

numbers to count on



Contents

Independent Auditors' Report	5
Consolidated Balance Sheet	6
Consolidated Statement of Income	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	12
1 Corporate Information	12
2 Significant Accounting Policies	12
a) Basis of preparation	12
b) Future changes in accounting policies	12
c) Basis of consolidation	14
d) Cash and cash equivalents	14
e) Statutory deposits with Central Banks	15
f) Derivative financial instruments	15
g) Financial instruments	16
h) Impairment of financial assets	17
i) Finance leases	18
j) Premises and equipment	18
k) Goodwill	19
l) Employee benefits	19
m) Taxation	20
n) Statutory reserves	21
o) Fiduciary assets	21
p) Earnings per share	21
q) Foreign currency translation	22
r) Interest income and expense	22
s) Fee and commission income	22
t) Segment reporting	23
u) Comparative information	23
3 Significant accounting judgements and estimates in applying the Group's accounting policies	23

4	Advances	25
5	Investment securities	28
6	Investments in associated companies	29
7	Premises and equipment	31
8	Goodwill	33
9	Employee benefits	34
10	Deferred tax assets and liabilities	37
11	Other assets	38
12	Due to banks	38
13	Customers' current, savings and deposit accounts	39
14	Other fund raising instruments	39
15	Debt securities in issue	39
16	Other liabilities	41
17	Stated capital	41
18	Other reserves	42
19	Operating profit	43
20	Taxation expense	45
21	Related parties	45
22	Risk management	47
23	Capital management	68
24	Fair value	69
25	Segmental information	73
26	Maturity analysis of assets and liabilities	77
27	Equity compensation benefits	79
28	Dividends paid and proposed	81
29	Contingent liabilities	81
30	Sale of Republic Bank (DR), S.A.	82
31	Merger between Republic Bank Limited and Republic Finance & Merchant Bank Limited	83
32	Subsidiary companies	83

Independent Auditors' Report

TO THE SHAREHOLDERS OF REPUBLIC BANK LIMITED

We have audited the consolidated financial statements of Republic Bank Limited and its Subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 30th September, 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

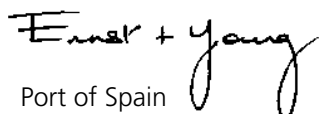
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30th September, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

Port of Spain

TRINIDAD:

5th November, 2008

Consolidated Balance Sheet

at 30th September, 2008

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

	Notes	2008	2007
ASSETS			
Cash		443,295	325,993
Statutory deposits with Central Banks		2,717,916	2,051,764
Due from banks		4,052,117	3,701,158
Treasury bills		1,862,894	1,495,999
Bills discounted		765,745	457,267
Investment interest receivable		111,034	146,775
Advances	4	22,841,399	19,917,392
Investment securities	5	5,058,584	5,388,286
Non-current assets held for sale	30	-	586,902
Investment in associated companies	6	226,995	207,428
Premises and equipment	7	1,300,274	1,081,842
Goodwill	8	487,500	487,500
Net pension asset	9	1,090,852	1,015,807
Deferred tax assets	10	100,552	110,176
Taxation recoverable		35,069	44,335
Other assets	11	472,474	343,521
TOTAL ASSETS		41,566,700	37,362,145

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

	Notes	2008	2007
LIABILITIES & EQUITY			
LIABILITIES			
Due to banks	12	403,297	600,570
Customers' current, savings and deposit accounts	13	27,483,709	24,245,419
Other fund raising instruments	14	4,210,114	4,463,646
Debt securities in issue	15	1,531,111	766,738
Non-current liabilities held for sale	30	-	524,158
Provision for post-retirement medical benefits	9	115,011	95,380
Taxation payable		175,875	125,522
Deferred tax liabilities	10	377,188	348,075
Accrued interest payable		210,112	204,244
Other liabilities	16	1,008,993	700,965
TOTAL LIABILITIES		35,515,410	32,074,717
EQUITY			
Stated capital	17	568,747	552,486
Statutory reserves		426,180	308,608
Other reserves	18	185,577	187,850
Retained earnings		4,378,099	3,812,929
Attributable to equity holders of the parent		5,558,603	4,861,873
Minority interest		492,687	425,555
TOTAL EQUITY		6,051,290	5,287,428
TOTAL LIABILITIES & EQUITY		41,566,700	37,362,145

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

These financial statements were approved by the Board of Directors on 5th November, 2008 and signed on its behalf by:

R. F. deC. Harford
Chairman

D. J. Dulal-Whiteway
Managing Director

George L. Lewis
Director

J. H.C. Quamina
Corporate Secretary

Consolidated Statement of Income

for the year ended 30th September, 2008

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

	Notes	2008	2007
Interest income	19 (a)	3,106,036	2,713,447
Interest expense	19 (b)	(1,122,201)	(1,046,996)
Net interest income		1,983,835	1,666,451
Other income	19 (c)	994,128	953,178
		2,977,963	2,619,629
Allocation of Visa Inc. shares	19 (d)	112,050	-
Gain on FirstCaribbean shares		-	370,187
		3,090,013	2,989,816
Loan impairment expense	4 (b)	(34,390)	(91,816)
Operating expenses	19 (e)	(1,435,349)	(1,204,881)
Operating profit		1,620,274	1,693,119
Share of profits of associated companies	6	40,766	32,060
Profit before taxation		1,661,040	1,725,179
Taxation - Current		(341,275)	(244,768)
- Deferred		(13,077)	(13,417)
Total taxation expense	20	(354,352)	(258,185)
Loss on discontinued operations	30	(2,552)	(41,189)
Net profit after taxation		1,304,136	1,425,805
<i>Attributable to:</i>			
Equity holders of the parent		1,203,890	1,335,689
Minority interest		100,246	90,116
		1,304,136	1,425,805
Earnings per share (\$)			
Basic		\$7.51	\$8.34
Diluted		\$7.50	\$8.33
Weighted average number of shares ('000)			
Basic		160,295	160,090
Diluted		160,538	160,377

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

Consolidated Statement of Changes in Equity

for the year ended 30th September, 2008

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

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Minority interest	Total equity
Balance at 1st October, 2006	537,104	300,637	596,079	2,956,338	4,390,158	384,800	4,774,958
Realized gains transferred to net profit	-	-	(416,782)	-	(416,782)	-	(416,782)
Revaluation of available-for-sale investments	-	-	(57,135)	-	(57,135)	(14,360)	(71,495)
Revaluation - derivatives	-	-	(2,380)	-	(2,380)	-	(2,380)
Translation adjustments	-	-	12,969	-	12,969	4,057	17,026
Share of changes recognized directly in associate's equity	-	-	9,639	-	9,639	-	9,639
Total income and expense for the year recognized directly in equity	-	-	(453,689)	-	(453,689)	(10,303)	(463,992)
Profit for the year	-	-	-	1,335,689	1,335,689	90,116	1,425,805
Total income and expense for the year	-	-	(453,689)	1,335,689	882,000	79,813	961,813
Issue of shares	6,172	-	-	-	6,172	-	6,172
Share-based payment	9,210	-	-	-	9,210	-	9,210
Transfer to general contingency reserve	-	-	43,822	(43,822)	-	-	-
Transfer to statutory reserves	-	7,971	-	(7,971)	-	-	-
Other	-	-	1,638	-	1,638	-	1,638
Dividends	-	-	-	(427,305)	(427,305)	-	(427,305)
Dividends paid to minorities	-	-	-	-	-	(39,058)	(39,058)
Balance at 30th September, 2007	552,486	308,608	187,850	3,812,929	4,861,873	425,555	5,287,428
Realized gains transferred to net profit	-	-	(3,823)	-	(3,823)	690	(3,133)
Revaluation of available-for-sale investments	-	-	6,743	-	6,743	15,059	21,802
Translation adjustments	-	-	(16,803)	-	(16,803)	(5,682)	(22,485)
Share of changes recognized directly in associate's equity	-	-	(136)	-	(136)	-	(136)
Total income and expense for the year recognized directly in equity	-	-	(14,019)	-	(14,019)	10,067	(3,952)
Profit for the year	-	-	-	1,203,890	1,203,890	100,246	1,304,136
Total income and expense for the year	-	-	(14,019)	1,203,890	1,189,871	110,313	1,300,184
Issue of shares	9,157	-	-	-	9,157	-	9,157
Share-based payment	7,104	-	-	-	7,104	-	7,104
Transfer to general contingency reserve	-	-	22,084	(22,084)	-	-	-
Transfer to statutory reserves	-	117,572	-	(117,572)	-	-	-
Other	-	-	(10,338)	5,644	(4,694)	-	(4,694)
Dividends	-	-	-	(504,708)	(504,708)	-	(504,708)
Dividends paid to minorities	-	-	-	-	-	(43,181)	(43,181)
Balance at 30th September, 2008	568,747	426,180	185,577	4,378,099	5,558,603	492,687	6,051,290

Consolidated Statement of Cash Flows

for the year ended 30th September, 2008

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

	2008	2007
Operating activities		
Profit before taxation	1,661,040	1,725,179
Adjustments for:		
Depreciation	104,017	87,452
Loan impairment expense	34,390	91,816
Translation difference	4,312	919
Gain on sale of premises and equipment	(4,768)	(19,530)
Revaluation (gain)/loss on investment securities	(62,228)	39,733
Share of profits of associated companies	(40,766)	(32,060)
Stock option expense	7,104	9,210
Increase in employee benefits	(55,414)	(76,401)
Increase in advances	(2,958,287)	(3,063,051)
Increase in customers' deposits and other fund raising instruments	3,015,994	3,058,675
Increase in statutory deposits with Central Banks	(666,152)	(494,532)
(Increase)/decrease in other assets and investment interest receivable	(135,715)	1,365
(Decrease)/increase in other liabilities and accrued interest payable	(207,299)	104,596
Corporation taxes paid, net of refund	(279,954)	(265,127)
Cash used in operating activities of discontinued operations	-	(644,719)
Cash provided by operating activities	416,274	523,525
Investing activities		
Purchase of investment securities	(1,696,703)	(2,955,329)
Redemption of investment securities	2,610,289	3,031,588
Acquisition of subsidiaries, net of cash acquired	(6,101)	-
Net cash outflow from the purchase of interests in associated companies	-	(46,519)
Dividends from associated companies	21,063	6,475
Additions to premises and equipment	(395,810)	(176,762)
Proceeds from sale of premises and equipment	73,396	27,835
Cash provided by investing activities of discontinued operations	-	452,180
Cash provided by investing activities	606,134	339,468

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

	2008	2007
Financing activities		
Decrease in balances due to other banks	(197,273)	(615,386)
Repayment of debt securities	(43,399)	(12,138)
Proceeds from bond issue	776,535	-
Proceeds from share issue	9,157	6,172
Dividends paid to shareholders of the parent	(504,708)	(427,305)
Dividends paid to minority shareholders of the subsidiaries	(43,181)	(39,058)
Cash used in financing activities of discontinued operations	-	(3,525)
Cash used in financing activities	(2,869)	(1,091,240)
Net increase/(decrease) in cash and cash equivalents	1,019,539	(228,247)
Net foreign exchange difference	10,791	(20,308)
Cash and cash equivalents at beginning of year	5,369,475	5,618,030
Cash and cash equivalents at end of year	6,399,805	5,369,475
Cash and cash equivalents at end of year are represented by:		
Cash on hand	443,295	325,993
Due from banks	4,052,117	3,701,158
Treasury bills - original maturities of three months or less	800,967	676,798
Bills discounted	765,745	457,267
Bankers' acceptances - original maturities of three months or less	337,681	208,259
	6,399,805	5,369,475
Supplemental information:		
Interest received during the year	3,141,777	2,764,986
Interest paid during the year	1,116,333	1,042,259
Dividends received	2,711	21,265

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

1 Corporate information

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

The Republic Bank Group (the 'Group') is a financial services group comprising fifteen (15) subsidiaries and four (4) associated companies. The Group is engaged in a wide range of banking, financial and related activities in Trinidad and Tobago and the Caribbean. A full listing of the Group's subsidiary companies is detailed in note 32 while associate companies are listed in note 6.

The CL Financial Group holds through its various subsidiaries 54.78% of the shares 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 financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale and at fair value through profit or loss and derivative financial instruments. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in note 3.

b) Changes in accounting policies

i) New accounting policies adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended September 30, 2007 except for the adoption of new standards and interpretations noted below:

IAS 1 Amendment – Capital disclosures (effective January 1, 2007)

The Group adopted the amendment to IAS 1 on October 1, 2007. This amendment requires the Group to make new disclosures to evaluate the Group's objectives, policies and processes for managing capital. The adoption of this standard has had no quantitative impact on the financial statements but have impacted disclosure requirements in these annual financial statements for the years ended September 30, 2007 and 2008.

2 Significant accounting policies (continued)

b) Changes in accounting policies (continued)

i) New accounting policies adopted (continued)

IFRS 7 - Financial Instruments: Disclosures (effective January 1, 2007)

The Group adopted IFRS 7 on October 1, 2007. This standard requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. It replaces IAS 30, 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions', and the disclosure requirements in IAS 32, 'Financial Instruments: Disclosure and Presentation'. The adoption of this standard has had no quantitative impact on the financial statements but have impacted disclosure requirements in these annual financial statements for the years ended September 30, 2007 and 2008.

IFRIC 10 - Interim Financial Reporting and Impairment (effective January 1, 2007)

This interpretation requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

IFRIC 11 - IFRS 2 - Group Treasury Share Transactions (effective January 1, 2007)

This interpretation requires that when an employee is granted rights to an entity's equity instruments it is to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

ii) Standards in issue not yet effective

The Group has not early adopted the following new and revised IFRS's and IFRIC Interpretations that have been issued but are not yet effective. These standards/interpretations either do not apply to the activities of the Group or have no material impact on its financial statements:

IAS 23 - Borrowing Costs - Revised (effective January 1, 2009)

IAS 27 - Consolidated and Separate Financial Statements - Revised (effective January 1, 2009)

IAS 32 - Financial Instrument : Presentation - Revised (effective January 1, 2009)

IFRS 2 - Share-based payment - Revised (effective January 1, 2009)

IFRS 3 - Business Combinations - Revised (effective July 1, 2009)

IFRS 8 - Operating Segments (effective January 1, 2009)

IFRIC 12 - Service Concession Arrangements (effective January 1, 2008)

IFRIC 13 - Customer Loyalty Programmes (effective July 1, 2008)

IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 1, 2008)

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

2 Significant accounting policies *(continued)*

c) Basis of consolidation

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

All inter-company balances and transactions, including unrealized profits arising from intra-group transactions have been eliminated in full. Unrealized 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.

Minority interest represents the portion of the profit and net assets not owned, directly or indirectly, by the Bank and are presented separately in the statement of income and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investments in associates are accounted for under the equity method of accounting. The investments in associates are carried in the balance sheet at cost plus post acquisition changes in the Group's share of the associates' net assets, less any impairment in value. The 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 statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash at hand and at bank, treasury bills, bills discounted 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, 1993, 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.

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 Central Bank of Guyana statutory reserve balances in relation to the deposit liabilities of the institution.

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

(f) Derivative financial instruments

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

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

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

- i) At inception of the hedge, there is formal documentation of the hedge, the relationship between hedging instruments and hedged items, and the Group's risk management objective and strategy in undertaking the hedge.
- ii) The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

2 Significant accounting policies (continued)

g) Financial instruments

The Group's financial assets and financial liabilities are recognized in the balance sheet when it becomes party to the contractual obligation of the instrument. A financial asset is derecognized 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 derecognized when the obligation under the liability is discharged, cancelled or expires. All 'regular way' purchases and sales are recognized at settlement date.

i) Advances

Advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment - available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, advances are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized 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 amortization is included in 'Interest income' in the income statement. The losses arising from impairment are recognized in the statement of income in 'loan impairment expense'.

ii) Investment securities

- *At fair value through profit or loss*

Financial assets are classified in this category if they are either acquired for the purpose of selling in the short term or if so designated by management. Securities held as financial assets at fair value through profit or loss are initially recognized at fair value plus transaction costs and are continuously measured at fair value based on quoted market prices where available, or discounted cash flow models. All gains and losses realized and unrealized from trading securities and those designated at fair value through profit or loss are reported in other income. Interest and dividends earned whilst holding trading securities and those designated at fair value through profit or loss are reported in interest income.

2 Significant accounting policies *(continued)*

g) Financial instruments *(continued)*

- Available-for-sale

Available-for-sale investments are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale securities are initially recognized 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. Fair values for unquoted equity instruments or unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income. When securities become impaired, the related accumulated fair value adjustments previously recognized in equity are included in the statement of income as an impairment expense on investment securities.

- Held to maturity

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

iii) Debt securities and other fund raising instruments

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

h) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

2 Significant accounting policies *(continued)*

h) Impairment of financial assets *(continued)*

i) Advances

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

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

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

ii) Investment securities

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

i) Finance leases

Finance charges on leased assets are taken into income using the amortization 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 balance sheet under advances.

j) Premises and equipment

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

Subsequent costs are included in the asset's carrying amount or are recognized 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 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 balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

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

2 Significant accounting policies *(continued)*

j) Premises and equipment *(continued)*

The depreciation rates used are as follows: -

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

k) Goodwill

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 recognized.

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 recognized immediately in the statement of income as a credit to other income.

l) Employee benefits

i) Pension obligations

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

Annually, the 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 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 recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation and the fair value of plan assets. These gains or losses are recognized by amortizing them over the average remaining working lifetime of employees.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

2 Significant accounting policies *(continued)*

l) Employee benefits *(continued)*

i) Pension obligations *(continued)*

The above accounting requirement in no way affects the pension plans which continue to be governed by the approved Trust Deed and Rules and remain under the full control of the appointed Trustees.

The full results of the valuation exercise are disclosed in note 9 to these financial statements.

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

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

m) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

2 Significant accounting policies *(continued)*

n) Statutory reserves

The Trinidad and Tobago Financial Institutions Act 1993 requires that a minimum of 10% of the net profit after deduction of taxes in each year be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital.

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

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

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

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

o) Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these financial statements as they are not the assets of the Group. These assets under administration at 30th September, 2008 totalled \$32.2 billion (2007: \$26.2 billion).

p) Earnings per share

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

2 Significant accounting policies *(continued)*

q) Foreign currency translation

The individual financial statements of each Group entity is presented in the currency of the primary economic environment, in which the entity operates (its functional currency). The consolidated financial statements are expressed in Trinidad & 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 30th September, 2008. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of income.

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

On consolidation, exchange differences arising from the translation of pre-acquisition reserves of the subsidiaries are recorded within capital reserves in shareholders' equity.

r) Interest income and expense

Interest income and expense are recognized in the statement of income for all interest-bearing instruments on an accrual basis using the effective interest yield method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

s) Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognized 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 recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees related to investment funds are recognized over the period the service is provided.

2 Significant accounting policies *(continued)*

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 analyzes 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) Comparative information

Certain changes in presentation have been made in these financial statements. These changes were primarily made in order to facilitate the implementation of IFRS 7. These changes had no effect on the operating results, profit after tax or earnings per share of the Group for the previous year.

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

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

Impairment of financial assets

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

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

Valuation of investments

The Group has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unquoted equity instruments and 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.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

3 Significant accounting judgements and estimates in applying the Group's accounting policies (*continued*)

Net pension asset / liability

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 Plan. These are detailed in note 9 – Employee benefits.

Goodwill

The Group financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at 30th September, 2008 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

Deferred taxes

In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

Fixed assets

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

4 Advances

a) Advances

	2008	2007
Retail lending	4,756,140	4,329,250
Commercial & Corporate loans	13,307,178	12,085,156
Mortgages	5,270,821	4,155,485
	23,334,139	20,569,891
Unearned interest	(470,037)	(507,629)
Accrued interest	204,744	138,263
	23,068,846	20,200,525
Allowance for impairment losses - note 4 (b)	(227,447)	(283,133)
Advances	22,841,399	19,917,392

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 realizable 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.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

4 Advances (continued)

b) Allowance for impairment losses (continued)

(i) Impairment assessment (continued)

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.

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

	2008			
	Retail lending	Corporate & Commercial lending	Mortgages	Total
Balance brought forward	81,314	196,744	5,075	283,133
Translation adjustment	(642)	(543)	(48)	(1,233)
Charge-offs and write-offs	(31,131)	(57,567)	(145)	(88,843)
Loan impairment expense	44,947	38,657	3,905	87,509
Loan impairment recoveries	(7,721)	(43,322)	(2,076)	(53,119)
Balance carried forward	86,767	133,969	6,711	227,447
Individual impairment	68,886	123,267	6,711	198,864
Collective impairment	17,881	10,702	-	28,583
	86,767	133,969	6,711	227,447
Gross amount of loans individually determined to be impaired, before deducting any allowance	88,034	291,468	37,821	417,322

4 Advances (continued)

b) Allowance for impairment losses (continued)

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

	2007			
	Retail lending	Corporate & Commercial lending	Mortgages	Total
Balance brought forward	64,338	208,634	8,785	281,757
Translation adjustment	-	1,371	-	1,371
Charge-offs and write-offs	(15,519)	(30,877)	(902)	(47,298)
Loan impairment expense	34,590	73,996	1,229	109,815
Loan impairment recoveries	(2,095)	(11,867)	(4,037)	(17,999)
Provision for loan losses - reclassified to discontinued operations	-	(44,513)	-	(44,513)
Balance carried forward	81,314	196,744	5,075	283,133
Individual impairment	61,516	190,283	5,075	256,874
Collective impairment	19,798	6,461	-	26,259
	81,314	196,744	5,075	283,133
Gross amount of loans individually determined to be impaired, before deducting any allowance	75,940	363,405	29,657	469,002

- c) The undiscounted fair value of collateral that the Group holds relating to loans individually determined to be impaired at 30 September 2008 amounts to \$483 million (2007: \$451 million). The collateral consists of cash, securities and properties.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

4 Advances (continued)

d) Net investment in leased assets included in advances

	2008	2007
Gross investment	900,466	963,477
Unearned finance charge	(314,433)	(324,122)
	586,033	639,355
Provision for loan losses	-	-
Net investment in leased assets	586,033	639,355

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

	2008	2007
Within one year	34,282	33,730
One to five years	219,536	339,570
Over five years	332,215	266,055
	586,033	639,355

5 Investment securities

a) Available-for-sale

	2008	2007
Government securities	1,765,787	2,061,463
State owned company securities	1,187,324	1,191,177
Corporate bonds/debentures	1,064,995	1,244,191
Bankers' acceptances	513,909	474,437
Equities and mutual funds	334,389	192,918
	4,866,404	5,164,186

5 Investment securities (continued)

	2008	2007
b) Held to maturity		
Government securities	7,284	7,267
State owned company securities	175,541	185,588
Corporate bonds/debentures	-	11,641
	182,825	204,496
c) At fair value through profit or loss		
Held for trading		
Quoted securities	9,355	19,604
	9,355	19,604
Total investment securities	5,058,584	5,388,286

6 Investment in associated companies

	2008	2007
Balance at beginning of year	207,428	125,685
Share of current year profit	40,766	32,060
Dividends received	(21,063)	(6,475)
Increase in shareholding	-	46,519
Share of revaluation reserves	(136)	9,639
Balance at end of year	226,995	207,428

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

Total assets	7,127,420	6,519,730
Total liabilities	6,071,182	5,531,870
Net assets	1,056,238	987,860

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

6 Investment in associated companies *(continued)*

	2008	2007
Group's share of associates' net assets	226,995	207,428
Revenue	701,470	647,346
Profit for the period	197,349	161,311
Group's share of associates' profit for the period	40,766	32,060

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

	Country of incorporation	Proportion of issued capital held
G4S Holdings (Trinidad) Limited	Trinidad and Tobago	24.50%
InfoLink Services Limited	Trinidad and Tobago	25%
The Home Mortgage Bank Limited	Trinidad and Tobago	24%
East Caribbean Financial Holding Company Limited	St. Lucia	20%

7 Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
2008					
Cost					
At beginning of year	126,554	758,995	117,470	840,071	1,843,090
Exchange and other adjustments	(517)	(4,134)	(94)	(4,281)	(9,026)
Additions at cost	166,831	81,577	6,654	141,881	396,943
Disposal/transfer of assets	(67,992)	5,728	-	(31,897)	(94,161)
	224,876	842,166	124,030	945,774	2,136,846
Accumulated depreciation					
At beginning of year	-	95,745	82,687	582,816	761,248
Exchange and other adjustments	-	(377)	(84)	(2,668)	(3,129)
Charge for the year	-	11,402	5,161	87,454	104,017
Disposal of assets	-	(267)	-	(25,297)	(25,564)
	-	106,503	87,764	642,305	836,572
Net book value	224,876	735,663	36,266	303,469	1,300,274

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

7 Premises and equipment *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
2007					
Cost					
At beginning of year	66,379	796,359	114,284	788,296	1,765,318
Exchange and other adjustments	2,637	5,616	(1,305)	(235)	6,713
Additions at cost	75,800	15,195	4,491	81,276	176,762
Disposal/transfer of assets	(18,262)	(58,175)	-	(29,266)	(105,703)
	126,554	758,995	117,470	840,071	1,843,090
Accumulated depreciation					
At beginning of year	-	97,629	74,401	560,493	732,523
Exchange and other adjustments	-	138	(611)	80	(393)
Charge for the year	-	7,398	8,897	71,157	87,452
Disposal of assets	-	(9,420)	-	(48,914)	(58,334)
	-	95,745	82,687	582,816	761,248
Net book value	126,554	663,250	34,783	257,255	1,081,842

Capital commitments

	2008	2007
Contracts for outstanding capital expenditure not provided for in the financial statements	225,394	237,586
Other capital expenditure authorized by the Directors but not yet contracted for	13,843	119,698

8 Goodwill

	2008	2007
Goodwill on acquisition brought forward	487,500	487,500
Translation adjustment	-	-
Goodwill on acquisitions made during the year	-	-
Goodwill written off	-	-
	487,500	487,500

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was primarily generated from the acquisitions of Republic Bank (Cayman) Limited, Barbados National Bank Inc. and Republic Bank (Guyana) Limited. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at 30th September, 2008 using the 'value in use' method. Based on the results of this review, no impairment expense was required.

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

	Republic Bank (Cayman) Limited TT\$ million	Barbados National Bank Inc. TT\$ million	Republic Bank (Guyana) Limited TT\$ million
Carrying amount of goodwill	64	330	93
Basis for recoverable amount	Value in use	Value in use	Value in use
Discount rate	8%	10%	18%
Cash flow projection term	Three years	Three years	Three years
Growth rate (extrapolation period)	5%	5%	5%

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

9 Employee benefits

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2008	2007	2008	2007
Opening defined benefit obligation	1,603,923	1,471,538	100,364	91,830
Exchange adjustments	(3,628)	2,602	(1,521)	56
Current service cost	62,953	58,452	5,639	5,260
Interest cost	138,886	122,458	8,538	7,916
Members' contributions	661	664	-	-
Past service cost	44,908	1,458	-	-
Actuarial gains/ (losses) on obligations	310,825	(8,783)	18,825	(3,448)
Benefits paid	(51,227)	(43,811)	-	-
Expense allowance	(683)	(655)	-	-
Premiums paid by the Group	-	-	(1,383)	(1,250)
Closing defined benefit obligation	2,106,618	1,603,923	130,462	100,364

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

	Defined benefit pension plans	
	2008	2007
Opening fair value of plan assets	2,878,934	2,608,020
Exchange adjustments	(2,937)	2,155
Expected return	288,522	260,036
Actuarial gains	12,287	38,544
Contributions by employer	14,326	13,981
Members' contributions	661	664
Benefits paid	(51,227)	(43,811)
Expense allowance	(683)	(655)
Closing fair value of plan assets	3,139,883	2,878,934

9 Employee benefits (continued)

c) The amounts recognized in the balance sheet are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2008	2007	2008	2007
Defined benefit obligation	(2,106,618)	(1,603,923)	(130,462)	(100,364)
Fair value of plan assets	3,139,883	2,878,934	-	-
	1,033,265	1,275,011	(130,462)	(100,364)
Unrecognized portion	71,793	(226,616)	24,319	4,984
Unutilizable surplus	(14,206)	(32,588)	(8,868)	-
Net asset/(liability) recognized in the balance sheet	1,090,852	1,015,807	(115,011)	(95,380)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2008	2007	2008	2007
Current service cost	62,953	58,452	5,936	5,260
Interest on defined benefit obligation	138,886	122,458	9,178	7,916
Expected return on plan assets	(288,522)	(260,036)	-	-
Amortized net gain	796	798	-	-
Past service cost	44,908	1,458	-	-
Unutilizable (surplus)/deficit	(19,584)	2,366	-	-
Total included in staff costs	(60,563)	(74,504)	15,114	13,176

e) Actual return on plan assets

	Defined benefit pension plans	
	2008	2007
Expected return on plan assets	288,522	260,036
Actuarial gain on plan assets	4,093	38,544
Actual return on plan assets	292,615	298,580

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

9 Employee benefits (continued)

f) Experience history

	Defined benefit pension plans		Post-retirement medical benefits	
	2008	2007	2008	2007
Defined benefit obligation	2,106,618	1,603,923	130,462	100,364
Plan assets	(3,139,883)	(2,878,934)	-	-
(Deficit)/surplus	(1,033,265)	(1,275,011)	130,462	100,364
Experience adjustments on plan liabilities	(23,914)	(15,914)	6,031	(3,448)
Experience adjustments on plan assets	24,296	38,341	-	-

g) The Group expects to contribute \$14.5 million to the plan in the 2009 financial year.

h) The principal actuarial assumptions used were as follows:

	2008	2007
	%	%
Discount rate	5.50 - 9.00	5.50 - 8.75
Rate of salary increase	2.50 - 9.00	3.50 - 7.50
Pension increases	7.00	3.00 - 6.00
Medical cost trend rates	6.00 - 8.00	6.00
Expected return on plan assets	7.00 - 10.00	7.00 - 10.30
NIS ceiling rates	4.00 - 5.00	5.00 - 7.00

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

9 Employee benefits (continued)

i) Plan asset allocation as at September 30th

	Defined benefit pension plans	
	2008	2007
	%	%
Equity securities	45.15	48.94
Debt securities	33.07	34.04
Property	0.28	0.28
Money market instruments/cash	21.50	16.74
Total	100.00	100.00

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

Effect on	Aggregate service and interest costs	Year-end defined benefit obligation
Medical expense increase by 1% pa	17,940	161,895
Medical expense decrease by 1% pa	10,671	101,345

10 Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a) Deferred tax assets

	2008	2007
Pension liability	31,713	27,437
Leased assets	26,331	25,321
Unrealized reserve	23,136	47,041
Unearned loan origination fees	19,372	10,377
	100,552	110,176

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

10 Deferred tax assets and liabilities *(continued)*

b) Deferred tax liabilities

	2008	2007
Pension asset	276,814	255,388
Leased assets	54,219	53,144
Premises and equipment	33,133	33,972
Unrealized reserve	13,022	5,571
	377,188	348,075

11 Other assets

	2008	2007
Accounts receivable and prepayments	383,093	267,394
Accrued income	4,562	7,817
Project financing reimbursables	17,598	29,410
Deferred commission & fees	5,071	4,416
Others	62,150	34,484
	472,474	343,521

12 Due to banks

Certain debt agreements of the Bank require compliance with covenants related to financial and operating matters of the Bank. In the event of default of any of these covenants, the lenders could elect to declare all amounts borrowed under the relevant agreements, together with accrued interest, to be due and payable. At September 30th, 2008, the Bank is fully in compliance with all required covenants.

These liabilities are unsecured except for US\$31.25 million, which is secured by a charge on one of the Bank's investments. Interest rates on these facilities range from 3.83% - 7.25%.

13 Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts

	2008	2007
State	2,799,738	2,427,147
Corporate and commercial	7,021,128	5,193,110
Personal	15,257,538	14,765,803
Other financial institutions	1,626,854	1,194,396
Other	778,451	664,963
	27,483,709	24,245,419

14 Other fund raising instruments

At 30th September, 2008 investment securities held to secure other fund raising instruments of the Group amounted to \$2.7 billion (2007: \$3.1 billion).

	2008	2007
Concentration of other fund raising instruments		
State	1,727,440	874,365
Corporate and commercial	501,208	583,611
Personal	444,855	644,493
Other financial institutions	1,505,580	2,115,245
Other	31,031	245,932
	4,210,114	4,463,646

15 Debt securities in issue

	2008	2007
Unsecured		
a) Floating rate bonds	15,300	15,490
b) Fixed rate bonds	846,802	70,077
	862,102	85,567

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

15 Debt securities in issue *(continued)*

Secured

	2008	2007
a) Floating rate bonds	557,066	561,285
b) Fixed rate bonds	102,873	108,048
c) Mortgage pass-through certificates	4,289	5,903
d) Tax free debentures	4,781	5,935
	669,009	681,171
Total debt securities in issue	1,531,111	766,738

Unsecured obligations

- a) Floating rate bonds are denominated in Guyanese dollars. The proceeds were used to finance the acquisition of the Bank's investment in Republic Bank (Guyana) Limited.
- b) Fixed rate bonds are denominated in both Guyanese and Trinidad & Tobago dollars.
The parent company, Republic Bank Limited issued a new unsubordinated bond in this financial year for a term of ten years at a fixed rate of interest of 8.55%.

Secured obligations

- a) For Republic Bank Limited, the floating rate bonds are denominated in Trinidad & 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 & 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 & 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 & Tobago dollars and are secured by property and equipment under investments in leased assets.
- c) Mortgage pass-through certificates are secured on a portfolio of mortgage loans, net of the related loan loss provisions to the extent that the Bank has recourse to the note holders.

16 Other liabilities

	2008	2007
Accounts payable and accruals	861,266	600,473
Unearned loan origination fees	72,297	60,162
Deferred income	27,273	25,514
Other	48,157	14,816
	1,008,993	700,965

17 Stated capital

	2008	2007	2008	2007
	Number of ordinary shares ('000)		\$'000	\$'000
Authorized				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	160,172	159,994	552,486	537,104
Shares issued/proceeds from shares issued	235	178	9,157	6,172
Share-based payment	-	-	7,104	9,210
At end of year	160,407	160,172	568,747	552,486

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

	2008	2007
Weighted average number of ordinary shares	160,295	160,090
Effect of dilutive stock options	243	287
Weighted average number of ordinary shares adjusted for the effect of dilution	160,538	160,377

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

18 Other reserves

	Capital reserves	General contingency reserve	Net unrealised gains	Other reserves	Total
Balance at 1st October, 2006	15,706	150,018	426,529	3,826	596,079
Realized gains transferred to net profit	-	-	(416,782)	-	(416,782)
Revaluation of available-for-sale investments	-	-	(57,135)	-	(57,135)
Revaluation - derivatives	-	-	-	(2,380)	(2,380)
Translation adjustments	13,138	-	(169)	-	12,969
Share of changes recognized directly in associate's equity	9,639	-	-	-	9,639
<hr/>					
Total income and expense for the year recognized directly in equity	22,777	-	(474,086)	(2,380)	(453,689)
Transfer to general contingency reserve	-	43,822	-	-	43,822
Other	-	1,638	-	-	1,638
<hr/>					
Balance at 30th September, 2007	38,483	195,478	(47,557)	1,446	187,850
Realized gains transferred to net profit	-	-	(2,377)	(1,446)	(3,823)
Revaluation of available-for-sale investments	-	-	6,743	-	6,743
Translation adjustments	(16,803)	-	-	-	(16,803)
Share of changes recognized directly in associate's equity	(136)	-	-	-	(136)
<hr/>					
Total income and expense for the year recognized directly in equity	(16,939)	-	4,366	(1,446)	(14,019)
Transfer to general contingency reserve	-	22,084	-	-	22,084
Other	(10,338)	-	-	-	(10,338)
Balance at 30th September, 2008	11,206	217,562	(43,191)	-	185,577

19 Operating profit

	2008	2007
a) Interest income		
Advances	2,356,245	1,960,164
Investment securities	475,373	476,157
Liquid assets	274,418	277,126
	3,106,036	2,713,447
b) Interest expense		
Customers' current, savings and deposit accounts	565,468	535,980
Other fund raising instruments and debt securities in issue	493,651	424,342
Other interest bearing liabilities	63,082	86,674
	1,122,201	1,046,996
c) Other income		
Fee and commission from trust and other fiduciary activities	156,117	157,173
Other fee and commission income	498,023	418,998
Net exchange trading income	289,221	205,546
Dividends	2,711	21,265
Net gains from investments at fair value through profit or loss	497	530
Gains from disposal of available-for-sale investments	21,305	9,169
Other operating income	26,254	140,497
	994,128	953,178

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

19 Operating profit (continued)

d) Allocation of Visa Inc. shares

Republic Bank, in pursuant of its business of issuing Visa credit cards has been a member of Visa Inc. since 1989. Visa operated five corporate entities related by ownership and membership. In preparation for its initial public offering Visa Inc. allocated shares to its members based on their regional performance. The Republic Group was allocated 414,045 Class C Series 1 shares.

The shares were allocated at a value of US\$44. In accordance with IAS 39 (Financial Instruments – Recognition and Measurement), on initial recognition, these shares were recorded through the statement of income at fair value of TT\$112 million. As part of the IPO, members were mandated to dispose of 56.185% of their shareholding at the offer price of US\$44. The Group now holds 232,631 shares in Visa Inc.

e) Operating expenses

	2008	2007
Staff costs	504,807	435,514
Staff profit sharing - note 27(a)	110,062	103,148
General administrative expenses	411,788	379,734
Property related expenses	136,908	127,480
Depreciation expense	104,017	87,452
Advertising and public relations expenses	70,063	67,228
Impairment expense	93,172	-
Directors' fees	4,532	4,325
	1,435,349	1,204,881

Included in impairment expenses is \$38.8 million, representing the diminution in value of assets in the Dominican Republic and \$54.4 million, representing a charge against investment securities brought about by the global financial crisis.

20 Taxation expense

	2008	2007
Reconciliation		
Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:		
Accounting profit	1,661,040	1,725,179
Tax at applicable statutory tax rates	438,723	377,708
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(79,277)	(86,069)
Effect of expenses not deductible for tax purposes	33,235	(4,340)
Effect of allowances	(11,871)	(4,607)
Other permanent differences	(26,458)	(24,507)
	354,352	258,185

The Group has tax losses in one of its subsidiary companies amounting to \$626.8 million (2007: \$566.2 million). No deferred tax asset has been recognised for these tax losses in the financial statements since it is not anticipated that there will be sufficient future taxable profits to offset these losses.

21 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates.

Outstanding balances

	2008	2007
Loans, investments and other assets		
CL Financial Group	885,478	761,609
Associates	3,758	2,493
Directors and key management personnel	33,843	23,888
Other related parties	11,132	14,471
	934,211	802,461
Provision for amounts due from related parties	-	-

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

21 Related parties (continued)

	2008	2007
Deposits and other liabilities		
CL Financial Group	1,076,995	421,295
Associates	81	4,531
Directors and key management personnel	45,522	41,218
Other related parties	11,580	29,262
	1,134,178	496,306
Interest and other income		
CL Financial Group	73,804	37,318
Associates	25	181
Directors and key management personnel	2,304	1,593
Other related parties	1,418	1,521
	77,551	40,613
Interest and other expense		
CL Financial Group	18,329	10,819
Associates	57	-
Directors and key management personnel	4,152	2,289
Other related parties	230	213
	22,768	13,321
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.		
Key management compensation		
Short term benefits	45,788	35,802
Post employment benefits	1,343	1,668
Termination benefits	2,301	1,303
Long term benefits	179	-
Share-based payment	-	-
	49,611	38,773

22 Risk management

22.1 Introduction

The Group's prudent banking practices are founded on solid risk management. In an effort to keep pace 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, authorization and approval, recording, safeguarding, reconciliation and valuation.

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

The 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:

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (*continued*)

22.2 Credit risk

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

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

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

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

The Group's credit control processes emphasize early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding liability may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

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

The Group avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

22 Risk management (continued)

22.2 Credit risk (continued)

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

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

	2008	2007
	Gross maximum exposure	Gross maximum exposure
Statutory deposits with Central Banks	2,717,916	2,051,764
Due from banks	4,052,117	3,701,158
Treasury bills	1,862,894	1,495,999
Bills discounted	765,745	457,267
Investment interest receivable	111,034	146,775
Investment securities	4,833,331	5,232,195
Advances	22,841,399	19,917,392
Total	37,184,436	33,002,550
Undrawn commitments	3,445,535	3,618,209
Acceptances	1,112,836	1,100,656
Guarantees and indemnities	70,814	67,402
Letters of credit	264,936	217,201
Total	4,894,121	5,003,468
Total credit risk exposure	42,078,557	38,006,018

Where financial instruments are recorded at fair value the amounts shown above 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.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (*continued*)

22.2 Credit risk (*continued*)

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

22.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector as detailed in the following schedules:

(a) Geographical sectors

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

22 Risk management (continued)

22.2 Credit risk (continued)

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

(a) Geographical sectors (continued)

	2008			
	Trinidad & Tobago	Barbados	Eastern Caribbean	Guyana
Statutory deposits with Central Banks	1,610,400	739,966	87,555	279,995
Due from banks	1,040,607	156,662	68,538	87,915
Treasury bills	398,641	575,556	13,528	875,169
Bills discounted	14,856	-	-	-
Investment interest receivable	66,746	27,799	4,097	665
Investment securities	2,939,550	998,007	257,495	222,058
Advances	15,455,489	5,010,848	1,055,938	679,060
Undrawn commitments	2,556,590	655,531	126,715	98,392
Acceptances, guarantees, indemnities and letters of credit	1,228,725	56,505	16,856	34,138
	25,311,604	8,220,874	1,630,722	2,277,392
	United States	Europe	Other countries	Total
2008 (continued)				
Statutory deposits with Central Banks	-	-	-	2,717,916
Due from banks	1,657,441	542,027	498,927	4,052,117
Treasury bills	-	-	-	1,862,894
Bills discounted	1,201	-	749,688	765,745
Investment interest receivable	1,610	-	10,117	111,034
Investment securities	132,503	-	283,718	4,833,331
Advances	110,094	-	529,970	22,841,399
Undrawn commitments	6,635	-	1,672	3,445,535
Acceptances, guarantees, indemnities and letters of credit	2,212	-	110,150	1,448,586
	1,911,696	542,027	2,184,242	42,078,557

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.2 Credit risk (continued)

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

(a) Geographical sectors (continued)

	2007			
	Trinidad & Tobago	Barbados	Eastern Caribbean	Guyana
Statutory deposits with Central Banks	965,308	709,918	81,434	295,104
Due from banks	1,062,859	5,758	129,087	5,474
Treasury bills	566,778	150,524	26,895	718,764
Bills discounted	10,314	-	-	-
Investment interest receivable	98,970	29,496	4,752	630
Investment securities	3,174,371	1,083,947	283,599	305,397
Advances	12,864,573	5,024,807	971,386	548,187
Undrawn commitments	2,609,645	790,335	133,385	75,030
Acceptances, guarantees, indemnities and letters of credit	1,099,075	108,898	16,990	17,526
	22,451,893	7,903,683	1,647,528	1,966,112
	United States	Europe	Other countries	Total
<i>2007 (continued)</i>				
Statutory deposits with Central Banks	-	-	-	2,051,764
Due from banks	1,720,048	488,617	289,315	3,701,158
Treasury bills	-	-	33,038	1,495,999
Bills discounted	2,789	-	444,164	457,267
Investment interest receivable	12,496	-	431	146,775
Investment securities	93,125	-	291,756	5,232,195
Advances	63,095	-	445,344	19,917,392
Undrawn commitments	6,065	-	3,749	3,618,209
Acceptances, guarantees, indemnities and letters of credit	1,823	-	140,947	1,385,259
	1,899,441	488,617	1,648,744	38,006,018

22 Risk management (continued)

22.2 Credit risk (continued)

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

(b) Industry sectors

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

	2008			
	Government & Government Bodies	Financial sector	Energy & mining	Agriculture
Statutory deposits with Central Banks	2,717,916	-	-	-
Due from banks	880,971	3,171,146	-	-
Treasury bills	1,862,894	-	-	-
Bills discounted	277,414	192,351	-	-
Investment interest receivable	66,010	12,772	99	1,465
Investment securities	2,656,530	473,640	17,910	20,933
Advances	2,548,426	100,923	144,140	178,079
Undrawn commitments	124,739	1,810	13,819	37,906
Acceptances, guarantees, indemnities and letters of credit	-	336,640	228,856	28,553
	11,134,900	4,289,282	404,824	266,936

	Electricity & water	Transport storage & communication	Distribution
2008 (continued)			
Statutory deposits with Central Banks	-	-	-
Due from banks	-	-	-
Treasury bills	-	-	-
Bills discounted	-	-	-
Investment interest receivable	20,132	5,889	-
Investment securities	599,959	108,904	158,928
Advances	295,752	157,166	5,512,733
Undrawn commitments	-	528	31,340
Acceptances, guarantees, indemnities and letters of credit	5,598	27,272	35,125
	921,441	299,759	5,738,126

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.2 Credit risk (continued)

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

(b) Industry sectors (continued)

	Real estate	Manufac- turing	Construction	Hotel & restaurant
2008 (continued)				
Statutory deposits with Central Banks	-	-	-	-
Due from banks	-	-	-	-
Treasury bills	-	-	-	-
Bills discounted	-	255,194	-	-
Investment interest receivable	348	938	594	577
Investment securities	84,177	183,920	188,250	2,267
Advances	1,513,591	1,278,891	1,185,425	702,843
Undrawn commitments	135,956	33,929	284,152	149,162
Acceptances, guarantees, indemnities and letters of credit	163	92,034	228,719	9,654
	1,734,235	1,844,906	1,887,140	864,503

	Personal	Other services	Total
2008 (continued)			
Statutory deposits with Central Banks	-	-	2,717,916
Due from banks	-	-	4,052,117
Treasury bills	-	-	1,862,894
Bills discounted	-	40,786	765,745
Investment interest receivable	-	2,210	111,034
Investment securities	-	337,913	4,833,331
Advances	8,207,875	1,015,555	22,841,399
Undrawn commitments	1,521,197	1,110,997	3,445,535
Acceptances, guarantees, indemnities and letters of credit	8,574	447,398	1,448,586
	9,737,646	2,954,859	42,078,557

22 Risk management (continued)

22.2 Credit risk (continued)

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

(b) Industry sectors (continued)

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

	2007			
	Government & Government Bodies	Financial sector	Energy & mining	Agriculture
Statutory deposits with Central Banks	2,051,764	-	-	-
Due from banks	644,222	3,056,936	-	-
Treasury bills	1,495,999	-	-	-
Bills discounted	201,360	95,068	-	-
Investment interest receivable	67,915	48,420	469	4,842
Investment securities	3,538,341	554,667	18,505	316,653
Advances	1,613,310	449,614	227,396	181,385
Undrawn commitments	64,660	8,580	768	8,922
Acceptances, guarantees, indemnities and letters of credit	17,654	245,095	193,208	19,860
	9,695,225	4,458,380	440,346	531,662

	Electricity & water	Transport storage & communication	Distribution
2007 (continued)			
Statutory deposits with Central Banks	-	-	-
Due from banks	-	-	-
Treasury bills	-	-	-
Bills discounted	-	-	-
Investment interest receivable	6,314	6,064	-
Investment securities	201,562	140,773	-
Advances	287,430	165,803	3,971,408
Undrawn commitments	176,174	20,134	16,106
Acceptances, guarantees, indemnities and letters of credit	687	19,782	20,761
	672,167	352,556	4,008,275

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.2 Credit risk (continued)

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

(b) Industry sectors (continued)

	Real estate	Manufacturing	Construction	Hotel & restaurant
<i>2007 (continued)</i>				
Statutory deposits with Central Banks	-	-	-	-
Due from banks	-	-	-	-
Treasury bills	-	-	-	-
Bills discounted	-	109,062	1,078	-
Investment interest receivable	-	1,607	929	-
Investment securities	-	81,399	182,823	-
Advances	1,663,552	1,103,377	1,300,940	929,116
Undrawn commitments	139,906	60,171	403,751	146,573
Acceptances, guarantees, indemnities and letters of credit	-	76,988	277,551	16,495
	1,803,458	1,432,604	2,167,072	1,092,184

	Personal	Other services	Total
<i>2007 (continued)</i>			
Statutory deposits with Central Banks	-	-	2,051,764
Due from banks	-	-	3,701,158
Treasury bills	-	-	1,495,999
Bills discounted	50,699	-	457,267
Investment interest receivable	-	10,215	146,775
Investment securities	-	197,472	5,232,195
Advances	6,935,920	1,088,141	19,917,392
Undrawn commitments	166,076	2,406,388	3,618,209
Acceptances, guarantees, indemnities and letters of credit	2,289	494,889	1,385,259
	7,154,984	4,197,105	38,006,018

22 Risk management *(continued)*

22.2 Credit risk *(continued)*

22.2.3 Credit quality per category of financial assets

The Group has determined that credit risk exposure arises from the following balance sheet lines:

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

Treasury bills and Statutory deposits with Central Banks

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

Balances due from banks

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.2 Credit risk (continued)

22.2.3 Credit quality per category of financial assets (continued)

Balances due from banks (continued)

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

	Superior	Desirable	Acceptable	Total
2008	2,656,883	1,043,304	351,930	4,052,117
2007	2,188,799	1,362,440	149,919	3,701,158

Advances - Commercial & 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

22 Risk management (continued)

22.2 Credit risk (continued)

22.2.3 Credit quality per category of financial assets (continued)

Advances - Commercial & Corporate (continued)

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

	<u>Neither past due nor impaired</u>				Total
	Superior	Desirable	Acceptable	Sub-standard	
2008	951,105	4,093,775	7,537,684	427,962	13,010,526
2007	973,680	3,629,225	6,335,257	707,977	11,646,139

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 91days	Impaired	Total
2008	204,819	41,568	13,108	266	168,201	427,962
2007	285,783	35,100	180,183	33,789	173,122	707,977

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 91days	Impaired	Total
2008	8,426,786	1,094,496	76,484	76,425	106,424	50,258	9,830,873
2007	7,550,666	435,430	87,582	76,889	81,680	39,006	8,271,253

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.2 Credit risk (continued)

22.2.3 Credit quality per category of financial assets (continued)

Investment securities

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 and securities secured by a Letter of Comfort from the Government. These securities are considered risk free.
Desirable:	Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.
Acceptable:	Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.
Sub-standard:	These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.

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

	2008				
	Superior	Desirable	Acceptable	Sub-standard	Total
Financial investments					
- Available-for-sale	3,590,681	707,891	330,891	21,043	4,650,506
- Held to maturity	176,652	5,660	513	-	182,825
Total	3,767,333	713,551	331,404	21,043	4,833,331

22 Risk management (continued)

22.2 Credit risk (continued)

22.2.3 Credit quality per category of financial assets (continued)

Investment securities (continued)

	2007				
	Superior	Desirable	Acceptable	Sub-standard	Total
Financial investments					
- Available-for-sale	3,863,864	792,935	370,900	-	5,027,699
- Held to maturity	193,423	485	10,588	-	204,496
Total	4,057,287	793,420	381,488	-	5,232,195

22.2.4 Carrying amount of financial assets renegotiated that would otherwise have been impaired

As at 30th September, 2008, loans that have been renegotiated to prevent impairment are immaterial.

22.3 Liquidity risk

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.3 Liquidity risk (continued)

22.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 30 September 2008 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 balance sheet.

Financial liabilities - on balance sheet

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
<i>As at 30 September 2008</i>					
Customers' current, savings and deposit accounts	21,136,080	6,002,335	559,120	-	27,697,535
Other fund raising instruments	27,173	3,849,205	109,821	310,609	4,296,808
Debt securities in issue	-	269,378	505,253	1,652,694	2,427,325
Due to banks	61,201	167,507	110,916	87,172	426,796
Other liabilities	390,343	39,295	-	-	429,638
Total undiscounted financial liabilities 2008	21,614,797	10,327,720	1,285,110	2,050,475	35,278,102
<i>As at 30 September 2007</i>					
Customers' current, savings and deposit accounts	17,486,318	5,277,712	304,764	1,406,992	24,475,786
Other fund raising instruments	-	4,071,715	189,206	505,963	4,766,884
Debt securities in issue	-	74,900	356,078	649,637	1,080,615
Due to banks	132,301	201,468	77,087	378,303	789,159
Other liabilities	202,000	63,332	449	-	265,781
Total undiscounted financial liabilities 2007	17,820,619	9,689,127	927,584	2,940,895	31,378,225

22 Risk management (continued)

22.3 Liquidity risk (continued)

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

Financial liabilities - off balance sheet

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2008					
Acceptances	227,744	483,374	201,447	200,271	1,112,836
Guarantees and indemnities	918	59,795	7,406	2,695	70,814
Letters of credit	212,685	52,251	-	-	264,936
Total	441,347	595,420	208,853	202,966	1,448,586
2007					
Acceptances	193,995	540,103	343,943	22,615	1,100,656
Guarantees and indemnities	26,078	36,143	5,181	-	67,402
Letters of credit	188,832	5,001	23,368	-	217,201
Total	408,905	581,247	372,492	22,615	1,385,259

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

22.4 Market risk

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

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.4 Market risk (continued)

22.4.1 Interest rate risk

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

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

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

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonably possible change in the interest rates prevailing as at 30th September, 2008, 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 equity is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated in the following table:

	Increase/ decrease in basis points	2008			
		Impact on net profit		Impact on equity	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TT\$ Instruments	+/- 50	27,179	(27,179)	(29,836)	30,721
US\$ Instruments	+/- 50	7,716	(7,716)	(4,874)	5,082
EC\$ Instruments	+/- 25	63	(63)	(585)	598
BD\$ Instruments	+/- 50	303	(303)	(22,512)	23,525
Other currency Instruments	+/- 50	55	(55)	(1,635)	992

22 Risk management (continued)

22.4 Market risk (continued)

22.4.1 Interest rate risk (continued)

	Increase/ decrease in basis points	2007			
		Impact on net profit		Impact on equity	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TT\$ Instruments	+/- 50	18,575	(18,575)	(37,150)	38,603
US\$ Instruments	+/- 50	11,280	(11,280)	(11,638)	13,665
EC\$ Instruments	+/- 25	1,731	(1,731)	(633)	647
BD\$ Instruments	+/- 50	1,893	(1,893)	(20,358)	21,288
Other currency Instruments	+/- 50	495	(495)	-	-

22.4.2 Currency risk

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

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

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

The tables below indicate the currencies to which the Group had significant exposure at 30th September 2008 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 & Tobago dollar, with all other variables held constant.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management (continued)

22.4 Market risk (continued)

22.4.2 Currency risk (continued)

	TTD	USD	BDS	Other	Total
2008					
FINANCIAL ASSETS					
Cash	222,458	52,054	99,939	68,844	443,295
Statutory deposits with Central Banks	1,610,401	6,043	733,922	367,550	2,717,916
Due from banks	884,194	2,443,605	-	724,318	4,052,117
Treasury bills	398,641	-	575,555	888,698	1,862,894
Bills discounted	1,966	648,609	-	115,170	765,745
Advances	57,041	21,127	27,270	5,596	111,034
Investment securities	13,351,410	2,958,733	4,922,597	1,608,659	22,841,399
Interest receivable	2,574,077	1,084,001	1,066,977	333,529	5,058,584
TOTAL FINANCIAL ASSETS	19,100,188	7,214,172	7,426,260	4,112,364	37,852,984
FINANCIAL LIABILITIES					
Due to banks	89	369,872	-	33,336	403,297
Customers' current, savings and deposit accounts	11,233,423	6,266,767	5,883,926	4,099,593	27,483,709
Other fund raising instruments	3,173,051	332,874	691,280	12,909	4,210,114
Debt securities in issue	1,432,395	14,199	-	84,517	1,531,111
Interest payable	98,705	37,145	62,256	12,006	210,112
TOTAL FINANCIAL LIABILITIES	15,937,663	7,020,857	6,637,462	4,242,361	33,838,343
NET CURRENCY RISK EXPOSURE		193,315	788,797	(129,997)	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		1,933	7,888	(1,300)	

22 Risk management (continued)

22.4 Market risk (continued)

22.4.2 Currency risk (continued)

	TTD	USD	BDS	Other	Total
2007					
FINANCIAL ASSETS					
Cash	166,257	33,349	75,642	50,745	325,993
Statutory deposits with Central Banks	965,308	1,696	708,222	376,538	2,051,764
Due from banks	562,517	2,825,789	34,347	278,505	3,701,158
Treasury bills	587,358	12,458	150,524	745,659	1,495,999
Bills discounted	2,033	357,757	-	97,477	457,267
Advances	11,638,993	2,020,332	4,925,042	1,333,025	19,917,392
Investment securities	2,856,674	968,773	1,149,011	413,828	5,388,286
Interest receivable	81,028	22,868	38,535	4,344	146,775
TOTAL FINANCIAL ASSETS	16,860,168	6,243,022	7,081,323	3,300,121	33,484,633
FINANCIAL LIABILITIES					
Due to banks	50,000	433,678	60,565	56,327	600,570
Customers' current, savings and deposit accounts	9,529,584	5,635,267	5,614,339	3,466,229	24,245,419
Other fund raising instruments	3,151,114	1,269,716	-	42,816	4,463,646
Debt securities in issue	660,023	15,213	-	91,502	766,738
Interest payable	84,090	45,087	68,138	6,929	204,244
TOTAL FINANCIAL LIABILITIES	13,474,811	7,398,961	5,743,042	3,663,803	30,280,617
NET CURRENCY RISK EXPOSURE		(1,155,939)	1,338,281	(363,682)	
Reasonably possible change in currency rate		1%	1%	1%	
Effect on profit before tax		(11,559)	13,383	(3,637)	

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

22 Risk management *(continued)*

22.5 Operational risk

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

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

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

23 Capital management

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by \$763 million to \$6.1 billion during the year under review.

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

Capital adequacy ratio

	2008	2007
	%	&
Republic Bank Limited	23.92	20.14
Republic Finance and Merchant Bank Limited	32.55	26.52
Republic Bank (Cayman) Limited	15.43	18.69
Republic Bank (Grenada) Limited	18.10	17.40
Republic Bank (Guyana) Limited	15.00	14.58
Barbados National Bank Inc.	16.90	14.07

At 30th September 2008 the Bank and each of its banking subsidiaries exceeded the minimum levels required for adequately capitalized institutions.

24 Fair value

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

The Group's available-for-sale investments are not actively traded in organized financial markets, and 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 realize 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 organized 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. The Group is required to maintain with the respective Central Banks, statutory reserve balances in relation to deposit liabilities and the carrying value of these reserves is assumed to equal fair value.

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

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

The fair value of fixed rate debt securities carried at amortized cost is estimated by comparing market interest rates when they were first recognized 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.

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

24 Fair value (continued)

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

	Carrying value	2008 Fair value	Unrecognized gain/(loss)
Financial assets			
Cash, due from banks, treasury bills and bills discounted	7,124,051	7,124,051	-
Investment securities	5,058,584	5,034,522	(24,062)
Advances	22,841,399	22,806,738	(34,661)
Investment interest receivable	111,034	111,034	-
Other financial assets	14,666	14,666	-
Financial liabilities			
Customers' current, savings and deposit accounts	27,483,709	27,492,677	(8,968)
Borrowings and other fund raising instruments	4,613,411	4,613,130	281
Debt securities in issue	1,531,111	1,462,319	68,792
Accrued interest payable	210,112	210,112	-
Other financial liabilities	309,637	309,637	-
Total unrecognized change in unrealized fair value			1,382

24 Fair value (continued)

	Carrying value	2007 Fair value	Unrecognized gain/(loss)
Financial assets			
Cash, due from banks, treasury bills and bills discounted	5,980,417	5,980,417	-
Investment securities	5,388,286	5,358,449	(29,837)
Advances	19,917,392	19,926,033	8,641
Investment interest receivable	146,775	146,775	-
Other financial assets	77,590	77,590	-
Financial liabilities			
Customers' current, savings and deposit accounts	24,245,419	24,241,447	3,972
Borrowings and other fund raising instruments	5,064,216	5,063,636	580
Debt securities in issue	766,738	765,763	975
Accrued interest payable	204,244	204,244	-
Other financial liabilities	298,598	298,598	-
Total unrecognized change in unrealized fair value			(15,669)

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, and those where the valuation techniques involve the use of non-market observable inputs. The Group had no valuation techniques where all the model inputs are observable by the market.

	Quoted	2008 Non-market observable valuation techniques	Total
Financial assets			
Financial assets designated at fair value through profit or loss	-	9,355	9,355
Financial investments -available-for sale	653,869	4,212,535	4,866,404
653,869			4,221,890
			4,875,759

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

24 Fair value (continued)

	Quoted	2007 Non-market observable valuation techniques	Total
Financial			assets
Derivative financial instruments	-	1,446	1,446
Financial assets designated at fair value through profit or loss	862	18,742	19,604
Financial investments -available-for-sale	656,428	4,507,758	5,164,186
	657,290	4,527,946	5,185,236

Derivative financial instruments

Derivatives are financial instruments which derive their value from an underlying interest rate, foreign exchange rate, equity or bond price or commodity price or index. The types of derivatives utilized by the Group are set out below:

Forward foreign exchange contracts

These are commitments to purchase foreign and domestic currency, including undelivered spot transactions, at an agreed exchange rate on a fixed date.

Interest rate swap

This is a financial transaction in which two counterparties exchange interest cash flows based on fixed and floating interest rates applied to a defined notional principal amount over a period of time.

The table set out below analyzes the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at 30th September, 2007. There were no instruments in place at 30th September, 2008.

	Contract/ Notional Amount	Fair Values	
		Assets	Liabilities
30th September, 2007			
Forward contracts		3,839	3,839
Derivatives designated as cash flow hedges:			
Interest rate swap	234,281	1,446	-
		5,285	3,839

25 Segmental information

The Group is organized 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 & Tobago	Barbados	Cayman, Guyana & Eastern Caribbean	Eliminations
2008				
Net interest income	1,359,943	349,189	274,703	-
Other income	1,011,868	164,204	110,572	(139,700)
Operating income	2,371,811	513,393	385,275	(139,700)
Operating expenses	(953,138)	(257,207)	(241,340)	16,336
Operating profit	1,418,673	256,186	143,935	(123,364)
Loan impairment expense	(13,387)	(20,552)	(451)	-
Profit before taxation	1,405,286	235,634	143,484	(123,364)
Total assets	29,983,345	9,818,254	7,615,652	(5,850,551)
Total liabilities	25,166,903	8,810,727	6,211,810	(4,674,030)
Depreciation	80,210	12,039	11,768	-
Capital expenditure on premises and equipment	218,084	60,333	118,526	-
	Total- continuing operations	Dominican Republic - discontinued operations	Total	
2008 (continued)				
Net interest income	1,983,835	123	1,983,958	
Other income	1,146,944	3,461	1,150,405	
Operating income	3,130,779	3,584	3,134,363	
Operating expenses	(1,435,349)	(6,136)	(1,441,485)	
Operating profit	1,695,430	(2,552)	1,692,878	
Loan impairment expense	(34,390)	-	(34,390)	
Profit before taxation	1,661,040	(2,552)	1,658,488	
Total assets	41,566,700	-	41,566,700	
Total liabilities	35,515,410	-	35,515,410	
Depreciation	104,017	-	104,017	
Capital expenditure on premises and equipment	396,943	-	396,943	

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

25 Segmental information (continued)

i) By geographic segment (continued)

	Trinidad & Tobago	Barbados	Cayman, Guyana & Eastern Caribbean	Eliminations
2007				
Net interest income	1,107,288	324,348	234,815	-
Other income	916,932	154,754	484,337	(200,598)
Operating income	2,024,220	479,102	719,152	(200,598)
Operating expenses	(807,576)	(225,337)	(171,968)	-
Operating profit	1,216,644	253,765	547,184	(200,598)
Loan impairment expense	(67,144)	(16,814)	(7,858)	-
Profit before taxation	1,149,500	236,951	539,326	(200,598)
Total assets	25,583,294	9,392,977	7,241,679	(5,442,707)
Total liabilities	21,140,655	8,480,600	5,898,853	(3,969,549)
Depreciation	64,259	12,177	11,016	-
Capital expenditure on premises and equipment	118,791	11,077	46,894	-
	Total- continuing operations	Dominican Republic - discontinued operations	Total	
2007 (continued)				
Net interest income	1,666,451	15,092	1,681,543	
Other income	1,355,425	52,352	1,407,777	
Operating income	3,021,876	67,444	3,089,320	
Operating expenses	(1,204,881)	(108,544)	(1,313,425)	
Operating profit	1,816,995	(41,100)	1,775,895	
Loan impairment expense	(91,816)	(89)	(91,905)	
Profit before taxation	1,725,179	(41,189)	1,683,990	
Total assets	36,775,243	586,902	37,362,145	
Total liabilities	31,550,559	524,158	32,074,717	
Depreciation	87,452	-	87,452	
Capital expenditure on premises and equipment	176,762	-	176,762	

25 Segmental information (continued)

ii) By class of business

	Retail and commercial banking	Investment banking	Eliminations
2008			
Net interest income	1,793,566	190,269	-
Other income	1,214,583	72,061	(139,700)
Operating income	3,008,149	262,330	(139,700)
Operating expenses	(1,337,070)	(114,615)	16,336
Operating profit	1,671,079	147,715	(123,364)
Loan impairment expense	(34,390)	-	-
Profit before taxation	1,636,689	147,715	(123,364)
Total assets	37,823,144	9,594,107	(5,850,551)
Total liabilities	32,041,452	8,147,988	(4,674,030)
Depreciation	102,703	1,314	-
Capital expenditure on premises and equipment	396,096	847	-
	Total - continuing operations	Dominican Republic - discontinued operations	Total
2008			
Net interest income	1,983,835	123	1,983,958
Other income	1,146,944	3,461	1,150,405
Operating income	3,130,779	3,584	3,134,363
Operating expenses	(1,435,349)	(6,136)	(1,441,485)
Operating profit	1,695,430	(2,552)	1,692,878
Loan impairment expense	(34,390)	-	(34,390)
Profit before taxation	1,661,040	(2,552)	1,658,488
Total assets	41,566,700	-	41,566,700
Total liabilities	35,515,410	-	35,515,410
Depreciation	104,017	-	104,017
Capital expenditure on premises and equipment	396,943	-	396,943

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

25 Segmental information (continued)

ii) By class of business (continued)

	Retail and commercial banking	Investment banking	Eliminations
2007			
Net interest income	1,503,466	162,985	-
Other income	1,104,358	451,665	(200,598)
Operating income	2,607,824	614,650	(200,598)
Operating expenses	(1,150,977)	(53,904)	-
Operating profit	1,456,847	560,746	(200,598)
Loan impairment expense	(89,858)	(1,958)	-
Profit before taxation	1,366,989	558,788	(200,598)
Total assets	32,807,822	9,410,128	(5,442,707)
Total liabilities	27,520,945	7,999,163	(3,969,549)
Depreciation	86,074	1,378	-
Capital expenditure on premises and equipment	175,673	1,089	-
	Total - continuing operations	Dominican Republic - discontinued operations	Total
2007			
Net interest income	1,666,451	15,092	1,681,543
Other income	1,355,425	52,352	1,407,777
Operating income	3,021,876	67,444	3,089,320
Operating expenses	(1,204,881)	(108,544)	(1,313,425)
Operating profit	1,816,995	(41,100)	1,775,895
Loan impairment expense	(91,816)	(89)	(91,905)
Profit before taxation	1,725,179	(41,189)	1,683,990
Total assets	36,775,243	586,902	37,362,145
Total liabilities	31,550,559	524,158	32,074,717
Depreciation	87,452	-	87,452
Capital expenditure on premises and equipment	176,762	-	176,762

26 Maturity analysis of assets and liabilities

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

	Up to one year	One to five years	Over five years	Total
2008				
ASSETS				
Cash, due from banks,				
treasury bills and bills discounted	7,112,017	12,034	-	7,124,051
Statutory deposits with Central Banks	2,716,668	1,248	-	2,717,916
Advances	7,725,922	6,031,120	9,084,357	22,841,399
Investment securities	1,048,396	1,924,621	2,085,567	5,058,584
Other assets	589,390	17,836	3,217,524	3,824,750
	19,192,393	7,986,859	14,387,448	41,566,700
LIABILITIES				
Due to banks	167,864	235,433	-	403,297
Customers' current,				
savings and deposit accounts	23,122,761	4,357,141	3,807	27,483,709
Other fund raising instruments	3,790,739	108,765	310,610	4,210,114
Debt securities in issue	170,028	47,637	1,313,446	1,531,111
Other liabilities	1,373,268	36,631	477,280	1,887,179
	28,624,660	4,785,607	2,105,143	35,515,410

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

26 Maturity analysis of assets and liabilities (continued)

	Up to one year	One to five years	Over five years	Total
2007				
ASSETS				
Cash, due from banks,				
treasury bills and bills discounted	5,946,839	33,578	-	5,980,417
Statutory deposits with Central Banks	2,050,605	1,159	-	2,051,764
Advances	6,246,192	5,735,249	7,935,951	19,917,392
Investment securities	1,096,788	1,366,068	2,925,430	5,388,286
Other assets	1,166,739	5,227	2,852,320	4,024,286
	16,507,163	7,141,281	13,713,701	37,362,145
LIABILITIES				
Due to banks	202,473	163,816	234,281	600,570
Customers' current,				
savings and deposit accounts	22,127,197	274,539	1,843,683	24,245,419
Other fund raising instruments	3,992,423	151,194	320,029	4,463,646
Debt securities in issue	30,650	233,552	502,536	766,738
Other liabilities	1,511,834	16,005	470,505	1,998,344
	27,864,577	839,106	3,371,034	32,074,717

27 Equity compensation benefits

(a) Profit sharing scheme

During the 2008 financial year Republic Bank (the parent) advanced \$75.5 million to the staff profit sharing scheme (2007: \$19.6 million). It is estimated that approximately \$95.6 million (2007: \$96.8 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 \$110 million (2007: \$103.1 million).

27 Equity compensation benefits (continued)

(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 realized.

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.

	2008	2007	2008	2007
	Weighted average exercise price		Number of shares	
At the beginning of the year	\$63.05	\$48.67	941,692	852,396
Granted	\$86.75	\$90.19	319,584	267,761
Forfeited	\$0.00	\$0.00	-	-
Exercised	\$38.97	\$34.65	(234,941)	(178,465)
At end of year	\$76.04	\$63.05	1,026,335	941,692
Exercisable at end of year	\$60.38	\$46.73	401,859	276,907

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

27 Equity compensation benefits *(continued)*

(b) Stock option plan *(continued)*

Expiry	Exercise Price	2008	2007
22-Jan-13	\$33.19	-	19,524
20-Dec-13	\$33.68	69,195	171,688
14-Dec-14	\$43.40	152,151	265,075
15-Dec-15	\$78.78	217,644	217,644
20-Dec-16	\$90.19	267,761	267,761
20-Dec-17	\$86.75	319,584	-
		1,026,335	941,692

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

Grant date	21st December 2007 - 17th April 2008
Number granted	319,584
Exercise price	\$86.75
Share price at grant date	\$79.53 - \$96.81
Risk free interest rate	8.0% per annum
Expected volatility	15.0% per annum
Dividend yield	3.5% per annum
Exercise term	Option exercised when share price is twice the exercise price
Fair value	\$19.82 - \$32.29

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 \$92.58. For options outstanding at 30th September, 2008 the exercise price ranged from \$33.68 to \$90.19 and the weighted average remaining contractual life was 10.5 years.

The total expense for the share option plan was \$7.104 million (2007: \$9.2 million)

28 Dividends paid and proposed

	2008	2007
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2007: \$2.00 (2006: \$1.73)	320,344	276,789
First dividend for 2008: \$1.15 (2007: \$0.94)	184,364	150,516
Total dividends paid	504,708	427,305
Proposed for approval at Annual General meeting (not recognized as a liability as at 30th September)		
Equity dividends on ordinary shares:		
Final dividend for 2008: \$2.23 (2007: \$2.00)	357,708	320,344

29 Contingent liabilities

a) Litigation

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

b) Customers' liability 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 customer in the event of a call on these commitments.

	2008	2007
Acceptances	1,112,836	1,100,656
Guarantees and indemnities	70,814	67,402
Letters of credit	264,936	217,201
	1,448,586	1,385,259

Notes to the Consolidated Financial Statements

for the year ended 30th September, 2008

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

29 Contingent liabilities (continued)

c) Sectoral information

	2008	2007
State	86,601	53,503
Corporate and commercial	1,034,795	1,210,179
Personal	19,244	16,490
Other financial institutions	284,267	81,530
Other	23,679	23,557
	1,448,586	1,385,259

d) Pledged assets

The table below illustrates the distribution of pledged assets in the Group's balance sheet:

	Carrying Amount		Related Liability	
	2008	2007	2008	2007
Premises and Equipment	-	497,552	-	416,118
Financial investments				
-available-for-sale	4,299,649	3,734,994	4,163,448	3,497,580
Advances	550,054	363,323	252,928	265,090
	4,849,703	4,595,869	4,416,376	4,178,788

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

30 Sale of Republic Bank Limited (DR), S.A.

In February 2007, the Board of Directors approved a plan to dispose of the banking assets and liabilities of Republic Bank Limited (DR), S.A. and then for its dissolution. Following a competitive bidding process, which was concluded in July 2007, Banco BHD, a locally incorporated Bank in the Dominican Republic, was selected as the preferred purchaser subject to the approval of the Monetary Board. On 13th September, 2007, approval for the sale was obtained from the Monetary Board in the Dominican Republic and on 5th October, 2007, the banking assets and liabilities were transferred to the purchaser. On 8th October, 2007, an amount of TT\$ 94.86 million (RD\$507.636

30 Sale of Republic Bank Limited (DR), S.A. (continued)

million) was paid to Banco BHD, representing the excess of liabilities over assets sold and resulted in a loss of TT\$7.467 million (RD\$39.958 million) on the transaction.

As at 30th September, 2007, the company was classified as "held-for-sale" and total non-current assets amounted to TT\$586.9 million while total non-current liabilities was TT\$524.2 million.

As at 30th September, 2008, the remaining non-banking assets of Republic Bank (DR), S.A. have been included in other assets while the Group continues to dispose of these items.

31 Merger between Republic Bank Limited and Republic Finance & Merchant Bank Limited

On 18th September 2008, the Board of Directors of Republic Bank Limited, agreed to merge the operations of Republic Finance & Merchant Bank Limited, a wholly owned subsidiary, with those of the parent Republic Bank Limited. This merger is expected to be completed by 31st March, 2009 via a vesting order, subject to statutory and regulatory approvals.

This merger will have no impact on the consolidated financial statements.

32 Subsidiary companies

Name of company	Country of incorporation	Proportion of issued capital held
Republic Finance and Merchant Bank Limited	Trinidad and Tobago	100%
Republic Investments Limited	Trinidad and Tobago	100%
London Street Project Company Limited	Trinidad and Tobago	100%
Republic Securities Limited	Trinidad and Tobago	100%
Republic Bank (Cayman) Limited	Cayman Islands	100%
Republic Insurance Company (Cayman) Limited	Cayman Islands	100%
Republic Bank Trinidad and Tobago (Barbados) Limited	Barbados	100%
Barbados National Bank Inc.	Barbados	65.10%
BNB Finance & Trust Corporation	Barbados	65.10%
Barbados Mortgage Finance Company Limited	Barbados	65.10%
Republic Caribbean Investments Limited	St. Lucia	100%
Republic Alpha Limited	St. Lucia	100%
Atlantic Financial Limited	St. Lucia	100%
Republic Bank (Grenada) Limited	Grenada	51%
Republic Bank (Guyana) Limited	Guyana	51%

Acknowledgements

design & artwork
u&i design studio limited

cover & concept photography
James O'Connor

photography
Harold Prieto

pre press & printing
SCRIP-J

a production of
The Group Marketing and Communications Department
of Republic Bank Limited