



dedicated service  
creating results



**Republic Bank (Grenada) Limited**

Annual Report 2008

# words to live by

*Customer Focus – Integrity – Respect for the Individual – Professionalism  
– Results Orientation* – these are the values we live by.

It is the end result of practising these values that really drives us. As each value is fulfilled in our daily work, we generate a profit that goes beyond a successful balance sheet - the profit of 'peace of mind', the benefit of a better quality of life.

In successfully living our values we earn for ourselves, our customers and our shareholders the true meaning of success: to enjoy the rewards of our accomplishments knowing that we have created them through integrity and excellent performance.





## vision

Republic Bank  
the Financial Institution of Choice  
in the Caribbean for Customers,  
Staff and Shareholders.

We set the Standard of Excellence  
in Customer Satisfaction,  
Employee Satisfaction and Shareholder Value.



## mission

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



## values

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





# Contents

Notice of Meeting	6
Corporate Information	7
Financial Summary	8
Financial Highlights	9
Board of Directors	10
Directors' Report	14
Chairman's Review	16
Managing Director's Report	18
Bank Profile	20
Executive Management Team	21
Management Teams	22
Making a Difference in Communities	24
Power to Make a Difference	32
Management Discussion and Analysis	36
Corporate Governance	40
Management's Responsibility for Financial Reporting	42
Independent Auditors' Report	4
Balance Sheet	6
Statement of Income	8
Statement of Changes In Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	12

# Notice of Meeting

## ANNUAL MEETING

Notice is hereby given that the twenty-fifth Annual Meeting of Republic Bank (Grenada) Limited will be held at the St. Andrew's Conference Room, Spice Island Beach Resort, Grand Anse, St. George on Thursday December 11, 2008 at 10:00 a.m. for the following purposes:

1. To receive the Audited Financial Statements of the Company for the year ended September 30, 2008 and the Reports of the Directors and Auditors thereon.
2. To take note of the dividends paid for the twelve month period ended September 30, 2008.
3. To elect Directors.
4. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.
5. Any other business.

## BY ORDER OF THE BOARD



**Kimberly Erriah**  
*Corporate Secretary*

October 30, 2008

# Corporate Information

## DIRECTORS

### *Chairman*

Ronald F. deC. Harford, *F.C.I.B.*

### *Managing Director*

Daniel A. Roberts

Claudia E. Alexis, *B.Sc. (Mgmt.), M.B.A.*

Nigel M. Baptiste, *B.Sc. (Econ.), M.Sc. (Econ.), A.C.I.B.*

Margaret A. Blackburn, *L.L.B. (Hons.)*

Leon D. Charles, *B.Sc. (Agri. Mgmt.), M.B.A.*

Ian R. De Souza, *B.Sc. (Econ.), Dip. (Mgmt.), M.B.A.*

Hugh D. Dolland

Margaret George, *B.Sc. (Agri. Education)*

Gregory I. Thomson, *B.Sc. (Math & Physics), M.B.A.*

### *Corporate Secretary*

Kimberly Erriah, *Attorney at Law L.L.B. (Hons.), L.E.C.*

## REGISTERED OFFICE

P.O. Box 857

Republic House

Grand Anse

St. George, Grenada

West Indies

## ATTORNEYS-AT-LAW

Renwick & Payne

Chambers

Lucas Street

St. George's, Grenada

West Indies

Henry Hudson-Phillips & Co.

Chambers

Young Street

St. George's, Grenada

West Indies

## AUDITORS

Ernst & Young

Worthing Main Road

Christ Church

Barbados

West Indies

## REGISTRAR

Eastern Caribbean Central Securities Registry

P.O. Box 94

Bird Rock

Basseterre

St. Kitts



# Financial Summary

	<b>2008</b>	2007	2006	2005	2004
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Current, savings and deposit accounts	<b>674,989</b>	603,452	577,194	576,450	539,081
Advances and other assets	<b>421,302</b>	371,637	347,946	292,062	297,438
Stated capital	<b>15,000</b>	15,000	15,000	15,000	15,000
Shareholders' equity	<b>87,302</b>	78,521	80,141	60,053	65,208
Profit after taxation	<b>15,810</b>	13,050	24,921	1,755	142
Dividends paid during the year	<b>6,600</b>	6,000	2,175	4,155	6,270
Earnings per share	<b>10.54</b>	8.70	16.61	1.17	0.09

# Financial Highlights

for the year ended 30th September, 2008

	2008	2007	Change
Profit Before Taxation	16,256	13,297	22.25
Profit After Taxation	15,810	13,050	21.15
<hr/>			
<b>AT YEAR END</b>			
Assets	762,291	681,973	11.78
Advances	412,555	364,048	13.32
Deposits and other liabilities	674,989	603,452	11.85
Stated Capital	15,000	15,000	0.00
Total Shareholders Equity	87,302	78,521	11.18
<hr/>			
<b>INFORMATION PER SHARE</b>			
Earnings	10.54	8.70	21.15
Dividends paid during the year	4.10	4.00	2.50
Net asset value	58.20	52.35	11.18
<hr/>			
<b>OTHER STATISTICS AT YEAR END</b>			
Number of Shareholders	1,517	1,517	0.00
Number of Branches	8	8	0.00
Number of Employees	258	249	3.61
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# Board of Directors

Left to right: Ian R. De Souza, Margaret Blackburn,  
Claudia Alexis, Hugh Dolland,  
Daniel A. Roberts, Ronald F. deC. Harford,  
Gregory I. Thomson, Nigel M. Baptiste,  
Leon Charles



“Clients trust us to help them prosper  
in the rapidly changing global markets -  
a fact that inspires us and makes us proud.”

Ronald F. deC. Harford



# Board of Directors

## **RONALD F. deC. HARFORD**

*F.C.I.B., F.I.B.A.F., F.C.A.B.F.I.*

Ronald F. deC. Harford, Chairman of Republic Bank Limited, is a career banker who has celebrated over forty-five years of service with Republic Bank Limited. Mr. Harford is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago and the Caribbean Association of Banking and Finance. He is the Chairman of The University of the West Indies (UWI) Development and Endowment Fund and serves on the Advisory Committee for Habitat for Humanity Trinidad and Tobago. Mr. Harford is a member of the Board of Directors of the Arthur Lok Jack Graduate School of Business – University of the West Indies and the Caribbean Information & Credit Rating Services Limited. He is a past President of the Bankers Association of Trinidad and Tobago.

## **DANIEL A. ROBERTS**

Daniel A. Roberts is the Managing Director of Republic Bank (Grenada) Limited. Mr. Roberts joined the Bank in 1983, bringing with him ten years of experience in the field of Banking and Finance. His senior managerial positions at Republic Bank (Grenada) Limited have included that of General Manager, Credit, and Senior Manager, Retail Services and Marketing. Mr. Roberts has also completed the Senior Management Financial Services Programme of the Canadian Institute of Bankers.

## **CLAUDIA E. ALEXIS**

*B.Sc. (Mgmt. Studies), M.B.A., Cert. Public Administration, U.W.I.*

Claudia E. Alexis is a retired Customer Services Director/Corporate Secretary of Grenada Electricity Services Limited. She is a Soroptimist and a member of the Board of Directors of Bel Air Home for Children and Adolescents. Miss Alexis also served for many years on the Board of the Communal Cooperative Credit Union. She holds a Masters of Business Administration Degree in Management Studies and a Certificate in Public Administration from the University of the West Indies.

## **NIGEL M. BAPTISTE**

*B.Sc. (Hons.) (Econ.), M.Sc. (Econ.), A.C.I.B.*

Nigel M. Baptiste is an Executive Director of Republic Bank Limited. He is a First Class Honours Graduate of The University of the West Indies, an Associate of the Chartered Institute of Banking in England and a graduate of the Stonier Graduate School of Banking in the United States of America.

## **MARGARET BLACKBURN**

*L.L.B (Hons.)*

A Barrister-At-Law, Margaret Blackburn is a Senior Partner at the law firm of Renwick and Payne, Attorneys-at-Law. She earned her qualifications in London in 1975 and returned to Grenada in 1990.

## **LEON D. CHARLES**

*B.Sc. (Agri. Mgmt.), MBA, Acc. Dir.*

Leon D. Charles is the owner and manager of the Management Consulting firm, Charles and Associates Inc., (CAA). His professional training is in Business and he holds a Master of Business Administration Degree (M.B.A.) from the University of Western Ontario, and a First Class Honours degree in Agricultural Management from the University of the West Indies. Mr. Charles is active in a wide range of business and sustainable development fields at the local, regional and international levels. Core activities include Strategic Planning, Project Development and Evaluation, Management Training and Facilitation, while the main areas of focus for Sustainable Development Programming are Poverty Reduction, Climate Change and Early Childhood Development.

## **IAN R. DE SOUZA**

*B.Sc. (Econ.), Dip. (Mgmt.), M.B.A.*

A career banker who has spent twenty-five (25) years in the industry. In addition to working in the indigenous banking sector in Trinidad & Tobago, he previously held managerial positions in the Canadian banking sector and was also an Executive Manager with the Caribbean franchise of a major US-based corporate and investment bank. Between, 2005 and 2007, Mr. De Souza held the position of President of Republic Bank (DR) S.A., Republic Bank's Dominican Republic operations, which were sold in 2007.

Mr. De Souza has extensive experience in Corporate Credit and has held senior positions in Regional Trade Finance and Credit Risk Management at Republic Bank. In addition to leadership of the Corporate Banking Division at Republic Bank, where he is presently General Manager, he is also the Managing Director and a member of the Board of Directors of the Republic Bank Finance and Merchant Bank Limited, Republic Bank's Merchant and Investment Banking subsidiary.

Mr. De Souza is the holder of a Bachelor of Science Degree in Economics, a Post-Graduate Diploma in Management and an Executive Master's Degree in Business Administration from the University of the West Indies.

## **HUGH DOLLAND**

A former President of the Chamber of Industry and Commerce and Rotary Club of Grenada. He is also Rotary International Assistant Governor – Grenada District 7030. Hugh D. Dolland is a businessman with over thirty (30) years experience. He was Honorary Council for Sweden for over five (5) years. He has also been on the National Cricket and Football Teams.

## **MARGARET GEORGE**

*B.Sc. Agricultural Education, Acc. Dir.*

Margaret George has been the Managing Director, Agri. Sales and Services Co. Ltd., Roseau Dominica from 1995. She was a part time lecturer at Dominica State College from 2001 to 2002, and did courses in Farm Management, Agricultural Economics, and Greenhouse Technology.

Ms. George obtained an Associate Degree from the Jamaica School of Agriculture, and is a graduate of Washington State University with a Bachelors Degree in Agricultural Education. She also holds a certificate in Personal Management and Guidance and Counseling. She is an Accredited Director, the Chairperson of Dominica Export and Import Agency (D.E.X.I.A.), and has thirty-three (33) years teaching experience at Primary, Secondary and Tertiary levels. She is an active leader in many voluntary and community groups.

## **GREGORY I. THOMSON**

*B.Sc. (Maths & Physics), M.B.A.*

Gregory I. Thomson is the Deputy Managing Director of Republic Bank Limited. Mr. Thomson is a career banker with over thirty (30) years experience in banking and finance. Mr. Thomson holds a Bachelor of Science Degree in Mathematics and Physics from The University of the West Indies (UWI) and a Master of Business Administration (MBA) degree from The University of Western Ontario, Canada. He is a Director of The Home Mortgage Bank and sits on the Board of several subsidiaries within the Republic Bank Group.

# Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2008.

## FINANCIAL RESULTS & DIVIDENDS

The Directors report that the Bank's profit after taxation for the year ended September 30, 2008 amounted to \$15.81 million. The Directors have declared a dividend of \$3.75 per share. A half year dividend of \$0.75 per share was paid on May 20, 2008 making a total dividend on each share of \$4.50 (2007: \$4.30)

## SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT SEPTEMBER 30, 2008.

	Ordinary Shares
Republic Bank Limited	764,700

A substantial interest is a holding of five percent or more of the issued Share capital of the Bank.

## DIRECTORS

Margaret George was appointed on April 17, 2008 to fill the casual vacancy created by the resignation of Gordon Derrick. In accordance with By-Law No.1, Paragraph 4.5.1 Margaret George retires from the Board and being eligible, offers herself for re-election for a term expiring at the close of the next annual meeting following this appointment.

Ian De Souza was appointed on October 30, 2008 to fill the casual vacancy created by the resignation of Cheryl Greaves. In accordance with By-Law No.1, Paragraph 4.5.1, Ian De Souza retires from the Board and being eligible, offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

In accordance with By-Law No.1, Paragraph 4.3.1 Gregory Thomson and Hugh Dolland retire from the Board by rotation and being eligible, offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

## DIRECTORS' INTEREST

Set out are the names of the Directors with an interest in the company at September 30, 2008 together with particulars of their holdings.

Director	Beneficial Interest	Non-Beneficial Interest
Claudia E. Alexis	50	Nil
Nigel M. Baptiste	Nil	100
Margaret A. Blackburn	170	Nil
Leon D. Charles	200	Nil
Hugh D. Dolland	1,000	Nil
Ian R. De Souza	Nil	50
Ronald F. deC. Harford	Nil	100
Daniel A. Roberts	3,450	Nil
Gregory I. Thompson	Nil	100

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

## AUDITORS

The retiring Auditors Ernst & Young have expressed their willingness to be re-appointed and a resolution to that effect will be proposed at the Annual Meeting.

## BY ORDER OF THE BOARD



Kimberly Erriah  
*Corporate Secretary*



# Chairman's Review

“With the current global and regional economic forecasts, next year will be a challenging one for the region, for Grenada and for the Bank. Our continued solid performance validates our strategy to focus on core banking. Going forward we intend to stay this course and to be proactive in managing any changes that may affect the environment in which we operate”

**Ronald F. deC. Harford**



The Bank has recorded another successful financial year with profit after tax of \$15.81 million. Based on these results, the Directors have approved a dividend of \$3.75 which, when added to the \$0.75 already paid, brings the total dividend for the year to \$4.50 per share.

We are carefully monitoring the financial crisis in the world's developed economies, which was triggered by the collapse in August 2007 of the US sub-prime mortgage market. The write down of sub-prime mortgage assets and other financial derivatives by financial institutions led to significant losses, the erosion of capital, a flight to quality and the eventual collapse of a few of these institutions. This in turn led to a loss of confidence, a squeeze on credit and then to a bank liquidity crisis. The result has been the unprecedented intervention by governments worldwide, including the governments in USA, UK, Europe and Asia, in private sector financial institutions. The intervention has taken the form of liquidity loans, the purchase of "toxic" assets and equity stakes in the largest national and global financial institutions. I am pleased to report that the Bank has no exposure to any of the toxic assets that caused the turmoil.

The measures taken so far by many governments to improve liquidity and rebuild confidence appear to be working, though slowly. There is still, however, much uncertainty and over the next twelve months we can expect volatility in the financial markets. We can also expect a significant slowdown in world growth as evidenced by the recent performance of some of the world's largest economies. The UK economy declined in the second quarter, the first such decline in sixteen years. Similarly, growth is contracting in many countries of the Euro-zone. Japan is also confronting recession with its economy contracting by 3.3 percent in the second quarter. In the USA second quarter growth slowed to 2.8 percent. Projections are however for decline in the fourth quarter 2008 and recession in 2009. Economic growth in China, although still strong, is slowing.

Closer to home, the outlook for the Eastern Caribbean Currency Union (ECCU), according to the Eastern Caribbean Central Bank (ECCB), is for slower economic growth occasioned by a slow down in construction activity, reduction in foreign direct investment and remittance flows and a decline in the tourism sector as the global financial crisis impacts the real economies of the US and the UK.

In Grenada, a new government took office following the July 8, 2008 elections. It has expressed its commitment to fiscal discipline and sustainable growth. The new Government has identified development of a tri-partite pact among the private sector, Government and social partners as critical. Government projections are that the Grenada economy will grow by 1.6 percent in 2008 and 2.2 percent in 2009. The growth rate reflects the challenges impacting all member countries of the ECCU coupled with Grenada's difficult fiscal and borrowing capacity positions. At the end of December 2007, the Government's total borrowings and publicly guaranteed debt stood at \$1.7 billion or 111.5 percent of GDP. Projections are that debt to GDP will be 106.2 percent and 99.7 percent at the end of 2008 and 2009 respectively.

With the current global and regional economic forecasts, next year will be a challenging one for the region, for Grenada and for the Bank. Our continued solid performance validates our strategy to focus on core banking. Going forward we intend to stay this course and to be proactive in managing any changes that may affect the environment in which we operate.

Shareholders would have welcomed the Bank's listing on the Eastern Caribbean Securities Exchange (ECSE) in June of this year. This will afford for liquidity and transparency in pricing of the Bank's shares, all of which will redound to the benefit of shareholders.

In ending, I would like to acknowledge Mrs Cheryl Greaves, who retired from the Board earlier this year, for her sterling contribution over the last eleven years. I also acknowledge Mr. Gordon Derrick who retired during the year. To fill these casual vacancies the Board appointed Mrs. Margaret George and Mr. Ian De Souza whom I wish to welcome. I wish to thank all the valued stakeholders of this organization for their continued support, loyalty and dedication throughout the year.

# Managing Director's Report



“The Bank was the first public company in Grenada to list its shares on the Eastern Caribbean Securities Exchange (ECSE) when it did so on June 25, 2008. Shareholders have already begun to see the benefits of listing the Bank’s shares on the ECSE; shares changed hands at an average price of \$40 prior to listing; the listing price on June 25, 2008 was \$55.00 and at September 30, 2008 the price was \$57.00.” Daniel Roberts

I am pleased to report that for the year ended 30 September 2008 the Bank has recorded a profit after tax of \$15.81 million, an increase of 21.1 percent over the previous year. This result includes gains of \$3.5 million from the sale of our Halifax Street property and the recognition of the share allocation by Visa Inc. as its status changed from an association to a limited liability company.

The year under review has been a tumultuous one as the world’s financial markets have been under severe stress. We have seen a significant decline in the value of shares traded on stock markets worldwide and an unprecedented decline in all asset values. Shareholders may be assured that the Bank has not had to write down any of its assets. We have never invested in exotic financial instruments but rather have restricted ourselves to core banking. We focus on knowing our customer, providing excellent service, managing our asset/liability mix, ensuring the highest level of productivity and pricing our products fairly and competitively. This strategy has served us well.

An analysis of our performance will show that we have grown our loans and advances portfolio by 13.3 percent while being diligent in maintaining its quality. Non-performing loans and advances represent 2.8

percent of our portfolio, well within the ceiling of 5 percent established by the Eastern Caribbean Central Bank (ECCB). Total assets increased by 11.8 percent to \$762 million and the Bank maintained its market share in all key segments. The Bank's liquidity position remains healthy despite the tightening of liquidity in the banking system during the year. Our performance as measured by return on assets and return on equity (2.19 percent and 19.07 percent respectively) is on par with the industry. Overall the bank has had a creditable financial performance.

The Bank places a high value on being a good corporate citizen. Through our "Power to Make a Difference" program we assist in many worthy projects. One example is the construction of a new wing for the Dorothy Hopkin Centre for the Disabled in St. George's which began in April this year. Additionally our scholarship and bursary programmes for Undergraduate study at the University of the West Indies, the annual RightStart Cup Youth Football Tournament and the sponsorship of the champion steel orchestra, Angel Harps, are also examples of our commitment to youth development through education, sport and culture.

We are very proud of these community programmes and were honoured to be recipients of three Good Citizen Awards for outstanding contribution to Education Development, Social Services and Financial Literacy Awareness, at the annual ECCB award ceremony last held in St. Kitts in November 2007. We also received for a record fourth time the coveted award "Best Corporate Citizen among Commercial Banks in the Eastern Caribbean Currency Union".

A well trained staff delivering superior customer service is critical to the success of the Bank and we continue to invest in a wide range of staff training. Earlier this year a comprehensive online training facility was launched, thereby adding to a new delivery dimension for training. With our investment in training, the results of our customer service surveys show the Bank is first in customer service. We are encouraged by these results as we strive for service excellence.

In September 2008, we opened our new state of the art banking facility at Melville Street in the heart of the commercial hub of St. George's. This new facility now houses our St. George's branch, our Commercial Loan Center and several other services. The branch brings a spacious banking hall equipped with elevator, onsite ATMs and excellent parking facilities. The new premises are designed to provide customers with a more comfortable environment in which to conduct banking.

The Bank was the first public company in Grenada to list its shares on the Eastern Caribbean Securities Exchange (ECSE) when it did so on June 25, 2008. Shareholders have already begun to see the benefits of listing the Bank's shares on the ECSE; shares changed hands at an average price of \$40 prior to listing; the listing price on June 25, 2008 was \$55.00 and at September 30, 2008 the price was \$57.00. Anyone now wishing to buy or sell shares in the Bank may contact a licensed Broker Dealer. In Grenada the only such Broker Dealer is Republic Finance and Merchant Bank Limited (Fincor), located on the second floor of our new building at Melville Street.

Going forward, global economic forecasts appear challenging. Nonetheless, with prudent management we are committed to improving efficiency, enhancing customer service and adding value to our stakeholders.

I wish to thank the Chairman and Directors for their guidance and counsel during the year. I also wish to thank our customers and shareholders for their continued loyal support and our management and staff for their hard work for without their contribution this good result would not have been possible.

# Bank Profile

## HEAD OFFICE

Republic House

P.O. Box 857

Republic House

Grand Anse

St. George

Grenada, West Indies

Telephone: (473)-444-BANK (2265)

Fax: (473)-444-5500/5501

Swift: NCBGGDGD

E-mail: info@republicgrenada.com

Website: www.republicgrenada.com

### **Managing Director**

Daniel A. Roberts

### **General Manager, Credit**

Marcia M. Le Gendre, *Dip. (Business Mgmt.)*

### **General Manager, Operations**

Donna L. Y. Lander, *F.I.C.B., M.B.A. (H.R. Mgmt.)*

### **Manager, Information**

#### **Technology Management**

Clifford Bailey, *B.Sc. (Comp. & Info Systems), M.Sc. (Info Tech.)*

### **Manager, Commercial Credit**

Valentine Antoine, *B.Sc. (Mgmt. Studies) A.C.I.B.*

### **Manager, Corporate Credit**

Naomi De Allie, *A.C.I.B., B.Sc. (Fin. Ser. Mgmt.)*

### **Manager, Human Resources**

#### **Training & Development**

Mc Kie Griffith, *B.SC. (Mgmt.)*

### **Manager, Business Support Services**

Claire Wildman, *F.I.C.B.*

## REPUBLIC HOUSE CLUSTER

Republic House

Telephone: (473)-444-BANK (2265)

Fax: (473)-444-5501

### **Manager, Retail Services**

Jocelyn Mc Sween

### **Operations Officer**

Margaret Thomas

## CARRIACOU

Telephone: (473)-443-7289/7896

Fax: (473)-443-7860

### **Officer-in-Charge**

Roger Patrice

## PETITE MARTINIQUE

Telephone: (473)-443-9005

Fax: (473)-443-9013

### **Officer-in-Charge**

Roger Patrice

## ST. GEORGE'S CLUSTER

St. George's

Telephone: (473)-440-3566

Fax: (473)-440-6698

Fax – Credit: (473)-440-6697

### **Manager, Retail Operations**

Garnet Ross

### **Manager, Retail Credit**

Winefred Logie, *B.Sc. (Business Mgmt.)*

### **Operations Officer**

Jean John, *A.I.C.B.*

## GRAND ANSE

Telephone: (473)-444-2627

Fax: (473)-444-2835

### **Operations Officer**

Diana Romney

## GOUYAVE

Telephone: (473)-444-8353

Fax: (473)-444-8899

### **Operations Officer**

Edmond Calliste, *A.I.C.B.*

## GRENVILLE CLUSTER

Grenville

Telephone: (473)-442-7618

Fax: (473)-442-8877

### **Manager, Retail Services**

Althea Roberts, *A.I.C.B.*

### **Operations Officer**

Valerie H. Horsford

## SAUTEURS

Telephone: (473)-442-1045/1023

Fax: (473)-442-1042

### **Officer-in-Charge**

Hesta Mc Leish

# Executive Management Team

Left to right:

**Daniel Roberts**  
*Managing Director*

**Marcia Le Gendre**  
*General Manager Credit*

**Donna Lander**  
*General Manager Operations*



# Management Team

Left to right: Claire Wildman, Naomi De Allie,  
Mc Kie Griffith, Garnet Ross,  
Winefred Logie, Jocelyn Mc Sween,  
Althea Roberts, Valentine Antoine,  
Clifford Bailey, Kimberly Erriah



**Claire Wildman**

*Manager Business Support Services*

**Naomi De Allie**

*Manager Corporate Credit*

**Mc Kie Griffith**

*Manager Human Resources, Training & Development*

**Garnet Ross**

*Manager Retail Operations*

**Winefred Logie**

*Manager Retail Credit*

**Jocelyn Mc Sween**

*Manager Retail Services, Republic House Cluster*

**Althea Roberts**

*Manager Retail Services, Grenville Cluster*

**Valentine Antoine**

*Manager Commercial Credit*

**Clifford Bailey**

*Manager Information, Technology Management  
Department*

**Kimberly Erriah**

*Corporate Secretary*



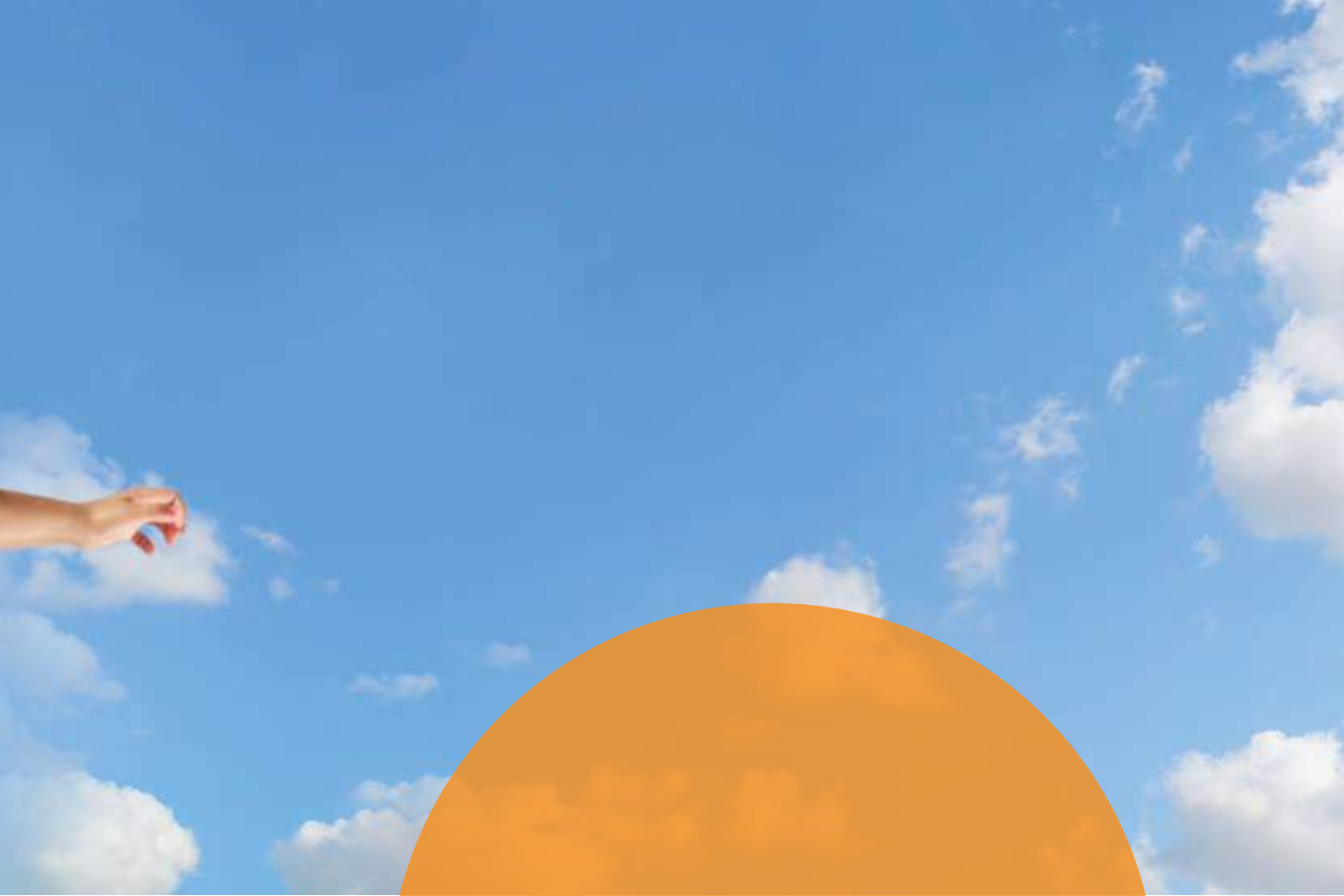




Working with and for the people of the tri island state of Grenada, Carriacou and Petite Martinique for over twenty-nine years, Republic Bank (Grenada) Limited has created a rich tradition of enabling dreams. We have earned the reputation as “The One” for our customers. “The One” they can depend on to help them achieve goals at every stage of their lives.

Whether it is the dream of owning a home, education or expanding their business and investing for the future, we work with our customers – Retail, Commercial and Corporate – committed to their success. In the process, we have strengthened our relationships across the board by consistently offering competitive products, savings and loans packages, investment opportunities and advice.

With a vast array of financial products provided by highly experienced and dedicated staff, we continue to surpass the ever-changing needs of every customer segment. Also, our highly competitive rates, extensive branch and ATM networks (the largest in the country), convenient products and services, allow us to maintain a leading role in the industry. As we continue to fulfill the dreams of those we serve, we too fulfill our dream of success.



# dreaming

Fulfilling the dreams of our customers  
means facilitating their financial goals  
with the right products and services



# rewarding

Our goal is to build relationships  
with our customers that bring them the  
rewards of successful financial guidance



At Republic Bank, we believe that the true hallmark of any successful bank is not whether it is profitable for itself, rather whether it is rewarding for the people that it serves – customers, staff and shareholders.

This reward system compels us to provide optimum solutions for our customers, sensitizes us to our employees' needs and guides us in making the decisions that will yield the maximum returns for shareholders.

Even as the demands placed on us become more complex, it is with a spirit of innovation that we proudly continue to maintain our signature top-tier service level. Our use of annual customer service surveys, mystery

shoppers and focus groups, for example, have been instrumental as we gauge and engage our customer bases; staying in touch with the people for whom we design our products and services. To this end, our customers have cited our strengths in customer service as the main reason for doing business with us.

As we deepen our relationship with our customers, we create new and innovative ways of reaching out to them and we raise the bar for excellence. We see this role as pivotal in ensuring the economic success of the Bank and the nation.



In the movement to become the “Bank of the Caribbean”, we understand that growth occurs in many ways and on many levels. While we continue to expedite strategies of growth and expansion in our asset base, our profitability and our regional reach, we also strategically nurture the growth of the individuals within our organization. Individual progress and individual growth are key in achieving success for the whole.

In our quest to empower the individuals within our ranks, we have invested in and implemented innumerable training programmes to raise our staff’s service levels and to engage their highest potential in cultivating customer satisfaction. The resultant success is defined by long and lasting relationships with customers that often span generations.

Beyond our educational initiatives, our HR systems also identify and recognize the unique value of each employee’s contribution and reward individual staff members and teams when they fulfill and exceed their potential. These efforts create a groundswell of empowered staff that buoy up corporate initiatives with motivated preparation and strategic implementation.

Success within generates success without. As our staff perform more positively and more professionally they will render the kind of service that will make our customers and our shareholders more profitable and inevitably create growth and success for all.



# growing

We cultivate the best in our people  
so that they are empowered to live  
our core values and to perform  
in the true spirit of service



fulfilling

Fulfilling our vision of a better Grenada  
drives the strategic implementation  
of our community service initiatives



As a Caribbean Bank, we recognize that the social needs of our people are great. More importantly, we also recognize that our ability as a people to fulfill these needs, is far greater. Our goal therefore is to empower our communities to overcome all obstacles on the road to fulfilling their highest potential.

Republic Bank plays a strategic role in social investment through our *Power to Make a Difference* Programme. Five years ago when we launched our flagship social investment initiative, the Power to Make a Difference, we pledged \$2 million toward focusing on the issues of youth empowerment through education, culture and sport; caring for the elderly and children with special needs.

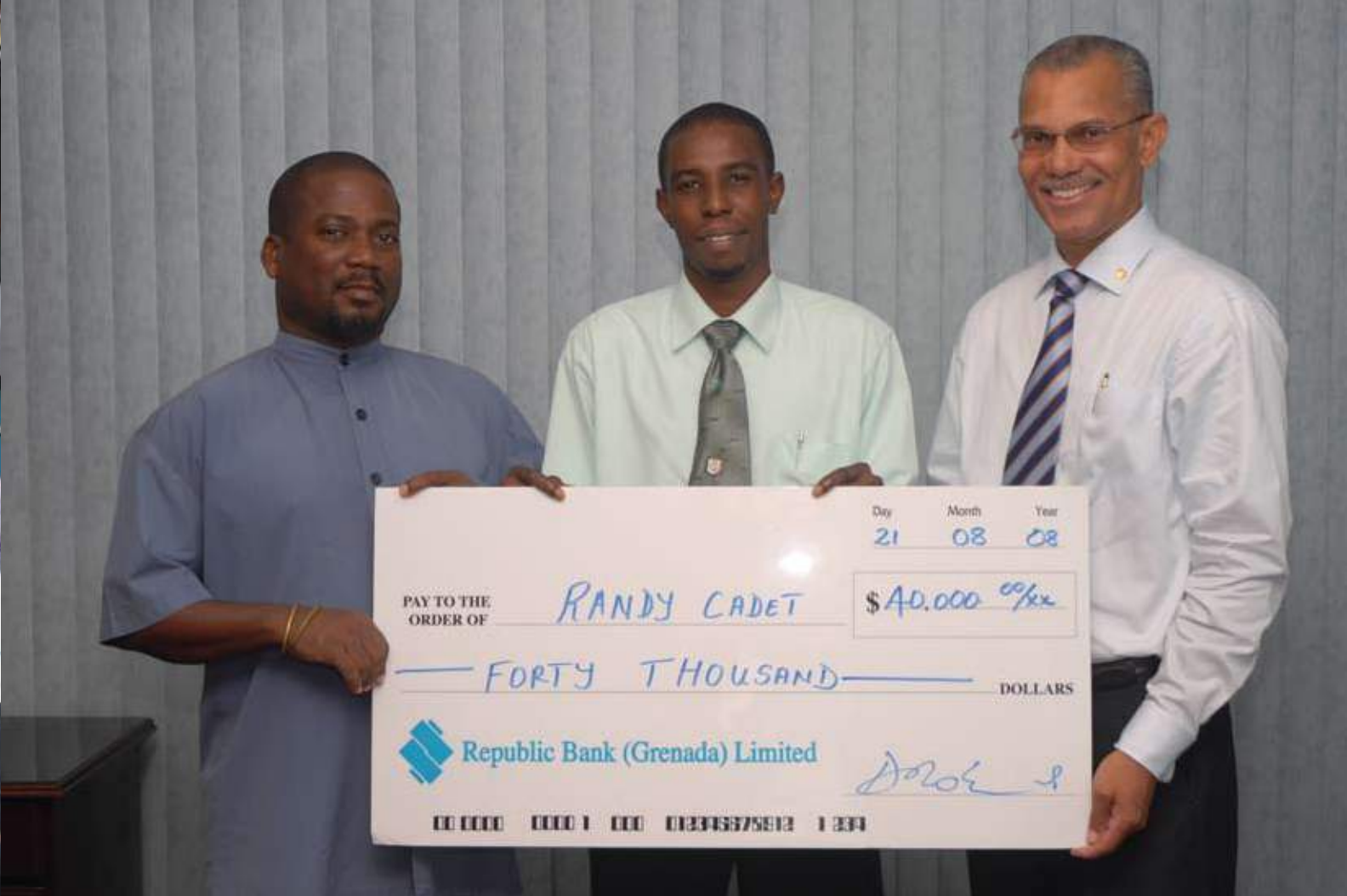
This programme, geared toward creating self-sufficient and self-sustaining communities through collaboration with individuals, groups and communities, continues to enjoy tremendous success and positive outcomes; growing in scope and significance.

In working with the various communities to create the right framework for a brighter future, we have ushered in an age of corporate conscientiousness, where, in going forward, we can make even more significant strides in unlocking the nation's potential to succeed.





power to  
make a  
difference



Caring for special needs groups in our society forms an integral part of the Bank's Community Outreach efforts through the Power to Make a Difference Programme; this past year witnessed major enhancements in Education, Social Services, Youth and Community Empowerment through culture and sport.

Republic Bank's annual Scholarship assistance to locals pursuing studies with the University of the West Indies amounts to \$60,000.00. Both on-campus students and those on the Distance Education programme benefit from the scholarship. Currently, two students are enrolled at campuses and five (5) are studying with the local UWI centre, ably assisted by the Bank.

Recently completed is the construction and equipping of a Technical Lab at Bishop's College, one of two secondary schools in Carriacou. This project which cost approximately \$121,000.00, represents the hope for students to harness their technical inclinations. The project also fosters hope for the future since, in many

cases such students experience difficulty relying purely on their academic capabilities. The Lab will soon be put to use, and Republic Bank is pleased to have contributed to the school's curriculum.

The Bank committed toward and saw the commencement of expansion work on the Dorothy Hopkin Centre for the Disabled, located at Tempe, St. George. The facility caters to the care of mentally and physically challenged children. The Bank's allocation of \$563,000 will allow for improved accommodation for the increasing number of persons who are in need of the specialist care provided at the Centre. The project which commenced in April 2008 is well underway with completion scheduled for later this year.

In keeping with its social responsibility initiative, Republic Bank also donated to Charles Memorial Home a privately run Senior Citizens' Home located in a relatively rural district in the parish of St. Mark. The Bank responded to an urgent need which existed at the Home and donated



## Power to make a difference

one commercial size refrigerator costing approximately \$10,000. Undoubtedly, this gesture augured well for improvement in the quality of care administered at the Home.

Also benefitting from the Bank's Power to make a Difference Programme for this period was the Grenada Save the Children Development Agency (GRENSAVE). The Bank contributed to the Agency's successful staging of a Summer Camp for children. The Camp provided a stimulating educational experience which enhanced their physical, social, mental and spiritual well-being.

At Republic Bank we value the importance of cherishing and developing Grenada's culture and heritage. As such the Bank maintains its premiere sponsorship undertakings of Republic Bank Angel Harps Steel Orchestra, Carriacou Regatta Festival, and to a lesser extent, the Rainbow City

Festival. Collectively, investment for these amounted to \$76,000.00 this year.

In 2008 the Republic Bank Angel Harps emerged winners of the Panorama Competition, an integral part of Carnival celebrations. The Band not only excels on stage but contributes to the preservation and development of pan among youths. It boasts a junior section and is actively involved with several schools in the St. George's area.

The Bank's sponsorship of the Carriacou Regatta Festival spans over twenty-five (25) years since inception of the Carriacou branch. The festival showcases the work of boatbuilders as well as the sailing expertise of boatmen in Grenada, Carriacou, Petite Martinique and the region. Other activities include cultural events depicting the rich heritage of Carriacou.



Grenada's second largest city, Grenville, is home to the Rainbow City Festival. This year the Bank sponsored the Emancipation March which in recent years was incorporated into the festival to raise awareness of the importance of this date in history.

Recognising the role of Sport in the development of our nation's youth, the Bank continues to invest heavily in the Secondary Schools Football Competition appropriately named the Republic Bank RightStart Cup Youth Football Competition. Backed by sponsorship of over \$100,000, the tournament has become a prominent feature on the calendar of events of schools. It kicked off this year in September and runs until November.

All assistance under the Power to make a Difference Programme seeks to nurture potential. As such, its support of a unique initiative, the Summer Soltstice

Saturday Market event which was conceptualised to promote an appreciation of nature, fell in line with the Programme. The activity which was held at the Grenville Vale Tropical Botanic Gardens featured local fruits and vegetables, craft, food, plants, and included healthy, fun activities. It provided the opportunity especially for farmers, artisans, and caterers to showcase their produce and reap tangible benefits. It also provided exposure to the "virgin" territory where the activity was held and unearthed the scope for development there with particular reference to the activity.

Republic Bank values such opportunities to collaborate with the communities in which we operate to make a difference and unleash a positive outlook for beneficiaries under the Power to Make a Difference Programme.

# Management Discussion & Analysis

## INTRODUCTION

Republic Bank (Grenada) Limited was incorporated on October 12, 1979. It is well represented in Grenada with seven branches and one agency office dispersed across the tri-island state. The Bank maintains a leading market share position in Grenada.

The following is a discussion and analysis of the financial condition and results of the Bank. This discussion should be read in conjunction with the audited financial statements contained on pages 4 to 59 of this report. All amounts are stated in Eastern Caribbean Currency.

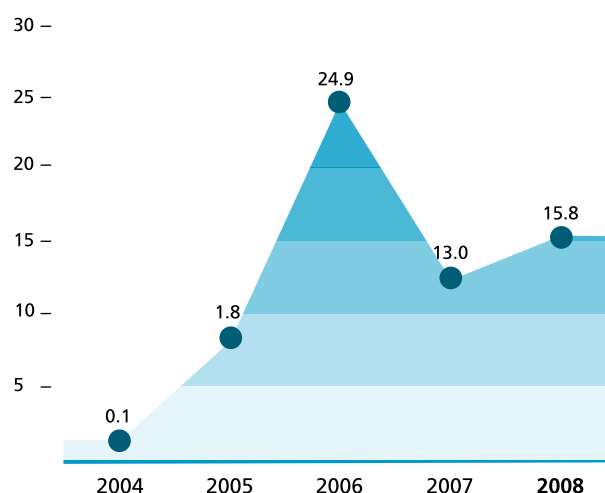
Foreign currency balances have been converted to EC dollars at the prevailing mid-rate on September 30th for each financial year. The following are the mid-rates for the major currencies as at September 30th:

	2008	2007
United States dollars	2.70	2.70
Pounds Sterling	4.8769	5.4969
Canadian dollars	2.5850	2.7105
Euros	3.8731	3.8289
TT dollars	0.4405	0.4364

## FINANCIAL PERFORMANCE

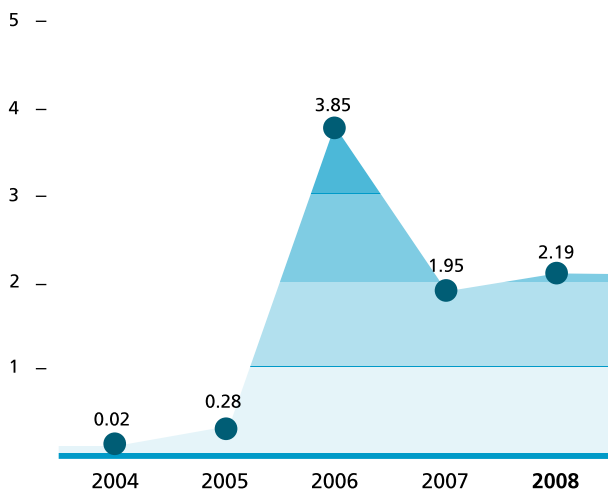
Fiscal 2008 saw the Bank returning a profit after tax of \$15.81 million which is 21.14 percent more than the \$13.05 million reported in 2007. These results include \$3.517 million representing gains of \$2.96 million on the sale of the St George's old premises and \$0.55 million on the sale of Visa Inc. gifted shares. When the impact of these gains is discounted from the Bank's result, profit in 2007 was 6.16 percent more than core profit of \$12.29 million this year. Prior to the sale of the Halifax Street building, all operations at the St George's branch were relocated to the Bank's newly constructed building at Melville Street, St George's. The sale of a portion of the Visa Inc. gifted shares was mandatory under the arrangement of the gift earlier in the year. The Bank currently holds 2,147 VISA Inc class C Shares.

PROFIT AFTER TAX (\$MILLIONS)

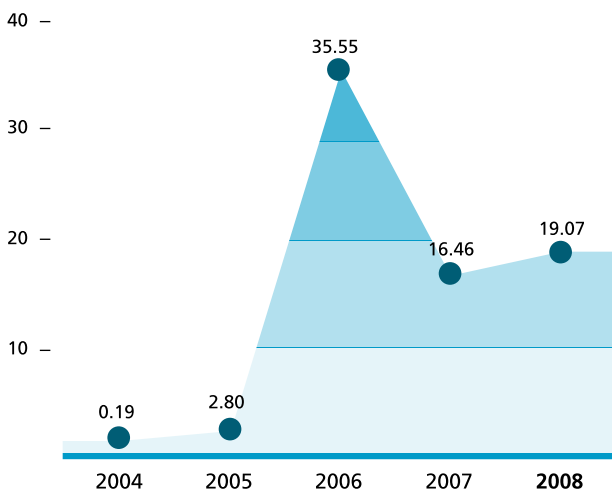


In 2008 the Bank's return on average assets and return on average shareholders' equity both improved compared with the previous year.

RETURN ON ASSETS (%)



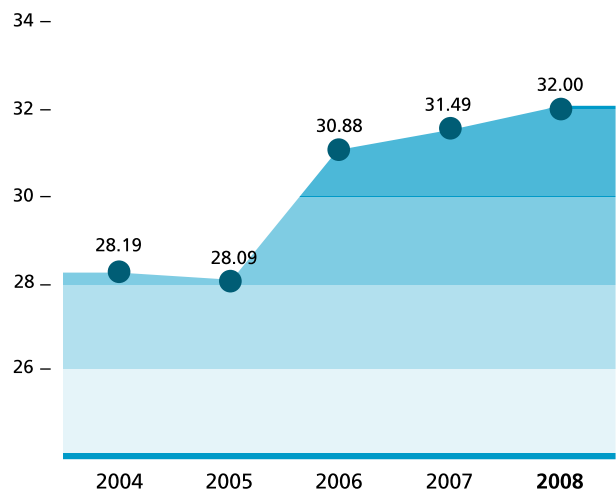
RETURN ON EQUITY (%)



### Net Interest and Other Income

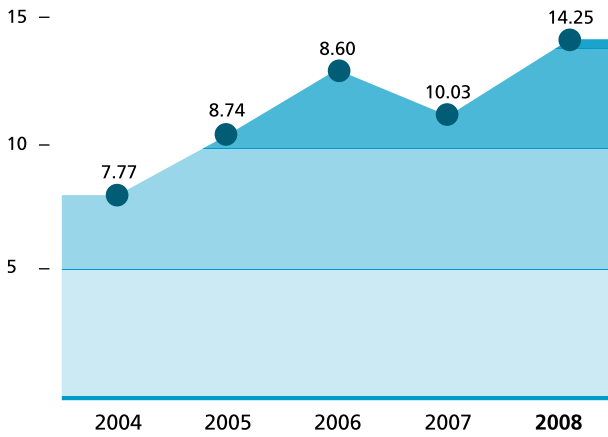
Net interest income grew by 1.6 percent to \$32.0 million, evidence of the narrowing of interest margins which continued in 2008 due to prevailing market conditions. Excluding the gain on sale of assets, other income increased by 6.7 percent as exchange earnings increased by 16.2 percent, but fees and commissions earned were less by 1.8 percent than in the previous year. Consistent with IAS 18, commission on new loans is being recognized over the average life of the loan rather than being taken to income when the loan is granted. Overall, total income grew by 10.3 percent. Operating expenses, excluding impairment adjustments and staff profit sharing, increased by 6.9 percent, reflecting increased cost of electricity, depreciation and a provision for salary increases currently under negotiation.

NET INTEREST INCOME (\$MILLIONS)

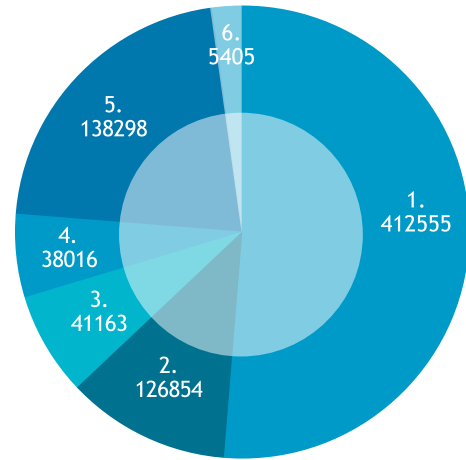


# Management Discussion & Analysis

OTHER INCOME (\$MILLIONS)



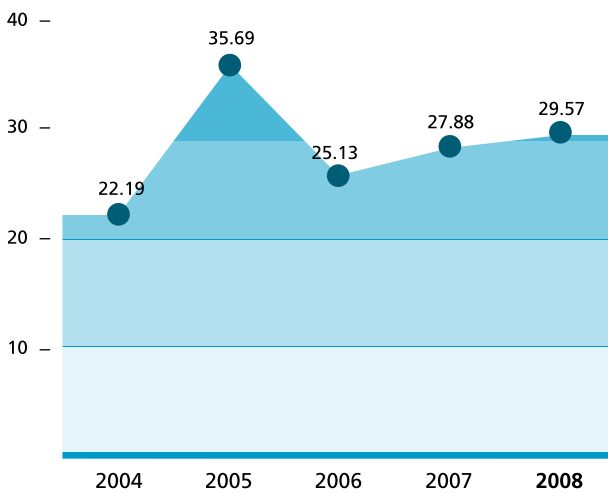
COMPOSITION OF ASSETS



KEY

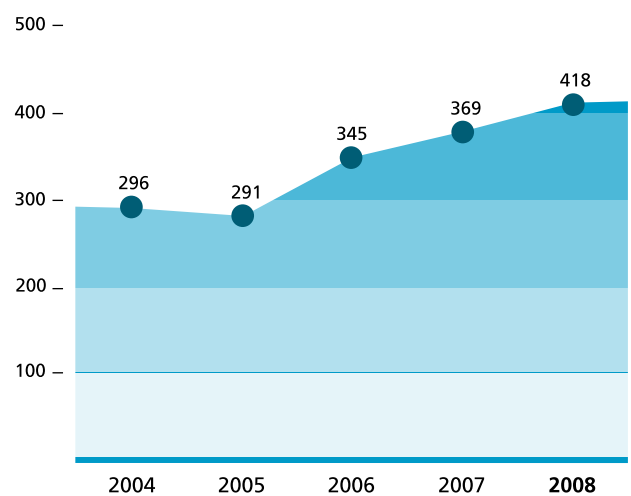
1. Loans and advances
2. Investments
3. Premises and equipment
4. Statutory Deposit at Central Bank
5. Liquid Assets
6. Other Assets

OPERATING EXPENSES (\$MILLIONS)



Loans and advances continued the growth trend.

GROSS LOANS AND ADVANCES

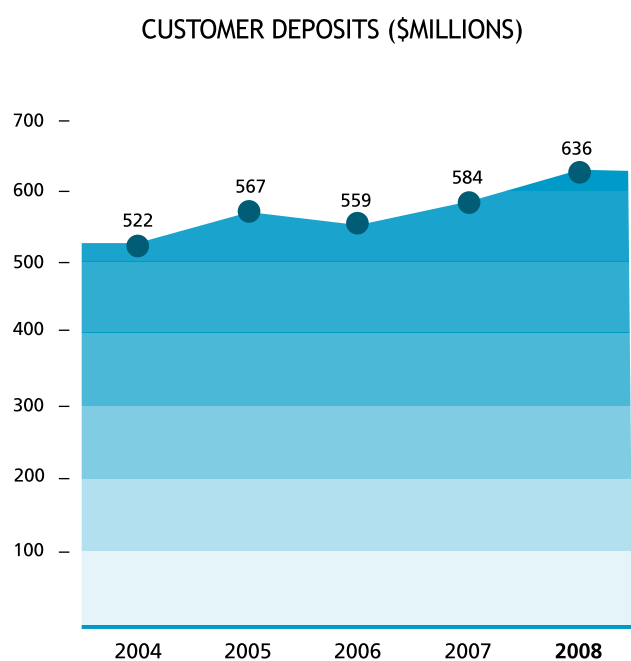


## Balance Sheet Review

The growth in total assets in 2008 was 11.78 percent or \$80.3 million. The loans portfolio increased by 13.3 percent or \$48.5 million, financed through re-allocations from lower yielding assets and new deposits.

LOANS AND ADVANCES	2004	2005	2006	2007	2008
Performing Loans (\$'000)	283,767	280,297	330,380	354,566	406,223
Non-Performing Loans (\$'000)	12,552	11,171	14,402	14,345	11,523
Gross Loans (\$'000)	296,319	291,468	344,782	368,911	417,746
Non-Performing Gross Loans (%)	4.17	3.65	4.14	3.85	2.76
Provisions to Non-Performing Loans (%)	118.85	178.47	42.17	29.69	45.05

Customer deposits increased during the year by 8.9 percent or \$52.1 million to \$635.6 million.



## MANAGEMENT OF RISK

### Overview

The Bank's prudent banking practices are based on solid risk management. Utilizing the resources of Republic Bank Limited, our parent company, we keep abreast of our dynamic environment and manage continually evolving risks as our business activities change in response to market, credit, product and other developments. The

Bank manages a variety of risks in the ordinary course of business. Our approach to each of the major specific risks is listed in the notes to the accounts.

### CAPITAL STRUCTURE

The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity increased by \$8.78 million to \$87.3million over the year under review.

The Bank's dividend policy is to distribute 40 percent to 50 percent of its net earnings to shareholders. The total distribution based on the results for the financial year 2008 was \$6.75 million representing 42.69 percent of net profit.

Capital adequacy is monitored by employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice (the Basle Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The risk-based capital guidelines require a minimum of core capital (Tier1) to risk-weighted assets of 4 percent, with a minimum total qualifying capital (Tier 2) to risk-weighted assets of 8 percent.

At September 30th 2008, the Bank exceeded the minimum levels required with Tier 1 capital to risk-weighted assets of 17.5 percent and total qualifying capital to risk-weighted assets of 18.1 percent.



# Corporate Governance

Republic Bank (Grenada) Limited is committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update as necessary our internal systems in order to ensure our standards reflect best international practice while tailored to the specific needs of the Bank. The Board of Directors exercises leadership, enterprise, integrity and good judgment in directing the Bank to achieve continuing prosperity. It will act in the best interests of the Bank guided by a philosophy that is based on transparency, accountability and responsibility.

The Board provides entrepreneurial leadership to the Bank within a framework of prudent and effective controls which enables risk to be assessed and managed. It sets the Bank's strategic aims, ensuring that the necessary financial and human resources are in place for it to meet its objectives and review management performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Board is responsible for

- oversight of the Bank including its control and accountability systems
- appointing and removing Directors and members of senior management
- formulation of policy
- input into and final approval of management's development of corporate strategy and performance objectives
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures

- approving and monitoring financial and other reporting
- approving credit facilities in excess of a defined amount

Our Board of Directors is currently made up of nine 9 Non-Executive Directors and a Managing Director. The Board exercises independent judgment with management information to enable proper and objective assessment of corporate affairs. The Non-Executive Directors, which include our parent company's Chairman and two of its Executive Directors, reflect a diverse cross-section of the professional business community and are all highly respected, independent individuals with a wealth of experience in their respective fields.

The Managing Director and our parent company's Executive Directors ensure that at Board meetings, Directors have access to the best possible banking, management and financial advice during their deliberations and this ensures the Board has a clear perspective on all matters on which decisions are required.

The Board of Directors meets formally in the first month of each quarter and also in December while a Sub-Committee of the Board meets in each of the seven months the Board does not meet. The Managing Director has explicit authorities and responsibilities that are documented and approved by the Board of Directors and reviewed as and when necessary.

At the Annual Meeting, one-third of the Directors retire and may offer themselves for re-election. Mrs Cheryl Greaves resigned from the Board on July 31, 2008 creating a casual vacancy which has been filled by the appointment of Mr. Ian De Souza. At the upcoming Annual Meeting, Gregory Thomson, Hugh Dolland and Ian De Souza retire from the Board by rotation and being eligible, have offered themselves for re-election. Margaret George, whose appointment

effective on April 17, 2008, filled the vacancy created by the retirement of Gordon Derrick, in accordance with the Company's By-law, will also retire from the Board. Being eligible, she has also offered herself for re-election.

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

The Bank's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner which is precise and tangible both to the Board and Management. The Bank's affairs are subject to comprehensive assessment against accurate and relevant information, both financial and non-financial as appropriate, obtainable from the Bank's internal reporting systems as well as external sources, so that informed assessment can be made of issues facing the Board.

## **AUDIT COMMITTEE**

This Committee meets quarterly to review the financial reporting process, the system of internal control, management of financial risks, the audit process, the Bank's process for monitoring compliance with laws and regulations and its own code of business.

The Committee comprises:

***Chairman***

Gregory Thomson

***Members***

Ronald F. deC. Harford

Claudia Alexis

Margaret Blackburn

Leon D. Charles

**SIGNED ON BEHALF OF THE BOARD**



Ronald F. deC. Harford

*Chairman*

# Management's Responsibility for Financial Reporting

The Directors of Republic Bank (Grenada) Limited are responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors.

General responsibilities include:

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank.

The Directors have always recognized the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Bank. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organizational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Bank.

The system of internal control is further supported by a professional staff of internal auditors from our parent company who conduct periodic audits of all aspects of the Bank's operations. External auditors have full and free access to, and meet periodically with the Audit Committee to discuss their audit and findings as to the integrity of the Banks accounting and financial reporting and the adequacy of the system of internal controls.

**SIGNED ON BEHALF OF THE BOARD**



Ronald F. deC. Harford  
*Chairman*

numbers to count on



# Contents

Independent Auditors' Report	4
Balance Sheet	6
Statement of Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the 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) Cash and cash equivalents	13
d) Statutory deposit with Central Bank	14
e) Financial instruments	14
f) Impairment of financial assets	15
g) Premises and equipment	16
h) Employee benefits	17
i) Taxation	17
j) Statutory reserve	18
k) Earnings per share	18
l) Foreign currency translation	18
m) Interest income and expense	18
n) Fee and commission income	18

3	Significant accounting judgements and estimates in applying the Bank's accounting policies	19
4	Advances	20
5	Investment securities	23
6	Premises and equipment	23
7	Employee benefits	25
8	Deferred tax assets and liabilities	28
9	Other assets	28
10	Customers' current, savings and deposit accounts	29
11	Other liabilities	29
12	Stated capital	29
13	Operating profit	29
14	Taxation expense	31
15	Related parties	32
16	Risk management	32
17	Capital management	53
18	Fair value	54
19	Maturity analysis of financial assets and liabilities	57
20	Dividends	58
21	Contingent liabilities	58

# Independent Auditors' Report

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

We have audited the financial statements of Republic Bank (Grenada) Limited which comprise the balance sheet as at 30 September, 2008, and the related 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

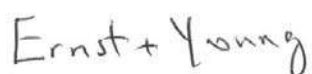
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 auditor's 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 30 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 handwritten-style script.

**Ernst & Young**

*Chartered Accountants*

Worthing Main Road  
Christ Church  
Barbados, Trinidad

October 30, 2008



# Balance Sheet

at 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

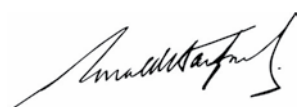
	Notes	2008	2007
<b>ASSETS</b>			
Cash		11,662	6,987
Statutory deposit with Central Bank		38,016	34,908
Due from banks		84,547	101,007
Treasury bills		38,747	11,529
Investment interest receivable		3,342	3,749
Advances	4	412,555	364,048
Investment securities	5	126,854	126,291
Premises and equipment	6	41,163	29,614
Net pension asset	7	1,355	1,153
Deferred tax assets	8	1,142	878
Taxation recoverable		71	414
Other assets	9	2,837	1,395
<b>TOTAL ASSETS</b>		<b>762,291</b>	<b>681,973</b>

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

	Notes	2008	2007
<b>LIABILITIES &amp; EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		15,687	7,560
Customers' current, savings and deposit accounts	10	635,593	583,513
Provision for post-retirement medical and life benefits	7	2,210	1,940
Deferred tax liabilities	8	1,392	1,513
Accrued interest payable		2,530	1,586
Unearned loan origination fees		1,578	961
Other liabilities	11	15,999	6,379
<b>TOTAL LIABILITIES</b>		<b>674,989</b>	<b>603,452</b>
<b>EQUITY</b>			
Stated capital	12	15,000	15,000
Statutory reserves		15,000	15,000
Other reserves		2,997	3,426
Retained earnings		54,305	45,095
<b>TOTAL EQUITY</b>		<b>87,302</b>	<b>78,521</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>762,291</b>	<b>681,973</b>

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

These financial statements were approved by the Board of Directors on 30th October, 2008 and signed on its behalf by:



R. F. deC. Harford  
Chairman



Daniel A. Roberts  
Managing Director

# Statement of Income

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	Notes	2008	2007
Interest income	13 (a)	48,852	47,164
Interest expense	13 (b)	(16,853)	(15,671)
<b>Net interest income</b>		<b>31,999</b>	<b>31,493</b>
Other income	13 (c)	14,246	10,026
		<b>46,245</b>	<b>41,519</b>
Loan impairment expense	4 (b)	(428)	(344)
Operating expenses	13 (e)	(29,561)	(27,878)
<b>Profit before taxation</b>		<b>16,256</b>	<b>13,297</b>
Taxation - Current		(345)	(316)
- Deferred		(101)	69
<b>Total taxation expense</b>	14	<b>(446)</b>	<b>(247)</b>
<b>Net profit after taxation</b>		<b>15,810</b>	<b>13,050</b>
<b>Earnings per share (\$)</b>			
Basic and diluted		10.54	8.70
<b>Number of shares ('000)</b>		<b>1,500</b>	<b>1,500</b>

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

# Statement of Changes in Equity

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
<b>Balance at 1st October, 2006 (Restated)</b>	15,000	15,000	12,096	38,045	80,141
Revaluation of available-for-sale investments	-	-	(8,670)	-	(8,670)
Profit for the year (restated)	-	-	-	13,050	13,050
Equity dividends (note 20)	-	-	-	(6,000)	(6,000)
<b>Balance at 30th September, 2007</b>	15,000	15,000	3,426	45,095	78,521
Revaluation of available-for-sale investments	-	-	(429)	-	(429)
Profit for the year	-	-	-	15,810	15,810
Equity dividends (note 20)	-	-	-	(6,600)	(6,600)
<b>Balance at 30th September, 2008</b>	15,000	15,000	2,997	54,305	87,302

# Statement of Cash Flows

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2008	2007
<b>Operating activities</b>		
Profit before taxation	16,256	13,297
<b>Adjustments for:</b>		
Depreciation	2,577	2,247
Loan and investment impairment expense/(recovery)	(3,298)	(654)
(Gain)/loss on sale of premises and equipment	(2,998)	(7)
Increase in employee benefits	68	72
Increase in advances	(48,935)	(24,982)
Increase in customers' current, savings and deposit accounts	52,080	24,660
Increase in statutory deposit with Central Bank	(3,108)	(1,272)
(Increase)/ decrease in other assets	(1,035)	1,208
Increase/ (decrease) in other liabilities and accrued interest payable	11,181	(1,254)
Corporation taxes paid, net of refund	-	(399)
<b>Cash provided by operating activities</b>	<b>22,788</b>	<b>12,916</b>
<b>Investing activities</b>		
Purchase of investment securities	(41,747)	(2,179)
Redemption of investment securities	16,564	2,818
Additions to premises and equipment	(15,688)	(13,504)
Proceeds from sale of premises and equipment	4,771	126
<b>Cash used in investing activities</b>	<b>(36,100)</b>	<b>(12,739)</b>

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

	<b>2008</b>	<b>2007</b>
<b>Financing activities</b>		
Increase in balances due to other banks	8,127	6,273
Dividends paid	(6,600)	(6,000)
<b>Cash used in financing activities</b>	<b>1,527</b>	<b>273</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,785)</b>	<b>450</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>107,994</b>	<b>107,544</b>
<b>Cash and cash equivalents at end of year</b>	<b>96,209</b>	<b>107,994</b>
<b>Cash and cash equivalents at end of year are represented by:</b>		
Cash on hand	11,662	6,987
Due from banks	84,547	101,007
<b>Cash and cash equivalents at end of year</b>	<b>96,209</b>	<b>107,994</b>

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

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 1 Corporate Information

Republic Bank (Grenada) Limited (the Bank) is incorporated in Grenada and provides banking services through seven branches in Grenada and Carriacou and one agency office in Petite Martinique. The Bank was continued under the provision of the Companies Ordinance Section 365, 1995 on March 23, 1998 and its registered office is located at Republic House, Grand Anse, St. George, Grenada. It is a subsidiary of Republic Bank Limited of Trinidad and Tobago.

The CL Financial Group holds through its various subsidiaries 52.65% of the shares of Republic Bank Limited. The Bank operates under the Grenada Banking Act and other laws of Grenada. The Bank is not organized into distinguishable business segments and operates solely in Grenada providing a wide range of Banking, Financial and related services.

## 2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied.

### a) Basis of preparation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Eastern Caribbean 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. 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 Bank'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 financial statements are consistent with those followed in the preparation of the Bank'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 Bank adopted the amendment to IAS 1 on October 1, 2007. This amendment requires the Bank to make new disclosures to evaluate the Bank'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 Bank adopted IFRS 7 on October 1, 2007. This standard requires disclosures that enable users to evaluate the significance of the Bank'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 Bank.

#### ii) *Standards in issue not yet effective*

The Bank has not early adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued but are not yet effective. These standards/interpretations either do not apply to the activities of the Bank or have no 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)

### c) 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 and treasury bills with original maturities of three months or less.



# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 2 Significant accounting policies (*continued*)

### d) Statutory deposit with Central Bank

Pursuant to the Banking Act of Grenada (No. 19 of 2005), Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement to its deposit liabilities.

### e) Financial instruments

The Bank's financial assets and financial liabilities are recognised in the balance sheet when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or where the Bank has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All 'regular way' purchases and sales are recognised at settlement date.

#### i) Advances

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

#### ii) Investment securities

##### - *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 recognised at fair value plus transaction costs and are continuously remeasured at fair value based on quoted market prices where available or discounted cash flow models. 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. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised 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 recognised in equity are included in the statement of income as an impairment expense on investment securities.

## 2 Significant accounting policies (*continued*)

### f) Impairment of financial assets

The Bank 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.

### i) Advances

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 Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

#### *Individually assessed allowances*

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

#### *Collectively assessed allowances*

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including 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 of 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 Bank's overall policy.

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.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

### f) Impairment of financial assets *(continued)*

#### ii) Investment securities

The Bank 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 income statement.

### g) Premises and equipment

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank 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 straight line method at rates expected to apportion the cost of the assets over their estimated useful lives.

The depreciation rates used are as follows: -

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

## 2 Significant accounting policies *(continued)*

### h) Employee benefits

#### i) Pension obligations

The Bank operates a defined benefit pension plan, the assets of which are generally held in separate trustee-administered funds. The pension plan is generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plan every three years.

Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of the employee benefit pension plan.

For the defined benefit pension 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 recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10% of the defined benefit obligation and the fair value of plan assets. These gains or losses are recognised by amortising them over the average remaining working lifetime of employees.

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

#### ii) Other post-retirement obligations

The Bank provides post-retirement life insurance and 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 and the profit share to be distributed to employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Bank accounts for the profit share, as an expense, through the statement of income.

#### i) 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 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 realised or the deferred income tax liability is settled.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

### i) Taxation *(continued)*

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

### j) Statutory reserves

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.

### k) Earnings per share

Data on basic earnings per share has been computed by dividing the net profit by the number of ordinary shares in issue.

### l) Foreign currency translation

The financial statements of the Bank is presented in the currency of the primary economic environment, in which the entity operates (its functional currency), and the financial statements are therefore expressed in Eastern Caribbean dollars, the functional currency of the Bank.

Monetary assets and liabilities of the Bank which are denominated in foreign currencies are expressed in Eastern Caribbean 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.

### m) Interest income and expense

Interest income and expense are recognised 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.

### n) Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction.

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

Management has made the following judgements in its application of the Bank'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 Bank 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.

#### *Employee Benefits*

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

#### *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 utilisation of temporary tax differences which may arise.

#### *Premises and equipment*

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank 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.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 4 Advances

a) Advances	2008	2007
Retail lending	95,505	84,224
Commercial & Corporate loans	127,381	119,770
Mortgages	198,751	169,080
	<b>421,637</b>	<b>373,074</b>
Unearned interest	(5,081)	(5,211)
Accrued Interest	1,190	1,048
	<b>417,746</b>	<b>368,911</b>
Allowance for impairment losses	(5,191)	(4,863)
<b>Advances</b>	<b>412,555</b>	<b>364,048</b>

4 Advances (continued)

b) Allowance for impairment losses

(i) Reconciliation of the allowance for impairment losses for advances by class

	<b>2008</b>			
	Retail lending	Corporate & commercial lending	Mortgages	Total
Balance brought forward	1,152	2,602	1,109	4,863
Charge-offs and write-offs	(49)	(6)	(45)	(100)
Loan impairment expense	750	690	734	2,174
Loan impairment recoveries	(565)	(590)	(591)	(1,746)
<b>Balance carried forward</b>	<b>1,288</b>	<b>2,696</b>	<b>1,207</b>	<b>5,191</b>
Individual impairment	886	2,316	1,207	4,409
Collective impairment	402	380	-	782
	<b>1,288</b>	<b>2,696</b>	<b>1,207</b>	<b>5,191</b>
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	900	4,297	5,091	10,288



# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 4 Advances (continued)

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

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

	2007			Total
	Retail lending	Corporate & commercial lending	Mortgages	
Balance brought forward	1,098	2,979	1,295	5,372
Charge-offs and write-offs	(169)	(394)	(290)	(853)
Loan impairment expense	371	184	177	732
Loan impairment recoveries	(148)	(167)	(73)	(388)
<b>Balance carried forward</b>	<b>1,152</b>	<b>2,602</b>	<b>1,109</b>	<b>4,863</b>
Individual impairment	863	2,287	1,109	4,259
Collective impairment	289	315	-	604
	<b>1,152</b>	<b>2,602</b>	<b>1,109</b>	<b>4,863</b>
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	1,100	5,545	4,999	11,144

- c) The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at 30 September 2008 amounts to \$15 million (2007: ( \$7million). The collateral consists of cash, securities, letters of guarantee and properties.

5 Investment securities

	2008	2007
<b>Available-for-sale</b>		
Government securities	75,549	73,427
State owned company securities	29,644	31,885
Corporate bonds/debentures	11,864	11,856
Other	9,797	9,123
<b>Total investment securities</b>	<b>126,854</b>	<b>126,291</b>

6 Premises and equipment

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total <b>2008</b>
<b>Cost</b>					
At October 1, 2007	11,669	9,435	7,649	21,704	50,457
Other adjustments	-	(190)	-	-	(190)
Additions at cost	12,128	19,962	-	7,369	39,459
Disposal/transfer of assets	(23,770)	(1,584)	-	(615)	(25,969)
<b>At September 30, 2008</b>	<b>27</b>	<b>27,623</b>	<b>7,649</b>	<b>28,458</b>	<b>63,757</b>
<b>Accumulated depreciation</b>					
At October 1, 2007	-	699	3,743	16,401	20,843
Other adjustments	-	(36)	70	(224)	(190)
Charge for the year	-	206	70	2,301	2,577
Disposal of assets	-	(116)	-	(520)	(636)
<b>At September 30, 2008</b>	<b>-</b>	<b>753</b>	<b>3,883</b>	<b>17,958</b>	<b>22,594</b>
<b>Net book value</b>					
At September 30, 2008	27	26,870	3,766	10,500	41,163

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 6 Premises and equipment *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total 2007
<b>Cost</b>					
At October 1, 2006	1,230	9,435	7,607	19,096	37,368
Additions at cost	10,439	-	42	3,023	13,504
Disposal/transfer of assets	-	-	-	(415)	(415)
<b>At September 30, 2007</b>	<b>11,669</b>	<b>9,435</b>	<b>7,649</b>	<b>21,704</b>	<b>50,457</b>
<b>Accumulated depreciation</b>					
At October 1, 2006	-	523	3,657	14,712	18,892
Charge for the year	-	176	86	1,985	2,247
Disposal of assets	-	-	-	(296)	(296)
<b>At September 30, 2007</b>	<b>-</b>	<b>699</b>	<b>3,743</b>	<b>16,401</b>	<b>20,843</b>
<b>Net book value</b>					
At September 30, 2007	11,669	8,736	3,906	5,303	29,614
<b>Capital commitments</b>					
				<b>2008</b>	<b>2007</b>
Contracts for outstanding capital expenditure not provided for in the financial statements				<b>1,139</b>	<b>12,331</b>
Other capital expenditure authorised by the Directors but not yet contracted for				<b>288</b>	<b>0</b>

## 7 Employee benefits

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

	Defined benefit pension plan		Post-retirement life insurance and medical benefits	
	2008	2007	2008	2007
Opening defined benefit obligation	15,433	13,858	1,923	1,696
Current service cost	791	791	141	130
Interest cost	1,077	961	134	118
Member's contributions	125	130	-	-
Actuarial (Gain) /losses on obligations	(373)	16	(71)	(17)
Benefits paid	(103)	(274)	-	-
Expense allowance	(49)	(49)	-	-
Premiums paid by the Bank	-	-	(5)	(4)
<b>Closing defined benefit obligation</b>	<b>16,901</b>	<b>15,433</b>	<b>2,122</b>	<b>1,923</b>

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

	Defined benefit pension plan	
	2008	2007
Opening fair value of plan assets	16,041	14,282
Expected return	1,153	1,024
Actuarial gains/(losses)	433	28
Contributions by employer	917	900
Member's contributions	125	130
Benefits paid	(103)	(274)
Expense allowance	(49)	(49)
<b>Closing fair value of plan assets</b>	<b>18,517</b>	<b>16,041</b>

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 7 Employee benefits (continued)

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

	Defined benefit pension plan		Post-retirement life insurance and medical benefits	
	2008	2007	2008	2007
Defined benefit obligation	(16,901)	(15,433)	(2,122)	(1,923)
Fair value of plan assets	18,517	16,041	-	-
	1,616	608	(2,122)	(1,923)
Unrecognised portion	(261)	545	(88)	(17)
Net asset/(liability) recognised in the balance sheet	1,355	1,153	(2,210)	(1,940)

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

	Defined benefit pension plan		Post-retirement life insurance and medical benefits	
	2008	2007	2008	2007
Current service cost	791	791	141	130
Interest on defined benefit obligation	1,077	961	134	118
Expected return on plan assets	(1,153)	(1,024)	-	-
Total included in staff costs	715	728	275	248

e) Actual return on plan assets

	Defined benefit pension plan	
	2008	2007
Expected return on plan assets	1,153	1,024
Actuarial gain on plan assets	433	28
Actual return on plan assets	1,586	1,052

7 Employee benefits (continued)

f) Experience history

	Defined benefit pension plan		Post-retirement life insurance and medical benefits	
	2008	2007	2008	2007
Defined benefit obligation	(16,901)	(15,433)	2,122	1,923
Plan assets	18,517	16,041	-	-
(Deficit)/surplus	1,616	608	2,122	1,923
Experience adjustments on plan liabilities	(373)	16	88	(17)
Experience adjustments on plan assets	433	28	-	-

g) The Bank expects to contribute \$0.952M to the plan in the 2009 financial year.

h) The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate (%)	7.00	7.00
Rate of salary increase (%)	6.00	6.00
Pension increases (%)	0.00	0.00
Medical cost trend rates (%)	n/a	n/a
Expected return on plan assets (%)	7.00	7.00
NIS ceiling rates (%)	4.00	4.00

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.

i) Plan asset allocation as at September 30

	Defined benefit pension plan	
	2008	2007
Equity securities	3.90%	4.40%
Debt securities	53.00%	58.30%
Money market instruments/cash	43.10%	37.30%
Total	100%	100%

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 7 Employee benefits *(continued)*

### 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	+64	+420
Medical expense decrease by 1% pa	-46	-308

## 8 Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

### a) Deferred tax assets

	2008	2007
Post retirement medical and life benefits	663	582
Premises and equipment	6	8
Unearned loan origination fees	473	288
	<b>1,142</b>	<b>878</b>

### b) Deferred tax liabilities

Pension asset	407	346
Unrealised reserve	985	1,167
	<b>1,392</b>	<b>1,513</b>

## 9 Other assets

	2008	2007
Accounts receivable and prepayments	1,975	1,290
Other receivables	862	105
	<b>2,837</b>	<b>1,395</b>

10 Customers' current, savings and deposit accounts

	<b>2008</b>	<b>2007</b>
<b>Concentration of customers' current, savings and deposit accounts</b>		
State	25,536	25,897
Corporate and commercial	64,421	59,471
Personal	527,242	480,057
Other financial institutions	18,394	18,088
	<b>635,593</b>	<b>583,513</b>

11 Other liabilities

	<b>2008</b>	<b>2007</b>
Outstanding drafts	10,575	3,454
Provision for profit sharing and salary increases	1,357	808
Other liabilities	4,067	2,117
	<b>15,999</b>	<b>6,379</b>

12 Stated capital

	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	Number of ordinary shares ('000)			
<b>Authorised</b>				
2,500 shares of no par value	2,500	2,500	-	-
<b>Issued and fully paid</b>				
At beginning of year	1,500	1,500	15,000	15,000
At end of year	<b>1,500</b>	<b>1,500</b>	<b>15,000</b>	<b>15,000</b>

13 Operating profit

	<b>2008</b>	<b>2007</b>
<b>a) Interest income</b>		
Advances	35,626	32,573
Investment securities - other	10,033	10,171
Liquid assets	3,193	4,420
	<b>48,852</b>	<b>47,164</b>



# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 13 Operating profit (continued)

### b) Interest expense

Customer's current, savings and deposit accounts	16,818	15,671
Other interest bearing liabilities	35	-
	<b>16,853</b>	<b>15,671</b>

### c) Other income

	2008	2007
Other Fee and commission income	4,709	4,796
Net exchange trading income	5,683	4,891
Dividends	18	18
Gains from disposal of available-for-sale investments (see note (d) below)	550	-
Gain from sale of premises and equipment	2,998	-
Other operating income	288	321
	<b>14,246</b>	<b>10,026</b>

### d) Allocation of Visa Inc. shares

Republic Bank, in pursuant of its business of issuing Visa credit cards has been a member of Visa since 1992. Visa operated five corporate entities related by ownership and membership. In preparation for its initial public offering Visa allocated shares to its members based on their regional performance. The Bank was allocated 4,907 Class C Series 1 shares.

The shares were allocated at a value of US\$44. In accordance with the IAS 39 (Financial Instruments – Recognition and Measurement), on initial recognition, these shares were recorded through the statement of income at fair value of EC\$240k. As part of the IPO members were mandated to dispose of 56.185% of their shareholding at the offer price of US\$ 44. The Bank now holds 2,149 shares in Visa Inc.

### e) Operating expenses

	2008	2007
Staff costs	14,829	14,201
Staff profit sharing	657	808
General administrative expenses	10,462	9,469
Property related expenses	505	830
Depreciation expense	2,577	2,247
Advertising and public relations expenses	1,523	1,200
Investment securities recoveries	(1,090)	(998)
Directors' fees	98	121
	<b>29,561</b>	<b>27,878</b>

#### 14 Taxation expense

	2008	2007
<b>Reconciliation</b>		
Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:		
Profit before taxation	16,256	13,297
Tax at applicable statutory tax rates (30%)	4,877	3,989
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(4,539)	(3,725)
Effect of allowances	(782)	-
Effect of expenses not deductible for tax purposes	890	-
Other permanent differences	-	(17)
	446	247

#### 15 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.

	2008	2007
<b>Outstanding balances</b>		
<b>Loans, investments and other assets</b>		
Parent Company	14,970	49,280
Directors and key management personnel	1,929	1,724
Other related parties	33,498	8,988
	50,397	59,992
	2008	2007
<b>Deposits and other liabilities</b>		
CL Financial Group	8,227	11,348
Other related parties	13,190	2,748
Directors and key management personnel	1,231	1,227
Parent Company	541	1,051
	23,189	16,374

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 15 Related parties (continued)

	2008	2007
<b>Interest and other income</b>		
CL Financial Group	8	10
Other related parties	985	-
Directors and key management personnel	117	156
Parent Company	1,788	3,272
	<b>2,898</b>	<b>3,438</b>
<b>Interest and other expense</b>		
CL Financial Group	1	1
Directors and key management personnel	399	62
	<b>400</b>	<b>63</b>

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

<b>Key management personnel compensation</b>		
Short term benefits	545	581
Post employment benefits	29	29
	<b>574</b>	<b>610</b>

## 16 Risk management

### 16.1 Introduction

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

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

The basic principles of risk management followed by the Bank 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.
- 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 Bank. Acting with authority delegated by the Board, the Credit, Audit, Asset and Liability Committee and Other Risks Committees, review specific risk areas.

The Bank's activities are primarily related to the use of financial instruments. The Bank 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 Bank's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk. The Bank reviews and agrees policies for managing each of these risks as follows:

### 16.2 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 Bank's credit risk management function is to maximize the Bank'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 Bank.

The Bank's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, 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 Bank'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.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.2 Credit risk *(continued)*

The Bank 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 Bank's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding 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 Bank 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.

## 16 Risk management (continued)

### 16.1 Introduction (continued)

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

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

	<b>2008</b>	<b>2007</b>
	Gross maximum exposure	Gross maximum exposure
Statutory deposit with Central Bank	38,016	34,908
Due from banks	84,547	101,007
Treasury bills	38,747	11,529
Investment interest receivable	3,342	3,749
Investment securities	126,176	125,969
Advances	421,637	373,074
<b>Total</b>	<b>712,465</b>	<b>650,236</b>
Undrawn commitments	58,961	61,456
Guarantees and indemnities	5,113	4,684
Letters of credit	2,206	778
<b>Total</b>	<b>66,280</b>	<b>66,918</b>
<b>Total credit risk exposure</b>	<b>778,745</b>	<b>717,154</b>

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.

#### Collateral and other credit enhancements

The Bank 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.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

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

##### Collateral and other credit enhancements *(continued)*

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 Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

#### 16.2.2 Risk concentrations of the current 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 Bank's maximum credit exposure, 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:

16 Risk management (continued)

16.1 Introduction (continued)

16.2.2 Risk concentrations of the current exposure to credit risk (continued)

(a) Geographical sectors (continued)

	2008							Total
	Grenada Caribbean	Eastern & Tobago	Trinidad & Tobago	Barbados	Cayman	United States	Other Countries	
Statutory deposit with Central Bank	-	38,016	-	-	-	-	-	38,016
Due from banks	31,421	28,232	14,971	28	-	5,416	4,479	84,547
Treasury bills	5,874	-	32,873	-	-	-	-	38,747
Investment interest receivable	313	612	2,207	210	-	-	-	3,342
Investment securities	15,905	31,202	64,809	14,260	-	-	-	126,176
Advances	376,952	617	3,377	2,076	87	30,185	8,343	421,637
Undrawn commitments	55,019	-	-	321	-	2,881	740	58,961
Guarantees, indemnities and commitments	7,319	-	-	-	-	-	-	7,319
	<b>492,803</b>	<b>98,679</b>	<b>118,237</b>	<b>16,895</b>	<b>87</b>	<b>38,482</b>	<b>13,562</b>	<b>778,745</b>



# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

#### 16.2.2 Risk concentrations of the current exposure to credit risk *(continued)*

##### (a) Geographical sectors *(continued)*

	2007							
	Grenada	Eastern Caribbean	Trinidad & Tobago	Barbados	Cayman	United States	Other Countries	Total
Statutory deposit with Central Bank	-	34,908	-	-	-	-	-	34,908
Due from banks	8,987	33,590	46,819	28	-	6,964	4,619	101,007
Treasury bills	5,885	5,644	-	-	-	-	-	11,529
Investment interest receivable	526	1,483	1,531	209	-	-	-	3,749
Investment securities	11,008	43,229	58,704	13,028	-	-	-	125,969
Advances	331,217	848	2,333	2,105	91	26,153	10,327	373,074
Undrawn commitments	57,179	-	70	-	-	2,600	1,607	61,456
Guarantees, indemnities and commitments	5,462	-	-	-	-	-	-	5,462
	<b>420,264</b>	<b>119,702</b>	<b>109,457</b>	<b>15,370</b>	<b>91</b>	<b>35,717</b>	<b>16,553</b>	<b>717,154</b>

16 Risk management (continued)

16.1 Introduction (continued)

16.2.2 Risk concentrations of the current exposure to credit risk (continued)

(b) Industry sectors

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

	<b>2008</b>						
	Government & Government Bodies	Financial Sector	Energy & Mining	Agriculture	Electricity & Water	Transport Storage & Communi- cation	Distribution
Statutory deposits with							
Central Bank	-	38,016	-	-	-	-	-
Due from banks	-	84,547	-	-	-	-	-
Treasury bills	38,747	-	-	-	-	-	-
Investment interest receivable	1,664	594	-	-	883	118	-
Investment securities	68,499	16,648	-	-	22,773	6,142	-
Advances	23,366	4,927	2,703	4,407	38	7,374	35,531
Undrawn commitments	5,486	786	6,000	135	-	224	9,806
Guarantees, indemnities and commitments	-	-	-	13	50	-	5,196
	<b>137,762</b>	<b>145,518</b>	<b>8,703</b>	<b>4,555</b>	<b>23,744</b>	<b>13,858</b>	<b>50,533</b>

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

#### 16.2.2 Risk concentrations of the current exposure to credit risk *(continued)*

##### (b) Industry sectors

	2008 <i>(continued)</i>					Other	Total
	Real Estate	Manufac- turing	Construc- tion	Hotel & Restaurant	Consumers Services		
Statutory deposit with Central Bank	-	-	-	-	-	-	38,016
Due from banks	-	-	-	-	-	-	84,547
Treasury bills	-	-	-	-	-	-	38,747
Investment interest receivable	-	-	79	-	-	4	3,342
Investment securities	-	-	3,617	-	-	8,497	126,176
Advances	-	8,664	10,320	47,975	243,607	32,725	421,637
Undrawn commitments	-	4,155	3,236	3,227	23,540	2,366	58,961
Guarantees, indemnities and commitments	-	141	560	779	280	300	7,319
	-	12,960	17,812	51,981	267,427	43,892	778,745

16 Risk management (continued)

16.1 Introduction (continued)

16.2.2 Risk concentrations of the current exposure to credit risk (continued)

(b) Industry sectors

	2007						
	Government & Government Bodies	Financial Sector	Energy & Mining	Agriculture	Electricity & Water	Transport Storage & Communi- cation	Distribution
Statutory deposit with							
Central Bank	-	34,908	-	-	-	-	-
Due from banks	-	101,007	-	-	-	-	-
Treasury bills	11,529	-	-	-	-	-	-
Investment interest receivable	2,679	875	-	-	49	127	-
Investment securities	104,571	10,411	-	-	2,341	6,138	-
Advances	16,325	2,221	1,028	5,261	1,189	6,712	36,372
Undrawn commitments	5,886	3,511	-	-	-	262	6,880
Acceptances, guarantees, indemnities and commitments	-	-	-	-	50	31	3,089
	140,990	152,933	1,028	5,261	3,629	13,270	46,341

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

#### 16.2.2 Risk concentrations of the current exposure to credit risk *(continued)*

##### (b) Industry sectors *(continued)*

	2007 <i>(continued)</i>					Other	Total
	Real Estate	Manufac- turing	Construc- tion	Hotel & Restaurant	Consumers Services		
Statutory deposit with							
Central Bank	-	-	-	-	-	-	34,908
Due from banks	-	-	-	-	-	-	101,007
Treasury bills	-	-	-	-	-	-	11,529
Investment interest receivable	-	-	15	-	-	4	3,749
Investment securities	-	-	778	-	-	1,730	125,969
Advances	-	4,459	11,978	43,389	216,453	27,687	373,074
Undrawn commitments	8,019	536	14,723	7,043	-	14,596	61,456
Acceptances, guarantees, indemnities and commitments	-	6	120	320	981	865	5,462
	<b>8,019</b>	<b>5,001</b>	<b>27,614</b>	<b>50,752</b>	<b>217,434</b>	<b>44,882</b>	<b>717,154</b>

#### 16.2.3 Credit quality per category of financial assets

The Bank has determined that credit risk exposure arises from the following loan-related balance sheet lines:

- Statutory Deposit with Central Bank
- Treasury bills
- Due from banks
- Advances, including undrawn commitments
- Financial investments - debt securities

##### ***Statutory deposit with Central Bank***

These funds are placed with the Eastern Caribbean Central Bank and management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

#### 16.2.3 Credit quality per category of financial assets *(continued)*

##### *Treasury bills*

These funds are placed with the Eastern Caribbean Stock Exchange and the Central Bank of Trinidad and Tobago who have stringent repayment arrangements with issuers of Regional Government Securities 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 Bank 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 while the institution's capacity to meet its financial commitment is adequate, adverse economic conditions or changing circumstances may lead to a weakened capacity to meet financial commitment on the obligation.

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

	Superior	Desirable	Acceptable	Total
<b>2008</b>	25,075	59,472	-	84,547
<b>2007</b>	14,994	86,013	-	101,007

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

#### 16.2.3 Credit quality per category of financial assets *(continued)*

##### *Commercial & Corporate advances*

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	Risk Code 1 - Little or no risk
Desirable	Risk Code 2 - Less risk than average
Acceptable	Risk Code 3 - Average risk
Sub-standard	Risk Code 4 - Past due or individually impaired

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

	Neither past due nor impaired				Total
	Superior	Desirable	Acceptable	Sub-standard	
<b>2008</b>	11,415	4,804	106,865	4,297	127,381
<b>2007</b>	-	18,025	96,200	5,545	119,770

16 Risk management (continued)

16.1 Introduction (continued)

16.2.3 Credit quality per category of financial assets (continued)

The following is an aging of facilities classed as substandard:

	<b>2008</b>					
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
Sub-standard	-	-	-	1,451	2,846	4,297

	<b>2007</b>					
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
Sub-standard	-	-	-	1,424	4,121	5,545

***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:

	<b>2008</b>						
	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
Retail loans and mortgages	280,736	689	2,302	1,974	2,564	5,991	294,256

	<b>2007</b>						
	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
Retail loans and mortgages	238,034	872	3,969	1,418	3,412	5,599	253,304



# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.1 Introduction *(continued)*

#### 16.2.3 Credit quality per category of financial assets *(continued)*

##### *Investment securities*

The debt securities within the Bank's portfolio of investments is 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.

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

	2008			Total
	Superior	Desirable	Acceptable	
Financial investments				
- Available-for-sale	107,264	14,088	4,824	126,176
<b>Total</b>	<b>107,264</b>	<b>14,088</b>	<b>4,824</b>	<b>126,176</b>

	2007			Total
	Superior	Desirable	Acceptable	
Financial investments				
- Available-for-sale	107,534	13,567	4,868	125,969
<b>Total</b>	<b>107,534</b>	<b>13,567</b>	<b>4,868</b>	<b>125,969</b>

## 16 Risk management (continued)

### 16.1 Introduction (continued)

#### 16.2.4 Carrying amount per class of financial assets that would otherwise be past due or impaired but whose terms have been renegotiated.

The table below shows the carrying amount for renegotiated financial assets, by class.

	2008	2007
Advances		
- Retail lending	-	544
- Commercial & Corporate lending	6,426	3,620
- Mortgages	-	-
<b>Total renegotiated financial assets</b>	<b>6,426</b>	<b>4,164</b>

### 16.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank 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 Bank has sufficient funds to meet all of its obligations.

The primary source of funds are customer deposits. A substantial portion of the Bank is funded with "core deposits". The Bank maintains a core base of funds, which can be drawn on to meet ongoing liquidity needs. The Bank also has access to funding from Republic Bank Limited, the Parent Company for funding if required. Funding may also be accessed from the Inter-Bank Market, which can provide additional liquidity as conditions demand. The Bank continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management *(continued)*

### 16.3 Liquidity risk *(continued)*

#### 16.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Banks financial liabilities at 30th September 2008 based on contractual undiscounted repayment obligations.

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
<i>As at 30th September 2008</i>					
Customers' current, savings and deposit accounts	538,439	11,782	87,903	-	638,124
Due to banks	15,687	-	-	-	15,687
Other liabilities	-	15,999	-	-	15,999
<b>Total undiscounted</b>					
<b>Financial liabilities 2008</b>	<b>554,126</b>	<b>27,781</b>	<b>87,903</b>	<b>-</b>	<b>669,810</b>

#### *As at 30th September 2007*

Customers' current, savings and deposit accounts	508,284	71,361	5,454	-	585,099
Due to banks	7,560	-	-	-	7,560
Other liabilities	-	6,379	-	-	6,379
<b>Total undiscounted</b>					
<b>Financial liabilities 2007</b>	<b>515,844</b>	<b>77,740</b>	<b>5,454</b>	<b>-</b>	<b>599,038</b>

## 16 Risk management (continued)

### 16.3 Liquidity risk (continued)

#### 16.3.1 Analysis of financial liabilities by remaining contractual maturities

Financial liabilities off balance sheet

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
<b>2008</b>					
Guarantees and indemnities	-	727	3,216	1,170	5,113
Letters of credit	-	2,206	-	-	2,206
<b>Total</b>	<b>-</b>	<b>2,933</b>	<b>3,216</b>	<b>1,170</b>	<b>7,319</b>
<b>2007</b>					
Guarantees and indemnities	-	2,464	2,220	-	4,684
Letters of credit	-	778	-	-	778
<b>Total</b>	<b>-</b>	<b>3,242</b>	<b>2,220</b>	<b>-</b>	<b>5,462</b>

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

### 16.4 Market risk

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

#### 16.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank 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 Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, 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 Bank is committed to refining and defining these tools to be in line with international best practice.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management (continued)

### 16.4 Market risk (continued)

#### 16.4.1 Interest rate risk (continued)

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at 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 on the following table.

	2008			2007				
	Increase/ decrease in basis points	Impact on net profit	Impact on equity	Impact on equity	Increase/ decrease in basis points	Impact on net profit	Impact on equity	Impact on equity
EC\$ Instruments	+/- 25	-	(253)	259	+/- 25	-	(264)	270
TT\$ Instruments	+/- 50	-	(502)	521	+/- 50	-	(579)	807
US\$ Instruments	+/- 50	35	(688)	718	+/- 50	37	(1,027)	1,733
BB\$ Instruments	+/- 50	-	(106)	108	+/- 50	-	-	-
		35	(1,549)	1,606		37	(1,870)	2,810

#### 16.4.2 Currency risk

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

The tables below indicate the currencies to which the Bank 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 Eastern Caribbean dollar, with all other variables held constant.

16 Risk management (continued)

16.4 Market risk (continued)

16.4.2 Currency risk (continued)

	2008					Total
	ECD	USD	TTD	UK	BDS	
<b>ASSETS</b>						
Cash	10,560	745	-	283	74	11,662
Due from banks	28,960	53,283	46	2,230	28	84,547
Treasury bills	38,747	-	-	-	-	38,747
Statutory deposit with Central Bank	38,016	-	-	-	-	38,016
Investment securities	24,843	71,873	22,773	-	7,042	126,531
Advances	393,218	19,337	-	-	-	412,555
Interest receivable	648	1,575	1,119	-	-	3,342
<b>TOTAL ASSETS</b>	<b>534,992</b>	<b>146,814</b>	<b>23,938</b>	<b>2,513</b>	<b>7,144</b>	<b>715,401</b>
<b>LIABILITIES</b>						
Customers' current, savings and deposit accounts	587,458	45,665	-	2,471	-	635,594
Due to banks	5,293	10,393	-	-	-	15,686
Interest payable	2,458	73	-	-	-	2,531
<b>TOTAL LIABILITIES</b>	<b>595,209</b>	<b>56,131</b>	<b>-</b>	<b>2,471</b>	<b>-</b>	<b>653,811</b>
<b>NET ASSETS</b>	<b>(60,217)</b>	<b>90,683</b>	<b>23,938</b>	<b>42</b>	<b>7,144</b>	<b>61,590</b>
Reasonably possible change in currency rate (%)	-	1%	1%	1%	1%	
<b>Effect on profit before tax</b>	<b>-</b>	<b>907</b>	<b>239</b>	<b>-</b>	<b>71</b>	<b>616</b>

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 16 Risk management (continued)

### 16.4 Market risk (continued)

#### 16.4.2 - Currency risk (continued)

	2007					Total
	ECD	USD	BDS	TT	Other	
<b>ASSETS</b>	6,025	591	51	-	319	6,987
Due from banks	29,780	8,532	10	-	62,685	101,007
Treasury bills	11,529	-	-	-	-	11,529
Statutory deposit with Central Bank	34,908	-	-	-	-	34,908
Investment securities	26,984	37,130	4,635	57,220	-	125,969
Advances	344,556	19,492	-	-	-	364,048
Interest receivable	1,273	1,189	-	1,287	-	3,749
<b>TOTAL ASSETS</b>	<b>455,055</b>	<b>66,934</b>	<b>4,696</b>	<b>58,507</b>	<b>63,004</b>	<b>648,197</b>
<b>LIABILITIES</b>						
Customers' current, savings and deposit accounts	538,283	45,230	-	-	-	583,513
Due to banks	5,517	1,488	-	555	-	7,560
Interest payable	1,466	120	-	-	-	1,586
<b>TOTAL LIABILITIES</b>	<b>545,266</b>	<b>46,838</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>592,659</b>
<b>NET ASSETS</b>	<b>(90,211)</b>	<b>20,096</b>	<b>4,696</b>	<b>57,952</b>	<b>63,004</b>	<b>55,538</b>
Reasonably possible change in currency rate (%)	-	1%	1%	1%	1%	
<b>Effect on profit before tax</b>	<b>-</b>	<b>201</b>	<b>47</b>	<b>580</b>	<b>630</b>	<b>555</b>

## 16 Risk management *(continued)*

### 16.5 Operational Risk

The growing sophistication of the banking industry has made the Bank'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 Bank 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 Bank's parent company's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Bank 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 Bank's internal audit function.

## 17 Capital management

The Bank's policy is to diversify its sources of capital, to allocate capital efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Shareholders' equity increased by \$8.7 million to \$87.3 million over the year under review.

The Bank's dividend policy is to distribute 40% to 50% of net earnings to shareholders. Similar to the criteria applied last year, this year's distribution was based on core operating performance. The total distribution based on the results for the financial year 2008 was \$6.75 million representing 43% of core operating profit.

Capital adequacy is monitored by the Bank, employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice (the Basle Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The 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 (Tier 1) capital comprises mainly shareholder's equity. At September 2008 the Bank's Tier 1 ratio was 17.5% (2007:16.8% ) and tier 2 ratio was 18.1%(2007:17.2%) exceeding the minimum levels required for adequately capitalized institutions and leaving it well positioned to accomplish growth and expansion in the future.



# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 18 Fair value

The Bank 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 Bank's available-for-sale investments are not actively traded in organised 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 Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as of the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

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 Bank is required to maintain with the Eastern Caribbean Central Bank, a statutory reserve balance in relation to deposit liabilities and the carrying value of this reserve is assumed to equal fair value.

Advances are net of specific and other provisions for impairment. The carrying value for performing loans is assumed to be equal to the estimated fair value as the inherent rates of interest in the portfolio approximate market conditions.

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

		<b>2008</b>	
	Carrying value	Fair value	Unrecognised gain/(loss)
<b>Financial assets</b>			
Cash, due from banks, treasury bills	172,972	172,972	-
Investment securities	127,109	127,109	-
Advances	412,555	414,128	1,573
Investment interest receivable	3,342	3,342	-
<b>Financial liabilities</b>			
Customers' current, savings and deposit accounts	635,593	635,521	(72)
Accrued interest payable	2,530	2,530	-
<b>Total unrecognized change in unrealized fair value</b>			<b>1,501</b>

18 Fair value (continued)

	Carrying value	2007 Fair value	Unrecognised gain/(loss)
<b>Financial assets</b>			
Cash, due from banks, treasury bills	154,431	154,431	-
Investment securities	126,291	126,291	-
Advances	364,048	365,572	1,526
Investment interest receivable	3,749	3,749	-
<b>Financial liabilities</b>			
Customers' current, savings and deposit accounts	583,513	583,499	(14)
Accrued interest payable	1,586	1,586	-
<b>Total unrecognized change in unrealized fair value</b>			<b>1,512</b>

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

**Assets for which fair value approximates carrying value**

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

**Fixed rate financial instruments**

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

**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, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation techniques involve the use of non-market observable inputs.

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 18 Fair value (continued)

	Quoted	2008 Non-market observable valuation techniques	Total
<b>Financial assets</b>			
Investment securities -available -for -sale	29,794	97,060	126,854
	29,794	97,060	126,854
<b>Financial liabilities</b>			
Customers' current, savings and deposit accounts	-	635,521	635,521
	-	635,521	635,521
	Quoted	2007 Non-market observable valuation techniques	Total
<b>Financial assets</b>			
Investment securities -available -for -sale	30,401	95,890	126,291
	30,401	95,890	126,291
<b>Financial liabilities</b>			
Customers' current, savings and deposit accounts	-	583,513	583,513
	-	583,513	583,513

## 19 Maturity analysis of assets and liabilities

The table below analyses the assets and liabilities of the Bank 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
<b>2008</b>				
<b>ASSETS</b>				
Cash, due from banks, treasury bills	134,956	-	-	134,956
Statutory deposit with Central Bank	38,016	-	-	38,016
Investment securities	25,790	46,257	54,807	126,854
Advances	49,048	72,480	291,027	412,555
Other assets	6,283	107	43,520	49,910
	<b>254,093</b>	<b>118,844</b>	<b>389,354</b>	<b>762,291</b>
<b>2008</b>				
<b>LIABILITIES</b>				
Customers' current, savings and deposit accounts	551,135	84,458	-	635,593
Due to banks	15,687	-	-	15,687
Other liabilities	21,168	-	2,541	23,709
	<b>587,990</b>	<b>84,458</b>	<b>2,541</b>	<b>674,989</b>
<b>2007</b>				
<b>ASSETS</b>				
Cash, due from banks, treasury bills	119,523	-	-	119,523
Statutory deposit with Central Bank	34,908	-	-	34,908
Investment securities	14,185	58,660	53,446	126,291
Advances	43,144	63,647	257,257	364,048
Other assets	13,971	2,289	20,943	37,203
	<b>225,731</b>	<b>124,596</b>	<b>331,646</b>	<b>681,973</b>

# Notes to the Financial Statements

for the year ended 30th September, 2008

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

## 19 Maturity analysis of assets and liabilities (continued)

	Up to one year	One to five years	Over five years	Total
<i>2007 (continued)</i>				
<b>LIABILITIES</b>				
Customers' current, savings and deposit accounts	583,513	-	-	583,513
Due to banks	7,560	-	-	7,560
Other liabilities	10,866	-	1,513	12,379
	601,939	-	1,513	603,452

## 20 Dividends paid and proposed

	2008	2007
<b>Declared and paid during the year</b>		
Equity dividends on ordinary shares:		
Final dividend for 2007: \$3.65 (2006: \$3.35)	5,475	5,025
First dividend for 2008: \$0.75 (2007: \$0.65)	1,125	975
<b>Total dividends paid</b>	<b>6,600</b>	<b>6,000</b>

### Proposed for approval at Annual General Meeting (not recognized as a liability as at 30 September 2008)

Equity dividends on ordinary shares:		
Final dividend for 2008: \$3.75 (2007: \$3.65)	5,625	5,475

## 21 Contingent liabilities

### a) Litigation

As at 30th September, 2008 there were certain legal proceedings outstanding against the Bank. 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.

## 21 Contingent liabilities (continued)

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

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customer in the event of a call on these commitments.

	<b>2008</b>	<b>2007</b>
Guarantees and indemnities	5,113	4,684
Letters of credit	2,206	778
	<b>7,319</b>	<b>5,462</b>
<b>c) Sectoral information</b>		
State	-	4,492
Corporate and commercial	7,292	970
Personal	27	-
	<b>7,319</b>	<b>5,462</b>

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