

local knowledge ▪ caribbean reach



As the parent company of many diverse players throughout the region, we have been committed to creating success through unity.

Each of our Caribbean Subsidiaries stands firmly upon the strength of our local knowledge, our innovative resources and our absolute commitment to customer service and stakeholder success. We believe in the power of unity, the strength of integration and the potential to create success for all who are part of the Republic Bank Group.



Republic Bank

vision

Republic Bank (Grenada) Limited,
the Financial Institution of Choice
in Grenada for Customers,
Staff and Shareholders.

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

mission

To provide the highest quality financial service in the most efficient and effective manner, and to implement policies strategically aimed at benefitting all our stakeholders – shareholders, customers, employees and the community in which we operate.

values

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

contents



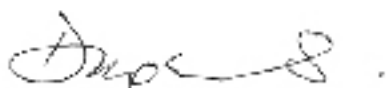
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notice of meeting

Notice is hereby given that the twenty-third 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 Tuesday December 19, 2006 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, 2006 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, 2006.
3. To elect Directors.
4. To appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.
5. Any other business.

By order of the Board



Daniel A. Roberts
Corporate Secretary

November 19, 2006

corporate information

DIRECTORS

Chairman

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

Managing Director/Secretary

Daniel A. Roberts

Claudia E. Alexis, B.Sc. (Mgmt. Studies), MBA

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

Margaret A. Blackburn, LL.B. (Hons.)

Leon D. Charles, B.Sc. (Agri. Mgmt.), MBA

Hugh D. Dolland

Cheryl F. Greaves, B. Sc. (Mgmt. Studies), F.C.C.A., C.A.

Edmund W. Lawrence, OBE, JP, B.Sc., DMS

Gregory I. Thomson, B.Sc. (Maths & Physics), MBA

Corporate Secretary

Daniel A. Roberts

REGISTERED OFFICE

P.O. Box 857,
Republic House,
Grand Anse, St. George,
Grenada, West Indies

AUDITORS

PANNELL KERR FORSTER,
Pannell House,
P.O. Box 1798,
Grand Anse, St. George,
Grenada, West Indies

ATTORNEYS-AT-LAW

MESSRS. RENWICK & PAYNE,
Chambers, Lucas Street,
St. George's,
Grenada, West Indies

HENRY HUDSON-PHILLIPS & CO.
Chambers, Young Street,
St. George's,
Grenada, West Indies

REGISTRAR

PANNELL KERR FORSTER,
Pannell House,
P.O. Box 1798,
Grand Anse, St. George,
Grenada, West Indies

financial summary

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---------|---------|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current, savings and other deposit accounts | 571,214 | 576,450 | 539,081 | 501,848 | 479,054 |
| Advances & other assets | 354,773 | 292,602 | 297,438 | 297,160 | 290,032 |
| Stated capital | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Shareholders' equity | 84,668 | 60,053 | 65,208 | 69,223 | 58,541 |
| Profit after taxation | 25,654 | 1,755 | 142 | 12,526 | 9,862 |
| Dividends paid during the year | 2,175 | 4,155 | 6,270 | 3,975 | 3,375 |
| Earnings per ordinary share unit | 17.10 | 1.17 | 0.09 | 8.35 | 6.57 |

financial highlights

| Results for the year ended 30th September 2006 | 2006 \$'000 | 2005 \$'000 | % Change |
|---|------------------------|------------------------|-----------------|
| Profit before tax | 26,219 | 2,193 | 1,095.79 |
| Profit after tax | 25,654 | 1,755 | 1,361.76 |
| <hr/> | | | |
| At year end | | | |
| Assets | 655,883 | 636,503 | 3.04 |
| Deposits and other liabilities | 571,214 | 576,450 | (0.91) |
| Advances and other assets | 354,773 | 292,602 | 21.25 |
| Stated capital | 15,000 | 15,000 | - |
| Total shareholders' equity | 84,668 | 60,053 | 40.99 |
| <hr/> | | | |
| Information per share | | | |
| Earnings | 17.10 | 1.17 | 1,356.41 |
| Dividends paid during the year | 1.45 | 2.77 | (47.65) |
| Net asset value | 56.45 | 40.04 | 40.99 |
| <hr/> | | | |
| Other statistics at year end | | | |
| Number of shareholders | 1,538 | 1,538 | - |
| Number of branches | 8 | 8 | - |
| Number of employees | 242 | 233 | 3.86 |
| <hr/> | | | |

board of directors



left to right Ronald F. deC. Harford,
Daniel A. Roberts, Gregory I. Thomson

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 43 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, serves as the Financial Advisor of the Red Cross Society of Trinidad and Tobago and is Campaign Chairman for 2006 and 2007 for the International Charity Body, United Way. Mr. Harford is a member of the Board of Directors of the Arthur Lok Jack Graduate School of Business-UWI 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 and Corporate Secretary 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.

Gregory I. Thomson, B.Sc. (Maths. & Physics), MBA

Gregory I. Thomson is the Deputy Managing Director of Republic Bank Limited. Mr. Thomson is a career banker with over 30 years experience in banking and finance in Trinidad and Tobago. 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.

board of directors



left to right Margaret A. Blackburn,
Cheryl F. Greaves, Nigel M. Baptiste,

Margaret A. Blackburn, LL.B (Honours)

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.

Cheryl Greaves, BSc. (Mgm't Studies), F.C.C.A., C.A.

Cheryl F. Greaves, Managing Director and Corporate Secretary of Republic Finance and Merchant Bank Limited is a Fellow of the U.K. Institute of Certified Chartered Accountants and a Member of the Institute of Chartered Accountants of Trinidad and Tobago. Mrs. Greaves also holds a Bachelor of Science Degree in Management Studies from the University of the West Indies. She is also a graduate of the Harvard Business School Advanced Management Program for Senior Executives. She has been a Director of Republic Bank (Grenada) Limited since 1998. Mrs. Greaves also serves on the Board of Directors of London Street Project Company Limited, Botanical Gardens Project Company, The Home Mortgage Bank, Republic Securities Limited, Republic Investments Limited, Barbados National Bank Finance and Trust Corporation and Barbados National Bank Mortgage Finance Company Limited. Mrs. Greaves is Deputy Chairman of National Library and Information System Authority in Trinidad and Tobago.

Nigel 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.

Mr. Baptiste is 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.

board of directors



left to right Claudia E. Alexis, Leon D. Charles,
Hugh D. Dolland

Claudia E. Alexis, B.Sc. (Mgmt. Studies) MBA, Cert. Public Administration, UWI

Claudia E. Alexis is the Customer Services Director/Corporate Secretary of Grenada Electricity Services Limited. She is a Soroptomist 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 Master of Business Administration Degree, a Bachelor of Science Degree in Management Studies and a Certificate in Public Administration from the University of the West Indies.

Leon D. Charles, B.Sc. (Agriculture Mgmt), MBA

Leon Derek Charles is the owner and manager of the Management Consulting firm, Charles and Associates (CAA), Inc. His professional training is in business and he holds a Master of Business Administration Degree (MBA) from the University of Western Ontario, and a First Class Honours degree in Agriculture 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.

Hugh D. Dolland

A former President of the Chamber of Industry and Commerce, Hugh D. Dolland is an experienced businessman with over twenty-six (26) years experience. He is presently Rotary International Assistant Governor – Grenada, District 7030 and was Honourary Council for Sweden for over five (5) years. He has also been on the national Cricket and Football Teams.

director's report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2006.

Financial results and dividends

The Directors report that the Bank's profit after taxation for the year ended September 30, 2006 amounted to \$25.6 million. The Directors have declared a dividend of \$3.35 per share. A half year dividend of \$0.65 per share was paid on May 18, 2006 making a total dividend on each share of \$4.00 based on the results of the year ended September 30, 2006 (2005: \$1.45).

Substantial interest in share capital as at September 30, 2006

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

Edmund Lawrence was appointed on April 13, 2006 to fill the casual vacancy created by the resignation of Norman Rolle. In accordance with By-Law No.1, Paragraph 4.3.1 Edmund Lawrence, having been appointed since the last meeting retires from the Board and being eligible, offers himself for re-election for a term expiring at the close of the next annual meeting following this appointment.

In accordance with By-Law No. 1, Paragraph 4.3.1 Ronald F. deC. Harford, Leon D. Charles and Daniel A. Roberts 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, 2006 together with particulars of their holdings.

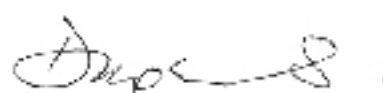
| Director | Beneficial Interest | Non-Beneficial Interest |
|------------------------|---------------------|-------------------------|
| Claudia E. Alexis | 50 | Nil |
| Nigel M. Baptiste | Nil | 50 |
| Margaret A. Blackburn | 170 | Nil |
| Leon D. Charles | 200 | Nil |
| Hugh D. Dolland | 1,000 | Nil |
| Cheryl F. Greaves | Nil | 50 |
| Ronald F. deC. Harford | Nil | 100 |
| Daniel A. Roberts | 3,450 | Nil |
| Gregory I. Thomson | 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 term of the present Auditors Pannell Kerr Forster will expire at the end of this Annual Meeting. A resolution to appoint the Accounting firm Ernst & Young as Auditors of the company until the end of the next Annual Meeting will be proposed at this Annual Meeting. Ernst & Young are the auditors of Republic Bank Limited, the parent company of Republic Bank (Grenada) Limited. Your Directors recommend that the shareholders of the company appoint Ernst & Young.

By order of the Board



Daniel A. Roberts

Corporate Secretary

chairman's review



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

I am pleased to advise that for the year ended September 30, 2006 the Bank recorded a profit after tax of \$25.6 million. In light of this performance, the Board has declared a dividend of \$3.35 bringing the total dividend for the year to \$4.00 (compared to a total dividend of \$1.45 in 2005)

Economic review

High growth rates, high oil prices and moderate inflation characterized the world economy in 2006. Overall, the global economy is expected to record its fourth consecutive year of strong growth with a forecast rate of 5.1 percent for 2006. This performance reflects the momentum seen in China, India, Japan and many of the European Union economies. China continues to record double digit growth rates and their contribution to the development of many international economies is accelerating. The momentum offset the slightly lower US growth of 3.4 percent. Sustained high crude oil prices

for most of the year are fuelling inflationary pressures while production capacity limits (in the industrial and agricultural) are undermining the living standards in smaller import-dependent economies.

Regionally, there was strong GDP growth of 5.8 percent in the member countries of the Eastern Caribbean Currency Union (ECCU) in 2005. Preliminary data released by the Eastern Caribbean Central Bank (ECCB) indicate that during the first half of 2006 the GDP of the ECCU continued to grow by 5.2 percent. This strong performance was caused by continued high levels of tourism-led activity.

Following rapid GDP growth of 12.1 percent in 2005, prompted by the national reconstruction effort, recent data suggests that the Grenada economy will grow by a mere 1.4 percent in 2006. This lower growth is due to a 20 percent decline in construction occasioned by the shortage of cement and the tapering off of rebuilding activity.

chairman's review

The tourism sector is now almost fully recovered with 90 percent of hotel plant back in operation. While the number of stay-over visitors in 2006 is expected to exceed 2005 levels by 29 percent, a decline of 18 percent is forecast for cruise ship passengers. Grenada continues its tourism thrust and increased airlift arrangements have been negotiated to serve source markets in the UK and Europe. Unfortunately, the revival of the agricultural sector has not kept pace with that seen in either construction or tourism.

Grenada's finances remain fragile. For the first eight months of 2006, although revenue collection (\$236.8 million) was 1.2 percent higher than in the corresponding period in 2005, recurrent expenditure (\$207.6 million) was 4.7 percent higher than last year. The government's capital expenditure program is expected to exceed \$200 million in 2006, so that notwithstanding grants of \$127.1 million, the overall deficit is projected at \$31.5 million. Government recently announced its intention to implement Value Added Tax during the last quarter of 2007. While the proper enforcement of this measure is expected to increase revenue; expenditure control, both recurrent and capital, will be necessary if fiscal health is to be restored.

Regulatory environment

A new legislative framework for the regulation of the non-bank financial sector, namely the Grenada Authority for the Regulation of Financial Institutions (GARFIN) Act is now in effect. We applaud the move to strengthen the supervision of the financial sector as the government seeks to ensure its sustainability.

The overhaul of the incentives and tax regimes now in progress coupled with plans to redefine the mission of the Grenada Industrial Development Corporation are also important positive signals to the private sector.

Outlook

In the coming year the Caribbean hosts Cricket World Cup 2007. Grenada is one of several host countries and therefore stands to benefit from the economic activity such an event will create. Grenada should see moderate economic growth in 2007 notwithstanding the possibility of increasing interest rates and the high price of fuel.

I am pleased to report that on April 10, 2006 the Bank seamlessly changed its name from The National Commercial Bank of Grenada Limited to Republic Bank (Grenada) Limited. Our confidence in the Grenada economy remains strong and work is expected to commence on our new St. George's Branch on Melville Street during the first quarter of 2007. New products are also being worked upon as the Bank positions itself to provide a higher quality of service to the Grenada public and make the most of opportunities which are expected to be created by the CSME.

Acknowledgement

Mr. Norman Rolle retired from the Board in February 2006 and I thank him for his contribution. In his place the Board appointed Mr. Edmund Lawrence whom I welcome. Due to Group considerations, a change in auditors has been proposed this year. Pannell Kerr Forster has for years provided sterling service to the Bank and I would like to record our sincere appreciation for their professional services.

I thank the management and staff for their efforts during the year, my fellow Directors for their support and the Bank's customers for their loyalty to the organization.

managing director's report



Daniel A. Roberts

Financial review

For 2006, the Bank has returned a very strong performance when compared with the last two years. In 2004 and 2005, profitability was adversely affected by general provisions following hurricane Ivan in 2004 and the restructuring of Government debt in 2005. This year, the Bank achieved a profit after tax of \$25.6 million. This record profit includes the write back to profit of \$12.16 million, representing the balance of the general provisions made in 2004 which is no longer required.

We continue to operate in a fiercely competitive market. Most of the excess liquidity which the commercial banking sector in Grenada experienced during the previous two years was absorbed during the year, due to strong growth in loans, while the level of customer deposits in the sector has remained virtually stagnant.

Total assets of \$655.9 million reflect a modest increase of 3 percent over the previous year. The loans portfolio, before provisions, grew by 14 percent to \$344.8 million,

boosted by a strong performance in the mortgages and tourism sectors. Total customer deposits contracted by 0.5 percent to \$558.8 million as depositors utilized their own funds to restore properties damaged during the recent hurricanes.

Interest margins remained narrow but net interest income of \$30.9 million was 9.9 percent higher than in the previous year, as low yielding assets were converted into higher yielding instruments. Non-interest income remained flat and its contribution to the Bank's total revenue slipped to 22.1 percent from 23.7 percent in 2005. Operating expenses (excluding one-off impairment adjustments) were 8.5 percent higher than in 2005, largely due to increases in general administrative expenses.

The quality of the Bank's loans portfolio remains good and the ratio of non-performing loans to total loans is within the 5 percent prudential ceiling established by the Eastern Caribbean Central Bank (ECCB). The Bank's capital base is strong with Tier I capital adequacy ratio of 16 percent and a total qualifying capital ratio of 20 percent.

managing director's report

Customer service

We are pleased to report that the results of the last annual survey conducted by an independent firm in May 2006, showed the Bank as the leader in customer service in the Banking industry in Grenada. We are committed to enhancing our service quality as we strive to benchmark ourselves against service leaders in other sectors.

Delivering superior customer service requires a well trained staff and training continued during the year for our employees at all levels. New products were launched including Visa TravelMoney Card. Several products including telephone banking and a suite of deposit products were enhanced and re-branded under the Republic Brand. The Bank's Automated Teller Machine (ATM) network was expanded with the installation of an ATM at the Sauteurs branch in September 2006, thus increasing the number of ATM sites to nine and the number of ATMs in the network to ten.

Investment in technology to support products and services delivery continued and during the year a new core banking system was successfully installed.

Outlook

We enter 2007 with excellent momentum and important strengths and advantages:

- Return to our normal level of strong profitability
- Excellent credit quality and risk management
- Industry leading customer service
- A disciplined expense culture
- The strength of the Republic Bank brand

We shall commence work on our newest branch in St. George's during the first quarter of 2007 and exciting product launches are being planned for mid 2007.

Acknowledgement

I wish to acknowledge the dedication and hard work of the management and staff of the Bank and extend to them my sincere thanks and appreciation, for without their contribution this good result would not have been possible. I thank the Chairman and Directors for their guidance and good counsel and also our customers for their continued loyal support.

bank profile

HEAD OFFICE

P.O. Box 857, Republic House,
Grand Anse,
St. George, Grenada,
West Indies
Telephone: 444-BANK (2265)
Fax: 444-5501
Cable: NCBGGDGD
Email: info@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.,
MBA (HR Mgmt.)

Manager, Management

Information Systems
Claire Wildman, F.I.C.B..

Manager, Commercial Credit

Deon D. Moses, B.Sc. (Mgmt. Studies) MBA

Manager (Ag), Human Resource

Training & Development
Mc Kie Griffith, B.Sc. (Mgmt.)

Manager, Special Projects

Garnet Ross

REPUBLIC HOUSE CLUSTER

REPUBLIC HOUSE
Telephone: 444-BANK (2265)
Fax: 444-5500

Manager, Retail Services

Jocelyn McSween

Operations Officer

Margaret Thomas

CARRIACOU

Tel: 443-7289/7896
Fax: 443-7860

Officer-in-Charge

Roger Patrice

PETITE MARTINIQUE

Telephone: 443-9005
Fax: 443-9013

Officer-in-Charge

Roger Patrice

ST. GEORGE'S CLUSTER

ST. GEORGE'S
Telephone: 440-3566
Fax: 440-6698
Fax – Loans: 440-6697

Manager, Retail Operations

Althea Roberts, A.I.C.B.

Manager, Retail Credit

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

GRAND ANSE

Telephone: 444-2627
Fax: 444-2835

Operations Officer

Mavis Mc Burnie

GOUYAVE

Telephone: 444-8353
Fax: 444-8899

Operations Officer

Edmond Calliste, A.I.C.B.

GRENVILLE CLUSTER

GRENVILLE
Telephone: 442-7618
Fax: 442-8877

Manager, Retail Services

Winefred Logie, B.Sc (Business Mgmt.)

Operations Officer

Valerie H. Horsford

SAUTEURS

Telephone: 442-1045/1023
Fax: 442-1042

Officer-in-Charge

Hesta Mc Leish

management team



left to right Winefred P. Logie, Valentine S. Antoine,
Althea R. Roberts

Winefred Logie, Manager, Retail Services

Valentine Antoine, Manager, Retail Credit

Althea Roberts, Manager, Retail Operations

management team



left to right Jocelyn Mc Sween, Claire Wildman,
Garnet K. Ross, Deon D. Moses

Jocelyn McSween, *Manager, Retail Services*

Claire Wildman, *Manager, Management Information Systems*

Garnet Ross, *Manager, Special Projects*

Deon D. Moses, *Manager, Commercial Credit*

management team



left to right Marcia Le Gendre, Daniel Roberts,
Donna Lander

Marcia M. Le Gendre, *General Manager, Credit*

Daniel A. Roberts, *Managing Director*

Donna L. Y. Lander, *General Manager, Operations*

one group ▪ individual solutions



In April 2006, we officially took up the name and the ethos of Republic Bank. As we took on the mantle of our new mother company, Republic Bank Limited, we brought all staff together to celebrate this new era and to join in the rally call: "Together as One". Becoming part of the Republic Bank Group serves our success and helps us to better serve our customers. With this great resource on our side, we now have access to more experience, research, information and cutting edge products and services. We can now provide an array of financial offerings which allow us to give our customers even better service. Some of the new benefits our customers now enjoy are: an enhanced ATM network across the island, improved telephone banking services and the Visa TravelMoney card. We have also reached out to our customers in this time of transition to share as much information as possible on the new benefits coming their way. One such effort was the dissemination of a brochure entitled: "Suite of Savings".

As Republic Bank Grenada, our mission is to provide the highest quality financial services in the most efficient and effective manner, to the benefit of all our stakeholders. We live by this mission and constantly seek ways to delight our customers.

creating wealth



Following the passage of two devastating hurricanes, Grenada has been fulfilling the task of reconstructing itself in all aspects of society. The recovery effort still plays a major part in the creation of all plans for national and economic growth. As financial partners to the business community, we recognise our role in re-establishing our former level of economic success. We see ourselves as foundational support in strengthening our tourism and agricultural industries once again and all other aspects of commerce. As we partner with the business sector this will in turn drive the economic success of the communities in which businesses operate offering a boon to quality of life in those communities. Beyond community level, we are also focusing our support on ensuring that we can participate as a strong player at a regional level. Our recent seminar on the CSME aimed at Media personnel was one initiative geared towards ensuring that we have the information to stake our place in a global environment.

dedicated performance ▪ creating results



We are committed to providing unparalleled service to our customers. Their satisfaction is our success. With this focus, we invest significantly in corporate training programmes (\$285,000 for this period) to develop and improve our staff so that they can establish, maintain and grow lasting relationships with customers. We see our staff as our major resource to build the foundation for profitability. This insight governs all our efforts to keep our staff and ultimately our customers, fulfilled and committed. Along with staff support and education, we are also reaching out to share information with our customers to improve their financial knowledge. In October 2005, as part of Financial Literacy Month, Republic Bank participated in a series of radio programmes and lectures geared towards financial management as well as budget and goal setting. As we support our customers to improve their financial management skills, we are ultimately improving their quality of life and cementing our place as partners with them as they plan their future. The success of our corporate initiatives was made evident in a Customer Service Survey completed recently. The survey revealed that banking customers throughout the nation ranked Republic Bank Grenada in the lead position among commercial banks. Now that's proof of service excellence.

nurturing true potential



We take pride in nurturing the development of our communities. Our multi-tiered approach serves the public in many meaningful ways. Our educational initiatives include: Republic Bank Scholarship Programme – a 3 year scholarship at the University of the West Indies, contributions to GRENCODA Student Assistance Programme for children in need of school books and supplies, the Republic Bank Award for Academic Excellence at college graduate level, sponsoring printing of secondary school booklists, book and computer donations to secondary schools plus numerous other drives to support a stronger, national educational platform. We also extend support to the physically challenged through various groups. Our post hurricane healing efforts continue with provision of bus shelters and sponsoring calendars for the Agency for Reconstruction & Development (ARD). In the area of sport, we show our support and encouragement through sponsorship for the Republic Cup – secondary schools football tournament, the Under 15 Parish Cricket Tournament, the annual Grenada Bill Fish Tournament, the Grenada Amateur Swimming Association teams for CARIFTA, OECS and CISC, the annual Triathlon as well as primary school meetings. In culture, we take pride in our very own Republic Bank Angel Harps Steel Orchestra and we are proud to contribute to The Carriacou Regatta Festival, The Carriacou Maroon Festival, Grenada Drum Festival and the Petite Martinique Regatta. In every area that we reach out to the communities we serve, we are fulfilling our philosophy of creating a better future for all.

management discussion and analysis

Republic Bank (Grenada) Limited, formerly The National Commercial Bank of Grenada Ltd, was incorporated on October 12, 1979. It is well represented in Grenada with eight branches dispersed across the tri-island state. The Bank maintains a leading market share position in both loans and advances and customer deposits and has consistently been rated as the Number One bank in terms of quality of service following annual independent customer service surveys. During the year the Bank replaced its core banking system with the technologically advanced 'Core Director', a web based banking system. Plans for our new branch at Newport, St. George's are well advanced with construction scheduled to commence during the first quarter of 2007.

Following is a discussion and analysis of the financial condition and results of the Bank. This discussion should be read in conjunction with the directors' report and audited financial statements presented on pages 32 to 46 of this report.

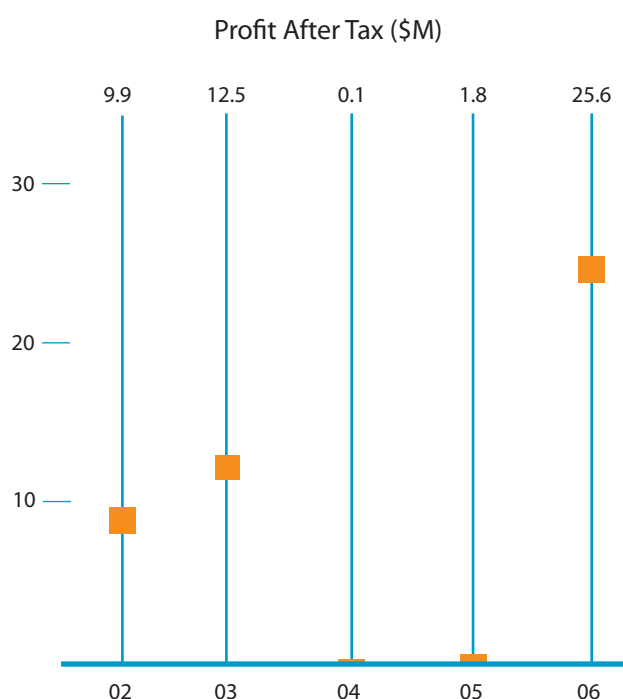
These statements are published in EC dollars. Foreign amounts have been converted to EC dollars at the prevailing mid-rate on September 30th for each financial year. The following are the mid-rates for the major currencies as at September 30th:

| | 2006 | 2005 |
|-----------------------|--------|--------|
| United States dollars | 2.70 | 2.70 |
| Canadian dollars | 2.4281 | 2.3181 |
| Pounds Sterling | 5.0600 | 4.7836 |
| Euro | 3.4356 | 3.2630 |
| TT dollars | 0.4403 | 0.4403 |

Financial summary

Fiscal 2006 saw the Bank returning a strong performance. This follows two years of low profits due to hurricane Ivan in 2004, and the restructuring of Government of Grenada

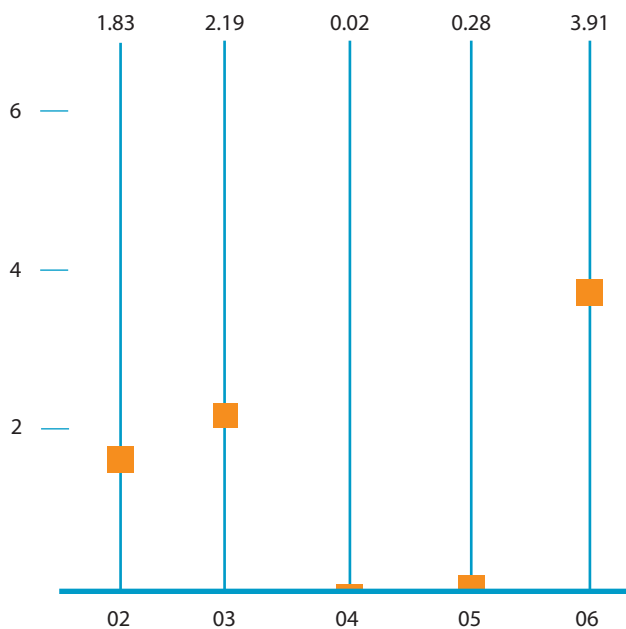
debts in 2005. This record level of profit included the write-back of \$12.1 million of the general provision for bad debts which was made in 2004. Excluding this write-back and other one-offs, the Bank's core operations generated after tax profits in the region of EC\$13 million, slightly higher than its 2003 level. This performance was a result of improved asset/liability management and the continued focus on prudent risk management techniques.



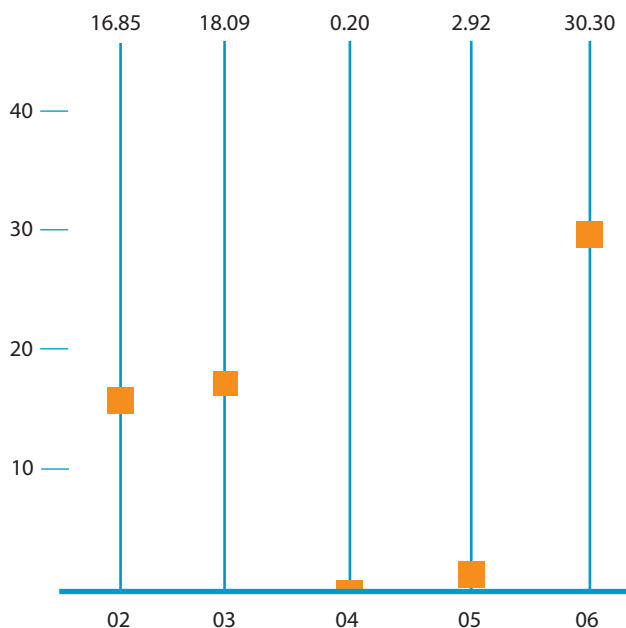
The Bank's return on average assets and return on average shareholders' equity were both positively affected by the one-off gain and reflected very healthy levels at the end of fiscal 2006. Shareholders' equity improved by 41% to \$84.6 million.

management discussion and analysis

Return on Assets (%)

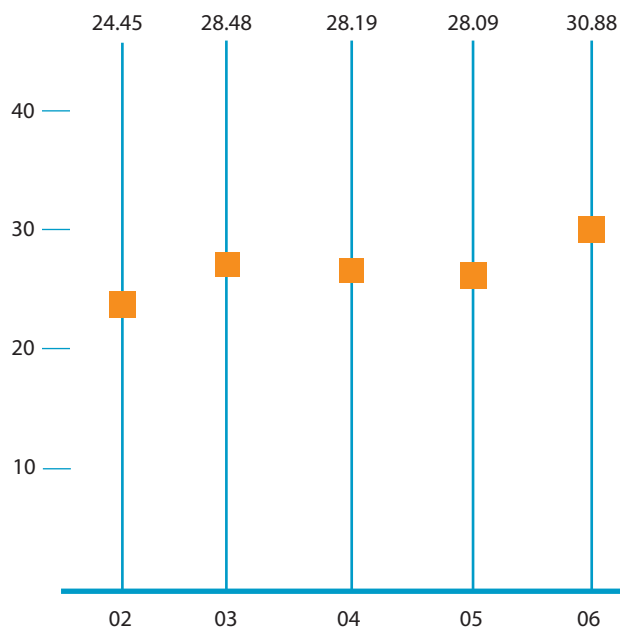


Return on Equity (%)

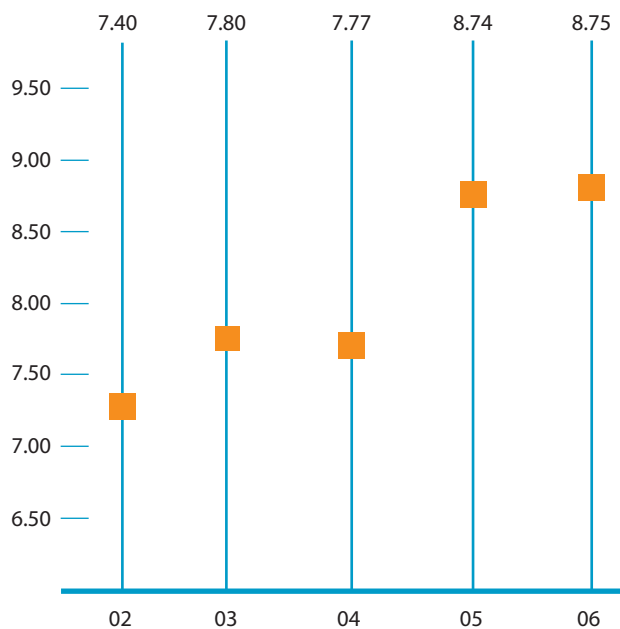


lower yielding assets. Net interest income grew by 9.9% to \$30.9 million. Exchange earnings fell by 3.47% as the inflow of transfers/remittances tapered off, but this was offset by increased commissions. Overall, total income grew by 7.59%. Operating expenses, excluding one-off impairment adjustments, increased by 8.5%.

Net Interest Income (\$M)



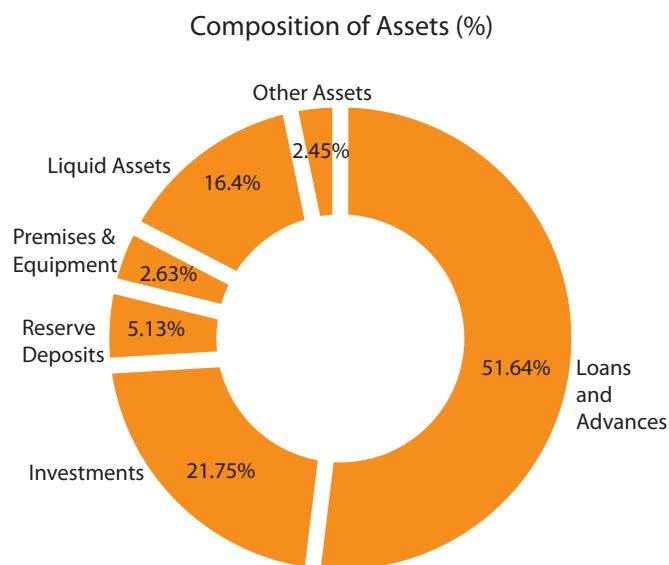
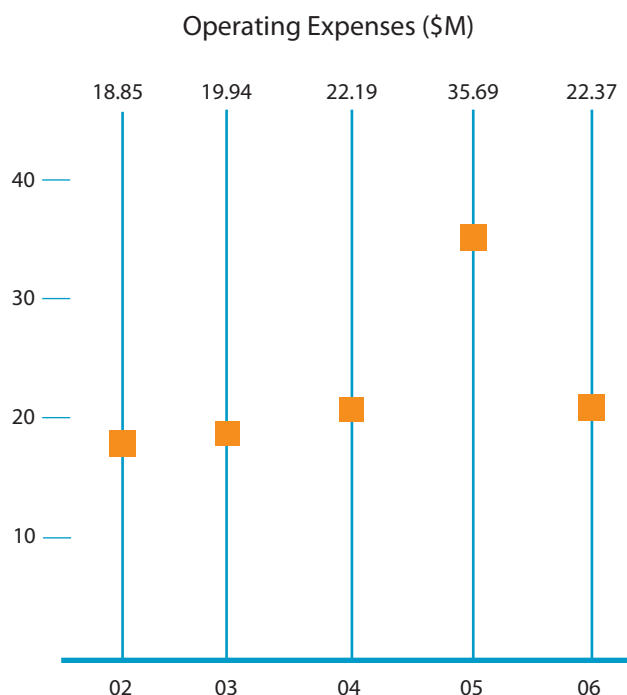
Other Income (\$M)



Net interest and other income

The narrowing of interest margins continued in 2006. However, this was compensated for by strong loan growth especially in the mortgage market which led to a good overall performance and the re-allocation of

management discussion and analysis



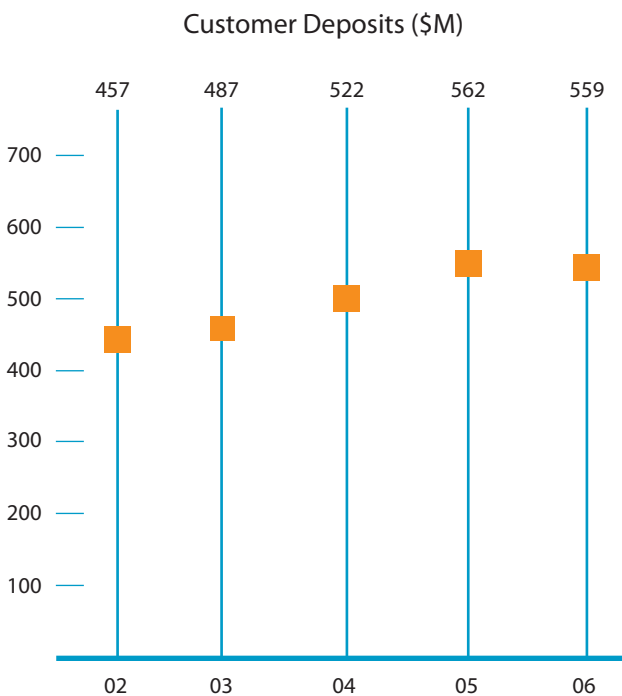
Balance sheet review

The growth in total assets in 2006 was 3% or \$19.4 million. The loans portfolio before provisions increased by 14% or \$42.4 million, financed mainly through re-allocations from non-interest earning and lower yielding assets. Investments in dated securities increased by 0.5% during the year reflecting a dearth of desired instruments.

Customer deposits fell by 0.5% or \$3 million as customers utilized their funds to restore their properties damaged by the recent hurricanes.

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------------|---------|---------|---------|---------|---------|
| Loans and advances | | | | | |
| Performing loans \$'000 | 280,073 | 286,823 | 292,553 | 297,397 | 335,769 |
| Non-Performing loans \$'000 | 21,503 | 17,883 | 12,552 | 11,171 | 14,402 |
| Gross loans \$'000 | 301,576 | 304,706 | 305,105 | 308,568 | 350,171 |
| Non-Performing to gross loans | 7.13% | 5.87% | 4.11% | 3.62% | 4.11% |
| Provisions to non-performing loans | 27.51% | 47.05% | 118.85% | 178.47% | 42.17% |

management discussion and analysis



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 as follows:

Credit risk

Credit Risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. 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. The Republic Group Risk Management Unit ensures that loans and advances are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Bank as laid down from time to time. In line with international best practice, the Group's Risk Management function is kept separate from and independent of the business development aspect of the operations.

As a prudent policy, loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. Review of these provisions are currently conducted twice annually in accordance with established guidelines and recommended provisions arising out of the reviews 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.

Interest rate and market risk

Interest Rate Risk is the exposure of interest bearing assets and liabilities to movements in interest rate. Republic Bank Limited, as the parent company, has an Asset/Liability Committee which reviews interest rate and market risk for each subsidiary on a monthly basis. The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for both assets and liabilities.

Liquidity risk

Liquidity risk is the risk of the Bank having insufficient cash and /or cash equivalent to meet its commitments as they fall due. Liquidity management is 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

management discussion and analysis

additional borrowings. A substantial portion of the Bank is funded with “core deposits”. The Bank has access to the Group’s funding to provide additional liquidity and can use its investments in regional Governments securities for liquidity support. The Bank continually balances the need for short-term assets which have lower yields, with the need for higher asset returns.

Currency risk

Currency risk is the exposure of the Bank’s financial condition to unfavorable movements in foreign currency exchange rates. In recognition of these risks the bank has established limits for uncovered holdings in each foreign currency.

Operational risk

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. Such risks can never be entirely eliminated and the Bank manages the risk through a combination of systems and processes to monitor and document transactions. Where appropriate, some risk is transferred by the placement of adequate insurance coverage. The Bank has developed contingency arrangements to support operations in the event of disaster.

Capital structure

The Bank is well capitalized with \$84.6 million in shareholders equity. This level of capital results in a capital adequacy (core capital to risk weighted assets) of 16.2% and total capital adequacy ratio (total capital to risk weighted assets) of 21.2%. This is well above the minimum 8 % established by the regulators. The Bank’s dividend policy is normally to distribute 40% to 50% of its earnings to shareholders.

auditors' report

To the Shareholders of Republic Bank (Grenada) Limited,

We have audited the accompanying balance sheet at 30th September, 2006 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of those charged with governance. 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. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by those charged with governance, as well as overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above as set out on pages 32 to 46 present fairly in all material respects, the financial position of the Bank at 30th September, 2006 and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards.



Pannell Kerr Forster
Chartered Accountants

October 17, 2006

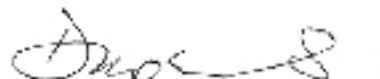
balance sheet

at 30th September, 2006
Expressed in Eastern Caribbean dollars

| | Notes | 2006 | 2005 |
|---|-------|--------------------|--------------------|
| ASSETS | | | |
| Cash on hand | | 5,900,461 | 6,221,678 |
| Statutory deposits with central bank | | 33,636,000 | 34,252,000 |
| Due from banks | | 101,642,869 | 147,157,603 |
| Treasury bills | | 11,402,710 | 10,025,710 |
| Investments | 5 & 9 | 131,282,480 | 130,555,867 |
| Advances | 4 & 9 | 338,707,535 | 282,422,106 |
| Accrued interest receivable | | 10,489,411 | 7,836,591 |
| Other receivables | | 4,595,272 | 2,343,775 |
| Net pension asset | 2 (f) | 981,000 | - |
| Premises and equipment | 8 | 17,245,130 | 15,687,997 |
| Total Assets | | 655,882,868 | 636,503,327 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Current, savings and deposit accounts | 6 | 558,853,218 | 561,878,025 |
| Due to banks | | 1,287,250 | 5,385,031 |
| Post retirement medical and life insurance benefits | 2 (f) | 1,696,000 | - |
| Accrued interest payable | | 1,225,176 | 1,258,065 |
| Other liabilities | | 8,152,790 | 7,928,910 |
| | | 571,214,434 | 576,450,031 |
| SHAREHOLDERS' EQUITY | | | |
| Stated capital | 11 | 15,000,000 | 15,000,000 |
| Statutory reserves | 2 (h) | 15,000,000 | 15,000,000 |
| Other reserves | 2 (l) | 16,276,827 | 13,724,086 |
| Retained earnings | | 38,391,607 | 16,329,210 |
| | | 84,668,434 | 60,053,296 |
| Total liabilities and shareholders' equity | | 655,882,868 | 636,503,327 |

The notes on pages 36 to 46 form part of these financial statements

Director 

Director 

statement of income

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

| | Notes | 2006 | 2005 |
|---|-------|--------------|-------------|
| Interest income | 3 (a) | 44,597,203 | 42,143,313 |
| Interest expense | 3 (b) | 13,708,829 | 14,048,277 |
| Net interest income | | 30,888,374 | 28,095,036 |
| Other income | 3 (c) | 8,747,373 | 8,743,903 |
| | | 39,635,747 | 36,838,939 |
| Less: provision for loan losses | | 1,281,677 | - |
| Reduction in general provision/ loan recoveries | | (12,160,519) | (1,361,158) |
| Operating expenses | 3 (d) | 22,636,596 | 35,868,742 |
| | | 11,757,754 | 34,507,584 |
| Operating profit | | 27,877,993 | 2,331,355 |
| Staff profit sharing | | 1,658,742 | 138,716 |
| Profit before taxation | | 26,219,251 | 2,192,639 |
| Deduct: Income tax | | 134,301 | - |
| General consumption tax | | 430,553 | 437,195 |
| | | 564,854 | 437,195 |
| Net profit after taxation | | 25,654,397 | 1,755,444 |

The notes on pages 36 to 46 form part of these financial statements

statement of changes in shareholders' equity

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

| | Stated capital | Statutory reserves | Other reserves | Retained earnings | Total |
|--|-------------------|-----------------------|-------------------|----------------------|-------------------|
| Balance at 1st October, 2004 | 15,000,000 | 15,000,000 | 16,478,950 | 18,728,766 | 65,207,716 |
| 2005 net profit | - | - | - | 1,755,444 | 1,755,444 |
| Dividends | - | - | - | (4,155,000) | (4,155,000) |
| Investment revaluation (Note 13) | - | - | (2,754,864) | - | (2,754,864) |
| Balance at 30th September, 2005 | 15,000,000 | 15,000,000 | 13,724,086 | 16,329,210 | 60,053,296 |
| 2006 net profit | - | - | - | 25,654,397 | 25,654,397 |
| Dividends | - | - | - | (2,175,000) | (2,175,000) |
| General provision for doubtful loans | - | - | - | (702,000) | (702,000) |
| Post retirement benefit obligation | - | - | - | (1,696,000) | (1,696,000) |
| Pension defined benefit asset | - | - | - | 981,000 | 981,000 |
| Investment revaluation (Note 13) | - | - | 2,552,741 | - | 2,552,741 |
| Balance at 30th September, 2006 | 15,000,000 | 15,000,000 | 16,276,827 | 38,391,607 | 84,668,434 |

The notes on pages 36 to 46 form part of these financial statements

statement of cash flows

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

| | 2006 | 2005 |
|--|---------------------|--------------------|
| Operating activities | | |
| Profit before taxation for the year | 26,219,251 | 2,192,639 |
| Adjustments for depreciation | 1,528,609 | 1,378,604 |
| Loan recoveries | (10,878,842) | (1,361,158) |
| Investment impairment | (3,508,847) | 11,762,732 |
| Net pension asset | 981,000 | - |
| (Increase)/decrease in customers' loans | (52,425,334) | 340,379 |
| (Decrease)/increase in customers' deposits | (3,024,807) | 47,196,475 |
| Decrease/ (increase) in statutory deposits with Central Bank | 616,000 | (3,466,000) |
| (Increase)/decrease in other assets | (6,019,617) | 5,857,192 |
| Decrease in other liabilities | (239,565) | (8,543,718) |
| Cash (used in)/provided by operating activities | (46,752,152) | 55,357,145 |
| Investing activities | | |
| Sale/(purchase) of investments – net | 9,098,980 | 16,158,813 |
| Additions to fixed assets | (3,105,249) | (5,508,302) |
| Disposal of fixed assets | 19,510 | 50,935 |
| Cash provided by investing activities | 6,013,241 | 10,701,446 |
| Financing activities | | |
| Dividends paid on stated capital | (2,175,000) | (4,155,000) |
| (Decrease)/increase in balances due to other banks | (4,097,781) | 493,942 |
| Increase/(decrease) in other reserves | 2,552,741 | (2,754,864) |
| Cash used in financing activities | (3,720,040) | (6,415,922) |
| (Decrease)/increase in cash and cash equivalents | (44,458,951) | 59,642,669 |
| Cash and cash equivalents at beginning of year | 163,404,991 | 103,762,322 |
| Cash and cash equivalents at end of year | 118,946,040 | 163,404,991 |
| Represented by: | | |
| Cash on hand | 5,900,461 | 6,221,678 |
| Due from banks | 101,642,869 | 147,157,603 |
| Treasury bills | 11,402,710 | 10,025,710 |
| | 118,946,040 | 163,404,991 |

The notes on pages 36 to 46 form part of these financial statements

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

1. Principal activities

The Bank is a public company providing commercial banking services through branches in St. George's, Grenville, Gouyave, Sauteurs, Carriacou, Petit Martinique and Grand Anse. The Bank was continued in accordance with the Company's Ordinance Section 365. It is a subsidiary of Republic Bank Limited of Trinidad and Tobago.

The CL Financial Group holds through its various subsidiaries 54.8% of the shares of the parent, Republic Bank Limited. On April 10th, 2006 the bank's name was changed to Republic Bank (Grenada) Limited as the parent company seeks to standardize its corporate identity throughout the Caribbean.

2. Significant accounting principles

(a) Basis of accounting

These financial statements are expressed in Eastern Caribbean Currency Dollars and are prepared on the historical cost convention, except for the measurement at fair value of available-for-sale investments. The accounting policies conform with International Financial Reporting Standards (IFRS) in all material respects.

(b) Depreciation

Depreciation is provided on the fixed instalment basis at rates expected to apportion the cost of the assets over their estimated useful lives. Leasehold buildings are depreciated over the period of the lease. The rates used are as follows:

| | |
|-----------------------------------|---------|
| Motor vehicles | 20% |
| Furniture, fixtures and equipment | 20% |
| Air-conditioning units | 16 2/3% |
| Computer - hardware | 25% |
| - software | 33 1/3% |
| Buildings | 2% |

(c) Investments

Investments in dated securities are stated at their fair value in accordance with International Accounting Standard No. 39 relating to financial instruments.

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

2. Significant accounting principles *(continued)*

(d) Foreign currencies

Assets and liabilities in foreign currencies are expressed in Eastern Caribbean Currency Dollars at rates of exchange ruling at the date of the Balance Sheet. Profits and losses on exchange are dealt with in arriving at the profit before taxation.

(e) Advances and other assets

Performing advances and other assets are stated at principal outstanding, net of unearned interest. Interest income is accounted for on the accrual basis for all loans other than impaired advances. Accrued interest is included in advances in the balance sheet.

Advances 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 discounted at the original rate of interest.

For non-performing advances, specific provisions are made for the impaired portion of the loan. Statutory and other regulatory loan loss requirements that exceed these amounts are dealt with as an appropriation of retained earnings.

(f) Employee benefits

I. Pension plan

The company maintains a defined benefit pension plan for all permanent employees in accordance with International Accounting Standard 19 – Employee Benefits. The company contributes 9.3% of the employees' base pay. Average contributions per month amount to \$67,413.

The pension accounting costs are assessed using the projected unit credit method where the cost of providing pensions is charged to the statement of income so as to spread regular costs over the service lives of employees in accordance with the advice of qualified actuaries. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the larger of the defined benefit obligation and the fair value of plan assets.

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

2. Significant accounting principles *(continued)*

(f) Employee benefits *(continued)*

II. Other post-retirement obligations

The Bank provides post-retirement medical and life insurance 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 maximum 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.

(g) Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Statutory reserves

The Grenada Banking Act No. 19 of 2005 under subsection 14(1), 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 or any other form of appropriation.

(i) Taxation

Deferred taxes are provided for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates.

(j) Reserve deposit

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

(k) Revenue recognition

Interest income is recognized in the statement of income for all interest bearing instruments on an accrual basis. Fees and commissions are generally recognized on an accrual basis. Dividend income is recognized in income when received.

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

2. Significant accounting principles *(continued)*

(l) Other reserves

This reserve represents the revaluation of investments in dated securities to their fair value based on market values at 30th September, 2006. (note 13)

| 3. Operating profit | 2006 | 2005 |
|----------------------------------|------------------|------------------|
| a) Interest income | | |
| Loans and advances | 29,883,484 | 27,877,521 |
| Investment income | 14,713,719 | 14,265,792 |
| | <hr/> 44,597,203 | <hr/> 42,143,313 |
| b) Interest expense | | |
| Customers' deposits | 13,708,829 | 13,986,190 |
| Other | - | 62,087 |
| | <hr/> 13,708,829 | <hr/> 14,048,277 |
| c) Other income | | |
| Fee and commission income | 3,901,399 | 3,610,031 |
| Exchange earnings | 4,396,189 | 4,554,176 |
| Other operating income | 449,785 | 579,696 |
| | <hr/> 8,747,373 | <hr/> 8,743,903 |
| d) Operating expenses | | |
| Depreciation | 1,528,609 | 1,378,604 |
| Directors' fees and expenses | 113,600 | 82,292 |
| Staff costs | 13,113,332 | 12,675,839 |
| Investment impairment | (3,508,847) | 11,762,732 |
| Property related | 734,764 | 584,812 |
| General administrative expenses | 9,794,641 | 8,475,942 |
| Advertising and public relations | 860,497 | 908,522 |
| | <hr/> 22,636,596 | <hr/> 35,868,742 |

notes to the financial statements

For the year ended 30th September, 2006
Expressed in thousands of Eastern Caribbean dollars

| 4. Advances | 2006 | 2005 |
|--|----------------|----------------|
| a) Net advances | | |
| Performing advances | 335,769 | 297,397 |
| Non performing advances | 13,002 | 9,071 |
| | 348,771 | 306,468 |
| Unearned interest | (4,950) | (5,024) |
| Accrued interest | 961 | 915 |
| | 344,782 | 302,359 |
| Provision for loan losses | (6,074) | (19,937) |
| Net advances | 338,708 | 282,422 |
| b) Provision for loan losses | | |
| Balance brought forward | 19,937 | 14,918 |
| Specific charge against profits | 1,908 | 6,008 |
| Charge-offs and write-offs | (895) | (129) |
| Transfer from general provision | (12,160) | (392) |
| General provision | 702 | - |
| Recoveries | (3,418) | (468) |
| Provision at 30th September, 2006 | 6,074 | 19,937 |
| c) Maturity profile of advances | | |
| Within one year | 59,025 | 40,052 |
| One to five years | 54,814 | 60,948 |
| Over five years | 224,869 | 181,422 |
| | 338,708 | 282,422 |

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

| 5. Investments – available for sale | 2006 | 2005 |
|--|--------------------|--------------------|
| Investments in dated securities (Notes 2 and 13) | 125,028,002 | 124,533,997 |
| Short term investments | 5,932,608 | 5,700,000 |
| Other investments | 321,870 | 574,570 |
| | 131,282,480 | 130,808,567 |
| Less: Provision for diminution in investment value | - | 252,700 |
| | 131,282,480 | 130,555,867 |

| 6. Customers' current, savings and deposit accounts | 2006 | 2005 |
|---|--------------------|--------------------|
| Current accounts credit balances | 85,157,887 | 85,276,223 |
| Foreign currency accounts | 57,301,159 | 57,811,991 |
| Savings | 353,775,421 | 354,707,963 |
| Time deposits | 62,618,751 | 64,081,848 |
| | 558,853,218 | 561,878,025 |

7. Taxation

Reconciliation

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

| | 2006 | 2005 |
|--|----------------|-------------|
| Accounting profit | 26,219,251 | 2,192,639 |
| Tax at applicable statutory rate | 7,865,775 | 657,792 |
| Tax effect of items that are adjustable in determining taxable profit: | | |
| Tax exempt - income on investments | (3,856,992) | (3,793,719) |
| General provision for bad debts reversed | (3,648,156) | - |
| Interest on government restructured loans | (185,612) | - |
| Prior year loss relief | (134,300) | - |
| Other | 93,586 | 3,135,928 |
| Taxation expense | 134,301 | - |

notes to the financial statements

For the year ended 30th September, 2006
Expressed in thousands of Eastern Caribbean dollars

8. Fixed assets

| | Land | Commercial building | Leasehold | Furniture, fixtures and equipment | Motor vehicles | Total |
|---------------------------------|------|------------------------|-----------|--|-------------------|--------|
| Cost | | | | | | |
| Balance at October 1st, 2005 | 597 | 8,838 | 7,483 | 15,723 | 1,149 | 33,790 |
| Additions for the year | - | - | 124 | 2,588 | 392 | 3,104 |
| Sales/disposals | - | - | - | (481) | (277) | (758) |
| Balance at September 30th, 2006 | 597 | 8,838 | 7,607 | 17,830 | 1,264 | 36,136 |
| Accumulated depreciation | | | | | | |
| Balance at October 1st, 2005 | - | 347 | 3,491 | 13,759 | 505 | 18,102 |
| Charge for the year | - | 176 | 165 | 955 | 232 | 1,296 |
| Written back on sales/disposals | - | - | - | (481) | (258) | (739) |
| Balance at September 30th, 2006 | - | 523 | 3,656 | 14,233 | 479 | 18,891 |
| Net book value - 2006 | 597 | 8,315 | 3,951 | 3,597 | 785 | 17,245 |
| Net book value - 2005 | 597 | 8,491 | 3,992 | 1,964 | 644 | 15,688 |

notes to the financial statements

For the year ended 30th September, 2006
Expressed in thousands of Eastern Caribbean dollars

| 9. Concentration of assets and liabilities | 2006 | 2005 |
|--|----------------|----------------|
| a) Advances | | |
| Agriculture | 3,845 | 5,493 |
| Fisheries | 1,919 | 1,984 |
| Mining and quarry | 1,846 | 1,006 |
| Manufacturing | 5,628 | 8,165 |
| Energy | 2,077 | 328 |
| Construction and real estate | 10,160 | 23,307 |
| Distributive trades | 42,529 | 31,528 |
| Hospitality | 28,953 | 16,751 |
| Transportation and storage | 7,833 | 6,302 |
| Financial services | 2,576 | 1,940 |
| Professional and other services | 24,638 | 11,773 |
| Public administration | 15,066 | 11,958 |
| Personal | 191,638 | 161,887 |
| | 338,708 | 282,422 |
| b) Investments | | |
| Central government securities | 71,283 | 51,001 |
| Statutory board securities | 37,486 | 34,637 |
| Corporate bonds and debentures | 13,818 | 22,926 |
| Other | 8,695 | 21,991 |
| | 131,282 | 130,555 |
| c) Customers' current, savings and deposit accounts | | |
| State sector | 34,547 | 47,825 |
| Corporate and commercial sector | 46,084 | 40,342 |
| Personal sector | 359,717 | 358,816 |
| Other financial institutions | 14,736 | 8,462 |
| Other | 103,769 | 106,433 |
| | 558,853 | 561,878 |

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

10. Undrawn commitments

Loans and overdraft facilities committed but not yet drawn total approximately 43,465,358 (2005: 39,138,999).

| 11. Stated capital | 2006 | 2005 |
|---|------------|------------|
| Authorised | | |
| 2,500,000 ordinary shares of no par value | | |
| Issued | | |
| 1,500,000 Ordinary shares of no par value | 15,000,000 | 15,000,000 |

12. Contingent liabilities

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

The bank has a potential liability under acceptances, guarantees, indemnities and letters of credit and an equal and offsetting claim against its customers in the event of a call on those commitments.

| | 2006 | 2005 |
|----------------------------|-----------|-----------|
| Guarantees and indemnities | 4,671,694 | 4,397,000 |
| Letters of credit | 2,051,870 | 798,000 |
| | 6,723,564 | 5,195,000 |

Sectoral information

| | | |
|---------------------------------|-----------|-----------|
| Corporate and commercial sector | 5,341,323 | 4,596,000 |
| Personal sector | 1,382,241 | 599,000 |
| | 6,723,564 | 5,195,000 |

13. Financial instruments

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly the estimates contained herein are not necessarily indicative of the amounts that the Bank could realize in a current market exchange. The use of different assumptions and/ or estimation methodologies may have a material effect on the estimated fair values.

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

13. Financial instruments *(continued)*

The fair value information is based on information available to management as of the dates presented. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, the current estimates of fair value may differ significantly from the amounts presented herein.

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain balance sheet financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, accrued interest receivable, deposits and other assets and other liabilities.

Loans:- The estimated fair value for performing loans is assumed to be equal to the carrying values as the inherent rates of interest in the portfolio approximate market conditions and yield cash flow values which are substantially equal to the carrying value.

Investments:- These investments include equity instruments, bonds and other securities which have been evaluated by the Bank, and their fair values are assumed to be equal to their carrying values.

14. Dividends

The board of directors has declared a dividend of \$5,025,000. This dividend is not recorded as a liability in the balance sheet in accordance with IAS 10.

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. The amount due from banks shown on the balance sheet includes a \$70 million deposit with Republic Bank Limited.

notes to the financial statements

For the year ended 30th September, 2006
Expressed in Eastern Caribbean dollars

| 15. Related parties <i>(continued)</i> | 2006 | 2005 |
|--|-------------------|-------------------|
| Loans, investments and other assets | | |
| Clico subsidiaries | - | 57,765 |
| Parent | 62,079,220 | 65,836,200 |
| Directors and key management personnel | 2,032,676 | 1,030,743 |
| | 64,111,896 | 66,924,708 |
| Deposits and other liabilities | | |
| Clico subsidiaries | 3,222,324 | 3,307,550 |
| Parent | 1,192,528 | 797,268 |
| Directors and key management personnel | 1,102,700 | 289,914 |
| | 5,517,552 | 4,394,732 |
| Interest and other income | | |
| Clico subsidiaries | 9,837 | 8,837 |
| Parent | 2,465,262 | 1,790,181 |
| Directors and key management personnel | 255,177 | 102,810 |
| | 2,730,276 | 1,901,828 |
| Interest and other expenses | | |
| Clico subsidiaries | 1,213 | 5,731 |
| Directors and key management personnel | 43,646 | 41,055 |
| | 44,859 | 46,786 |