture and fittings	15% - 33.33%

j) 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.

k) Employee benefits

i) Pension obligations

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

Annually, the 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Employee benefits *(continued)*

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

The Bank operates an employee profit sharing scheme, which is administered by Trustees in accordance with terms outlined in the Profit Sharing Scheme Rules. The profit share to be distributed to employees each year is based on a specific formula outlined in the Profit Sharing Scheme Rules, and employees have the option to receive their profit share allocation in cash (up to a maximum of 75% of the total entitlement) and receive the balance in ordinary shares of the Bank. The number of shares to be allocated is based on the employees' total entitlement less the cash element, divided by the average price of the unallocated shares purchased by the Trustees. The Bank accounts for the profit share, as an expense, through the consolidated statement of income.

l) 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.

m) 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.

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n) 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, 2012 totalled $28 billion (2011: $25.2 billion).

o) 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.

p) Foreign currency translation

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

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

The assets and liabilities of subsidiary companies are translated into Trinidad and Tobago dollars at the mid-rates of exchange ruling at the consolidated statement of financial position date and all resulting exchange differences are recognised in other comprehensive income. All revenue and expenditure transactions are translated at an average rate.

q) 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.

r) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Dividends

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

t) Segment reporting

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

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

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

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

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

v) Comparative information

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

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

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

Impairment of financial assets

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

Inherent provisions on advances (Note 4b)

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

Valuation of investments (Note 5)

The 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.

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

Net pension asset/liability (Note 9)

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

Goodwill (Note 8)

The Group financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2012 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 perpetuity discount rate to calculate present value.

Deferred taxes (Note 10)

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.

Premises and Equipment (Note 7)

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

4 ADVANCES

a) Advances

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2012				
Performing advances	4,208,052	10,418,823	8,360,936	22,987,811
Non-performing advances	103,440	430,980	244,066	778,486
	4,311,492	10,849,803	8,605,002	23,766,297
Unearned interest	(51,338)	(145,742)	–	(197,080)
Accrued interest	29,505	73,315	34,686	137,506
	4,289,659	10,777,376	8,639,688	23,706,723
Allowance for impairment losses - Note 4 (b)	(69,526)	(240,677)	(79,321)	(389,524)
Net advances	4,220,133	10,536,699	8,560,367	23,317,199

4 ADVANCES *(continued)*

a) Advances *(continued)*

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2011				
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	(66,631)	(224,899)	(51,605)	(343,135)
Net advances	3,869,982	10,232,758	7,763,545	21,866,285

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.

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

4 ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

(i) Impairment assessment (continued)

Collectively assessed allowances (continued)

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.

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

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2012				
Balance brought forward	66,631	224,899	51,605	343,135
Translation adjustment	20	450	48	518
Charge-offs and write-offs	(30,572)	(26,366)	(792)	(57,730)
Loan impairment expense	61,164	123,493	47,631	232,288
Loan impairment recoveries	(27,717)	(81,799)	(19,171)	(128,687)
Balance carried forward	69,526	240,677	79,321	389,524
Individual impairment	43,174	209,325	69,572	322,071
Collective impairment	26,352	31,352	9,749	67,453
	69,526	240,677	79,321	389,524
Gross amount of loans individually determined to be impaired, before deducting any allowance	103,440	430,980	244,066	778,486

4 ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	Retail lending	Commercial and Corporate lending	Mortgages	Total
2011				
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

c) Net investment in leased assets included in net advances

	2012	2011
Gross investment	456,664	534,704
Unearned finance charge	(146,076)	(167,173)
Net investment in leased assets	310,588	367,531

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

4 ADVANCES *(continued)*

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

	2012	2011
Within one year	37,979	33,456
One to five years	147,473	184,465
Over five years	125,136	149,610
	310,588	367,531

5 INVESTMENT SECURITIES

a) Available-for-sale

	2012	2011
Government securities	2,356,910	2,168,940
State owned company securities	1,278,098	1,258,665
Corporate bonds/debentures	3,248,046	2,402,789
Bankers' acceptances	627,510	626,096
Equities and mutual funds	274,704	203,030
	7,785,268	6,659,520

b) At fair value through profit or loss
Held for trading

	2012	2011
Quoted securities	2,781	2,953
Total investment securities	7,788,049	6,662,473

6 INVESTMENT IN ASSOCIATED COMPANIES

	2012	2011
Balance at beginning of year	195,428	190,725
Share of current year profit	12,220	8,795
Dividends received	(3,004)	(3,325)
Share of revaluation reserves	2,518	(767)
Balance at end of year	207,162	195,428

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

	2012	2011
Total assets	8,607,400	8,425,348
Total liabilities	7,600,225	7,471,973
Net assets	1,007,175	953,375
Group's share of associates' net assets	207,162	195,428
Revenue	647,113	632,147
Profit for the period	98,235	76,263
Group's share of profit of associated companies after tax for the period	12,220	8,795

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%

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

7 PREMISES AND EQUIPMENT

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2012					
Cost					
At beginning of year	161,733	1,125,437	119,903	1,268,332	2,675,405
Exchange and other adjustments	105	(2,468)	139	843	(1,381)
Additions at cost	90,873	10,197	1,239	51,875	154,184
Disposal/transfer of assets	(123,413)	(176)	(5,064)	102,898	(25,755)
	129,298	1,132,990	116,217	1,423,948	2,802,453
Accumulated depreciation					
At beginning of year	–	151,871	89,961	869,033	1,110,865
Exchange and other adjustments	–	392	69	1,481	1,942
Charge for the year	–	17,735	2,970	129,261	149,966
Disposal of assets	–	(1,092)	(5,063)	(12,450)	(18,605)
	–	168,906	87,937	987,325	1,244,168
Net book value	129,298	964,084	28,280	436,623	1,558,285

7 PREMISES AND EQUIPMENT *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2011					
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

Capital commitments

	2012	2011
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	172,907	127,648
Other capital expenditure authorised by the Directors but not yet contracted for	37,681	133,941

8 GOODWILL

	2012	2011
Goodwill on acquisition brought forward and carried forward	485,971	485,971

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

8 GOODWILL *(continued)*

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was primarily generated from the acquisition of Republic Bank (Barbados) Limited 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, 2012 using the 'value in use' method. Based on the results of this review, no impairment expense was required.

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

	Republic Bank (Cayman) Limited TT$ million	Republic Bank (Barbados) Limited 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	5%	10%	8%
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	
	2012	2011	2012	2011
Opening defined benefit obligation	2,123,568	2,014,369	193,572	164,229
Exchange adjustments	865	(429)	44	1,352
Current service cost	69,426	66,088	8,486	9,078
Interest cost	134,109	127,257	12,169	10,422
Members' contributions	939	941	–	–
Past service cost	–	1,587	–	–
Actuarial gains/(losses) on obligations	277,140	(11,933)	9,313	10,479
Benefits paid	(80,521)	(73,575)	(137)	(43)
Expense allowance	(1,028)	(737)	–	–
Premiums paid by the Group	–	–	(2,062)	(1,945)
Closing defined benefit obligation	2,524,498	2,123,568	221,385	193,572

9 EMPLOYEE BENEFITS *(continued)*

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

	Defined benefit pension plans	
	2012	2011
Opening fair value of plan assets	3,456,950	3,187,694
Exchange adjustments	794	(164)
Expected return	238,226	214,225
Actuarial gains	111,898	111,149
Contributions by employer	18,149	17,417
Members' contributions	939	941
Benefits paid	(80,521)	(73,575)
Expense allowance	(1,028)	(737)
Closing fair value of plan assets	3,745,407	3,456,950

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

	Defined benefit pension plans			
	Pension assets		Pension liability	
	2012	2011	2012	2011
Defined benefit obligation	(2,235,320)	(1,846,692)	(289,178)	(276,876)
Fair value of plan assets	3,512,835	3,232,476	232,572	224,474
	1,277,515	1,385,784	(56,606)	(52,402)
Unrecognised actuarial gain	(10,336)	(162,331)	34,362	27,351
Unutilisable surplus	(12,595)	(15,100)	–	–
Net asset/(liability) recognised in the consolidated statement of financial position	1,254,584	1,208,353	(22,244)	(25,051)

For the year ended September 30, 2012
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:

	Post-retirement medical benefits	
	2012	2011
Defined benefit obligation	(221,385)	(193,572)
Fair value of plan assets	430	154
	(220,955)	(193,418)
Unrecognised actuarial gain	39,339	32,394
Unutilisable loss	(6,173)	(7,655)
Net liability recognised in the consolidated statement of financial position	(187,789)	(168,679)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2012	2011	2012	2011
Current service cost	69,426	66,088	8,486	9,078
Interest on defined benefit obligation	134,109	127,257	12,169	10,422
Expected return on plan assets	(238,226)	(214,225)	–	–
Amortised net gain/(loss)	111	99	566	(48)
Past service cost	–	1,587	–	–
Unutilisable surplus/(deficit)	3,651	(5,046)	–	–
Total included in staff costs	(30,929)	(24,240)	21,221	19,452

e) Actual return on plan assets

	Defined benefit pension plans	
	2012	2011
Expected return on plan assets	238,226	214,225
Actuarial gain on plan assets	120,392	116,570
Actual return on plan assets	358,618	330,795

9 EMPLOYEE BENEFITS *(continued)*

f) Experience history

	Defined benefit pension plans				
	2012	2011	2010	2009	2008
Defined benefit obligation	(2,524,498)	(2,123,568)	(2,014,369)	(2,279,979)	(2,106,618)
Plan assets	3,745,407	3,456,950	3,187,694	3,003,327	3,139,883
Surplus	1,220,909	1,333,382	1,173,325	723,348	1,033,265
Experience adjustments on plan liabilities	(51,912)	6,925	16,812	69,804	(23,914)
Experience adjustments on plan assets	128,883	111,149	(10,864)	(332,685)	24,296

	Post-retirement medical benefits				
	2012	2011	2010	2009	2008
Defined benefit obligation	221,385	193,572	164,229	138,173	130,462
Experience adjustments on plan liabilities	29,876	10,783	14,804	21,101	6,031

g) The Group does not expect to contribute to the plans in the 2013 financial year.

h) The principal actuarial assumptions used were as follows:

	2012 %	2011 %
Discount rate	5.50 - 7.75	5.50 - 7.75
Rate of salary increase	4.00 - 6.00	4.00 - 7.00
Pension increases	0.00 - 2.40	0.00 - 2.50
Medical cost trend rates	7.00 - 7.75	7.00 - 7.75
Expected return on plan assets	5.00 - 6.00	5.00 - 6.70
NIS ceiling rates	4.00 - 5.00	4.00 - 5.00

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.

For the year ended September 30, 2012
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 2012 %	2011 %
Equity securities	42.79	40.39
Debt securities	36.24	34.22
Property	0.28	3.58
Money market instruments/cash	20.69	21.81
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.	25,447	24,376
Medical expense decrease by 1% p.a.	15,660	14,617

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2011	Exchange adjustments	(Credit)/charge Consolidated statement of income	OCI	Closing balance 2012
Post-retirement medical benefits	46,602	40	4,570	–	51,212
Leased assets	27,773	2	(2,139)	–	25,636
Unrealised reserve	12,664	16	(2,358)	(641)	9,681
Unearned loan origination fees	21,034	25	3,879	–	24,938
	108,073	83	3,952	(641)	111,467

10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

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

b) Deferred tax liabilities

	Opening balance 2011	Exchange adjustments	Charge/(Credit) Consolidated statement of income	OCI	Closing balance 2012
Pension asset	302,388	15	10,712	–	313,115
Leased assets	57,589	6	(16,501)	–	41,094
Premises and equipment	54,391	44	2,096	–	56,531
Unrealised reserve	30,369	27	–	25,989	56,385
	444,737	92	(3,693)	25,989	467,125
Non-controlling interest share of deferred tax charge to OCI				844	
Net credit/(charge) to consolidated statement of income/OCI			7,645	(25,786)	

11 OTHER ASSETS

	2012	2011
Accounts receivable and prepayments	200,078	146,468
Accrued income	9	10
Project financing reimbursables	1,254	499
Deferred commission and fees	5,152	11,535
Other	48,522	50,130
	255,015	208,642

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, 2012, 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 - 0.025%. This facility was however repaid in full in February 2012.

For the year ended September 30, 2012
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

	2012	2011
State	4,615,921	4,297,936
Corporate and commercial	8,593,010	6,950,747
Personal	21,808,697	19,410,157
Other financial institutions	1,441,622	1,754,741
Other	630,889	658,860
	37,090,139	33,072,441

14 OTHER FUND RAISING INSTRUMENTS

At September 30, 2012 investment securities held to secure other fund raising instruments of the Group amounted to $2.1 billion (2011: $2.1 billion).

Concentration of other fund raising instruments

	2012	2011
State	1,487,249	1,570,520
Corporate and commercial	71,283	256,201
Personal	1,927	29,190
Other financial institutions	1,107,836	1,192,155
Other	23,467	23,348
	2,691,762	3,071,414

15 DEBT SECURITIES IN ISSUE

	2012	2011
Unsecured		
a) Fixed rate bonds	798,593	798,330

15 DEBT SECURITIES IN ISSUE *(continued)*

	2012	2011
Secured		
a) Floating rate bonds	417,986	426,075
b) Fixed rate bonds	22,787	25,281
c) Mortgage pass-through certificates	1,181	1,595
	441,954	452,951
Total debt securities in issue	1,240,547	1,251,281

Unsecured obligations

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

Secured obligations

a) For Republic Bank Limited, the floating rate bonds are denominated in Trinidad and Tobago dollars and are unconditional secured obligations of the Bank. The Bank has pledged a portfolio of liquid debt securities issued or guaranteed by the Government of Trinidad and Tobago together with high-grade corporate bonds and debentures in an aggregate amount equal to the bonds issued as collateral security for the bondholders. Other floating rate bonds are also denominated in Trinidad and Tobago dollars and are secured by property and equipment under investments in leased assets.

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

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

16 OTHER LIABILITIES

	2012	2011
Accounts payable and accruals	880,547	828,385
Unearned loan origination fees	94,536	79,199
Deferred income	17,416	1,562
Other	96,930	98,760
	1,089,429	1,007,906

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

17 STATED CAPITAL

	Number of ordinary shares ('000)			
	2012	2011	2012	2011
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	158,805	160,595	596,492	590,406
Shares issued/proceeds from shares issued	324	10	24,837	811
Share-based payment	–	–	6,821	5,275
Unallocated shares	–	(1,800)	–	–
Allocation of shares	571	–	–	–
At end of year	159,700	158,805	628,150	596,492

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

	2012	2011
Weighted average number of ordinary shares	159,470	158,797
Effect of dilutive stock options	306	45
Weighted average number of ordinary shares adjusted for the effect of dilution	159,776	158,842

18 OTHER RESERVES

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains/(losses)	Total
Balance at October 1, 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	6,468	–	–	–	6,468
Unallocated shares	–	(146,237)	–	–	(146,237)
Share of changes recognised directly in associate's equity	(767)	–	–	–	(767)
Total income and expense for the year recognised directly in equity	5,701	(146,237)	–	(108,198)	(248,734)
Transfer from retained earnings	–	–	32,864	–	32,864
Balance at September 30, 2011	47,649	(146,237)	455,308	170,268	526,988
Realised gains transferred to net profit	–	–	–	(11,933)	(11,933)
Revaluation of available-for-sale investments	–	–	–	214,120	214,120
Translation adjustments	8,773	–	–	–	8,773
Allocation of shares	–	45,214	–	–	45,214
Share of changes recognised directly in associate's equity	2,518	–	–	–	2,518
Total income and expense for the year recognised directly in equity	11,291	45,214	–	202,187	258,692
Transfer to retained earnings	–	–	(1,875)	–	(1,875)
Balance at September 30, 2012	58,940	(101,023)	453,433	372,455	783,805

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

18 OTHER RESERVES *(continued)*

General contingency reserves

Specific provisions are made for non-performing advances based on the difference between the loan balances and the discounted realisable value of collateral held. These provisions are charged through the 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, 2012 the balance in the General Contingency Reserve of $453.4 million is part of Other Reserves which totals $783.8 million.

Unallocated shares in the staff profit sharing scheme

The staff profit sharing scheme purchases Republic Bank Limited shares to build its stock for allocation in the annual profit sharing exercise. As at September 30, 2012, shares costing $101 million (2011: $146.2 million) remain unallocated from the profit sharing scheme (Note 27(a)).

For the year ended September 30, 2012, a change in presentation has been made for these unallocated shares to be treated as a deduction from "Other reserves" in equity rather than as an amount receivable in "Other assets" as was done in the past. For comparative purposes, the unallocated shares for the year ended September 2011 have also been reclassifed as a deduction from "Other reserves". This reclassification has had minimal impact on the consolidated statement of financial position and earnings per share, and no impact on the consolidated statement of income.

	No. of shares (000's)
Balance brought forward - October 1, 2011	1,800
Allocation of shares	(571)
Balance carried forward - September 30, 2012	1,229

19 OPERATING PROFIT

	2012	2011
a) Interest income		
Advances	2,041,793	2,130,151
Investment securities	383,307	319,379
Liquid assets	69,604	87,136
	2,494,704	2,536,666

19 OPERATING PROFIT *(continued)*

	2012	2011
b) Interest expense		
Customers' current, savings and deposit accounts	226,570	241,147
Other fund raising instruments and debt securities in issue	126,246	158,188
Other interest bearing liabilities	2,103	2,789
	354,919	402,124
c) Other income		
Fees and commission from trust and other fiduciary activities	223,007	204,796
Other fees and commission income	521,152	487,703
Net exchange trading income	216,286	209,932
Dividends	607	1,020
Gains from disposal of available-for-sale investments	19	2,495
Other operating income	142,600	270,807
	1,103,671	1,176,753
d) Operating expenses		
Staff costs	638,340	653,229
Staff profit sharing - Note 27(a)	103,240	102,984
Employee benefits pension contribution - Note 9(d)	(30,929)	(24,240)
General administrative expenses	502,344	476,595
Property related expenses	146,950	143,577
Depreciation expense	149,966	140,730
Advertising and public relations expenses	68,719	46,782
Impairment expense	33,733	3,460
Directors' fees	5,573	5,739
	1,617,936	1,548,856

20 TAXATION EXPENSE

	2012	2011
Corporation tax	315,179	318,388
Deferred tax	(7,645)	(7,033)
	307,534	311,355

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

20 TAXATION EXPENSE *(continued)*

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:

	2012	2011
Accounting profit	1,534,139	1,482,607
Tax at applicable statutory tax rates	387,969	388,042
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(59,475)	(54,497)
Non-deductible expenses	55,164	46,363
Allowable deductions	(78,596)	(71,141)
Provision for Green Fund Levy and other taxes	2,472	2,588
	307,534	311,355

The Group has tax losses in two of its subsidiaries amounting to $660.5 million (2011: $690.0 million). In one of these subsidiaries, no deferred tax asset has been recognised for these tax losses in the consolidated 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 are both secured and unsecured and were carried out on commercial terms and conditions, at market rates.

21 RELATED PARTIES *(continued)*

	2012	2011
Advances, investments and other assets (net of provisions)		
CL Financial Group	155,580	162,816
Directors and key management personnel	27,200	36,994
Other related parties	182,742	164,413
	365,522	364,223
Provision for amounts due from related parties	4,963	–
Provision expense for related parties	4,963	–
Deposits and other liabilities		
CL Financial Group	284,262	298,973
Directors and key management personnel	88,065	89,542
Other related parties	155,653	67,211
	527,980	455,726
Interest and other income		
CL Financial Group	14,005	10,990
Directors and key management personnel	1,734	2,035
Other related parties	12,306	9,794
	28,045	22,819
Interest and other expense		
CL Financial Group	231	321
Directors and key management personnel	7,012	7,492
Other related parties	297	383
	7,540	8,196

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

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

	2012	2011
Short-term benefits	41,203	43,303
Post employment benefits	20,445	14,122
Share-based payment	6,821	5,275
	68,469	62,700

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.

22 RISK MANAGEMENT *(continued)*

22.1 Introduction *(continued)*

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

22.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Group's credit risk management function is to maximize 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 computerized 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.

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

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	
	2012	2011
Statutory deposits with Central Banks	3,972,810	3,417,139
Due from banks	7,224,545	7,899,783
Treasury bills	4,806,156	3,005,300
Investment interest receivable	78,503	73,509
Advances	23,317,199	21,866,285
Investment securities	7,510,564	6,456,490
Total	46,909,777	42,718,506
Undrawn commitments	3,808,708	3,588,695
Acceptances	840,619	1,322,662
Guarantees and indemnities	106,446	84,006
Letters of credit	127,765	140,867
Total	4,883,538	5,136,230
Total credit risk exposure	51,793,315	47,854,736

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.

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 *(continued)*

Collateral and other credit enhancements *(continued)*

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. As at September 30, 2012, $384.3 million (2011: $264.8 million) in repossessed properties are still in the process of being disposed of.

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 its counterparties:

	2012	2011
Trinidad and Tobago	31,620,467	28,620,016
Barbados	7,041,768	7,368,950
Eastern Caribbean	1,485,926	1,591,520
Guyana	3,419,948	3,077,457
United States	4,653,864	4,427,366
Europe	1,862,182	1,133,438
Other Countries	1,709,160	1,635,989
	51,793,315	47,854,736

For the year ended September 30, 2012
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 *(continued)*

b) Industry sectors

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

	2012	2011
Government and Central Government Bodies	15,607,201	12,388,227
Financial sector	8,434,245	8,829,794
Energy and mining	597,799	1,177,632
Agriculture	350,081	423,249
Electricity and water	585,481	607,001
Transport, storage and communication	385,680	411,647
Distribution	3,824,785	3,334,371
Real estate	1,730,737	2,016,129
Manufacturing	1,674,654	1,748,429
Construction	1,966,618	1,896,239
Hotel and restaurant	951,778	919,405
Personal	12,774,192	10,645,918
Other services	2,910,064	3,456,695
	51,793,315	47,854,736

Credit exposure with state-owned bodies have been categorised according to the service offered by the organisation rather than within "Government and Central Government Bodies".

22.2.3 Credit quality per category of financial assets

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

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

22 RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

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

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
2012	3,177,059	3,898,037	149,449	7,224,545
2011	4,631,772	1,738,859	1,529,152	7,899,783

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:

For the year ended September 30, 2012
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)*

Advances - Commercial and Corporate *(continued)*

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

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

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

Sub-standard: Past due or individually impaired.

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

	Superior	Desirable	Acceptable	Sub-standard	Total
2012	526,404	2,579,766	6,957,274	473,255	10,536,699
2011	561,676	2,658,978	6,520,596	491,508	10,232,758

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
2012	114,020	10,492	113,049	14,039	221,655	473,255
2011	32,206	107,922	50,062	90,372	210,946	491,508

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:

22 RISK MANAGEMENT *(continued)*

22.2 Credit risk *(continued)*

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

Advances - Commercial and Corporate *(continued)*

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2012	11,594,127	484,355	169,008	108,877	189,373	234,760	12,780,500
2011	9,658,649	1,316,559	200,006	76,209	157,927	224,177	11,633,527

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 and Government and Government Guaranteed securities where the country has been recently downgraded by an international rating agency. Issuing institution has good financial strength and reputation.

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

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

For the year ended September 30, 2012
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
2012					
Investments					
- Available-for-sale	5,320,390	1,862,867	128,355	198,952	7,510,564
Total	5,320,390	1,862,867	128,355	198,952	7,510,564
2011					
Investments					
- Available-for-sale	5,043,713	1,049,524	177,190	186,063	6,456,490
Total	5,043,713	1,049,524	177,190	186,063	6,456,490

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 RISK MANAGEMENT *(continued)*

22.3 Liquidity risk *(continued)*

22.3.1 Analysis of financial liabilities by remaining contractual maturities

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

Financial liabilities - on statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2012					
Customers' current, savings					
and deposit accounts	29,342,707	7,739,629	121,480	–	37,203,816
Other fund raising instruments	1,440	2,343,329	201,025	265,670	2,811,464
Debt securities in issue	–	113,607	579,642	1,050,059	1,743,308
Due to banks	23,537	60,969	–	–	84,506
Other liabilities	308,455	191,797	880	18,539	519,671
Total undiscounted					
financial liabilities 2012	29,676,139	10,449,331	903,027	1,334,268	42,362,765
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 2011	27,354,084	9,138,461	1,042,017	1,475,941	39,010,503

For the year ended September 30, 2012
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

Financial liabilities - off statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2012					
Acceptances	179,098	341,162	285,622	34,737	840,619
Guarantees and indemnities	9,993	37,782	15,491	43,180	106,446
Letters of credit	76,725	51,040	–	–	127,765
Total	265,816	429,984	301,113	77,917	1,074,830
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

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.

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

22 RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.1 Interest rate risk *(continued)*

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

		Impact on net profit			
		2012		2011	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TTD Instruments	+/- 50	26,858	(26,858)	25,370	(25,370)
USD Instruments	+/- 50	12,281	(12,281)	9,673	(9,673)
ECD Instruments	+/- 25	–	–	3	(3)
BBD Instruments	+/- 50	7,851	(7,851)	2,502	(2,502)
Other currency Instruments	+/- 50	535	(535)	450	(450)

		Impact on equity			
		2012		2011	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TTD Instruments	+/- 50	(41,797)	43,478	(29,956)	31,067
USD Instruments	+/- 50	(34,807)	47,488	(36,036)	36,200
ECD Instruments	+/- 25	(219)	221	(52)	52
BBD Instruments	+/- 50	(13,079)	13,598	(15,720)	16,340
Other currency Instruments	+/- 50	(585)	598	(444)	448

For the year ended September 30, 2012
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

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

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

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

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

2012	TTD	USD	BBD	Other	Total
FINANCIAL ASSETS					
Cash	291,372	30,669	98,657	66,195	486,893
Statutory deposits with Central Banks	3,137,118	–	378,946	456,746	3,972,810
Due from banks	2,090,658	4,015,087	12,251	1,106,549	7,224,545
Treasury bills	3,010,198	–	491,433	1,304,525	4,806,156
Investment interest receivable	28,670	34,619	10,608	4,606	78,503
Advances	14,009,270	2,487,484	4,481,147	2,339,298	23,317,199
Investment securities	3,296,538	3,404,190	866,011	221,310	7,788,049
TOTAL FINANCIAL ASSETS	25,863,824	9,972,049	6,339,053	5,499,229	47,674,155

22 RISK MANAGEMENT *(continued)*

22.4 Market risk *(continued)*

22.4.2 Currency risk *(continued)*

2012 *(continued)*	TTD	USD	BBD	Other	Total
FINANCIAL LIABILITIES					
Due to banks	68	57,002	12,136	15,300	84,506
Customers' current, savings and deposit accounts	18,500,051	8,307,771	5,104,958	5,177,359	37,090,139
Other fund raising instruments	2,153,770	145,334	392,658	–	2,691,762
Debt securities in issue	1,240,547	–	–	–	1,240,547
Interest payable	19,435	4,819	34,046	4,598	62,898
TOTAL FINANCIAL LIABILITIES	21,913,871	8,514,926	5,543,798	5,197,257	41,169,852
NET CURRENCY RISK EXPOSURE		1,457,123	795,255	301,972	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		14,571	7,953	3,020	

For the year ended September 30, 2012
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)*

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)*

22.5 Operational risk

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

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

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

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 $850 million to $8.6 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

	2012	2011
Republic Bank Limited	30.69%	30.63%
Republic Finance and Merchant Bank Limited	67.84%	76.99%
Republic Bank (Cayman) Limited	22.46%	18.94%
Republic Bank (Grenada) Limited	17.50%	16.50%
Republic Bank (Guyana) Limited	19.84%	18.60%
Republic Bank (Barbados) Limited	19.61%	19.79%

At September 30, 2012 the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

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 consolidated 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.

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

Advances are net of specific and other provisions for impairment. The fair values of advances is based on a current yield curve appropriate for the remaining term to maturity.

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

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

24 FAIR VALUE *(continued)*

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:

	Carrying value	Fair value	Unrecognised gain/(loss)
2012			
Financial assets			
Cash, due from banks and Treasury bills	12,517,594	12,517,594	–
Investment interest receivable	78,503	78,503	–
Advances	23,317,199	23,644,999	327,800
Investment securities	7,788,049	7,788,049	–
Other financial assets	200,078	200,078	–
Financial liabilities			
Customers' current, savings and deposit accounts	37,090,139	37,113,162	(23,023)
Borrowings and other fund raising instruments	2,776,268	2,776,268	–
Debt securities in issue	1,240,547	1,474,201	(233,654)
Accrued interest payable	62,898	62,898	–
Other financial liabilities	880,547	880,547	–
Total unrecognised change in unrealised fair value			71,123
2011			
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	146,468	146,468	–
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

For the year ended September 30, 2012
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

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.

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.

	2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at				
fair value through profit or loss	–	–	2,781	2,781
Financial investments - available-for-sale	3,331,616	4,387,687	65,965	7,785,268
	3,331,616	4,387,687	68,746	7,788,049

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)*

	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

24.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2012, no assets were transferred between Level 1 and Level 2.

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

	2012				
	Balance at beginning of year	Exchange adjustments	Additions	Disposals	Balance at end of year
Financial assets designated at fair value through profit or loss	2,953	(191)	19	–	2,781
Financial investments - available-for-sale	65,635	5	–	325	65,965
	68,588	(186)	19	325	68,746

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

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

	Trinidad and Tobago	Barbados	Cayman, Guyana, and Eastern Caribbean	Eliminations	Total
2012					
Net interest income	1,456,834	353,191	329,760	–	2,139,785
Other income	994,936	116,300	130,726	(138,291)	1,103,671
Share of profits of associates	12,220	–	–	–	12,220
Operating income	2,463,990	469,491	460,486	(138,291)	3,255,676
Operating expenses	(1,114,127)	(282,488)	(231,399)	10,078	(1,617,936)
Operating profit	1,349,863	187,003	229,087	(128,213)	1,637,740
Loan impairment expense, net of recoveries	(58,117)	(49,110)	3,626	–	(103,601)
Profit before taxation	1,291,746	137,893	232,713	(128,213)	1,534,139
Taxation	(255,267)	(17,066)	(35,201)	–	(307,534)
Profit after taxation	1,036,479	120,827	197,512	(128,213)	1,226,605
Investment in associated companies	207,162	–	–	–	207,162
Total assets	37,336,417	8,745,627	9,077,743	(3,563,366)	51,596,421
Total liabilities	31,050,722	7,302,663	7,057,029	(2,369,180)	43,041,234
Depreciation	101,878	27,706	20,382	–	149,966
Capital expenditure on premises and equipment	109,136	14,645	30,403	–	154,184

25 SEGMENTAL INFORMATION *(continued)*

i) By geographic segment *(continued)*

	Trinidad and Tobago	Barbados	Cayman, Guyana, and Eastern Caribbean	Eliminations	Total
2011					
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
Investment in associated companies	195,428	–	–	–	195,428
Total assets	33,700,521	8,939,042	8,024,187	(3,517,150)	47,146,600
Total liabilities	27,908,191	7,579,184	6,284,311	(2,330,166)	39,441,520
Depreciation	93,913	27,136	19,681	–	140,730
Capital expenditure on premises and equipment	166,283	16,569	39,631	–	222,483

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

25 SEGMENTAL INFORMATION *(continued)*

ii) By class of business

	Retail and commercial banking	Investment banking	Eliminations	Total
2012				
Net interest income	1,829,286	310,499	–	2,139,785
Other income	1,185,980	55,982	(138,291)	1,103,671
Share of profits of associates	12,220	–	–	12,220
Operating income	3,027,486	366,481	(138,291)	3,255,676
Operating expenses	(1,556,944)	(71,070)	10,078	(1,617,936)
Operating profit	1,470,542	295,411	(128,213)	1,637,740
Loan impairment expense, net of recoveries	(115,806)	12,205	–	(103,601)
Profit before taxation	1,354,736	307,616	(128,213)	1,534,139
Taxation	(276,685)	(30,849)	–	(307,534)
Profit after taxation	1,078,051	276,767	(128,213)	1,226,605
Investment in associated companies	207,162	–	–	207,162
Total assets	46,414,558	8,745,229	(3,563,366)	51,596,421
Total liabilities	39,066,251	6,344,163	(2,369,180)	43,041,234
Depreciation	149,514	452	–	149,966
Capital expenditure on premises and equipment	153,940	244	–	154,184

25 SEGMENTAL INFORMATION *(continued)*

ii) By class of business *(continued)*

	Retail and commercial banking	Investment banking	Eliminations	Total
2011				
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	42,555,781	8,107,969	(3,517,150)	47,146,600
Total liabilities	35,713,582	6,058,104	(2,330,166)	39,441,520
Depreciation	140,131	599	–	140,730
Capital expenditure on premises and equipment	222,362	121	–	222,483

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

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.

	Within one year	Over one year	Total
2012			
ASSETS			
Cash	486,893	–	486,893
Statutory deposits with Central Banks	3,972,810	–	3,972,810
Due from banks	7,224,545	–	7,224,545
Treasury bills	4,806,156	–	4,806,156
Investment interest receivable	77,036	1,467	78,503
Advances	6,148,327	17,168,872	23,317,199
Investment securities	2,034,965	5,753,084	7,788,049
Investment in associated companies	–	207,162	207,162
Premises and equipment	29,310	1,528,975	1,558,285
Goodwill	–	485,971	485,971
Net pension asset	–	1,254,584	1,254,584
Deferred tax assets	–	111,467	111,467
Taxation recoverable	25,223	24,559	49,782
Other assets	230,948	24,067	255,015
	25,036,213	26,560,208	51,596,421
LIABILITIES			
Due to banks	84,506	–	84,506
Customers' current, savings and deposit accounts	33,780,328	3,309,811	37,090,139
Other fund raising instruments	2,318,222	373,540	2,691,762
Debt securities in issue	18	1,240,529	1,240,547
Net pension liability	–	22,244	22,244
Provision for post-retirement medical benefits	–	187,789	187,789
Taxation payable	104,795	–	104,795
Deferred tax liabilities	25,237	441,888	467,125
Accrued interest payable	62,748	150	62,898
Other liabilities	972,608	116,821	1,089,429
	37,348,462	5,692,772	43,041,234

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

	Within one year	Over one year	Total
2011			
ASSETS			
Cash	401,051	–	401,051
Statutory deposits with Central Banks	3,417,139	–	3,417,139
Due from banks	7,899,783	–	7,899,783
Treasury bills	3,005,300	–	3,005,300
Investment interest receivable	71,718	1,791	73,509
Advances	5,424,281	16,442,004	21,866,285
Investment securities	1,803,127	4,859,346	6,662,473
Investment in associated companies	–	195,428	195,428
Premises and equipment	128,096	1,436,444	1,564,540
Goodwill	–	485,971	485,971
Net pension asset	–	1,208,353	1,208,353
Deferred tax assets	–	108,073	108,073
Taxation recoverable	25,844	24,209	50,053
Other assets	172,713	35,929	208,642
	22,349,052	24,797,548	47,146,600
LIABILITIES			
Due to banks	148,484	39,563	188,047
Customers' current, savings and deposit accounts	33,030,106	42,335	33,072,441
Other fund raising instruments	2,693,340	378,074	3,071,414
Debt securities in issue	–	1,251,281	1,251,281
Net pension liability	–	25,051	25,051
Provision for post-retirement medical benefits	–	168,679	168,679
Taxation payable	141,060	–	141,060
Deferred tax liabilities	12,934	431,803	444,737
Accrued interest payable	68,791	2,113	70,904
Other liabilities	983,888	24,018	1,007,906
	37,078,603	2,362,917	39,441,520

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

27 EQUITY COMPENSATION BENEFITS

a) Profit sharing scheme

During the 2012 financial year, no advances were made by Republic Bank (the Parent) to the staff profit sharing scheme (2011: $141.9 million). It is estimated that approximately $91 million (2011: $96.0 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 $103.2 million (2011: $103 million). (See Note 18).

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	
	2012	2011	2012	2011
At the beginning of the year	$83.63	$82.89	1,636,881	1,263,543
Granted	$72.99	$85.94	461,131	383,636
Exercised	$76.66	$78.78	(323,984)	(10,298)
At end of year	$82.14	$83.60	1,774,028	1,636,881
Exercisable at end of year	$83.98	$83.81	1,103,956	980,482

27 EQUITY COMPENSATION BENEFITS *(continued)*

b) Stock option plan

Expiry date	Exercise price	2012	2011
14-Dec-14	$43.40	–	33,401
15-Dec-15	$78.78	153,040	207,346
20-Dec-16	$90.19	244,756	267,761
20-Dec-17	$86.75	296,993	319,584
20-Dec-18	$80.00	304,816	413,277
20-Dec-19	$101.80	11,876	11,876
21-Feb-21	$85.94	352,966	383,636
3-Feb-22	$72.99	409,581	–
		1,774,028	1,636,881

As at September 30, 2012, 11,876 (2011: 982,857) 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 16, 2011, to February 3, 2012
Number granted	461,131
Exercise price	$72.99
Share price at grant date	$93.61 to $96.48
Risk free interest rate	4.0% per annum
Expected volatility	15.0% per annum
Dividend yield	4.0% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	$23.47 to $25.68

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

The weighted average share price for share options exercised during the year was $95.92. For options outstanding at September 30, 2012 the exercise price ranged from $72.99 to $101.80 and the weighted average remaining contractual life was 9.2 years.

The total expense for the share option plan was $6.821 million (2011 : $5.275 million).

For the year ended September 30, 2012
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

28 DIVIDENDS PAID AND PROPOSED

	2012	2011
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2011: $2.75 (2010: $2.40)	441,695	385,428
First dividend for 2012: $1.25 (2011: $1.25)	201,124	200,744
Total dividends paid	642,819	586,172
Proposed for approval at Annual General meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2012: $3.00 (2011: $2.75)	482,787	441,664

29 CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2012 there were certain tax and legal proceedings outstanding against the Group. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2012	2011
Acceptances	840,619	1,322,662
Guarantees and indemnities	106,446	84,006
Letters of credit	127,765	140,867
	1,074,830	1,547,535

	2012	2011
c) Sectoral information		
State	41,504	56,391
Corporate and commercial	927,459	1,397,102
Personal	21,933	27,681
Other financial institutions	64,109	45,706
Other	19,825	20,655
	1,074,830	1,547,535

29 CONTINGENT LIABILITIES *(continued)*

d) Pledged assets

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

	Carrying amount		Related liability	
	2012	2011	2012	2011
Investments - available-for-sale	2,291,011	2,274,436	2,003,645	1,995,813
	2,291,011	2,274,436	2,003,645	1,995,813

The assets pledged by the Group relate to a pool of securities held for the purpose of providing collateral for the counterparty. Individual securities within the pool may be sold by the Group once the total value of the pool exceeds the value of the liability. In the event of the Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

30 SUBSIDIARY COMPANIES

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

For the year ended September 30, 2012
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 Bank (Barbados) Limited *Commercial Bank*	Barbados	65.10%
Republic Finance & Trust (Barbados) Corporation *Merchant Bank*	Barbados	65.10%
Republic Caribbean Investments Limited *Investment 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%

The following changes were made to the subsidiaries during the year ended September 30, 2012:

- The operations of *Republic Alpha Limited*, an International Business Company incorporated in St Lucia, were wound up.
- The name "*Barbados National Bank Inc.*" was changed to "*Republic Bank (Barbados) Limited*"
- The operations of the *Barbados Mortgage Finance Company Limited* were merged into the operations of *Republic Bank (Barbados) Limited*

Republic Bank Limited

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