

managing director's report



David J. Dulal-Whiteway

This year the Republic Group is the proud recipient of three prestigious banker's awards. We've been adjudged "The Banker Awards 2006: Bank of the Year Trinidad and Tobago" by the Banker Magazine out of the United Kingdom, and have been awarded "Bank of the Year in Trinidad & Tobago 2006" by Latin Finance. We were also pleased to receive Global Finance's "Best Emerging Market Bank 2006 in Trinidad & Tobago" earlier this year. These public acclamations are a reflection of the solid improvement of 18.3 percent before tax in our core operations for year ended September 2006.

Reported profit attributable to shareholders for the financial year 2006 at \$640.3 million is 20.32 percent less than 2005's restated performance of \$803.5 million. You will recall last year that a positive price movement on our FirstCaribbean International Bank (FCIB) shareholding boosted our reported earnings. When this and the other non-core transactions were discounted, the Group's profit before tax from core operations for 2005 was \$962.7

million. This year our core pre-tax operating profit of \$1,139.4 million, is impacted by a negative \$175.4 million due to the downward movement in the FCIB share price, as a result of CIBC's impending purchase of Barclays Bank's shareholding in FCIB.

In addition to the purchase of the FCIB shares from Barclays Bank, CIBC has already stated its intention to make the mandatory required offer of purchase to the remaining minority shareholders. Should Republic Bank decide to dispose of its FCIB shareholding at that time, the sale will generate a significant profit to the Group.

The operations of the Republic Group remain solid, consistent and sustainable. The decline in the share price of 32 percent since May 2005 is more a reflection of the 38 percent decline in the T & T stock market on which we are quoted. The Board has declared a final dividend per share of \$1.73 resulting in a cumulative dividend for the financial year of \$2.50.

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Group activity during the year

In April 2006, we acquired the operations of Dextra Bank and Trust Company through our subsidiary Republic Bank Trinidad & Tobago (Cayman) Limited. Dextra, an offshore bank incorporated in the Cayman Islands, has assets of \$1.2 billion. This acquisition provided a good strategic fit and was merged with our existing operations in the Cayman Islands.

This year we changed our business model in the Dominican Republic to focus on Corporate/Merchant Banking. We have successfully disposed of the retail segment of the Republic Bank (DR) S.A. including the credit card portfolio. Going forward, we expect to see this Bank return to profitability.

Re-Branding

In our thrust to create one Republic Bank brand, our re-branding exercise continued this year for our operations in Grenada and Guyana. The National Commercial Bank of Grenada Limited and the National Bank of Industry and Commerce were re-branded Republic Bank (Grenada) Limited and Republic Bank (Guyana) Limited respectively in April and June of this year. The Republic Bank brand was well received by our staff and customers in both Grenada and Guyana. An exciting array of new products is slated for introduction to both markets during Fiscal 2007.

Acknowledgement

I would like to thank the Republic Bank Board for its guidance and counsel during the year; our customers, who provide our motivation; and our shareholders, whose resolve and investment in this company make our vision attainable. My appreciation goes also to the management and staff of the Republic Bank Group, whose dedication and hard work during the year which we dedicated the "Year of the Employee", have made these good results possible.