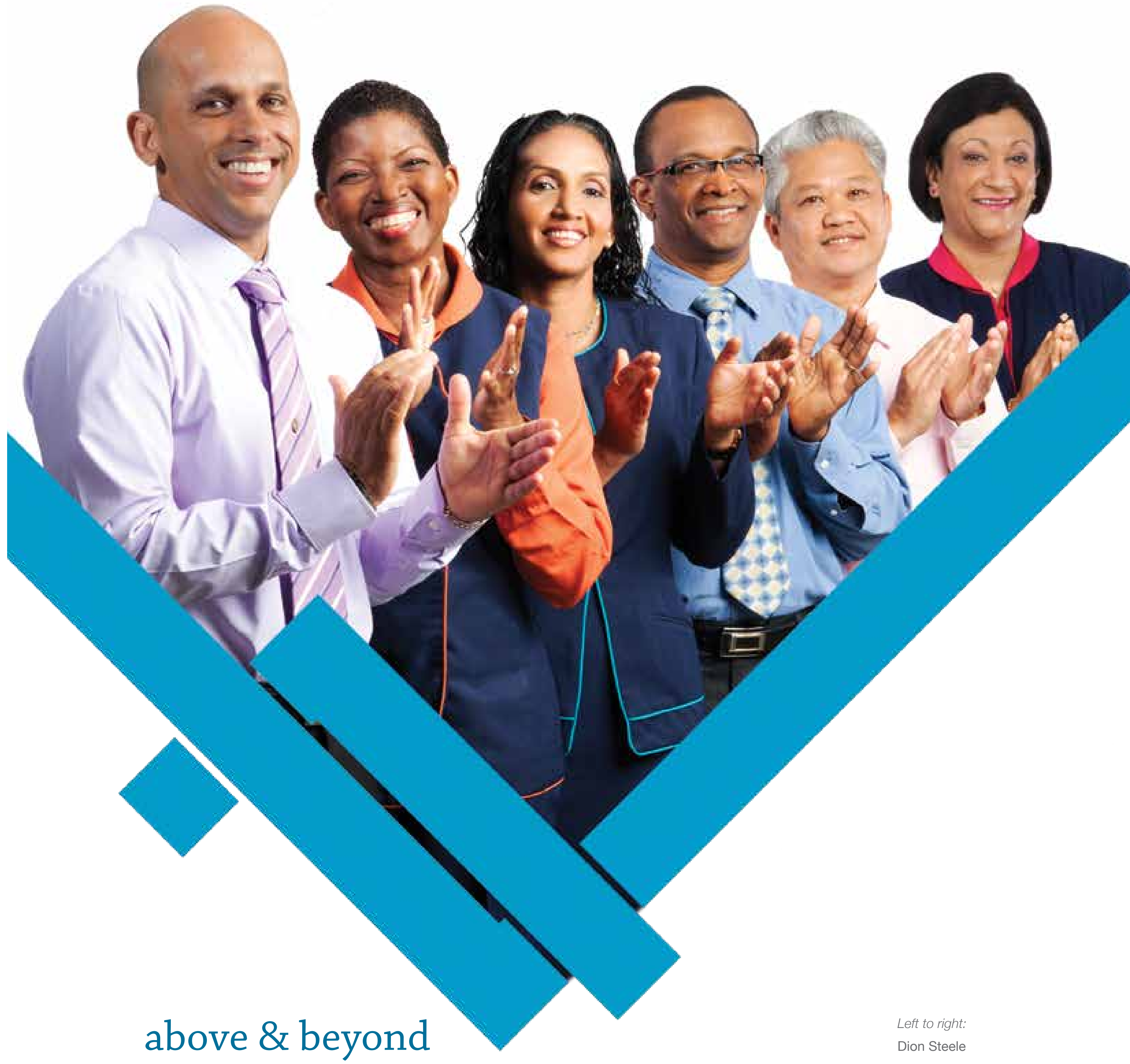
2013 Annual Report

above & beyond

Republic Bank Limited



Left to right:
Dion Steele
Antoinette Trim
Mumtaz Amarali
Ainsley Guppy
Renrick Chong Kiaw
Sonita Hosein

above & beyond

When we go beyond what is expected of us, we discover within ourselves new abilities and qualities. We also contribute something new and better to the common goal of serving others. Thus, in celebrating those among us who have gone above & beyond the call of duty in our Bank, we are challenging ourselves to emulate them and to grow and discover our own unique gifts. As we celebrate the best among us, we are focusing on what is right, on what is good, on what is successful. This focus will lead us to a place of positive potential where we can create success that transcends common boundaries. We have recognised our individual and collective strengths as a force with which to be reckoned. Our power is in the commitment of each member of staff. In asserting this power, we are now better able to apply it in the service of others. In honouring our ability to perform, we are more inspired to set new precedents, to raise the bar, to ascend to new heights in service, productivity, job fulfilment and profitability. We are Republic Bank. We are an upward moving momentum that has only just begun to achieve goals beyond the ordinary.

Vision
Mission
Values

VISION

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

MISSION

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

VALUES

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

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Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the Forty Third 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 16, 2013 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, 2013 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, 2013.

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 6, 2013

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 18, 2013 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, 2013 will be payable on December 2, 2013 to shareholders at the close of business on November 18, 2013.

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, CMT, 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

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

Shazan Ali, BSc (Mechanical Eng.)

Dawn Callender, FCCA, CPA, MBA

Terrence W. Farrell, LLB, PhD

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

Russell Martineau, CMT, SC, LLM (Lond.)

Christian E. Mouttet, BA (Business Admin. and Political Science)

W. H. Pierpont Scott, FCCA, CA

Stephen Pollard, CA, BSc (Business Admin.)

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), except where otherwise stated

	2013	2012	2011	2010	2009	2008
Total assets	**57,563,015**	51,596,421	47,146,600	45,902,101	42,446,355	41,566,700
Advances	**25,235,517**	23,317,199	21,866,285	21,847,038	21,916,562	23,607,144
Customers' deposits	**42,098,310**	37,090,139	33,072,441	31,494,569	28,053,713	27,483,709
Stated capital	**649,932**	628,150	596,492	590,406	583,911	568,747
Equity	**8,304,149**	7,891,575	7,084,365	6,791,036	6,204,007	5,558,603
Actual number of shares in issue	**161,111**	160,929	160,605	160,595	160,595	160,407
Weighted average number of shares – diluted	**160,768**	159,776	158,842	160,609	161,211	160,295
Profit after taxation and non-controlling interest	**1,169,991**	1,158,968	1,121,527	993,874	948,445	1,203,890
Dividends based on the results of the financial year	**483,333**	683,950	642,420	570,112	542,811	542,176
Dividends paid during the year	**683,028**	642,819	586,172	542,811	542,149	504,708
Dividend per share based on the results of the financial year	**$4.25**	$4.25	$4.00	$3.55	$3.38	$3.38
Dividend per share paid during the year	**$4.25**	$3.65	$3.65	$3.38	$3.38	$3.15
Earnings per share (basic)	**$7.30**	$7.27	$7.06	$6.19	$5.91	$7.51
Return on average assets	**2.19%**	2.48%	2.52%	2.43%	2.47%	3.30%
Return on average equity	**14.45%**	15.48%	16.17%	15.30%	16.13%	23.10%

Group Financial Calendar

DIVIDEND PAYMENTS

Final Dividend for year ended September 30, 2013	December 2013
Interim Dividend for year ending September 30, 2014	June 2014

RESULTS

Publication of results for first quarter to December 31, 2013	February 2014
Publication of results for half year to March 31, 2014	May 2014
Publication of results for third quarter to June 30, 2014	August 2014
Publication of results for year ending September 30, 2014	November 2014
Report and Accounts Mailing	November 2014
Annual Meeting	December 2014

Ronald F. deC. Harford

CMT, 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

Derwin M. Howell

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

Executive Director,
Republic Bank Limited

Shazan Ali

BSc (Mechanical Eng.)

Chairman and
Chief Executive Officer,
TOSL Engineering Limited

Dawn Callender

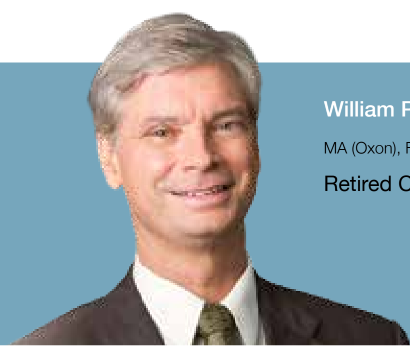
FCCA, CPA, MBA

Director,
Finance and Risk Management,
Power Generation Company
of Trinidad and Tobago

Terrence W. Farrell

LLB, PhD

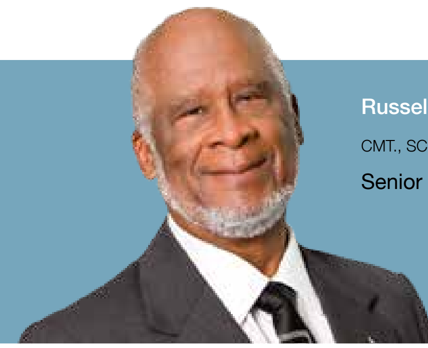
Consultant



William P. Lucie-Smith

MA (Oxon), FCA

Retired Chartered Accountant



Russell Martineau

CMT., SC, LLM (Lond.)

Senior Counsel

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

Stephen Pollard

CA, BSc (Business Admin.)

Chief Executive Officer,
Caribbean Nitrogen
Company Limited/
Nitrogen (2000) Unlimited

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

Your Directors have pleasure in submitting their Report for the year ended September 30, 2013.

Financial Results and Dividends

The Directors report that the Group's profit after taxation and minority interest for the year ended September 30, 2013 amounted to $1,169,991,000.

The Directors have declared a dividend of $3.00 per share for the year ended September 30, 2013. A half-year dividend of $1.25 per share was paid on May 31, 2013, making a total dividend on each share of $4.25 (2012: $4.25).

Set out below are the names of the Directors and Senior Officers with an interest in the Company as at September 30, 2013, together with their connected parties and our 10 largest shareholders.

Directors and Senior Officers

Director/Senior Officer	Shareholding	Connected Party Shareholding
Shazan Ali	11,212	Nil
Nigel M. Baptiste	12,884	Nil
Dawn Callender	Nil	Nil
David Dulal-Whiteway	58,124	5,000
Terrence W. Farrell	1,100	Nil
Ronald F. deC. Harford	4,574	Nil
Derwin M. Howell	34,307	Nil
William P. Lucie-Smith	Nil	7,500
Russell Martineau	Nil	1,000
Christian E. Mouttet	Nil	5,000
Stephen Pollard	Nil	Nil
W. H. Pierpont Scott	1,000	Nil
Chandrabhan Sharma	1,000	Nil
Kristine Thompson	Nil	Nil
Andrea Taylor-Hanna	20,959	Nil
Charles A. Mouttet	24,413	Nil
Jacqueline H.C. Quamina	20,262	Nil

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

10 Largest Shareholders

Shareholder	Ordinary Shares	%
CLICO Trust Corporation Limited	40,072,299	24.87
National Insurance Board	29,104,942	18.07
CLICO Investment Bank Limited (In liquidation)	16,196,905	10.05
Trintrust Limited	14,942,383	9.27
First Company Limited	13,191,640	8.19
Colonial Life Insurance Company Limited	11,786,000	7.32
First Citizens Trust & Merchant Bank Limited	4,529,000	2.81
RBTT Trust Limited	4,400,544	2.73
Trinidad & Tobago Unit Trust Corporation	2,624,640	1.63
Guardian Life of the Caribbean Limited	2,004,162	1.24

Directors

In accordance with by-law No. 1, Paragraph 4.4, Shazan Ali, David Dulal-Whiteway, William P. Lucie-Smith and Kristine Thompson 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.

Community Involvement

Corporate Social Responsibility – The Power to Make a Difference

Through our flagship programme, the Power to Make a Difference, the Bank has cemented our commitment to alleviating social ills by collaborating with non-governmental and charitable organisations to address the problems in a structured manner.

The financial year 2012/2013 brought the curtain down on the final year of the second phase of the Power to Make a Difference programme. During the last five years (2009 to 2013), we shone the spotlight on the myriad challenges of the differently-abled. Though there is still much work to be done, our efforts and collaborations with the Autistic Society of Trinidad and Tobago, Dyslexia Association, L.I.F.E. Centre, National Centre for Persons with Disabilities and Persons Associated with Visual Impairment brought about a greater sense of awareness, understanding and tolerance, nationally. Focusing on health issues, such as diabetes, cancer, hearing and speech impediments and many other areas, the programme has helped to give a new lease on life to many persons, including children afflicted with life threatening illnesses. Our partnership with Habitat for Humanity has allowed us deeper appreciation of the levels of poverty that exist within our various communities and has renewed our pledge to strike at the heart of the problem of sub-standard housing and homelessness. This year, our collaboration produced 12 homes and provided financial literacy training for 163 underprivileged families.

The Staff Volunteerism programme has given Republic Bank employees the opportunity to roll up their sleeves and invest "sweat equity", working alongside communities in order to improve facilities and enhance the general quality of life.

With an investment of $83 million over the last five years, Republic Bank remains committed to deepening the relationships that we have forged with various community and charitable organisations throughout this twin-island Republic, as together we strive to provide a positive way forward for our citizens.

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

Results

In the midst of a global economic slowdown, I am pleased to report that the Republic Bank Group recorded profit attributable to shareholders of $1.17 billion, an increase of $11.0 million or 1.0% from the prior year, a credible performance given the downturn in the tourism-exposed economies in which we operate.

Difficult economic conditions persisted in the tourism-dependent countries, with Barbados's profitability declining by $23.3 million or 29.6% and losses being recorded in the Eastern Caribbean. The Group recorded a loss of $75.7 million on its investment in Eastern Caribbean Financial Holdings Limited, the parent company of Bank of Saint Lucia while impairment expenses of $53 million were booked as a result of the Government of Grenada defaulting on its indebtedness. This default contributed to our subsidiary in Grenada recording a loss of $18.2 million (RBL's share $9.3 million). Despite this, improved performance in our commodity-exposed economies and other subsidiaries led to a marginal increase in profitability, which is reflective of the diversification and resilience of the Group.

I am also pleased to report that we have formed a partnership with HFC Bank (Ghana) Limited in Ghana, West Africa, and during the last year built up a 40% shareholding. We are excited about this opportunity to work with HFC Bank (Ghana) Limited as we seek to build a strong portfolio of business in the African continent.

Based on these results, the Board of Directors has declared a final dividend of $3.00 (2012: $3.00), which brings the total dividend for the fiscal year to $4.25, in line with 2012. This final dividend will be paid on December 2, 2013 to all shareholders of record at November 18, 2013.

Global

The mixed bag of economic growth evident in recent years continued into 2013 with developing countries on average recording noticeably higher growth rates than their developed counterparts. The International Monetary Fund (IMF) in its World Economic Outlook of October 2013 projects global growth of 2.9% for 2013 with growth of 4.5% for developing economies and 1.2% for advanced economies.

Ronald F. deC. Harford

Europe's struggles not only continued but intensified, with the region staring down and averting more than one crisis in the early part of the year. The Euro area economy is expected to contract by 0.4% in 2013 and grow by 1% in 2014. The UK is forecasted to grow in 2013 and 2014 by 1.4% and 1.9% respectively. Canada's economy is set to expand by 1.6% and 2.2% in the corresponding periods. Economic activity in China is forecasted to grow by 7.6% in 2013 before moderating to 7.3% in 2014. Average GDP growth in Sub-Saharan Africa is likely to be 5% this year and 6% in 2014.

The US economy is expected to expand by 1.6% this year before strengthening to 2.6% growth in 2014.

The US Government ended its 16-day shutdown but the debate will continue as the agreement reached is to fund the Government to January 15, 2014 and the debt limit to mid-February 2015.

Trinidad and Tobago

According to the Ministry of Finance, Trinidad and Tobago's economy is projected to grow by 1.6% in 2013 after it expanded by 0.2% in 2012.

The petroleum sector is projected to grow by 0.5% after declining by 1% in 2012. Oil output averaged 80,737 barrels per day (bpd) for the first seven months of the year, down from 82,991 bpd for the same period in 2012. The US Energy Information Administration forecasts oil prices to average US$98.59 per barrel this year compared with US$94.12 in 2012. Natural gas production averaged 4.3 billion cubic feet per day during the first seven months of 2013, higher than the 4.2 billion cubic feet per day for the same period in 2012. Natural gas prices have increased and are expected to average US$3.79 per MCF for the year, up from US$2.83 in 2012. Although prices have increased from 2012, output is predicted to fall for the rest of the year as the country's two largest natural gas producers are planning significant maintenance activity.

The non-energy sector is projected to drive growth in the economy in 2013, based on an estimated 2.5% expansion of the services sector supported by expected growth in finance (5.3%), distribution and restaurants (1.2%) and electricity and water (3.0%). Construction and quarrying, is expected to expand by 3.0%, a strong recovery after recording four consecutive quarters of decline. The manufacturing sector is projected to grow by 6.1% during 2013, marking a turnaround on the estimated 0.4% contraction recorded during 2012. The agriculture sector is expected to register a strong performance in 2013 with growth of 5.1%. This follows on contractions of 0.1% and 4.9% in 2011 and 2012 respectively.

For the year thus far, inflation reached a high of 7.3% in January and moderated in the second quarter. In August 2013 headline inflation rose to 5.1%, after slowing to 3.8% in July due to a rise in food inflation, which increased to 7.7% in August 2013 from a low of 4.8% in the previous month. Lower global food prices and favourable weather conditions contributed to the slight slowing in food inflation in the first half of 2013. With overall inflation at manageable levels, the Central Bank held the "Repo" rate at 2.75% in its September 27 media release. In this environment, commercial banks' basic prime lending rate remained at 7.5%. Despite low interest rates, private sector credit grew by only 2.5% in the nine-month period from October 2012 to June 2013. Credit to consumers and the public sector, on the other hand, increased by 7.3% and 13.8%, respectively.

Going forward, growth in the economy depends on developments in both the energy and non-energy sectors. Oil prices are expected to remain fairly stable for the rest of 2013. Non-energy output is likely to increase. Distribution is expected to increase in the fourth quarter of 2013, due to seasonal factors, while construction activity is also expected to gain momentum. The Government's stated top priority going forward is to sustain growth and generate prosperity. Trinidad and Tobago's economy is expected to grow by 2-3% in 2014 with stronger performances expected by both the energy and non-energy sectors.

Barbados

After recording no growth in 2012, Barbados's struggles increased in the first half of 2013. The economy contracted by 0.7% in the January-September period, led by declines in the primary foreign exchange-earning sectors, tourism and international business and financial services. The tourism sector shrank by 2.1% as stay-over arrivals fell by 6.2%, the second consecutive decline, as increased European visitors were offset by reduced arrivals from the United Kingdom, the United States, Canada and the Caribbean. In financial services, the number of businesses declined, and other sectors struggled in 2013 as well, with marginal growth of 1.2% in manufacturing and declines in agriculture and construction of 2.5% and 13.3% respectively for the nine-month period.

Not surprisingly, the inflation rate slowed significantly, registering 2.1% in July compared to 7.8% a year ago. The unemployment rate, which was 11.6% in December, averaged 11.1% for the first half of 2013. In this environment banks experienced rising liquidity levels as deposits grew modestly, while loans declined marginally. The Non-Performing Loan (NPL) ratio grew from 12.7% in September, to 13.9% in March 2013.

Government's budget deficit figure rose to 9.4% of GDP for the second quarter of 2013, significantly higher than the year-ago figure of 6.2%, as expenditure rose slightly and revenue collections fell.

While the decline in Barbados's tourism arrivals may moderate in the coming months, a healthy recovery of the sector is some way off. The stimulus measures announced in the recent budget could provide some economic lift but without more amenable global conditions, the effects are likely to be temporary. Indeed, the IMF projects that growth in Barbados will decline by 0.8% in 2013 and by 1.1% in 2014. Nonetheless, the measures in the 2013 budgets to cut expenditure, increase revenue and reduce the fiscal deficit to 2.8% within 18 months, are encouraging.

Grenada

The start of the Bank's financial year in October 2012 saw the continuation of challenging circumstances for Grenada. The island's economy contracted by 0.8 % in 2012, a reversal of the 1% growth of a year earlier. The decline was due largely to contractions in construction and tourism of 16% and 1.2% respectively, with agriculture being the only significant growth sector at 6%. The key tourism sector saw an almost 22% drop in cruise ship visitors along with a 1.4% decline in stay-over visitors as increases in US and Canadian tourists were not enough to offset lower numbers of UK visitors. This trend continued into 2013, with a 1% drop in air arrivals in the January -February period.

The country's debt to GDP ratio stood at 108.2% of GDP in December; the fiscal deficit is projected at 6.9% for 2013 and unemployment was estimated to be over 40%. In this environment, not surprisingly, financial sector indicators remained weak.

In March 2013, after the Government failed to make a payment on its US$193 million debt, the country's local and foreign currency ratings were downgraded to Selected Default (SD) by Standard and Poor's. The debts are currently in the process of being restructured.

Economic conditions are expected to be challenging going forward, with the IMF projecting growth of 0.7% in 2013 and 1% in 2014.

Guyana

The Finance Ministry reported that Guyana's economy grew by a strong 3.9% in the first half of 2013. The impetus came from a number of sectors, with gold declarations increasing by 26.8% leading to a 12.2% growth in earnings and rice production jumping by some 25%. Also, the financial services sector grew by 9.1% while construction activity increased by 6.6%, through strong public sector works along with private sector undertakings, manifested in some parts as a housing boom. The sugar sector declined, however, shrinking by a huge 32.5% as the Guyana Sugar Corporation Inc. (GuySuCo) recorded its lowest ever first-crop production of 48,000 tonnes.

Along with the buoyant economic climate, the strong private sector undertakings, contributed to growth not only in construction but also financial services. For the 10-month period from October 2012 to July 2013, commercial bank deposits increased by 8.9%, while private sector credit grew by 7.4% and real estate mortgages surged by 20%. The commercial bank industry in Guyana was in good shape in 2013, with a capital asset ratio of 20.12% and non-performing loans ratio of 5.44%.

The IMF projects an overall expansion of 5.3% in Guyana's economy for 2013 and 5.8% for 2014.

Outlook

Notwithstanding the poor economic conditions which are expected to persist in the medium term, especially in the tourism-dependent economies in which we operate, the Group is expected to continue to perform satisfactorily.

I thank my fellow directors for their wise counsel, the management and staff for their commitment and dedication in these challenging times and our customers for their continued support and loyalty to the organisation.


David Dulal-Whiteway

INTRODUCTION

Republic Bank Limited recorded profit attributable to equity holders of the parent of $1.17 billion for the year ended September 30, 2013, an increase of $11.0 million or 1.0% when compared with the corresponding period in 2012. Total Group assets stood at $57.6 billion at September 30, 2013, an increase of $6.0 billion or 11.6% over the prior period.

We were able to maintain our good performance despite the difficult economic conditions that persisted in the tourism-dependent countries in which we operate and, indeed, throughout the region. Barbados's profitability declined by $23.3 million or 29.6%, while a loss of $18.2 million was recorded in Grenada, mainly due to higher level of provisions for loans and investments and a general decline in business activities in both islands. In addition, a loss of $75.7 million was recorded on our investment in Eastern Caribbean Financial Holdings Limited, the parent company of Bank of Saint Lucia. Improved performance in the commodity-exporting economies of Trinidad and Guyana off-set this decline, leading to a marginal increase in the Group's overall profitability.

Our shareholders continue to earn a decent return on their investment. The Board of Directors has declared a final, dividend of $3.00 per share and in total $4.25 per share for the fiscal including the $1.25 interim dividend, which equates to a dividend yield of 3.86% using the closing share price of $110.04. This yield, together with capital appreciation of $4.53 during the fiscal, represents a total return of 7.98% to our shareholders who have purchased and kept our shares over the entire year.

The Bank, with an extremely strong capital base and a capital adequacy ratio of 27.60%, continues to look for expansion opportunities. During the year, the remaining 34.86% minority shareholding in Republic Bank (Barbados) Limited was acquired, now making the Barbados-based Bank, a wholly owned subsidiary of Republic Bank Limited. I am very pleased to report on the Group's expansion in Ghana where a 40% shareholding was acquired in HFC Bank (Ghana) Limited in three tranches in fiscal 2013. This presents an excellent opportunity for the Group to diversify its operations outside of the Caribbean and to have a presence in one of the fastest growing continents. We will continue to look at opportunities in the African continent that meet our risk profile as we seek to expand from this initial investment.

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 45 to 111 of this report. All amounts are stated in Trinidad and Tobago dollars.

RESULTS OF OPERATIONS: HIGHLIGHTS

All figures are in TT$ Millions	2013	2012	Change	% Change
Profitability				
Net interest income	**2,180.7**	2,139.8	40.9	1.9%
Other income	**1,256.6**	1,103.7	152.9	13.9%
Share of (loss)/profits of associated companies	**(60.3)**	12.2	(72.5)	(593.6%)
Operating expenses	**(1,691.0)**	(1,615.1)	(75.8)	(4.7%)
Employee benefits pension contribution	**4.7**	30.9	(26.2)	(84.9%)
Investment impairment expense	**(53.0)**	(33.7)	(19.3)	(57.2%)
Loan impairment expense	**(57.1)**	(103.6)	46.5	44.9%
Profit before taxation	**1,580.6**	**1,534.1**	**46.4**	**3.0%**
Taxation	**(383.4)**	(307.5)	(75.9)	(24.7%)
Profit after taxation	**1,197.1**	**1,226.6**	**(29.5)**	**(2.4%)**
Non-controlling interest	**(27.1)**	(67.6)	40.5	59.9%
Profit attributable to equity holders of the parent	**1,170.0**	**1,159.0**	**11.0**	**1.0%**
Financial Position				
Total assets	**57,563.0**	51,596.4	5,966.6	11.6%
Total advances	**25,235.5**	23,317.2	1,918.3	8.2%
Total investments	**8,131.0**	7,788.0	343.0	4.4%
Total deposits	**42,098.3**	37,090.1	5,008.2	13.5%
Total equity	**8,596.6**	8,555.2	41.4	0.5%

Financial Position

The Group's total asset base which stood at $57.6 billion at September 30, 2013 is very robust, liquid and highly capitalised and continued on its growth path, increasing by $6.0 billion or 11.6% in 2013. Total liquid assets, which was fuelled by increase in deposits of $5.0 billion or 13.5%, stood at $19.8 billion at year end, an increase of $3.3 billion or 20.2% from 2012. Due from Banks and Treasury Bills increased by $2.0 billion and $916.9 million respectively. In addition, investment securities grew by $343.0 million or 4.4%.

However, the major improvement in the Group's asset base was the growth in loans and advances of $1.9 billion or 8.2%, a significant increase in these challenging times.

Total equity stood at $8.6 billion at September 30, 2013, representing a leverage ratio of 6.7 times, a very conservative exposure, and reflective of the Group's robustness to withstand severe shocks.

Non-Performing Loans (NPLs) to gross loans stood at 3.7%, a very respectable level, given the downturn in some of the territories in which we operate. The NPL ratio rose by 4 basis points, mainly as a result of increased NPLs in Barbados and Grenada, but down from the 4.6% in 2009. Total specific provision as a % of total NPLs is 37.2%, down from the 50% in 2012, mainly because of the higher level of collateral held for loans downgraded resulting in lower provisioning requirement. The policy of the Group is to provide for non-performing loans at least 100% through specific and inherent risk provision (charged to income statement) and general contingency reserve (charged directly to equity). When combined, specific and general provisions represent 106.2% of NPLs at September 30, 2013.

Loans and Advances ($ Millions)

	2009	2010	2011	2012	2013
Performing Loans	21,478	21,481	21,477	22,928	**24,640**
Non-performing Loans (NPLs)	1,044	995	732	778	**948**
Gross loans	22,522	22,475	22,209	23,707	**25,589**
Loan Provision	(606)	(628)	(343)	(390)	**(353)**
Net Loans	21,916	21,847	21,866	23,317	**25,236**
Contingency Reserve	477	422	455	453	**654**
Non-performing Loans to Gross Loans	4.6%	4.4%	3.3%	3.3%	**3.7%**
Specific provision as a % of NPLs	58.0%	63.2%	46.8%	50.0%	**37.2%**
Provision and Contingency Reserves as a % of NPLs	103.7%	105.6%	109.0%	108.3%	**106.2%**

Income Statement

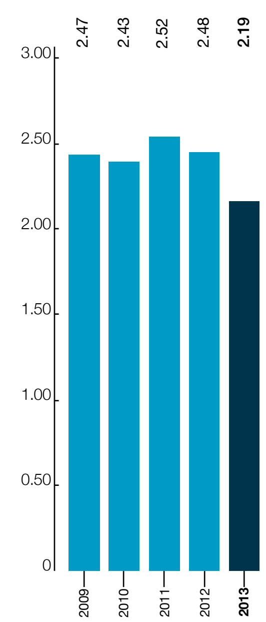
Overall profitability was up $11.0 million or 1.0% from last year. However, as in 2012, asset growth outstripped the increase in income, resulting in a decrease in both the Return on Assets (ROA) and Return on Equity (ROE) in 2013. ROA declined from 2.48% to 2.19% and ROE from 15.48% to 14.45%. With loan growth being relatively low post financial crisis and investment opportunities lacking, the increase in the asset base of $6.0 billion, was held mainly in low earning liquid assets including Treasury Bills. The yield on liquid assets is less than 0.5%, resulting in contraction of both the ROA and ROE.

Net interest income was up by $40.9 million or 1.9% from last year mainly because of increase in loans and investments balances as yields continue to be challenged due to extremely high levels of liquidity and increased competition. Average yield on performing loans decreased from 9.16% in 2012 to 8.82% in 2013 and net interest margin declined from 4.33% to 4.00%.

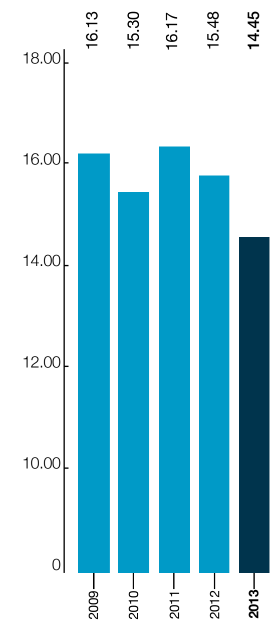
Other income for the Group was $1.26 billion, up $152.5 million or 13.8%. This was mainly due to increase in recovery from loans charged off and credit card. Our share of profits in HFC Bank (Ghana) Limited for two months of it being an associate of Republic Bank Limited amounted to $10 million.

Core operating expenses increased by $75.8 million or 4.7%. The efficiency ratio declined to 51.5% in 2013 from 49.7% in 2012.

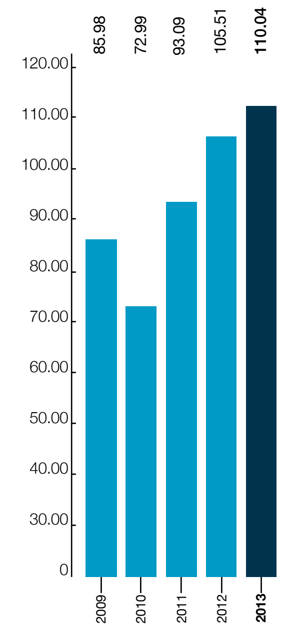
Return on Assets (%)



Return on Equity (%)



Share Price ($)



ANALYSIS OF PERFORMANCE BY TERRITORY

Total Assets ($ Millions)

Country	2013	2012	Change	% Change
Trinidad and Tobago	**43,217**	37,336	5,881	15.8%
Barbados	**8,817**	8,746	71	0.8%
Cayman/Guyana/Eastern Caribbean (EC)	**9,523**	9,078	445	4.9%
Inter-company eliminations	**(3,994)**	(3,563)	(431)	(12.1%)
Total	**57,563**	**51,596**	**5,967**	**11.56%**

The growth in Group assets was driven mainly by Trinidad and Tobago which increased by $5.9 billion or 15.8%. Barbados has recovered slightly after declining by over $193.4 million in 2012 while the increase in Cayman/Guyana/EC was driven mainly by Guyana as was the case in 2012. Barbados, Grenada and the EC region have been significantly affected because of heavy reliance on tourism, a sector which has been on the decline post financial crisis. We continue to be cautiously optimistic about the prospects for these economies as the world economy gradually improves.

Guyana continues on its upward growth path with increase in assets of $509.5 million or 14.2% in 2013, and it is expected that this high level of growth will continue in the medium term.

The Group continues to look at opportunities for diversifying its assets which is heavily concentrated in Trinidad and Tobago, and indeed the Caribbean. The investment in Ghana is the first step in this direction.

Total Loans and Advances ($ Millions)

Country	2013	2012	Change	% Change
Trinidad and Tobago	**17,572**	15,950	1,622	10.2%
Barbados	**4,540**	4,485	55	1.2%
Cayman/Guyana/Eastern Caribbean (EC)	**3,124**	2,882	242	8.4%
Total	**25,236**	**23,317**	**1,919**	**8.2%**

The loans and advances portfolio grew by 8.2% in 2013 following a growth of 6.6% in 2012, with all territories achieving growth, led by Trinidad and Tobago with an increase of $1.6 billion or 10.2%, which accounted for 84.5% of the increase of $1.9 billion. The growth rate over the last two years is encouraging given that in the prior three years growth was flat.

Loans and Advances 2013 ($ Millions)

	Trinidad and Tobago	Barbados	Cayman, Guyana and Eastern Caribbean	Total
Performing Loans	17,491	4,130	3,019	**24,640**
Non-Performing Loans (NPLs)	254	546	148	**948**
Gross loans	17,745	4,676	3,167	**25,589**
Loan Provision	(173)	(136)	(43)	**(353)**
Net Loans	17,572	4,540	3,124	**25,236**
Contingency Reserve	186	428	40	**654**
Non-Performing Loans to Gross Loans	1.4%	11.7%	4.7%	**3.7%**
Specific provision as a % of NPLs	68.3%	25.0%	29.2%	**37.2%**
Provision and Contingency Reserves as a % of Non-Performing Loans	141.5%	103.3%	56.2%	**106.2%**

NPLs at 1.4% for Trinidad and Tobago is extremely low, the best in the Group and below the industry average in Trinidad and Tobago of 4.7%. This is reflective of the robustness of the portfolio. However, NPLs in Barbados at 11.7% and Grenada at 8.2% respectively are high – reflective of the poor economic conditions – leading to a higher overall Group NPLs of 3.7%.

Net Interest Income ($ Millions)

Country	2013	2012	Change	% Change
Trinidad and Tobago	**1,502**	1,457	45	3.1%
Barbados	**347**	353	(6)	(1.6%)
Cayman/Guyana/Eastern Caribbean (EC)	**332**	330	2	0.5%
Total	**2,181**	**2,140**	**41**	**1.9%**

Trinidad and Tobago which accounts for 68.9% of the Group's net interest income, increased this category by 3.1% in 2013, after declining by 8.7% in 2012, primarily because of increase in loans and investments balances. Barbados's net interest income declined by 1.6% while Cayman/Guyana/EC Region increased slightly by 0.5%, driven mainly by the improved performance in Guyana.

Interest rate management will be key for the Group going forward as it is expected that monetary policies will continue to be accomodative as Central Banks throughout the region seek to bolster growth. Indeed, monetary policies worldwide are expected to be soft although some increases in rate may occur, but this will be highly dependent on how the Federal Reserve in the United States tapers its bond buying programme.

The Group will continue to look at opportunities to invest its significant holding of excess liquidity but will be cautious, as has been our guiding principle, not to bolster income in the short term – especially in a downturn – with excessive risk taking. This principle has served us well and will continue to guide our decision making process going forward.

Operating Expenses ($ Millions)

	2013	2012	Change	% Change
Total operating expenses	**1,739.3**	**1,618.0**	**121.3**	**7.5%**
Add pension credit	**4.7**	30.9	(26.2)	(84.9%)
Less investment impairment expense	**(53.0)**	(33.7)	(19.3)	(57.2%)
Core operating expenses	**1,691.0**	**1,615.2**	**75.8**	**4.7%**
Trinidad and Tobago	**1,210.7**	1,115.0	95.7	8.6%
Barbados	**302.5**	282.0	20.5	7.3%
Cayman/Guyana/Eastern Caribbean (EC)	**245.4**	231.0	14.4	6.2%
Inter-company eliminations	**(19.3)**	(10.1)	(9.2)	(91.1%)
Total	**1,739.3**	**1,617.9**	**121.4**	**7.5%**

Operating expenses

Operating expenses increased for all companies within the Group, with Trinidad registering the highest increase of 8.6%, followed by Barbados of 7.3% and Cayman/Guyana/EC of 6.2%. However, core operating expenses for the Group recorded a more modest increase of 4.7%. Improving the Group's efficiency ratio continues to be an area of strategic focus, as we try to manage increasing costs across the Group.

CAPITAL STRUCTURE

Capital Adequacy Ratio (%)

	2013	2012
Republic Bank Limited	**27.60**	30.69
Republic Finance and Merchant Bank Limited	**87.00**	68.00
Republic Bank (Cayman) Limited	**15.46**	22.46
Republic Bank (Grenada) Limited	**15.60**	17.50
Republic Bank (Guyana) Limited	**17.86**	19.84
Republic Bank (Barbados) Limited	**21.12**	19.61
Atlantic Financial Limited	**77.63**	30.50

CAPITAL STRUCTURE

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

All of the companies within the Group have capital ratios which are significantly higher than the regulatory requirement. The Group has maintained a historical dividend payout ratio of between 40% and 60% of net earnings. The payout ratio this year is 58.4% compared with 59.0% in 2012.

The strong capital base means the Group is well positioned to fund its future expansion activities and to maintain a high payout ratio.

OUTLOOK

We expect that economic conditions will be tough going forward. Nonetheless, barring any unforeseen event, we are confident that the current level of profitability will remain robust. The commodity-exporting economies of Guyana and Trinidad are expected to drive our performance while tourism-dependent economies of Barbados and the Eastern Caribbean are expected to face ongoing challenges with little or no growth. We remain cautiously optimistic that these economies will achieve growth in the near term as global economic conditions improve.

No doubt the 2013 fiscal was challenging. That we were able to not only maintain our profitability but improved slightly speaks volume of the commitment and hard work of the management and staff of the Group. I thank each of you for your excellent contribution and dedication to the organisation. I welcome the newest member to our Group, HFC Bank (Ghana) Limited and look forward to a long and mutually beneficial working relationship.

I also thank the Board of Directors for their wise counsel and sound guidance. Finally, I thank each and every customer and shareholder of this Bank, for your belief in us and your continued loyalty.

EXECUTIVE MANAGEMENT

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

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General Manager, Commercial and Retail Banking
Gloria Anthony, ACIB, MBA

General Manager, Corporate and Investment Banking
Roopnarine Oumade Singh, BSc (Econ.), MSc (Econ.), MBA

General Manager, Corporate Operations and Process Improvement
Farid Antar, ACIB, ACIS

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Charmaine Caballero, BA (Econ.and Math.), MBA

General Manager, Information Technology Management
Anthony Wong, Dip. (Mgmt.), MBA

General Manager, Internal Audit
Anthony C. Subero, Dip. (Business Mgmt.), LIDPM

General Manager, Planning and Financial Control
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General Manager, Risk Management
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General Manager, Special Projects (On Secondment)
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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

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Administration Manager
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Peter Anthony

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Valini Rajballie, ACIB

BUSINESS SYSTEMS AND PROCESS IMPROVEMENT
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Manager, Process Improvement and Administration
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CENTRALISED CREDIT UNIT
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Regional Sales Manager (North)
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Regional Sales Manager (South)
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Marketing Manager, Product Development, Credit
Kwame Blanchfield, BA (History and Government)

Marketing Manager, Product Development, Deposits and Investments
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Industrial Relations Manager
Giselle Estrada, MBA

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Manager, HRIS
Emerson Dixon, Dip. IMIS

Manager, Manpower Planning
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Manager, Finance Audits
Joy Inniss, FCCA

Manager, IT Audits
Joyce Ramkumar, BSc (Information Systems), ADMIS

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Jagnath Moonian, FCCA, CRMA

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Regional Manager, Investment Banking
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Ayanna Mc Gowan, LLB (Hons.), LEC

Manager, Legal Services
Joel Chadha, PgDip. (Law), BA (Business Finance), MBA

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Janelle Bernard, LLB (Hons.), LEC, MBA

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Kamal Sonnylal, CBCP

Manager, Corporate Security
Terrence A.M. Butcher, Dip. (CFAFD)

Manager, IT Security
Adesh Rampat, BSc (Electronic Eng.), Pg.D. (MIS)

Manager, IT Security
Brian Keshwah, BSc (Computing)

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Manager, Group Finance and Planning
Marsha McLeod-Marshall, FCCA

Manager, Finance and Planning
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Manager
Helen Gonsalves

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Manager
Omarwatee Lackhan, FCCA, CA

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Sandra Bahadursingh, Dip. (Business Mgmt.)

Credit Manager
Sandra Dopson, Dip. (Business Mgmt.)

Manager, IT
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FOREIGN EXCHANGE CENTRE (FOREX)/GROUP TREASURY

Senior Manager, Treasury
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Manager, Foreign Exchange and Dealing
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CORPORATE BUSINESS CENTRES

CORPORATE BUSINESS CENTRE – EAST/CENTRAL

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

Credit Manager
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CORPORATE BUSINESS CENTRE –
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Eugene Lee

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BRANCH SALES MANAGER
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Marabella
Debra Carrington

Mayaro/Rio Claro
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Siparia/Fyzabad
Tarawatie Mohammed

Tobago
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Area Manager
Allison Cooper, Dip. (Business Mgmt.)

Tragarete Road
Rhonda Joseph-Walters, Dip. (Bkg.)

Trincity
Susan Williams, Dip. (Business Mgmt.)

Tunapuna West/East
Jennifer Ganess, Dip. (Business Mgmt.)

UWI
Maria Fraser

Valpark/Grand Bazaar
Ingrid McKenzie

West Mall
Brad Tom Yew, BSc (Marketing), MBA (Finance)

Woodbrook
Iselda Richards

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REPUBLIC BANK (CAYMAN) LIMITED
Managing Director
Gary Darwent, Dip. (Business Mgmt.), ACIB, BBA

REPUBLIC BANK (GRENADA) LIMITED
Managing Director
Keith A. Johnson, BSc (Accountancy), MBA, AICB

REPUBLIC BANK (GUYANA) LIMITED
Managing Director
John N. Alves, FICB

REPUBLIC SECURITIES LIMITED
Chief Executive Officer
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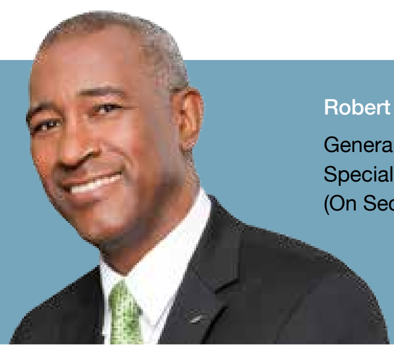
Farid Antar
General Manager,
Corporate Operations
and Process Improvement

Gloria Anthony
General Manager,
Commercial and
Retail Banking

Charmaine Caballero
General Manager,
Human Resources

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



Robert Le Hunte
General Manager,
Special Projects
(On Secondment)

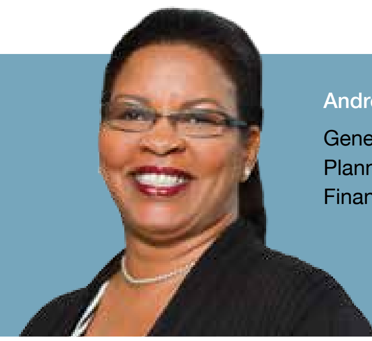
Charles A. Mouttet
General Manager,
Treasury

Roopnarine Oumade Singh
General Manager,
Corporate and
Investment Banking

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

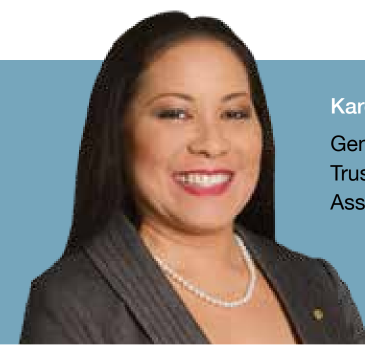
Vijai Ragoonanan
General Manager,
Risk Management

Anthony Subero
General Manager,
Internal Audit



Andrea Taylor-Hanna
General Manager,
Planning and
Financial Control

Anthony Wong
General Manager,
Information Technology
Management



Karen Yip Chuck
General Manager,
Trust and
Asset Management

Ian R. De Souza

Dip. (Mgmt.), BSc (Econ.), MBA, CMA, CA

Managing Director and Chief Executive Officer

REPUBLIC BANK (BARBADOS) LIMITED

Republic Bank (Barbados) Limited 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 and Premium Banking Centre, its subsidiary Republic Finance & Trust (Barbados) Corporation and mutual funds through 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

Gary Darwent

Dip. (Business Mgmt.), ACIB, BBA

Managing Director

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

Keith A. Johnson

BSc (Accountancy), MBA, AICB

Managing Director

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 branches and 11 ATMs, and is the market share leader in assets, loans and deposits.

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

John N. Alves

FICB

Managing Director

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 2013 was a productive year, with a G$2,354,287,099 after tax net profit. The Bank's focus over the past year was one of increasing the lending portfolio in all areas, with particular emphasis on SME Lending. There was continued attention to employee and customer education and engagement, as well as added focus on disability, which included the provision of support for autistic children. Also important has been our concentration on youth development that is grounded in giving Guyana's youth the Power to Succeed.

Registered Office

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

Godfrey Gosein

BSc (Ind. Mgmt.), MBA

Chief Executive Officer

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

Republic Bank believes that every human being is important and has a valuable contribution to make to his or her environment, as well as, to the national community. This belief was the inspiration for our ground-breaking social investment programme the — Power to Make a Difference — which was introduced in November 2003. The programme is the Bank's vehicle for encouraging positive change in our society, and is built upon four pillars—*The Power to Care, The Power to Help, The Power to Learn* and *The Power to Succeed.*

The Power to Make a Difference programme aims to enhance the quality of life of disadvantaged persons; support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education and the arts; build community spirit and, in essence, help to correct some of society's ills. This one programme has provided a model for corporate social responsibility in Trinidad and Tobago and indeed in the wider English-speaking Caribbean, particularly in those countries which Republic Bank serves through the operation of its subsidiaries.

The Power to Make a Difference programme is administered in five-year horizons and 2013 marks the conclusion of the second five-year phase which commenced in October, 2008. Over the programme's 10-year existence, resilient bonds were formed with many charitable organisations. Communities were transformed and the potential of thousands of young people was unlocked and unleashed.

Our focus on differently-abled persons in 2008 shone the national spotlight on this previously neglected group. While focus was placed on physical disabilities, greater energy was expended on "hidden disabilities" particularly those that affect learning, such as Dyslexia, Autism Spectrum Disorder and Attention Deficit Hyperactivity Disorder (ADHD). We also focused on the provision of physical facilities for differently-abled persons, as well as training opportunities for them to assist in their adaptation and general education and awareness of their special needs. These were targeted at the mainstream population to generate enhanced levels of understanding, tolerance and acceptance.

The Differently-Abled

From 2008, therefore, our projects included construction at institutions such as the National Centre for Persons with Disabilities in which the Republic Bank Vocational Wing was constructed; Eshe's Learning Centre; DRETCHI; Immortelle Children's Centre for Special Education; and Autism Place, D'Abadie, which houses the Autistic Society of Trinidad and Tobago, and at which training programmes and therapy sessions are conducted for parents and autistic children.

In seeking to mitigate the stigma attached to persons with disabilities, we developed and funded an autism awareness campaign in association with the Autistic Society of Trinidad and Tobago and collaborated with the Dyslexia Association in the training of 310 teachers in specific classroom techniques and skills.

Educating and Inspiring a Nation

The Bank's focus on the development of young people through sport, education and the arts has continued apace, with the maintenance of the Republic Cup Youth Football Tournament, Camps and Coaches Seminar; the Republic Bank Junior Golf Clinics and Tournaments; the Republic Bank Pan Minors Music Literacy Programme; the Republic Bank National Agri-Science Programme for Primary Schools and the Republic Bank Laventille Basketball and Netball Leagues. Our commitment to sport as a catalyst for positive social

Clockwise top to bottom:

Members of the Love Movement senior choir perform at the annual Republic Bank/Love Movement Christmas concert

Makeda La Rose, finalist at the Emancipation Support Committee Republic Bank National African History Quiz and Spoken Word Competition 2012

A member of Republic Bank Exodus gets into the beat during one of the steel orchestra's concerts

Two young dancers perform at the 2013 Children's Baal Vikaas Vihaar change expanded to embrace the construction of a pool at the YMCA facility in Tobago and extensive renovations of the Olympic sized pool at Marlins Swim Club in Diego Martin. At these two facilities, children from all walks of life have the opportunity to learn to swim and to train competitively.

In 2009, Republic Bank assumed the role of title sponsor of the Junior Parade of the Bands competition, firmly asserting our role as a staunch supporter of national culture. Not limiting the support to Carnival, we partnered with the Sanatan Dharma Maha Sabha to host the annual Baal Vikaas Vihaar and Chowtaal competitions and with the Emancipation Support Committee in its programme to introduce African History to primary and secondary schools across the length and breadth of the country. A nation can only know where it is going, when it knows from whence it has come. Our national heritage, in the form of our history and culture, are therefore important components of the Power to Make a Difference programme.

The Bank's support of the UWI – World of Work career guidance programme, the Butler Institute's National Literacy Programme, the Adult Literacy Tutors Association and the Cotton Tree Foundation's Homework Centre has been a key component in the promotion of literacy. Renewed emphasis has been placed on the importance of family life and community building by churches and community groups. In support of this drive, the Bank contributed to the construction and renovation of several community centres and parish halls including the Gyaan Joyti Mandali, Our Lady of Lourdes parish hall in Maraval, the All Saints Anglican Church parish hall, the Church of the Nazarene parish hall in Sangre Grande and the Church of the Assumption parish hall. These facilities are now the venues for youth activities, counselling programmes and community outreach projects. To help instill positive values and a sense of personal worth in teenagers, we collaborated with Don La Foucade, founder of In Full Flight! in the staging of a series of successful seminars in secondary schools throughout Trinidad and Tobago, entitled, *'Soaring In spite of . . .'*

The Poor, The Sick and The Marginalised

Echoing the sentiments of author, John Green that, "There is no Them. There are only facets of Us", we continued to focus on breaking the cycle of poverty. To achieve this we partnered with Habitat for Humanity Trinidad and Tobago, to provide needy families with adequate housing and financial literacy training. The outfitting of the New Life Ministries' WAND Centre for female drug addicts at Palo Seco and the construction of a Women's Rehabilitation Centre, undertaken by Vision on Mission, will help at least 175 women to be rehabilitated from lives plagued by drugs and crime. The Islamic Home for Children, Social Establishment for the Welfare of All (S.E.W.A) Home for Battered Women, Simeana Home for Elderly Women, Olive's House – Senior Citizens Home, Eternal Light Community's Goshen Home for Battered Women and their Senior Citizens home located at Back Street, Tunapuna, were all recipients of financial support for the upgrade of their institutions, as we assisted in the protection of some of society's most vulnerable members.

The Republic Bank Make a Difference Fund for Sick Children was established in 2009. Through our partnership with the Hope of a Miracle Foundation, 20 critically ill children received life changing surgeries at hospitals abroad. Our collaboration with the Helen Bhagwansingh Diabetes Education Research and Prevention Institute (DERPI) has resulted in at least 60,000 primary school children being screened and tested for diabetes, and our partnership with Transplant Links Community of the United Kingdom and the National Organ Transplant Unit at the Mount Hope Hospital, facilitated kidney transplants for 10 deserving children.

Clockwise top to bottom:

Swimmers make use of the refurbished pool at Marlins Swim Club

Ronald F. deC. Harford, Chairman of Republic Bank and David Dulal-Whiteway, Managing Director of Republic Bank, lend a helping hand at the Habitat for Humanity Leader's Build

Young footballers vie for the coveted trophy at the Republic Cup National Youth Football League Tournament

Jessica Manohar and Selim Sookhoo, two Hope of A Miracle beneficiaries of the Republic Bank Make a Difference Fund for Sick Children

We continued our long standing work with the **Trinidad and Tobago Cancer Society**, contributing significantly to the construction of **Vitas House**, a palliative care facility for cancer patients, providing mobile testing clinics and buses to transport cancer patients to and from treatment centres. Knowledge is power, and along with the Society, we sought to educate the population through the annual **Edufest and Walk for Life**, on the importance of early screening as a preventative and early treatment measure, to increase the number of cancer survivors.

Steadfast Resolve

Ten years later, Republic Bank is more convinced than ever before, that as an organisation and as individuals, we have the Power to Make a Difference in the lives of our fellowmen. Every journey begins with a single step, and through our Staff Volunteerism programme, Republic Bank's staff and their families have now joined this powerful movement to help, to care, to teach and to move others onto the road to success. Ten years and an investment of $135 million later, small remote communities are growing, critically ill children are getting a new lease on life, mothers are becoming self sufficient through literacy, young people are learning that there are viable alternatives to guns and violence – and those alternatives lie in embracing their sporting talents, immersing themselves in our cultural heritage and grasping the opportunities for education that are available to them. There is much left to be done, but with our committed staff and selfless NGO and CBO partners, we shall continue this thrust in the interest of building a better Trinidad and Tobago.

CHARITABLE ORGANISATIONS SUPPORTED OVER THE LAST FIVE YEARS

Adult Literacy Tutors Association
AIDS Hotline
All Saint's Church Parish Hall Renovation
Angels on Earth Foundation
Archbishop's Appeal Fund
Archdiocesan Family Life Commission
Arts Insight
Autistic Society of Trinidad and Tobago
Bethel Empowerment Skills Training Programme
Bocas Lit Fest
Butler Institute of Learning and Labour
Caribbean Amateur Junior Golf Championship
Caritas AIDS Ministry
Casa de Corazon Children's Home
Catholic Religious Education Development Institute
Christ Child Convalescent Home
Church of the Nazarene
Community Intervention for Transformation and Empowerment (CIT+E)
Community Parenting Programme for Fathers
Corpus Christi College
Cotton Tree Foundation
Dalton Grant Track and Field Academy
Diabetes Association
DRETCHI
Dyslexia Association
Emancipation Support Committee
Eshe's Learning Centre
Eternal Light Community
Foundation for the Enhancement and Enrichment of Life (FEEL)
Families in Action
Family Planning Association of Trinidad and Tobago
Habitat for Humanity Trinidad and Tobago
Helen Bhagwansingh Diabetes
Education Research and Prevention Institute
HERO Film Ltd
Holy Name Convent
Hope of a Miracle Foundation
Immortelle Children's Centre for Special Education
In Full Flight!
Islamic Home for Children Inc.
John Hayes Memorial Kidney Foundation
Kids in Need of Direction
L.I.F.E. Centre
Life Line
Lady Hochoy Home
Lady Hochoy School – Arima
Little Carib Theatre
Love Movement – Jean Marc Tardieu
Love Movement Youth Outreach programme
Loveuntil Foundation
Maria Regina Grade School
Marlins Swim Club
Memphis Pioneer Club
Mucurapo Girls R.C. School
NALIS
Naparima College San Fernando
National Action Cultural Committee
National Carnival Bands Association (NCBA)
National Centre for Persons with Disabilities
New Life Ministries Rehabilitation Centre – WAND Centre
Olive's House
Our Lady of Lourdes Maraval Community Hall
Paralympic Organisation of Trinidad and Tobago
Persons Associated with Visual Impairment
Post SEA Vision and Values
President's Award Foundation
Presentation College San Fernando
Providence Girls' Catholic School
Rape Crisis Society
Rebirth House Drug Rehabilition Centre
Republic Bank Arrows Basketball Team
Republic Bank Exodus
Republic Bank Laventille Basketball league
Republic Bank Laventille Netball League
Republic Bank National Agricscience Primary School Competition
Republic Bank Trinidad and Tobago Jr. Golf Open
Republic Bank/UWI World of Work
Republic Bank National Youth Football League
Republic Cup Football Coaches Seminar
Republic Cup Youth Football Camps
Republic Rightstart Cup Youth Football Tournament
Rosary Boys R.C. School
Sacred Heart Girls' R.C. School
Salvation Army
San Fernando District Scout Council Bus
San Fernando TML Primary
Sanatan Dharma Maha Sabha
Sanch Electronix
Servol Limited
Social Establishment for the Welfare of All (S.E.W.A)
Society de Les Amantes de Jesus – Villa Assumpta
South East Port of Spain Cultural Worshop
Special Needs Education Workshop
St Andrews School
St Ann's/Cascade Motivational Programme
St Joseph's Convent Retreat and Holistic Centre, Tobago
St Jude's School for Girls
St Michael's Schoool for Boys
St Vincent de Paul Society
St Vincent de Paul Society (Tobago)
Tackveeyatul Islamic Association
The Boy Scouts Association
Transplant Links Community
Trinidad and Tobago Association in Aid of the Deaf
Trinidad and Tobago Blind Welfare Association
Trinidad and Tobago Cancer Society
Trinidad and Tobago Coalition Against Domestic Violence
Trinidad and Tobago Red Cross Society
Trinidad and Tobago Transparency Institute
Vision on Mission
YMCA Tobago Sporting Facility
Youth Business of Trinidad and Tobago

Clockwise top to bottom:

Opening of new wing at the National Centre of Persons with Disabilities (NCPD) (Left to right) The Honourable George Maxwell Richards, former President of Trinidad and Tobago; David Dulal-Whiteway, Managing Director, Republic Bank; Beverly Beckles, Chief Executive Officer, NCPD and Anna-María García-Brooks, General Manager, Group Marketing and Communications, Republic Bank

Republic Bank Cancer Walk 2012

Republic Fancy Clowns at the Queen's Park Savannah at Republic Bank Junior Parade of the Bands 2013

Corporate Governance

INTRODUCTION

The Republic Bank Group 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 judgment in guiding the Bank to achieve continuing growth and prosperity. The Board will act in the best interests of the Bank and it stakeholders, guided by a philosophy that is based on transparency, accountability and responsibility. The Bank's values and standards are set to ensure that obligations to its shareholders, employees, and customers are met.

The Board provides entrepreneurial leadership to management 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 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 approval of corporate strategy and performance objectives
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance
- updating and maintaining organisational rules and policies instep with industry changes
- 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 three are Executive Directors. This balance of Non-Executive Directors to Executive Directors ensures that the Board is able to exercise independent judgment with sufficient management information to enable proper and objective assessment of issues facing the Bank. 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 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.

Our 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.

The international environment and legislative and regulatory demands are becoming increasingly complex and challenging, causing us to constantly review our systems and make use of technology to ensure that compliance is robust and negative impact on our legitimate customers minimal.

At the Annual Meeting, one-third of the Directors retire and may offer themselves for re-election. At the upcoming Annual Meeting, Shazan Ali, David Dulal-Whiteway, William P. Lucie–Smith and Kristine Thompson retire from the Board by rotation and being eligible, have offered themselves for re-election.

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

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 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 17 such meetings were scheduled for the fiscal year.

The Committee comprises:

- Two Executive Directors
- Three 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:-
- Ronald F. deC. Harford – Chairman
- 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 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
- 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 such meetings were held for the fiscal year.

This Committee comprises:-

- Chandrabhan Sharma – Chairman
- Shazan Ali
- Dawn Callender
- Terrence W. Farrell
- Stephen Pollard
- Kristine Thompson
- Two Executive Directors

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 judgments, these represent the best estimate and judgment 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, 2013

Contents

Independent Auditor's 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 30 September 2013, 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 30 September 2013, 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:

6 November 2013

Consolidated Statement of Financial Position

As at September 30, 2013
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2013	2012
ASSETS			
Cash and cash equivalents		**526,383**	486,893
Statutory deposits with Central Banks		**4,332,600**	3,972,810
Due from banks		**9,237,076**	7,224,545
Treasury Bills		**5,723,076**	4,806,156
Investment interest receivable		**65,487**	78,503
Advances	4	**25,235,517**	23,317,199
Investment securities	5	**8,131,047**	7,788,049
Investment in associated companies	6	**445,377**	207,162
Premises and equipment	7	**1,584,014**	1,558,285
Goodwill	8	**485,971**	485,971
Pension assets	9	**1,275,093**	1,254,584
Deferred tax assets	10	**111,518**	111,467
Taxation recoverable		**47,034**	49,782
Other assets	11	**362,822**	255,015
TOTAL ASSETS		**57,563,015**	**51,596,421**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**73,349**	84,506
Customers' current, savings and deposit accounts	12	**42,098,310**	37,090,139
Other fund raising instruments	13	**3,404,974**	2,691,762
Debt securities in issue	14	**1,229,058**	1,240,547
Pension liability	9	**20,150**	22,244
Provision for post-retirement medical benefits	9	**209,330**	187,789
Taxation payable		**160,992**	104,795
Deferred tax liabilities	10	**487,374**	467,125
Accrued interest payable		**51,966**	62,898
Other liabilities	15	**1,230,945**	1,089,429
TOTAL LIABILITIES		**48,966,448**	**43,041,234**
EQUITY			
Stated capital	16	**649,932**	628,150
Statutory reserves		**1,068,708**	892,652
Other reserves	17	**1,052,182**	783,805
Retained earnings		**5,533,327**	5,586,968
Attributable to equity holders of the parent		**8,304,149**	7,891,575
Non-controlling interest		**292,418**	663,612
TOTAL EQUITY		**8,596,567**	**8,555,187**
TOTAL LIABILITIES AND EQUITY		**57,563,015**	**51,596,421**

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

These financial statements were approved by the Board of Directors on November 6, 2013 and signed on its behalf by:

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

Consolidated Statement of Income

For the year ended September 30, 2013
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

	Notes	2013	2012
Interest income	18 (a)	**2,517,161**	2,494,704
Interest expense	18 (b)	**(336,495)**	(354,919)
Net interest income		**2,180,666**	**2,139,785**
Other income	18 (c)	**1,256,599**	1,103,671
		3,437,265	3,243,456
Operating expenses	18 (d)	**(1,739,324)**	(1,617,936)
Share of (losses)/profits of associated companies	6	**(60,324)**	12,220
Operating profit		**1,637,617**	**1,637,740**
Loan impairment expense, net of recoveries	4 (b)	**(57,052)**	(103,601)
Net profit before taxation		**1,580,565**	**1,534,139**
Taxation expense	19	**(383,440)**	(307,534)
Net profit after taxation		**1,197,125**	**1,226,605**
Attributable to:			
Equity holders of the parent		**1,169,991**	1,158,968
Non-controlling interest		**27,134**	67,637
		1,197,125	**1,226,605**
Earnings per share ($)			
Basic		**$7.30**	$7.27
Diluted		**$7.28**	$7.25
Weighted average number of shares ('000)			
Basic	16	**160,294**	159,470
Diluted	16	**160,768**	159,776

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2013
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2013	2012
Net profit after taxation		**1,197,125**	**1,226,605**
Other comprehensive income:			
Realised gains transferred to statement of income		**(13,629)**	(11,940)
Tax effect		**16**	7
		(13,613)	(11,933)
Revaluation of available-for-sale investments		**52,753**	238,398
Tax effect	10	**(21,498)**	(25,786)
		31,255	212,612
Translation adjustments		**(8,295)**	10,578
Share of changes recognised directly in associate's equity	6	**4,077**	2,518
Other comprehensive income for the year, net of tax		**13,424**	**213,775**
Total comprehensive income for the year, net of tax		**1,210,549**	**1,440,380**
Attributable to:			
Equity holders of the parent		**1,190,189**	1,372,446
Non-controlling interest		**20,360**	67,934
		1,210,549	**1,440,380**

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2013
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, 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
Unallocated 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**
Total comprehensive income for the year	–	–	20,198	1,169,991	1,190,189	20,360	1,210,549
Issue of shares	15,244	–	–	–	15,244	–	15,244
Share-based payment	6,538	–	–	–	6,538	–	6,538
Allocation of shares	–	–	47,754	–	47,754	–	47,754
Transfer to general contingency reserve	–	–	200,425	(200,425)	–	–	–
Transfer to statutory reserves	–	176,056	–	(176,056)	–	–	–
Acquisition of non-controlling interest	–	–	–	(164,123)	(164,123)	(365,522)	(529,645)
Dividends	–	–	–	(683,028)	(683,028)	–	(683,028)
Dividends paid to non-controlling interest	–	–	–	–	–	(26,032)	(26,032)
Balance at September 30, 2013	**649,932**	**1,068,708**	**1,052,182**	**5,533,327**	**8,304,149**	**292,418**	**8,596,567**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2013
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2013	2012
Operating activities			
Net profit before taxation		**1,580,565**	1,534,139
Adjustments for:			
Depreciation	7	**154,209**	149,966
Loan impairment expense, net of recoveries	4 (b)(ii)	**57,052**	103,601
Translation difference		**2,032**	(9,304)
Loss on sale of premises and equipment		**3,099**	1,802
Revaluation loss on investment securities		**41,708**	7,726
Share of net loss/(profits) of associated companies	6	**60,324**	(12,220)
Stock option expense	16	**6,538**	6,821
Increase in employee benefits		**(1,062)**	(29,928)
Increase in advances		**(1,975,370)**	(1,554,516)
Increase in customers' deposits and other fund raising instruments		**5,721,383**	3,638,046
Increase in statutory deposits with Central Banks		**(359,789)**	(555,671)
Increase in other assets and investment interest receivable		**(94,791)**	(51,367)
Increase in other liabilities and accrued interest payable		**130,584**	73,508
Taxes paid, net of refund		**(324,992)**	(351,033)
Cash provided by operating activities		**5,001,491**	**2,951,570**
Investing activities			
Purchase of investment securities		**(3,238,569)**	(3,559,161)
Redemption of investment securities		**2,871,561**	2,711,895
Net cash outflow from the purchase of interest in associated companies		**(297,767)**	–
Acquisition of non-controlling interest		**(529,645)**	–
Dividends from associated companies	6	**3,305**	3,004
Additions to premises and equipment	7	**(201,686)**	(154,184)
Proceeds from sale of premises and equipment		**4,760**	6,717
Cash used in investing activities		**(1,388,041)**	**(991,729)**
Financing activities			
Decrease in balances due to other banks		**(11,157)**	(103,541)
Repayment of debt securities		**(11,489)**	(10,734)
Proceeds from share issue	16	**15,244**	24,837
Allocation of shares to profit sharing plan	17	**47,754**	45,214
Dividends paid to shareholders of the parent	27	**(683,028)**	(642,819)
Dividends paid to non-controlling shareholders of the subsidiaries		**(26,032)**	(25,037)
Cash used in financing activities		**(668,708)**	**(712,080)**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2013
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2013	2012
Net increase in cash and cash equivalents		**2,944,741**	1,247,761
Net foreign exchange difference		**5,598**	(4,077)
Cash and cash equivalents at beginning of year		**11,509,304**	10,265,620
Cash and cash equivalents at end of year		**14,459,643**	**11,509,304**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**526,383**	486,893
Due from banks		**9,237,076**	7,224,545
Treasury Bills – original maturities of three months or less		**4,468,888**	3,513,553
Bankers' acceptances – original maturities of three months or less		**227,296**	284,313
		14,459,643	**11,509,304**
Supplemental information:			
Interest received during the year		**2,543,873**	2,464,027
Interest paid during the year		**(347,427)**	(362,925)
Dividends received	18 (c)	**464**	607

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

1 CORPORATE INFORMATION

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

The Republic Bank Group (the "Group") is a financial services group comprising 14 subsidiaries and four associated companies. The Group is engaged in a wide range of banking, financial and related activities in Trinidad and Tobago, the Caribbean and from November 2012, in Ghana. A full listing of the Group's subsidiary companies is detailed in Note 29 while associate companies are listed in Note 6. Republic Bank Limited is the ultimate Parent of the Group and is listed on the Trinidad and Tobago Stock Exchange.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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.

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, 2012 except for the adoption of new standards and interpretations noted below:

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies/improvements adopted (continued)

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

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

ii) 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.

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.

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective (continued)

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

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

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.

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)*

ii) 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 10, IFRS 12 and IAS 27 – Investment Entities (Amendments) (effective January 1, 2014)
The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity.

IFRS 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.

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

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) Improvements to International Financial Reporting Standards (continued)

IFRS	Subject of Amendment
IAS 1 –	Presentation of Financial Statements
IAS 16 –	Property, Plant and Equipment
IAS 32 –	Financial Instruments: Presentation
IAS 34 –	Interim Financial Reporting
IFRS 1 –	First-time Adoption of International Financial Reporting Standards

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 $3.5 billion, the Group also holds Treasury Bills and other deposits of $5.8 billion with the Central Bank of Trinidad and Tobago as at September 30, 2013. Interest earned on these balances for the year was $26.7 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Financial instruments *(continued)*

ii) Investment securities (continued)

Available-for-sale

Available-for-sale investments are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. 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.

ii) Investment securities

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Impairment of financial assets *(continued)*

ii) Investment securities (continued)

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

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

The depreciation rates used are as follows:

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Management decided that when the statutory reserve account is equal to the paid-up capital, transfers to the statutory reserve fund will be based on projected deposit liabilities.

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.

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, 2013 totalled $29.9 billion (2012: $28 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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 28(b) of these consolidated financial statements.

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

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

Impairment of financial assets

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

Inherent provisions on advances (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.

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, 2013 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.

Fixed assets (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.

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

4 ADVANCES

a) Advances

2013	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	4,657,838	10,687,882	9,352,129	24,697,849
Non-performing advances	98,375	593,299	256,772	948,446
	4,756,213	11,281,181	9,608,901	25,646,295
Unearned interest/finance charge	(51,267)	(130,223)	–	(181,490)
Accrued interest	23,508	71,097	29,205	123,810
	4,728,454	11,222,055	9,638,106	25,588,615
Allowance for impairment losses - Note 4 (b)	(66,530)	(211,320)	(75,248)	(353,098)
Net advances	**4,661,924**	**11,010,735**	**9,562,858**	**25,235,517**

2012	Retail lending	Commercial and Corporate lending	Mortgages	Total
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/finance charge	(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	(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)*

b) Allowance for impairment losses

i) Impairment assessment

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

Individually assessed allowances

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

Collectively assessed allowances

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

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

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

4 **ADVANCES** *(continued)*

b) **Allowance for impairment losses** *(continued)*

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

	2013			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	69,526	240,677	79,321	389,524
Translation adjustment	(281)	(465)	(152)	(898)
Charge-offs and write-offs	(40,973)	(48,327)	(3,280)	(92,580)
Loan impairment expense	61,780	146,741	35,944	244,465
Loan impairment recoveries	(23,522)	(127,306)	(36,585)	(187,413)
Balance carried forward	**66,530**	**211,320**	**75,248**	**353,098**
Individual impairment	44,833	185,167	64,163	294,163
Collective impairment	21,697	26,153	11,085	58,935
	66,530	**211,320**	**75,248**	**353,098**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**98,375**	**593,299**	**256,772**	**948,446**

	2012			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
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)*

c) **Net investment in leased assets included in net advances**

	2013	2012
Gross investment	**390,104**	456,664
Unearned finance charge	**(123,058)**	(146,076)
	267,046	310,588
Allowance for impairment loss	**(190)**	–
Net investment in leased assets	**266,856**	**310,588**

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

	2013	2012
Within one year	**11,095**	37,979
One to five years	**56,381**	147,473
Over five years	**199,380**	125,136
	266,856	**310,588**

5 **INVESTMENT SECURITIES**

a) **Available-for-sale**

	2013	2012
Government securities	**2,353,613**	2,356,910
State owned company securities	**1,189,226**	1,278,098
Corporate bonds/debentures	**3,633,195**	3,248,046
Bankers' acceptances	**621,053**	627,510
Equities and mutual funds	**332,760**	274,704
	8,129,847	**7,785,268**

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

5 **INVESTMENT SECURITIES** *(continued)*

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

	2013	2012
Quoted securities	1,200	2,781
Total investment securities	8,131,047	7,788,049

6 **INVESTMENT IN ASSOCIATED COMPANIES**

	2013	2012
Balance at beginning of year	207,162	195,428
Acquisition of shareholding	297,767	–
Share of current year (loss)/profit	(60,324)	12,220
Dividends received	(3,305)	(3,004)
Share of revaluation reserves	4,077	2,518
Balance at end of year	445,377	207,162

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

	2013	2012
Total assets	10,289,449	8,607,400
Total liabilities	9,155,322	7,600,225
Net assets	1,134,127	1,007,175
Group's share of associates' net assets	445,377	207,162
Revenue	243,124	647,113
Profit for the period	54,678	98,235
Group's share of (loss)/profit of associated companies after tax for the period	(60,324)	12,220

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

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

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

7 **PREMISES AND EQUIPMENT**

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture and fittings	Total
2013					
Cost					
At beginning of year	129,298	1,132,990	116,217	1,423,948	2,802,453
Exchange and other adjustments	(132)	(2,449)	(164)	(1,993)	(4,738)
Additions at cost	86,153	36,816	1,908	76,809	201,686
Disposal/transfer of assets	(102,860)	55,297	2,233	(18,131)	(63,461)
	112,459	1,222,654	120,194	1,480,633	2,935,940
Accumulated depreciation					
At beginning of year	–	168,906	87,937	987,325	1,244,168
Exchange and other adjustments	–	(266)	(94)	(1,489)	(1,849)
Charge for the year	–	17,219	3,264	133,726	154,209
Disposal of assets	–	(800)	(367)	(43,435)	(44,602)
	–	185,059	90,740	1,076,127	1,351,926
Net book value	112,459	1,037,595	29,454	404,506	1,584,014

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

7 PREMISES AND EQUIPMENT *(continued)*

	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**

Capital commitments

	2013	2012
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	**119,448**	172,907
Other capital expenditure authorised by the Directors but not yet contracted for	**23,736**	37,681

8 GOODWILL

	2013	2012
Goodwill on acquisition brought forward and carried forward	**485,971**	485,971

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was primarily generated from the acquisitions 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, 2013 using the "value in use" method. Based on the results of this review, no impairment expense was required.

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

	Republic Bank (Cayman) Limited TT$ million	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	6%	11%	10%
Cash flow projection term	Three years	Three years	Three years
Growth rate (extrapolation period)	2%	2%	3%

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 plan		Post-retirement medical benefits	
	2013	2012	2013	2012
Opening defined benefit obligation	**2,524,498**	2,123,568	**221,385**	193,572
Exchange adjustments	**(1,456)**	865	**(34)**	44
Current service cost	**87,801**	69,426	**10,592**	8,486
Interest cost	**143,022**	134,109	**12,304**	12,169
Members' contributions	**1,012**	939	**–**	–
Actuarial gains on obligations	**195,234**	277,140	**62,310**	9,313
Benefits paid	**(84,597)**	(80,521)	**(281)**	(137)
Expense allowance	**(1,526)**	(1,028)	**–**	–
Premiums paid by the Group	**–**	–	**(2,189)**	(2,062)
Closing defined benefit obligation	**2,863,987**	**2,524,498**	**304,086**	**221,385**

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

9 **EMPLOYEE BENEFITS** *(continued)*

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

	Defined benefit pension plans 2013	2012
Opening fair value of plan assets	**3,745,407**	3,456,950
Exchange adjustments	**(1,261)**	794
Expected return	**237,684**	238,226
Actuarial gains	**206,209**	111,898
Contributions by employer	**17,761**	18,149
Members' contributions	**1,012**	939
Benefits paid	**(84,597)**	(80,521)
Expense allowance	**(1,526)**	(1,028)
Closing fair value of plan assets	**4,120,689**	**3,745,407**

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

	Defined benefit pension plans			
	Pension assets		Pension liability	
	2013	2012	2013	2012
Defined benefit obligation	**(2,572,194)**	(2,235,320)	**(291,793)**	(289,178)
Fair value of plan assets	**3,879,232**	3,512,835	**241,457**	232,572
	1,307,037	1,277,515	**(50,337)**	(56,606)
Unrecognised actuarial gain	**(17,895)**	(10,336)	**30,187**	34,362
Unutilisable surplus	**(14,049)**	(12,595)	**–**	–
Net asset/(liability) recognised in the consolidated statement of financial position	**1,275,093**	**1,254,584**	**(20,150)**	**(22,244)**

9 **EMPLOYEE BENEFITS** *(continued)*

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

	Post-retirement medical benefits 2013	2012
Defined benefit obligation	**(304,086)**	(221,385)
Fair value of plan assets	**299**	430
	(303,787)	(220,955)
Unrecognised actuarial gain	**94,456**	39,339
Unutilisable loss	**–**	(6,173)
Net liability recognised in the consolidated statement of financial position	**(209,330)**	**(187,789)**

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

	Defined benefit pension plan		Post-retirement medical benefits	
	2013	2012	2013	2012
Current service cost	**87,801**	69,426	**10,592**	8,486
Interest on defined benefit obligation	**143,022**	134,109	**12,304**	12,169
Expected return on plan assets	**(237,684)**	(238,226)	**–**	–
Amortised net gain	**728**	111	**1,178**	566
Unutilisable surplus	**1,454**	3,651	**–**	–
Total included in staff costs	**(4,680)**	**(30,929)**	**24,075**	**21,221**

e) Actual return on plan assets

	Defined benefit pension plans 2013	2012
Expected return on plan assets	**237,684**	238,226
Actuarial gain on plan assets	**206,209**	120,392
Actual return on plan assets	**443,894**	**358,618**

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

9 EMPLOYEE BENEFITS *(continued)*

f) Experience history

	Defined benefit pension plans 2013	2012	2011	2010	2009
Defined benefit obligation	**(2,863,987)**	(2,524,498)	(2,123,568)	(2,014,369)	(2,279,979)
Plan assets	**4,120,688**	3,745,407	3,456,950	3,187,694	3,003,327
Surplus	**1,256,701**	**1,220,909**	**1,333,382**	**1,173,325**	**723,348**
Experience adjustments on plan liabilities	**(11,010)**	(51,912)	6,925	16,812	69,804
Experience adjustments on plan assets	**206,209**	128,883	111,149	(10,864)	(332,685)

	Post-retirement medical benefits 2013	2012	2011	2010	2009
Defined benefit obligation	**304,086**	221,385	193,572	164,229	138,173
Experience adjustments on plan liabilities	**(27,453)**	29,876	10,783	14,804	21,101

g) The Group expects to contribute $17.5 million to the plans in the 2014 financial year.

h) The principal actuarial assumptions used were as follows:

	2013 %	2012 %
Discount rate	**5.00 – 7.75**	5.50 – 7.75
Rate of salary increase	**2.50 – 5.50**	4.00 – 6.00
Pension increases	**0.00 – 2.40**	0.00 – 2.40
Medical cost trend rates	**7.00 – 7.75**	7.00 – 7.75
NIS ceiling rates	**3.00 – 5.00**	4.00 – 5.00

9 EMPLOYEE BENEFITS *(continued)*

i) Plan asset allocation as at September 30

	Defined benefit pension plans 2013	2012
Equity securities	**46.64%**	42.79%
Debt securities	**39.08%**	36.24%
Property	**0.63%**	0.28%
Money market instruments/cash	**13.64%**	20.69%
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.	**29,099**	25,447
Medical expense decrease by 1% p.a.	**16,915**	15,660

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening balance 2012	Exchange adjustments	(Credit)/charge Consolidated statement of income	(Credit)/charge OCI	Closing balance 2013
Post-retirement medical benefits	51,212	(56)	8,504	–	**59,660**
Leased assets	25,636	–	(1,611)	–	**24,025**
Unrealised reserve	9,681	(37)	(434)	(7,144)	**2,066**
Unearned loan origination fees	24,938	(67)	897	–	**25,768**
	111,467	**(160)**	**7,355**	**(7,144)**	**111,518**

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

10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

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

b) Deferred tax liabilities

	Opening balance 2012	Exchange adjustments	Charge /(credit) Consolidated statement of income	Charge /(credit) OCI	Closing balance 2013
Pension asset	313,115	(14)	6,828	–	**319,929**
Leased assets	41,094	–	(7,013)	–	**34,081**
Premises and equipment	56,531	(124)	6,651	–	**63,058**
Unrealised reserve	56,385	(419)	(15)	14,354	**70,305**
	467,125	**(557)**	**6,451**	**14,354**	**487,372**
Net credit/(charge) to consolidated statement of income/OCI			**904**	**(21,498)**	

11 OTHER ASSETS

	2013	2012
Accounts receivable and prepayments	**288,532**	200,078
Project financing reimbursables	**5,116**	1,254
Deferred commission and fees	**5,869**	5,152
Other	**63,305**	48,531
	362,822	**255,015**

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2013	2012
State	**6,679,163**	4,615,921
Corporate and commercial	**9,377,598**	8,593,010
Personal	**23,483,267**	21,808,697
Other financial institutions	**1,823,212**	1,441,622
Other	**735,070**	630,889
	42,098,310	**37,090,139**

13 OTHER FUND RAISING INSTRUMENTS

At September 30, 2013 investment securities held to secure other fund raising instruments of the Group amounted to $2.8 billion (2012: $2.1 billion).

Concentration of other fund raising instruments

	2013	2012
State	**1,202,014**	1,487,249
Corporate and commercial	**–**	71,283
Personal	**81,169**	1,927
Other financial institutions	**2,096,117**	1,107,836
Other	**25,674**	23,467
	3,404,974	**2,691,762**

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

14 DEBT SECURITIES IN ISSUE

	2013	2012
Unsecured		
a) Fixed rate bonds	**798,930**	798,593
Secured		
a) Floating rate bonds	**409,493**	417,986
b) Fixed rate bonds	**19,989**	22,787
c) Mortgage pass-through certificates	**646**	1,181
	430,128	441,954
Total debt securities in issue	**1,229,058**	**1,240,547**

Unsecured obligations

a) Fixed rate bonds are denominated in Trinidad and Tobago dollars and includes an unsubordinated bond issued by the Parent Company, Republic Bank Limited in 2008 for a term of 10 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.

15 OTHER LIABILITIES

	2013	2012
Accounts payable and accruals	**1,044,366**	880,547
Unearned loan origination fees	**110,267**	94,536
Deferred income	**5,251**	17,416
Other	**71,061**	96,930
	1,230,945	**1,089,429**

16 STATED CAPITAL

	Number of ordinary shares ('000)			
	2013	2012	2013	2012
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	**159,700**	158,805	**628,150**	596,492
Shares issued/proceeds from shares issued	**182**	324	**15,244**	24,837
Share-based payment	**–**	–	**6,538**	6,821
Allocation of shares	**581**	571	**–**	–
At end of year	**160,463**	**159,700**	**649,932**	**628,150**

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

	2013	2012
Weighted average number of ordinary shares	**160,294**	159,470
Effect of dilutive stock options	**474**	306
Weighted average number of ordinary shares adjusted for the effect of dilution	**160,768**	**159,776**

17 OTHER RESERVES

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Balance at October 1, 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
Unallocated 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**

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

17 OTHER RESERVES *(continued)*

	Capital reserves	Unallocated shares	General contingency reserve	Net unrealised gains	Total
Realised gains transferred to net profit	–	–	–	(13,613)	(13,613)
Revaluation of available-for-sale investments	–	–	–	28,191	28,191
Translation adjustments	1,543	–	–	–	1,543
Allocation of shares	–	47,754	–	–	47,754
Share of changes recognised directly in associate's equity	4,077	–	–	–	4,077
Total income and expense for the year recognised directly in equity	5,620	47,754	–	14,578	67,952
Transfer from retained earnings	–	–	200,425	–	200,425
Balance at September 30, 2013	**64,559**	**(53,269)**	**653,858**	**387,034**	**1,052,182**

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, 2013 the balance in the General Contingency Reserve of $653.9 million is part of Other Reserves which totals $1.1 billion.

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, 2013, shares costing $53 million (2012: $101 million) remain unallocated from the profit sharing scheme (Note 26 (a)).

	No. of shares (000's) 2013	2012
Balance brought forward	**1,229**	1,800
Allocation of shares	**(581)**	(571)
Balance carried forward	**648**	**1,229**

18 OPERATING PROFIT

a) Interest income

	2013	2012
Advances	**2,101,978**	2,041,793
Investment securities	**337,418**	383,307
Liquid assets	**77,765**	69,604
	2,517,161	**2,494,704**

b) Interest expense

	2013	2012
Customers' current, savings and deposit accounts	**215,653**	227,426
Other fund raising instruments and debt securities in issue	**120,668**	126,246
Other interest bearing liabilities	**174**	1,247
	336,495	**354,919**

c) Other income

	2013	2012
Fees and commission from trust and other fiduciary activities	**272,712**	223,007
Other fees and commission income	**538,263**	521,152
Net exchange trading income	**226,400**	216,286
Dividends	**464**	607
Gains from disposal of available-for-sale investments	**25,598**	19
Other operating income	**193,162**	142,600
	1,256,599	**1,103,671**

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

18 OPERATING PROFIT *(continued)*

d) Operating expenses

	2013	2012
Staff costs	**652,766**	638,340
Staff profit sharing – Note 26 (a)	**104,668**	103,240
Employee benefits pension contribution – Note 9 (d)	**(4,680)**	(30,929)
General administrative expenses	**551,097**	502,344
Operating lease payments	**43,127**	40,747
Property related expenses	**110,116**	106,203
Depreciation expense – Note 7	**154,209**	149,966
Advertising and public relations expenses	**69,567**	68,719
Impairment expense	**53,043**	33,733
Directors' fees	**5,411**	5,573
	1,739,324	**1,617,936**

e) Non-cancellable operating lease commitments

	2013	2012
Within one year	**31,587**	38,995
One to five years	**39,392**	49,003
Over five years	**12,392**	9,481
	83,371	**97,480**

19 TAXATION EXPENSE

	2013	2012
Corporation tax	**384,344**	315,179
Deferred tax	**(904)**	(7,645)
	383,440	**307,534**

19 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:

	2013	2012
Accounting profit	**1,580,565**	1,534,139
Tax at applicable statutory tax rates	**407,063**	387,969
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(61,809)**	(59,475)
Non-deductible expenses	**57,840**	55,164
Allowable deductions	**(22,435)**	(78,596)
Provision for Green Fund Levy and other taxes	**2,781**	2,472
	383,440	**307,534**

The Group has tax losses in two of its subsidiaries amounting to $630.4 million (2012: $660.5 million). In one of these subsidiaries, no deferred tax asset has been recognised for these tax losses in the financial statements since it is not anticipated that there will be sufficient future taxable profits to offset these losses.

20 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.

	2013	2012
Advances, investments and other assets (net of provisions)		
CL Financial Group	**–**	155,580
Directors and key management personnel	**21,364**	27,200
Other related parties	**157,704**	182,742
	179,068	365,523
Provision for amounts due from related parties	**–**	4,963
Provision expense for related parties	**–**	4,963

20 RELATED PARTIES *(continued)*

	2013	2012
Deposits and other liabilities		
CL Financial Group	–	284,262
Directors and key management personnel	**89,566**	88,065
Other related parties	**65,358**	155,653
	154,924	527,980
Interest and other income		
CL Financial Group	–	14,005
Directors and key management personnel	**1,609**	1,734
Other related parties	**12,561**	12,306
	14,170	28,045
Interest and other expense		
CL Financial Group	–	231
Directors and key management personnel	**3,157**	7,012
Other related parties	**246**	297
	3,403	7,540

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

Key management compensation

	2013	2012
Short-term benefits	**47,788**	41,203
Post employment benefits	**26,513**	20,445
Share-based payment	**6,538**	6,821
	80,839	68,469

As stated in Note 1 (Corporate information), the CL Financial Group is no longer considered a related party of Republic Bank Limited as at November 1, 2012. As such, while the CL Financial Group still maintains balances with Republic Bank Limited and its subsidiaries, these balances have not been included in the related party note for the year ended September 2013. Balances for the year ended September 2012 have however been maintained for comparative purposes.

For the year ended September 30, 2013
Expressed in thousands of Trinidad and Tobago dollars ($'000), except where otherwise stated

21 RISK MANAGEMENT

21.1 Introduction

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

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

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

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

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

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

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

21.2 Credit risk

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

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

The Risk Management unit is accountable for the general management and administration of the Group's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from and independent of the business development aspect of the operations.

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

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

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

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.

21.2.1 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 2013	2012
Statutory deposits with Central Banks	**4,332,600**	3,972,810
Due from banks	**9,237,076**	7,224,545
Treasury Bills	**5,723,076**	4,806,156
Investment interest receivable	**65,487**	78,503
Advances	**25,235,517**	23,317,199
Investment securities	**7,797,087**	7,510,564
Total	**52,390,843**	**46,909,777**
Undrawn commitments	**4,464,016**	3,808,708
Acceptances	**725,650**	840,619
Guarantees and indemnities	**105,381**	106,446
Letters of credit	**110,903**	127,765
Total	**5,405,950**	**4,883,538**
Total credit risk exposure	**57,796,793**	**51,793,315**

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.

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements *(continued)*

Collateral and other credit enhancements

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

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

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

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. As at September 30, 2013, $384.4 million (2012: $384.3 million) in repossessed properties are still in the process of being disposed of.

21.2.2 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:

	2013	2012
Trinidad and Tobago	**37,644,064**	31,620,467
Barbados	**6,944,968**	7,041,768
Eastern Caribbean	**1,510,009**	1,485,926
Guyana	**3,776,449**	3,419,948
United States	**3,755,055**	4,653,864
Europe	**2,086,054**	1,862,182
Other Countries	**2,080,194**	1,709,160
	57,796,793	**51,793,315**

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

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

21.2.2 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:

	2013	2012
Government and Central Government Bodies	**17,336,111**	15,607,201
Financial sector	**10,611,082**	8,434,245
Energy and mining	**457,175**	597,799
Agriculture	**324,794**	350,081
Electricity and water	**488,546**	585,481
Transport, storage and communication	**382,904**	385,680
Distribution	**3,398,773**	3,824,785
Real estate	**1,988,085**	1,730,737
Manufacturing	**1,998,314**	1,674,654
Construction	**1,753,259**	1,966,618
Hotel and restaurant	**1,078,829**	951,778
Personal	**14,407,779**	12,774,192
Other services	**3,571,142**	2,910,064
	57,796,793	**51,793,315**

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".

21.2.3 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
- Balances due from banks
- Advances -
- Financial investment securities

Treasury Bills and statutory deposits with Central Banks

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

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

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

Balances due from banks

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

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

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

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

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

	Superior	Desirable	Acceptable	Total
2013	**3,982,355**	**5,162,195**	**92,526**	**9,237,076**
2012	3,177,059	3,898,037	149,449	7,224,545

Advances – Commercial and Corporate

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

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

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

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

Sub-standard: Past due or individually impaired.

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

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

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

Advances – Commercial and Corporate (continued)

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

	Superior	Desirable	Acceptable	Sub-standard	Total
2013	**644,953**	**2,146,958**	**7,733,773**	**485,051**	**11,010,735**
2012	526,404	2,579,766	6,957,274	473,255	10,536,699

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
2013	**15,294**	**15,607**	**13,414**	**32,604**	**408,132**	**485,051**
2012	114,020	10,492	113,049	14,039	221,655	473,255

Advances – Retail loans and Mortgages

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

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2013	**11,354,277**	**2,073,468**	**206,153**	**140,300**	**204,433**	**246,151**	**14,224,782**
2012	11,594,127	484,355	169,008	108,877	189,373	234,760	12,780,500

21 RISK MANAGEMENT *(continued)*

21.2 Credit risk *(continued)*

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

Financial 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 indications of impairment, or have been restructured during the financial year.

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

	Superior	Desirable	Acceptable	Sub-standard	Total
Financial Investments					
– Available-for-sale					
2013	**4,565,117**	**2,947,081**	**260,604**	**24,285**	**7,797,087**
2012	5,320,390	1,862,867	128,355	198,952	7,510,564

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

21 RISK MANAGEMENT *(continued)*

21.3 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.

21.3.1 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 25 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
2013					
Customers' current, savings and deposit accounts	34,905,725	7,781,925	34,206	–	42,721,856
Other fund raising instruments	3,465	3,076,672	192,467	236,299	3,508,903
Debt securities in issue	–	261,817	1,189,664	216,783	1,668,264
Due to banks	25,988	47,361	–	–	73,349
Other liabilities	419,217	35,204	4,058	13,391	471,870
Total undiscounted financial liabilities	**35,354,395**	**11,202,979**	**1,420,395**	**466,473**	**48,444,242**

21 RISK MANAGEMENT *(continued)*

21.3 Liquidity risk *(continued)*

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

Financial liabilities – on statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
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	**29,676,139**	**10,449,331**	**903,027**	**1,334,268**	**42,362,765**

Financial liabilities – off statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2013					
Acceptances	228,434	291,558	173,097	32,561	725,650
Guarantees and indemnities	14,817	87,617	2,947	–	105,381
Letters of credit	65,707	45,196	–	–	110,903
Total	**308,958**	**424,371**	**176,044**	**32,561**	**941,934**
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**

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

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

21 RISK MANAGEMENT *(continued)*

21.4 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.

21.4.1 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.

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			
		2013		2012	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	**33,413**	**(33,413)**	26,858	(26,858)
US$ Instruments	+/- 50	**14,500**	**(14,500)**	12,281	(12,281)
BDS$ Instruments	+/- 50	**8,428**	**(8,428)**	7,851	(7,851)
Other currency Instruments	+/- 50	**512**	**(512)**	535	(535)

		Impact on equity			
		2013		2012	
	Change in basis points	Increase	Decrease	Increase	Decrease
TT$ Instruments	+/- 50	**(48,690)**	**50,631**	(41,797)	43,478
US$ Instruments	+/- 50	**(45,523)**	**46,813**	(34,807)	47,488
EC$ Instruments	+/- 25	**(91)**	**93**	(219)	221
BDS$ Instruments	+/- 50	**(11,367)**	**11,833**	(13,079)	13,598
Other currency Instruments	+/- 50	**(984)**	**313**	(585)	598

21 RISK MANAGEMENT *(continued)*

21.4 Market risk *(continued)*

21.4.2 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.

2013	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	317,926	41,139	105,080	62,238	526,383
Statutory deposits with Central Banks	3,501,454	–	318,703	512,443	4,332,600
Due from banks	4,723,162	3,232,411	3,132	1,278,371	9,237,076
Treasury Bills	3,549,106	–	910,074	1,263,896	5,723,076
Investment interest receivable	32,496	22,202	5,199	5,590	65,487
Advances	15,051,827	3,073,446	4,537,347	2,572,897	25,235,517
Investment securities	3,792,664	3,420,975	659,565	257,843	8,131,047
Total financial assets	**30,968,635**	**9,790,173**	**6,539,100**	**5,953,278**	**53,251,186**
Financial liabilities					
Due to banks	67	40,874	16,158	16,250	73,349
Customers' current, savings and deposit accounts	22,166,956	8,962,982	5,300,176	5,668,196	42,098,310
Other fund raising instruments	2,966,237	66,745	371,992	–	3,404,974
Debt securities in issue	1,229,058	–	–	–	1,229,058
Interest payable	20,874	3,782	24,016	3,294	51,966
Total financial liabilities	**26,383,192**	**9,074,383**	**5,712,342**	**5,687,740**	**46,857,657**
Net currency risk exposure		**715,790**	**826,758**	**265,538**	
Reasonably possible change in currency rate		**1%**	**1%**	**1%**	
Effect on profit before tax		**7,158**	**8,268**	**2,655**	

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

21 RISK MANAGEMENT *(continued)*

21.4 Market risk

21.4.2 Currency risk

2012	TTD	USD	BDS	Other	Total
Financial assets					
Cash and cash equivalents	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**
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**	

21.5 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.

22 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 $41.7 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 I) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier II) ratio of 8%. Core capital (Tier I) comprises mainly shareholders' equity.

Capital adequacy ratio

	2013	2012
Republic Bank Limited	**27.60%**	30.69%
Republic Finance and Merchant Bank Limited	**87.00%**	68.00%
Republic Bank (Cayman) Limited	**15.46%**	22.46%
Republic Bank (Grenada) Limited	**15.60%**	17.50%
Republic Bank (Guyana) Limited	**17.86%**	19.84%
Republic Bank (Barbados) Limited	**21.12%**	19.61%
Atlantic Financial Limited	**77.63%**	30.50%

At September 30, 2013 the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalised institutions.

23 FAIR VALUE

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

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

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

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

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

The fair values of the floating rate debt securities in issue are based on quoted market prices where available and where not available 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.

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

23 FAIR VALUE *(continued)*

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.

23.1 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)
2013			
Financial assets			
Cash, due from banks and Treasury Bills	15,486,535	15,486,535	–
Investment interest receivable	65,487	65,487	–
Advances	25,235,517	25,477,526	242,009
Investment securities	8,131,047	8,131,047	–
Other financial assets	288,532	288,532	–
Financial liabilities			
Customers' current, savings and deposit accounts	42,098,310	42,121,979	(23,669)
Borrowings and other fund raising instruments	3,478,323	3,478,323	–
Debt securities in issue	1,229,058	1,433,858	(204,800)
Accrued interest payable	51,966	51,966	–
Other financial liabilities	1,044,366	1,044,366	–
Total unrecognised change in unrealised fair value			**13,540**

	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	–

23 FAIR VALUE *(continued)*

23.1 Carrying values and fair values *(continued)*

	Carrying value	Fair value	Unrecognised gain/(loss)
2012			
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**

23.2 Fair value and fair value hierarchies

23.2.1 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.

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

23 FAIR VALUE *(continued)*

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

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

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

	2013 Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at fair value through profit or loss	–	–	1,200	1,200
Financial investments – available-for-sale	3,276,707	4,787,175	65,965	8,129,847
	3,276,707	**4,787,175**	**67,165**	**8,131,047**

	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**

23.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2013, no assets were transferred between Level 1 and Level 2.

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

2013	Balance at beginning of year	Exchange adjustments	Additions	Disposals	Balance at end of year
Financial assets designated at fair value through profit or loss	2,781	–	–	(1,581)	1,200
Financial investments – available-for-sale	65,965	–	–	–	65,965
	68,746	**–**	**–**	**(1,581)**	**67,165**

24 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
2013					
Net interest income	1,501,844	347,369	331,453	–	2,180,666
Other income	1,478,700	120,282	154,319	(496,702)	1,256,599
Share of losses of associates	(60,324)	–	–	–	(60,324)
Operating income	**2,920,220**	**467,651**	**485,772**	**(496,702)**	**3,376,941**
Investment impairment expense	(3,864)	(24,290)	(24,889)	–	(53,043)
Other operating expenses	(1,206,871)	(278,169)	(220,502)	19,261	(1,686,281)
Operating profit	**1,709,485**	**165,191**	**240,381**	**(477,441)**	**1,637,617**
Loan impairment expense, net of recoveries	(3,333)	(53,176)	(543)	–	(57,052)
Net profit before taxation	**1,706,152**	**112,016**	**239,838**	**(477,441)**	**1,580,565**
Taxation	(318,755)	(16,430)	(48,255)	–	(383,440)
Net profit after taxation	**1,387,397**	**95,586**	**191,583**	**(477,441)**	**1,197,125**
Investment in associated companies	445,377	–	–	–	445,377
Total assets	43,216,845	8,816,929	9,522,826	(3,993,585)	57,563,015
Total liabilities	36,334,550	7,352,552	7,549,275	(2,269,929)	48,966,448
Depreciation	102,121	30,485	21,603	–	154,209
Capital expenditure on premises and equipment	151,730	21,749	28,207	–	201,686

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

24 SEGMENTAL INFORMATION *(continued)*

i) By geographic segment *(continued)*

	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**
Investment impairment expense	(28,003)	–	(5,730)	–	(33,733)
Other operating expenses	(1,086,124)	(282,488)	(225,669)	10,078	(1,584,203)
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)
Net profit before taxation	**1,291,746**	**137,893**	**232,713**	**(128,213)**	**1,534,139**
Taxation	(255,267)	(17,066)	(35,201)	–	(307,534)
Net 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

24 SEGMENTAL INFORMATION *(continued)*

ii) By class of business

	Retail and commercial banking	Investment banking	Eliminations	Total
2013				
Net interest income	1,900,901	279,765	–	2,180,666
Other income	1,672,773	80,528	(496,702)	1,256,599
Share of losses of associates	(60,324)	–	–	(60,324)
Operating income	**3,513,350**	**360,293**	**(496,702)**	**3,376,941**
Investment impairment expense	(51,751)	(1,292)	–	(53,043)
Other operating expenses	(1,668,731)	(36,812)	19,262	(1,686,281)
Operating profit	**1,792,868**	**322,189**	**(477,440)**	**1,637,617**
Loan impairment expense, net of recoveries	(69,145)	12,093	–	(57,052)
Net profit before taxation	**1,723,723**	**334,282**	**(477,440)**	**1,580,565**
Taxation	(346,359)	(37,081)	–	(383,440)
Net profit after taxation	**1,377,364**	**297,201**	**(477,440)**	**1,197,125**
Investment in associated companies	445,377	–	–	445,377
Total assets	52,420,750	9,135,850	(3,993,585)	57,563,015
Total liabilities	44,307,699	6,928,678	(2,269,929)	48,966,448
Depreciation	153,831	378	–	154,209
Capital expenditure on premises and equipment	201,502	184	–	201,686

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

24 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**
Investment impairment expense	(9,406)	(24,327)	–	(33,733)
Other operating expenses	(1,547,538)	(46,743)	10,078	(1,584,203)
Operating profit	**1,470,542**	**295,411**	**(128,213)**	**1,637,740**
Loan impairment expense, net of recoveries	(115,806)	12,205	–	(103,601)
Net profit before taxation	**1,354,736**	**307,616**	**(128,213)**	**1,534,139**
Taxation	(276,685)	(30,849)	–	(307,534)
Net 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 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 21.3 – "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	Within one year	After one year	Total
2013			
ASSETS			
Cash and cash equivalents	526,383	–	526,383
Statutory deposits with Central Banks	4,332,600	–	4,332,600
Due from banks	9,237,076	–	9,237,076
Treasury Bills	5,723,076	–	5,723,076
Investment interest receivable	63,979	1,508	65,487
Advances	6,786,405	18,449,112	25,235,517
Investment securities	1,898,347	6,232,700	8,131,047
Investment in associated companies	–	445,377	445,377
Premises and equipment	96	1,583,918	1,584,014
Goodwill	–	485,971	485,971
Net pension asset	–	1,275,093	1,275,093
Deferred tax assets	6,031	105,487	111,518
Taxation recoverable	17,497	29,537	47,034
Other assets	306,392	56,430	362,822
	28,897,882	**28,665,133**	**57,563,015**
LIABILITIES			
Due to banks	73,349	–	73,349
Customers' current, savings and deposit accounts	41,973,044	125,266	42,098,310
Other fund raising instruments	3,052,020	352,954	3,404,974
Debt securities in issue	150,000	1,079,058	1,229,058
Net pension liability	–	20,150	20,150
Provision for post-retirement medical benefits	–	209,330	209,330
Taxation payable	160,992	–	160,992
Deferred tax liabilities	24,795	462,579	487,374
Accrued interest payable	51,556	410	51,966
Other liabilities	1,031,602	199,343	1,230,945
	46,517,358	**2,449,090**	**48,966,448**

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

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

	Within one year	After one year	Total
2012			
ASSETS			
Cash and cash equivalents	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 EQUITY COMPENSATION BENEFITS

a) Profit sharing scheme

During the 2013 financial year, no advances were made by Republic Bank (the Parent) to the staff profit sharing scheme (2012: $0 million). It is estimated that approximately $94 million (2012: $91.0 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 $104.7 million (2012: $103.2 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 is outlined below.

	Weighted average exercise price		Number of shares	
	2013	2012	2013	2012
At the beginning of the year	**$82.14**	$83.63	**1,773,899**	1,636,752
Granted	**$92.67**	$72.99	**388,571**	461,131
Exercised	**$83.87**	$76.66	**(181,768)**	(323,984)
At end of year	**$84.04**	$82.14	**1,980,702**	1,773,899
Exercisable at end of year	**$84.42**	$83.98	**955,785**	1,103,956

Expiry date	Exercise price	2013	2012
15-Dec-15	$78.78	**139,816**	153,040
20-Dec-16	$90.19	**213,036**	244,627
20-Dec-17	$86.75	**260,049**	296,993
20-Dec-18	$80.00	**245,114**	304,816
20-Dec-19	$101.80	**11,876**	11,876
21-Feb-21	$85.94	**340,681**	352,966
3-Feb-22	$72.99	**395,405**	409,581
30-Jan-23	$92.67	**374,725**	–
		1,980,702	**1,773,899**

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

26 EQUITY COMPENSATION BENEFITS *(continued)*

b) Stock option plan *(continued)*

As at September 30, 2013, none (2012: 11,876) 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 has been determined using a binomial option-pricing model. The assumptions used in the calculation of the fair value are as follows:

Grant date	December 19, 2012 to January 30, 2013
Number granted	388,571
Exercise price	$92.67
Share price at grant date	$105.50 to $106.00
Risk free interest rate	2.5% per annum
Expected volatility	15.0% per annum
Dividend yield	3.75% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	$18.45 to $18.82

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 $85.08. For options outstanding at September 30, 2013 the exercise price ranged from $72.99 to $101.80 and the weighted average remaining contractual life was 9.0 years.

The total expense for the share option plan was $6.538 million (2012: $6.821 million).

27 DIVIDENDS PAID AND PROPOSED

	2013	2012
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2012: $3.00 (2011: $2.75)	482,834	441,695
First dividend for 2013: $1.25 (2012: $1.25)	200,194	201,124
Total dividends paid	683,028	642,819
Proposed for approval at Annual General meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2013: $3.00 (2012: $3.00)	483,333	482,787

28 CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2013 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

	2013	2012
Acceptances	725,650	840,619
Guarantees and indemnities	105,381	106,446
Letters of credit	110,903	127,765
	941,934	1,074,830

c) Sectoral information

	2013	2012
State	101,043	41,504
Corporate and commercial	612,046	927,459
Personal	23,343	21,933
Other financial institutions	183,260	64,109
Other	22,242	19,825
	941,934	1,074,830

d) Pledged assets

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

	Carrying amount		Related liability	
	2013	2012	2013	2012
Financial investments – available-for-sale	3,175,602	2,291,011	3,105,856	2,003,645
	3,175,602	2,291,011	3,105,856	2,003,645

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.

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

29 SUBSIDIARY COMPANIES

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

29 SUBSIDIARY COMPANIES *(continued)*

On September 6, 2013, a new subsidiary, Republic Wealth Management Limited, was registered. Subject to approval by the Trinidad and Tobago Securities and Exchange Commission, this company will be offering Investment Advisory Services.