

# Managing Director's Report

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David J. Dulal-Whiteway



The year under review was unusually volatile. The world financial system came under severe stress due to the sub-prime mortgage crisis in the United States. In the last year, we have witnessed significant changes to the financial landscape as Bear Stearns was acquired by J.P. Morgan, Merrill Lynch was absorbed by Bank of America, Lehman Brothers failed, Wachovia is to be purchased by Wells Fargo, and governments worldwide sought to stabilize their respective financial systems by guaranteeing deposits and by providing capital to some of their largest financial institutions.

In this environment, we continue to perform well. The Group has achieved a profit attributable to shareholders of \$1,204 million. Core earnings, as detailed in the Management Discussion and Analysis, have increased by 17.7% from \$1,314 million last year to \$1,546 million this year. The Board of Directors has declared a final dividend of \$2.23 (2007:\$2.00) bringing the total dividend for the year to \$3.38 (2007: \$2.94), an increase of 15%.

The Group’s balance sheet in 2008 increased by 11%, driven mainly by a 15% growth in loans and advances. Notwithstanding this growth, we have kept our non-performing loans to 1.79% of the total loan portfolio. We have also maintained a strong liquidity position with a liquidity ratio of 23.68%.

The Group's philosophy and strategy of staying close to the basic tenets of prudent banking have served us in good stead during these tumultuous times. We continue to focus on clinical risk assessment, strong liquidity, strong capital and prudent asset/liability management. Indeed, we seek to take risks only with customers we know well and where we can carry out the relevant due diligence ourselves. This approach has, in the main, kept us away from securitized assets and derivatives. An analysis of our balance sheet reveals that less than 34% of our asset base is tradable international paper which is subject to the vagaries of the international market place. We have deemed it prudent to take an impairment expense of \$54 million on this tradable paper in these financial statements.

We have focused much attention over the past year toward strengthening the operations of the Group. In Trinidad, we have successfully completed the pilot phase of the implementation of the new Phoenix Teller Banking System, with a full rollout to the network expected to be completed during the next fiscal year. This system will deliver a superior customer experience, both in terms of speed and the ease with which transactions will be completed. In Barbados, the majority of the groundwork needed to implement a new operating platform has been completed. We expect the new system to be operational in the next year. This new system is expected to improve customer service, customer experience and our operating efficiency.

The Group continues to take its corporate social responsibility seriously. Five years into our Power to Make a Difference programme, we have become further keyed into the needs of the various communities we serve. In this past year, we opened the St. Vincent de Paul Republic Bank Home for the Aged in Trinidad & Tobago. In Grenada, we opened a new wing at the Dorothy Hopkin Home for the Disabled and partnered with the Government of Grenada to build the Cadrona Home for the Aged. In Barbados, we contributed to the building of the Errol Barrow Centre for Creative Imagination at the UWI Cave Hill Campus. Our commitment to the Power

to Make a Difference programme extends beyond this successful five-year run and in carrying the programme forward for another five years, we aim to strengthen our commitment to social causes with an overarching focus on Youth Development and Poverty Alleviation. We are committed to enriching the lives of those in need in every community in which we do business.

In closing, I offer my sincere gratitude to the Board of Directors for their guidance and invaluable contribution throughout the year. To customers and shareholders, I thank you for your unwavering loyalty and support. To our employees, I am especially grateful for your dedication and commitment in making this organization the strong, stable and secure organization that it continues to be.