

Republic Bank's journey toward unlocking and nurturing the true potential of the people we serve, the communities we bolster and the countries in which we operate, is a journey 170 years in the making.

Nurturing potential means tending our future. It means investing in the resource of possibility with the confidence that it will yield success. For Republic Bank, we recognize that in a place as fertile as the Caribbean, there is potential everywhere – in our employees, our customers, our communities, our youth, our products and technology and our performance.

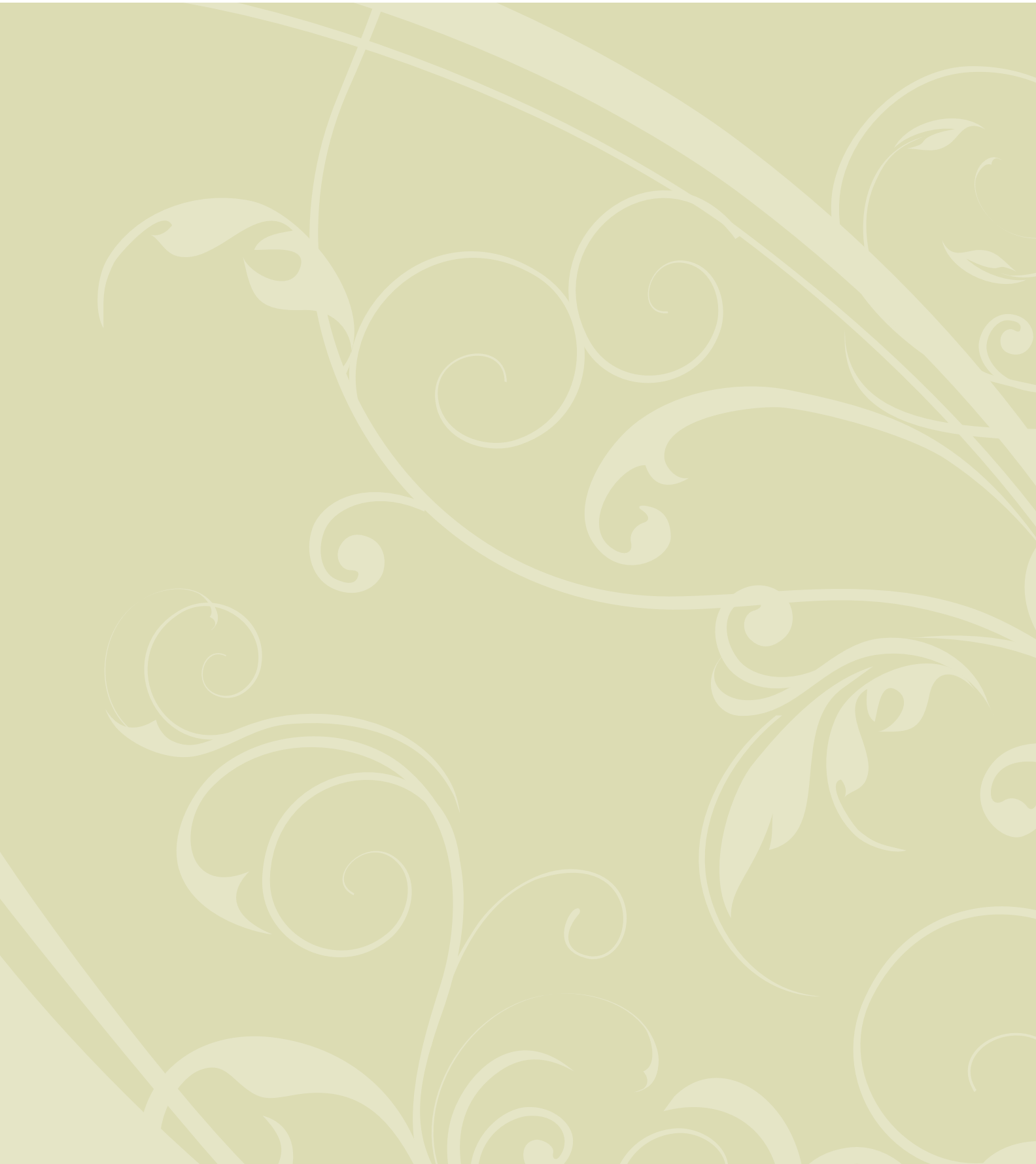
Ever mindful of the future and backed by over 4,600 highly qualified and experienced people throughout the region, we cultivate the emergent opportunities in all areas, translating them into tangible returns for all our stakeholders.

In fulfilling our mission statement to be the Financial Institution of Choice in the Caribbean, we stand committed to maximising every opportunity for the realisation of the Caribbean's unlimited potential.



Republic Bank

annual report 2007



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

We are sensitive to our customers' aspirations and
financial goals; it motivates the Bank to truly make a
difference in ways that enhance our communities.

We are committed to instilling integrity in all of our
relationships, generating trust and confidence from our
customers, suppliers, shareholders, the general public
and amongst ourselves.



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notice of meeting

Annual Meeting

Notice is hereby given that the Twenty-Third Annual General Meeting of Republic Bank (Guyana) Limited will be held at the Le Meridien Pegasus Hotel, Seawall Road, Kingston, Georgetown, on Monday, December 10, 2007 at 17:00 hours (5:00 p.m.) for the following purposes:

1. To receive the Report of the Directors and the Auditors and to approve the Audited Accounts for the year ended September 30, 2007.
2. To re-elect three Directors to fill offices vacated by those retiring from the Board by rotation in accordance with the By-Laws namely; Mr. Nigel M. Baptiste, Mr. Richard Vasconcellos and Mr. Derwin M. Howell.
3. To elect Mr. Edwin H. Gooding and Mr. John N. Alves who were appointed to fill casual vacancies as Directors in accordance with the By-laws.
4. To re-appoint the Auditors, Messrs Ram & Mc Rae.

And the following special business namely:

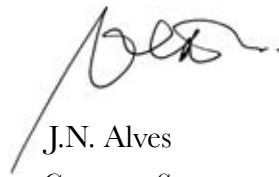
5. To consider and if thought fit pass the following resolution as a special resolution:
'That the articles of incorporation of the company be amended to provide that the minimum number of directors be five (5) and the maximum ten (10)'
6. To consider and if thought fit pass resolutions relating to:
 - (a) Dividends.
 - (b) Directors' service agreements providing for their remuneration;

and

(c) Remuneration of the auditors.

7. To consider any other business that may be conducted at an Annual General Meeting.

By Order Of The Board



J.N. Alves

Corporate Secretary

Registered Office:

155-156 New Market Street
North Cummingsburg
Georgetown, Guyana

October 18, 2007.

Note:

- Only stockholders may attend.
- Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.
- A proxy need not be a member of the Company. The instrument appointing a proxy must bear a G\$10 revenue stamp and deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
- A proxy form is attached for use if required.
- Any Corporation which is a member of the Company may, by resolution of its Directors or other governing body, authorize such person as it thinks fit to act as its representative at the meeting (By-Law 86).

corporate information

Directors

Chairman

Managing Director -

Republic Bank Limited

David Dulal-Whiteway, *B.Sc. Management Studies,
M.B.A., C.G.A*

Managing Director

Edwin H. Gooding, *B. Comm., Executive MBA (UWI)*

Executive Director/Corporate Secretary

John N. Alves, *F.I.C.B.*

Chartered Insurer

Roy E. Cheong, *A.A., F.C.I.I., F.L.M.I., C.L.U*

Executive Director -

Republic Bank Limited

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

Financial Director -

William H. Scott Limited

William H. Pierpont Scott

Vice Chairman, Board of Directors- Hand in Hand Fire and Life Group of Companies

John G. Carpenter, *B. Sc. (Food Sciences)*

Chairman - A.N.K. Enterprises Inc.

Richard I. Vasconcellos

General Manager -

Commercial and Retail Banking

Republic Bank Limited

Derwin M. Howell, *B.Sc. (Elect. Eng) (Hons.),
Executive MBA, M. Sc. (Tele. Systems), MIEE, MIEEE*

Registered office

Promenade Court

155-156 New Market Street

North Cummingsburg

Georgetown, Guyana

South America

E-mail: email@republicguyana.com

Website: www.republicguyana.com

Auditors

Ram & Mc Rae

Chartered Accountants

157 'C' Waterloo Street

North Cummingsburg

Georgetown, Guyana

South America

Attorneys-at-law

Cameron & Shepherd

2 Avenue of the Republic

Robbstown

Georgetown, Guyana

South America

financial summary

	2007 \$'000	2006 \$'000	2005 \$'000	2004 \$'000	2003 \$'000
Cash resources	14,099,445	16,034,183	9,687,916	7,919,958	8,675,461
Investment securities	37,261,144	29,743,194	30,272,247	27,884,348	25,554,370
Loans and advances	17,262,689	15,979,555	14,958,203	14,493,846	13,183,022
Total assets	73,869,729	66,360,824	59,933,723	55,466,889	52,685,797
Total deposits	65,909,096	60,078,668	54,780,820	50,781,161	48,589,699
Shareholders' equity	5,154,309	4,505,699	3,952,631	3,689,751	3,199,328
Net profit after taxation	1,144,418	1,028,938	790,968	536,441	373,267
Earnings per stock unit in dollars	3.81	3.43	2.64	1.79	1.24
Return on average assets (%)	1.61	1.62	1.33	0.97	0.82
Return on average equity (%)	22.66	24.38	20.55	15.65	12.69

financial highlights

Expressed in thousands of Guyana dollars (\$'000)

	2007	2006	Change	%
\$'000	\$'000	\$'000	\$'000	
Income statement				
Interest and other income	6,038,828	5,446,467	592,361	10.88
Interest and non-interest expenses	(4,092,020)	(3,817,843)	(274,177)	(7.18)
Net Income before taxation	1,946,808	1,628,624	318,184	19.54
Taxation charge	(802,390)	(599,686)	(202,704)	(33.80)
Net Income after taxation	1,144,418	1,028,938	115,480	11.22
Balance sheet				
Loans and advances	17,262,689	15,979,555	1,283,134	8.03
Total assets	73,869,729	66,360,824	7,508,905	11.32
Average assets	70,895,736	63,472,494	7,423,242	11.70
Deposits	65,909,096	60,078,668	5,830,428	9.70
Equity (capital and reserves)	5,154,309	4,505,699	648,610	14.40
Average outstanding equity	5,050,022	4,220,645	829,377	19.65
Common stock				
Earnings in dollars per stock unit	3.81	3.43	0.38	11.08
Dividend for the year (in thousands)	525,000	420,000	105,000	25.00
Stock (in thousands)	300,000	300,000	-	0.00
General				
Number of:				
Stockholders	1,136	1,114	22	1.97
Common stock outstanding (in thousands)	300,000	300,000	-	0.00
Employees	577	570	7	1.23
Active savings, chequing and deposit accounts	143,077	134,812	8,265	6.13
Banking offices	11	11	-	0.00

John N. Alves, John G. Carpenter, Edwin H. Gooding



board of directors

John Alves, *ELC.B.*

John Alves is an Executive Director and Corporate Secretary to the Board of Directors. He is a member of the Guyana Association of Bankers. Mr. Alves has been an officer of the Bank for almost thirty-three years and currently serves as the Senior Manager for the Credit function.

John Carpenter, *B.Sc. (Food Sciences)*

Mr. Carpenter holds a B.Sc. in Food Sciences and is Vice Chairman of the Board of Directors for Hand in Hand Fire and Life Group of Companies.

Edwin H. Gooding, *B.Comm., Executive MBA*

Edwin Gooding, a career banker with over twenty-nine years of banking experience as part of the Republic Bank Group, has played a very active role in the Bank's growth over the years. He joined the bank immediately after graduating from Concordia University, Montreal, with a Bachelor of Commerce Degree. He also holds an Executive Masters in Business Administration from the University of the West Indies. Mr. Gooding has held several senior positions in key areas of banking.

Prior to his appointment as Managing Director of Republic Bank (Guyana) Limited, Mr. Gooding was the Assistant General Manager of Group Marketing Department, and acted as Managing Director of Barbados National Bank Inc. and Republic Bank (Grenada) Limited respectively. He currently serves as Chairman of the Guyana Association of Bankers.

David Dulal-Whiteway, William H. Pierpont Scott, Nigel Baptiste

David Dulal-Whiteway, *B. Sc. Management Studies, M.B.A., C.G.A.*

David Dulal-Whiteway, Managing Director of Republic Bank Group and Chairman of the Board of Directors of Republic Bank (Guyana) Limited, is also a member of the Board of Directors of Republic Finance & Merchant Bank Limited (Fincor), London Street Project Company Limited, Republic Securities Limited, Foundation for the Enhancement and Enrichment of Life (FEEL) and National Enterprises Limited (NEL). He previously held the position of Executive Director of Republic Bank Limited.

William H. Pierpont Scott, *FCCA*

Mr. Pierpont Scott is the Financial Director of William H. Scott Limited of Trinidad & Tobago and has been a Director of Republic Bank's subsidiary, Republic Finance and Merchant Bank Limited (Fincor), since June 1994. He is also a Fellow of the Chartered Institute of Certified Accountants.

Nigel M. Baptiste, *B. Sc. (Hons.) (Econ.),*

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

Nigel M. Baptiste was appointed to the Board of Directors in October 2003. He previously served as Managing Director of NBIC from July 1999 to July 2002. Mr. Baptiste is currently an Executive Director of Republic Bank Limited in Trinidad & Tobago. He is a former Trinidad National Scholar who has distinguished himself both academically and in his career in the fields of Banking and Economics. He holds a diploma with distinction from the American



Banking Association's Stonier Graduate School and has also successfully completed the Harvard Business School's Advanced Management Programme. He is a member of the Chartered Institute of Bankers of England. He is also the former President of the Institute of Bankers, Trinidad and Tobago.



Richard I. Vasconcellos, Roy Errol Cheong, Derwin M. Howell



board of directors

Roy Errol Cheong, A.A., F.C.I.I., F.L.M.I., C.L.U.

Roy Errol Cheong, a Chartered Insurer by profession, retired on June 30, 2003 as Managing Director of the GTM Group of Companies but has since been appointed a non-executive Director of the Group. He is a Fellow of the Chartered Insurance Institute, Fellow of the Life Management Institute, and Chartered Life Underwriter. Mr. Cheong has served as President of the Insurance Association of the Caribbean, the Insurance Association of Guyana and the Insurance Institute of Guyana. He is the Past President of the Rotary Club of Georgetown and serves on the Executive Committee of the Guyana Red Cross Society. Mr. Cheong holds directorship in Banks DIH Limited, Neal & Massy (Guyana) Limited, and Mega Insurance Company Limited of Trinidad and Tobago. He is the recipient of the Golden Arrow of Achievement.

Richard I. Vasconcellos

Richard I. Vasconcellos is currently a member of the National Notary Association of the United States of America and American Management Association. He is the Chairman of A.N.K Enterprises Incorporated in Miami, Florida, and the Director of Florida Export Finance Corporation.

Derwin M. Howell, B. Sc. (Elect. Eng)(Hons.),

Executive MBA, M. Sc. (Tele. Systems), (M.I.E.E.),

(M.I.E.E.E.)

Derwin M. Howell was appointed to the Board of Directors in December 2005. He joined the Republic Group in May 1997, and currently holds the position of General Manager, Commercial and Retail Banking at Republic Bank Limited. Mr. Howell is a graduate of the University of the West Indies with a first class honours degree in Electrical Engineering, and holds an Executive Masters in Business Administration from the same institution. He is also a graduate of the University of Essex where he did a Masters Degree in Telecommunications Systems. He serves on the Board of Directors of National Enterprises Limited and Caribbean New Media Group Limited, is also a Corporate Member of the Institution of Electrical Engineers and a Member of the Institute of Electrical and Electronic Engineers.

directors report

The Directors have pleasure in submitting their Report and Audited Accounts for the year ended September 30, 2007.

Principal activities

The Bank provides a comprehensive range of commercial banking services at eleven offices throughout Guyana.

Financial results

(in thousands of Guyana Dollars)

	2007	2006
Net income after taxation	1,144,418	1,028,938
Interim dividend paid	195,000	120,000
Retained earnings	949,418	908,938
Final dividend proposed	330,000	300,000

Dividends

An interim dividend of G\$0.65 per stock unit (in total G\$195.0 million) was paid during the year and a final dividend of G\$1.10 per stock unit (in total G\$330.0 million) for the year ended September 30, 2007 is recommended.

Capital and reserves

Capital and reserves other than retained earnings total G\$1,218 million as shown in the Statement of Changes in Shareholders' Equity.

Accumulated retained earnings up to September 30, 2007 is G\$3,936 million after a transfer of G\$512 million to the General Banking Risk Reserve, G\$495 million paid out as dividends (final 2006 - 300 million, interim 2007 - 195 million), and G\$1,144 million transferred from the Statement of Income for 2007.

Donations

Donations to charitable or public causes for the year were G\$16.6 million compared to G\$8.56 million in 2006.

Substantial shareholding (Units of stock)

A substantial shareholder for the purposes of the Securities Industry Act 1998 is one who controls five percent or more of the voting power at a General Meeting. The following are the substantial shareholders of the Bank:

directors report

	2007	% held	2006	% held
Republic Bank Limited	152,898,395	51.0	152,898,395	51.0
Demerara Mutual Life Assurance Society Limited	16,306,080	5.4	16,306,080	5.4
Guyana and Trinidad Mutual Fire and Life Group of Companies	15,773,760	5.3	15,773,760	5.3
Trust Company (Guyana) Limited	17,053,043	5.7	17,003,043	5.7

Directors

In accordance with the Bank's By-Laws, Mr. Nigel M. Baptiste, Mr. Derwin M. Howell and Mr. Richard I. Vasconcellos retire from the Board by rotation and being eligible, offer themselves for re-election.

Auditors

Messrs. Ram & McRae, Chartered Accountants have informed the Bank of their willingness to continue in office as Auditors. A resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

Contribution of each activity to operating profit

"Banking operations" is considered as one single business operation which includes lending, investments, foreign exchange, deposit taking, etc. The contribution or cost from these activities to operating profit is disclosed in the Statement of Income.

Geographical analysis of consolidated turnover and contribution to trading results

The operations of the Bank are based only in Guyana but several investments are held overseas for which income of G\$237.6 million (2006 - G\$276.2 million) was earned during the year. (Please refer to note 23 of the financial statements for further information).

Interest of directors and chief executive and their associates

Of these categories only the following persons held shares in the company, all of which were held beneficially:

Name of director	Number of shares	
	2007	2006
Mr. John G. Carpenter	150,000	150,000
Mr. Roy E. Cheong (75,000 by self and 12,000 by an associate)	87,000	87,000
Mr. John N. Alves	75,000	75,000
Directors' fees (\$)		
Mr. Edwin H. Gooding	120,000	-
Mr. Nigel M. Baptiste	720,000	720,000
Mr. John G. Carpenter	720,000	720,000
Mr. Roy E. Cheong	720,000	720,000
Mr. David Dulal-Whiteway	2,400,000	2,400,000
Mr. Derwin M. Howell	720,000	660,000
Mr. Richard I. Vasconcellos	720,000	720,000
Mr. William H. Pierpont Scott	720,000	720,000
Mr. Michael B. Archibald	600,000	720,000
Mr. John N. Alves	240,000	-
Mrs. Yolande M. Foo	480,000	720,000

Directors' service contracts

There are no service contracts with the Directors proposed for election at the forthcoming Annual General Meeting or any other directors, which are not determinable within one year without payment of compensation.

Contracts with directors

Other than normal banking and employment contracts, there were no contracts between the Bank and its directors or in which the directors were materially interested.

Contract of significance with shareholder

The Bank paid the sum of G\$63.15 million (2006 - G\$57.06 million) in fees (inclusive of directors' fees) and expenses under a Technical Services Agreement with Republic Bank Limited for the provision of management, credit analysis, internal audit and other services. Technical services fees are determined with reference to the Bank's net interest and other income.

David J. Dulal-Whiteway



chairman's review

Chairman's Remarks

I am pleased to report that for the year ended September 30, 2007 the Bank recorded a profit after tax of \$1,144.4 million, a 11.22% improvement over our Fiscal 2006 performance. The Board has declared a final dividend of \$330 million bringing the total dividend for the year to \$525 million and the total dividend payout to 45.88%, which is 25% higher than our total dividend payout in 2006.

Economic Review

Real Gross Domestic Product (GDP) was reported by the Government to have increased by 4.7% in 2006 against a growth target of 4.3%. This represented a significant improvement over the revised decline of 1.9% in 2005. Growth in the economy for 2007 was projected at 4.9% based on improved performance in sugar production, engineering and construction, mining, tourism, transportation, communications and distribution. The main engines of growth were expenditures in the engineering and construction sectors associated with the preparations for the World Cup cricket.

The rate of inflation is reported to have decreased from 8.3% in 2005 to 4.2% in 2006. The projected rate of inflation for 2007 is 5.2% but for the year to date, August 2007, the inflation rate reached a high of around 13%, caused to a large extent by the introduction of Value Added Tax and the expansion in credit.

Growth in the economy for 2007 was projected at 4.9% based on improved performance in sugar production, engineering and construction, mining, tourism, transportation, communications and distribution. The main engines of growth were expenditures in the engineering and construction sectors associated with the preparations for the World Cup cricket.

Over the past year, work continued on upgrading the country's physical infrastructure. The embankment of the East Demerara Water Conservancy was strengthened to prevent overflowing and to increase the storage capacity with ongoing works planned. The East Bank Highway was also completed, facilitating a smoother flow of traffic in and out of the city.

Future Outlook

Political and economic stability is expected to continue, providing an environment conducive to positive growth and development. While crime remains a concern and the economy is still fragile, there is tangible evidence that Government's plans for the country's economic revival are beginning to bear fruit.

The Berbice River Bridge and the Skeldon Sugar Modernisation Project with its complementary power generation and refinery projects are on track and scheduled for completion during 2008. The realization of these projects holds much promise for the economic fortunes of the Berbice region and the country as a whole. However, the price cuts for sugar exports to the EU will continue to provide their own challenges vis-à-vis the planned modernization of the sugar industry.

The recent ruling by the United Nations bringing closure to the dispute between Guyana and Suriname was welcomed by the population. It marked the end of uncertainty and signals the beginning of attempts to explore the range of opportunities in the

areas of oil and gas which this decision will facilitate.

Republic Bank (Guyana) Limited remains committed to the future development of Guyana. The improvement in the economic and political climate continues and there are signs that an enabling environment for the Guyanese people is evolving, gradually. The Bank expects to complete construction of its new branch at Camp Street during Fiscal 2008 and plans are underway with regard to strengthening our presence in other regions in which we may be under-represented including Essequibo and East Bank Demerara.

Acknowledgements

Our management and staff have once again made a sterling contribution to the overall financial performance of the bank and I wish to thank them for their continued support and dedication. I also thank our customers for their loyalty and my fellow directors for their ongoing support. On behalf of the Board of Directors and on my own behalf, I extend our gratitude to the former Managing Director Mr. Michael Archibald who retired during the course of the year after a distinguished career in the bank and Group and to Mrs. Yolande Foo, former Corporate Secretary/Director who retired after forty-five years of outstanding service to the Bank.

We also extend a warm welcome to our new Managing Director, Mr. Edwin Gooding to the Board and wish him every success for the future.

Edwin H. Gooding



managing director's report

This is the first time that I am providing a review of the Bank's performance and I am pleased to report that the Bank has once again turned in a stellar performance. Although the year was not without its challenges, we remained focused on our objectives of satisfying our customers, improving our revenue streams, controlling our costs and prudence in our lendings.

Financial Performance

Profit after tax for this year increased by 11.22% from \$1028.9M in 2006 to \$1144.4M. This has resulted in Return on Assets moving to 1.61% and Return on Equity to 22.66%. Earnings per Share improved from \$3.43 to \$3.81. This improvement can be attributed to strong performance in the various areas of the Bank's operations and a full discussion of these results can be found in our Management Discussion and Analysis.

Customer Service

Customer focus is one of our core values and we are committed to sharpening this focus so that our customers experience continuous improvement in the quality of service we provide. During the year, our entire management and staff at all levels were exposed to the bank's Customer Care training programmes to assure oneness of purpose and complete alignment with our pursuit of service excellence in all our customer interfaces. We hold fast to the view that customer service is the unique

Customer focus is one of our core values and we are committed to sharpening this focus so that our customers experience continuous improvement in the quality of service we provide. During the year, our entire management and staff at all levels were exposed to the bank's Customer Care training programmes to assure oneness of purpose and complete alignment with our pursuit of service excellence in all our customer interfaces.

differentiating factor that will move us from good to great in the eyes of our customers. That is why we never get complacent and continue to strive to not only satisfy our customers, but to delight them.

Human Resources

The real essence of empowerment comes from releasing the knowledge, experience and motivational power of our people. It is this concept that defines our responsibility to provide our valued human resource with opportunities that will drive them to realize their true potential and to function optimally in a technology driven environment.

Internal expertise was sourced to train staff in the critical area of credit operations, core banking procedures and management/supervisory skills. A recently concluded session targeted a total of thirty four (34) Officers. Staff also participated in training programs organized by Republic Bank Limited and international agencies such as the Florida Bankers' Association and Crown Agents.

We continued via our scholarship programs to afford staff the opportunity to read for relevant degrees/diplomas at the tertiary level. Under the Stan Affonso Scholarship Plan, five (5) Officers are currently studying at the University of Guyana. There are thirty-seven (37) officers reading for the AICB Diploma program offered by the Institute of Canadian Bankers. Four (4) Officers attained the AICB Designation in 2007.

Technology

During the year, we upgraded both our core operating system and other ancillary systems. The result is increased capacity, improved efficiency, and improved redundancy capability. This upgrade will provide us with greater self-reliance and flexibility. We are also finalizing new channels through which our customers can do business easier with their bank and new technology based services are planned for Fiscal 2008.

Premises

The construction of our new branch at Camp and Robb Streets continues apace and completion is set for March 2008. This will be a signature branch that will provide our customers with more modern and spacious accommodation. It will also present us with the opportunity to grow the business and at the same time, improve the overall level of customer service we deliver. Work on our new branch in Anna Regina is now scheduled to commence in early 2008.

Future Outlook

We are confident that once the stable economic and political climate continues, the Bank will have another successful year in 2008. The future is replete with opportunities such as the renewed prospects of oil exploration in the Berbice region and the completion of the Berbice Bridge which have to be balanced against the challenges associated with the continued phased

managing director's report

reduction of EU sugar prices, rising prices and high crime levels.

Republic Bank (Guyana) Limited remains committed to Guyana and its development and will continue to demonstrate this tangibly in the form of development opportunities for our human resources, the construction of new premises, continuous improvement to its physical and technological infrastructures and our “Power to Make a Difference” social investment programme.

Acknowledgements

The management and staff continue to provide their full support, dedication and commitment, and for this I am indeed grateful. I thank our former Managing Director, Mr. Michael Archibald for his astute stewardship of the bank over the last five (5) years. I also thank the Board of Directors for their guidance and counsel throughout the past year.

bank profile

Head office

Republic Bank Promenade Court
155-156 New Market Street
North Cummingsburg
Georgetown, Guyana
South America
Telephone: (592)-223-7938-49
Fax: (592)-233-5007, 227-4506
E-mail: email@republicguyana.com
Website: www.republicguyana.com

Managers

Managing Director

Edwin H. Gooding, *B.Comm., Executive MBA (UWI)*

Senior Manager, Credit

John N. Alves, *FLC.B.*

Senior Manager, Corporate & Management Services:

Keith A. Johnson, *A.I.C.B., B.Sc. (Accountancy) (Dist.),
Executive MBA, (Dist) (UWI.)*

Manager, Branch Operations

Rose A. Langevine, *Diploma (Banking & Finance), B.Sc.
(Accountancy), Executive MBA (UWI.)*

Manager (ag.), Corporate Credit

Sasenarain Jagnanan, *A.I.C.B.,
Diploma (Banking & Finance)*

Manager (ag.), Finance and Planning

Devan Khemraj, *A.I.C.B.*

Manager, Internal Audit

Denise Hobbs *Diploma (Business Management) (Cambridge)*

Manager, Human Resources

Anita Mohabeer

Manager, Premier Banking

Marcellene V. Persaud

Manager, Corporate Operations

Denys Benjamin

Manager, Legal Services

Christine A. McGowan, *LLB (Dist.), LEC (Hons.)*

Manager, Marketing & Communications

Margaret A. Singh

Manager (ag.), Information Technology

Yonette Greaves, *Diploma (Info. Services) LIMIS*

Main banking office

P.O. Box 10440
38-40 Water Street
Georgetown, Guyana
Telephone: (592)-226-4091-5, 226-1691-6
Fax: (592)-227-2921
Cable: RBGL GYGG
E-mail: WaterStreet.Branch@republicguyana.com

Manager, Water Street Operations

Jadoonauth Persaud, *Diploma (Banking & Finance)*

Manager, Commercial Credit

Patricia Plummer, *FLC.B.*

Other banking offices

Anna-Regina Sub-Branch

Lot 6 Public Road
Anna Regina, Essequibo
Telephone: (592)-771-4171/4778/4779
Fax: (592) -771-4085
E-mail: AnnaRegina.Branch@republicguyana.com

Officer-in-Charge

Harry Dass Ghaness, *ICB - Letter of Accomplishment*

Camp Street Sub-Branch

110 Regent & Camp Streets
Georgetown, Guyana
Telephone: (592)-226-4911, 226-3231

bank profile

Fax: (592)-226-4846

E-mail: CampStreet.Branch@
republicguyana.com

Officer-in-Charge

Sherwyn L. Greaves, *A.I.C.B*

Corriverton Branch

Lot 5 #78 Corriverton

Corentyne, Berbice

Telephone: (592)-335-3351/3354/3376

Fax: (592)-335-3092

E-mail: Corriverton.Branch@
republicguyana.com

Manager (ag.)

Celine Davis, *ICB - Letter of Accomplishment, B.Sc.*
(*Management*), *Post Graduate Diploma (Developmental Studies)*

New Amsterdam Sub-Branch

16 Strand

New Amsterdam, Berbice

Telephone: (592)-333-2633/2639/2706/2215

Fax: (592)-333-3432

E-mail: NewAmsterdam.Branch@
republicguyana.com

Officer-In-Charge (ag.)

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Patricia Dennison, *Diploma (Business Management)*

Celine Davis, Edwin H. Gooding, Patricia Plummer

Celine Davis

Manager (ag.) Corriverton Branch

Edwin H. Gooding

Managing Director

Patricia Plummer

Manager, Commercial Credit



management team

John Alves, Marcellene V. Persaud, Terrence A. Archer



John Alves

Senior Manager, Credit

Marcellene V. Persaud

Manager, Premier Banking

Terrence A. Archer

Manager, Rose Hall Branch

management team

Yonette Greaves, Denise E. Hobbs, Jadoonauth Persaud

Yonette Greaves

Manager (ag), Information Technology

Denise E. Hobbs

Manager, Internal Audit

Jadoonauth Persaud

Manager, Water Street Operations



Rose Langevine, Denys Benjamin, Christine McGowan, Anita Mohabeer



Rose A. Langevine

Manager, Branch Operations

Denys Benjamin

Manager, Corporate Operations

Christine McGowan

Manager, Legal Services

Anita Mohabeer

Manager, Human Resources

management team

Keith Johnson, Sasenarain Jagnanan, Margaret Singh, Devan Khemraj

Keith Johnson

Senior Manager, Corporate and Management Services

Sasenarain Jagnanan

Manager (ag), Corporate Credit

Margaret A. Singh

Manager, Marketing and Communications

Devan Khemraj

Manager (ag), Finance and Planning





seeding the future

We believe that as active, creative citizens, we must do our part in creating opportunities for the communities with which we share our future, thereby developing and instilling hope for the future. We see this not only as a moral responsibility, but as a social imperative.

We understand the paradoxes of today's world as we seek to create solutions for the future. Our "Power to Make a Difference" programme is an example of our commitment to Youth Development through education and sport, Community Development and Care for the Needy, in a bid to unearthing Guyana's success potential.

We are committed to investing in excess of G\$87million over 5 years, through our Power to Make a Difference Programme in Guyana – focusing and supporting developmental initiatives in the areas of education, sport, community care and culture. We also place importance on the social outreach programmes in poverty alleviation and care for the needy. Although this programme is soon to be launched in Guyana for the first time, the Bank has fostered community relations for much of the seventeen odd decades of its existence. The launch of the Power to Make a Difference however, will add scope and significance to our community relations and social investment initiatives.

We understand the paradoxes of today's world as we seek to create solutions for the future. Our "Power to Make a Difference" programme is an example of our commitment to Youth Development through education and sport, Community Development and Care for the Needy, in a bid to unearthing Guyana's success potential.





the fruit of innovation

We continue to invest in creating the required infrastructure to support the cutting edge technology demanded by our customers. All new business developments are pivotal as we seek to forge stronger and more meaningful relationships with our customers.

Our imperative, in this context, has been to focus continuously on developing our core businesses and improving our performance in all areas of operations, laying the groundwork for a new phase of growth and development. The year saw the introduction of the Republic VISA TravelMoney (VTM) card, the first of its kind to be launched in Guyana. The product has been well received among account holders and the wider public to which it has been made available.

In order to meet an increasing demand for our ATMs and Debit Point of Sale facilities, the network has been further expanded and the systems enhanced to add greater efficiency, convenience and customer satisfaction.

As the Bank prepares for a ground-breaking era in its products and services delivery, our technological infrastructure has undergone a series of enhancement work geared towards improving the Bank's ability to accommodate the impending cutting-edge improvements.

Sound integrated sustainable practice can sharpen even the most successful company's competitive edge.

Our imperative, in this context, has been to focus continuously on developing our core businesses and improving our performance in all areas of operations, laying the groundwork for a new phase of growth and development.





making dreams bloom

With over 17 decades of serving customers in Guyana, we are intimately aware of our role in creating the maximum benefit for our customers, setting the industry paradigm for service excellence and value.

We value our relationship with our local people whose future matters to us. Though some institutions continue to adopt a “make and sell” principle, our philosophy has always been to “listen and serve”. Each interaction with you is never seen in isolation, but as part of a relationship, one we hold dear.

During the past year, the Bank instituted measures, through ongoing Customer Care training programmes, to ensure that maximum focus was given to the pursuit of a close and rewarding partnership between our customers and ourselves.

The 2007 independent Customer Service Survey has shown that our efforts have borne fruit among the majority of respondents to the survey.

We recognise the need for sustained and increased attention to this critical area of performance and aim to increasingly improve in this area for our customers’ continued benefit.

We value our relationship with our local people whose future matters to us. Though some institutions continue to adopt a “make and sell” principle, our philosophy has always been to “listen and serve”. Each interaction with you is never seen in isolation, but as part of a relationship, one we hold dear.





cultivating our resources

People, their talents and dedication are the Bank's essential assets. We attain excellence as a company by our staff attaining excellence. Employee care is fundamental to the way we operate and is at the core of everything we do.

It figures prominently among the key motors that drive Republic Bank.

Internal training programs focusing on core banking procedures and management/supervisory skills, were conducted for Officers of the network. Frontline staff benefited from key on the job training.

External expertise was sourced for credit operations training and a recently concluded session targeted 34 Officers. Officers also participated in programs organized by Republic Bank Limited, as well as the Florida Bankers' Association and Crown Agents. Several Managers attended meetings at Republic Bank Limited. The Bank continued to provide opportunities through staff attachments to other subsidiaries.

Under the Advanced Scholarship Plan, 1 Officer attained a Master of Arts in Corporate Communication with Distinction from Bournemouth University, UK. Of the 5 Officers studying at the University of Guyana under the Stan Affonso Scholarship Plan, 2 will be graduating this year. The AICB Diploma program offered by the Institute of Canadian Bankers continues to generate a high level of interest and requests for sponsorship.

Internal training programs focusing on areas such as core banking procedures and management/supervisory skills were scheduled, and conducted for Officers throughout the network. On the job training was provided in many instances, particularly for frontline staff.



management discussion & analysis

Introduction

Republic Bank (Guyana) Limited (the Bank), formerly the National Bank of Industry and Commerce Limited which was renamed on June 05, 2006, is a subsidiary of Republic Bank Limited (RBL) and by extension, a member of the Republic Group. In addition to Guyana and Trinidad and Tobago, Republic Bank Limited has subsidiaries in Barbados, Grenada, Cayman Islands, and St. Lucia. The Bank, by virtue of a common parent company, is a related party to the other subsidiaries. The ultimate parent company of the Bank is CL Financial Limited, a company incorporated under the laws of Trinidad and Tobago.

The Bank, with a presence in each of the three counties of Guyana, offers a wide range of commercial banking services from each of its eleven locations. The products and services offered have inherent flexibility and are specifically structured to satisfy the banking requirements of its many valued customers. To complement the in-branch services provided during business hours, the Bank, through its expanding range of electronic products, ensures that customers' transactional needs are facilitated twenty-four hours a day. These include telebanking, over two hundred debit point-of-sale terminals at merchants throughout Guyana, Visa Travel Money Card and a network of twenty-eight Automated Banking Machines, including

four off the Bank's premises. The wide array of products and services offered by the Bank, inclusive of any branch banking, reflects its progressive and continuous developmental focus to make maximum use of technology so as to further realise the concept of "easy access" banking for its customers and other members of the general public.

Work on the construction of a new branch at Camp and Robb Streets has commenced and this branch, which will boast all modern banking facilities, is expected to be opened to the public in March 2008. The portfolios of the current Camp Street and Savage Street branches will be merged and transferred to this new banking centre. Plans for the construction of the Anna Regina branch also, are in the advanced stages.

Overview

The discussion and analysis of the financial position and performance of Republic Bank (Guyana) Limited provided below should be read in conjunction with the directors' report and audited financial statements presented on pages 13 to 15 and 50 to 98 respectively.

These statements are published in Guyana dollars. Foreign amounts have been converted to Guyana 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:

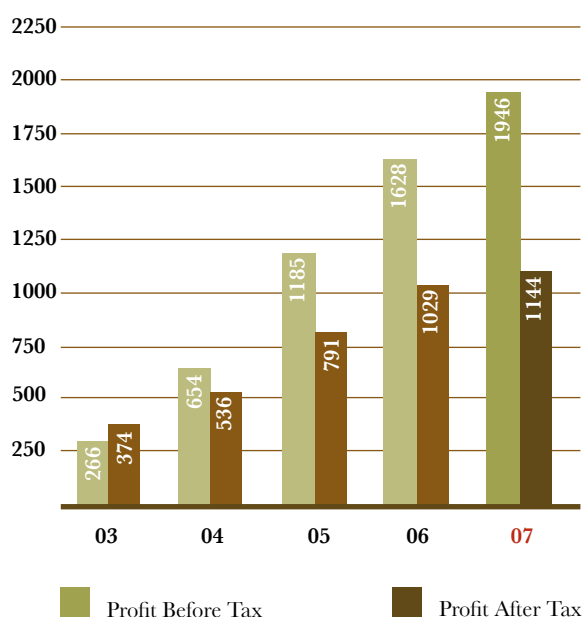
	2007	2006
United States dollars	203.00	201.00
Pounds Sterling	387.50	377.50
Canadian dollars	190.00	177.50
Euro	262.50	252.50

Statement Of Income Review

Financial Summary

In fiscal 2007, the Bank recorded its highest ever after-tax profit in its 170 year history. The year-on-year improved performance continued into 2007 with profit after tax increasing by \$115 million or 11.22%. Prudent risk management, controlled assets and liabilities management and enhanced systems and procedures contributed to this achievement. With an after-tax profit of \$1,144 million, the financial performance of the Bank in 2007 continued the growth trend which started in 2002.

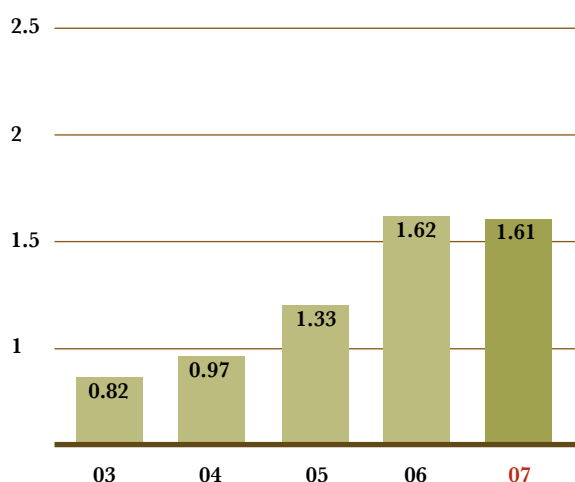
Profit Before / After Tax (Millions)



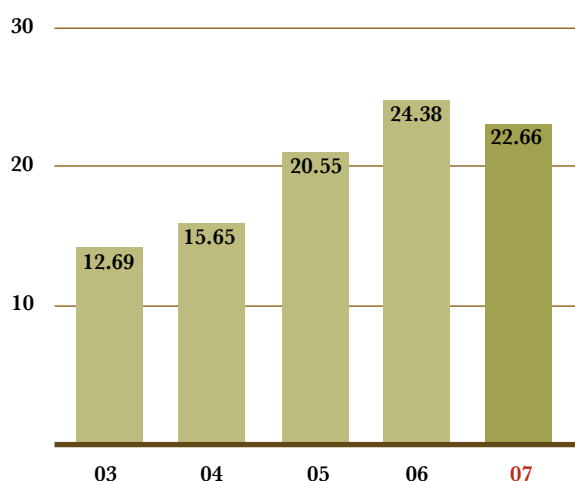
management discussion & analysis

The Bank's return on average assets and return on average shareholders' equity are key measures of its financial performance and despite the increase in profitability both ratios showed marginal decline year-on-year. Return on average assets moved to 1.61% from the prior year's 1.62% while return on shareholders' equity moved to 22.66% from 24.38% in 2006. Earnings per share increased, moving from \$3.43 in 2006 to \$3.81 in 2007.

Return on Average Total Assets (%)



Return on Average Outstanding Equity (%)



Net Interest and Other Income

Net interest income at \$3.06 billion exceeded the \$2.67 billion of 2006 by \$395 million or 14.79% and this is attributed primarily to the growth in Advances and Available -for-sale investment securities.

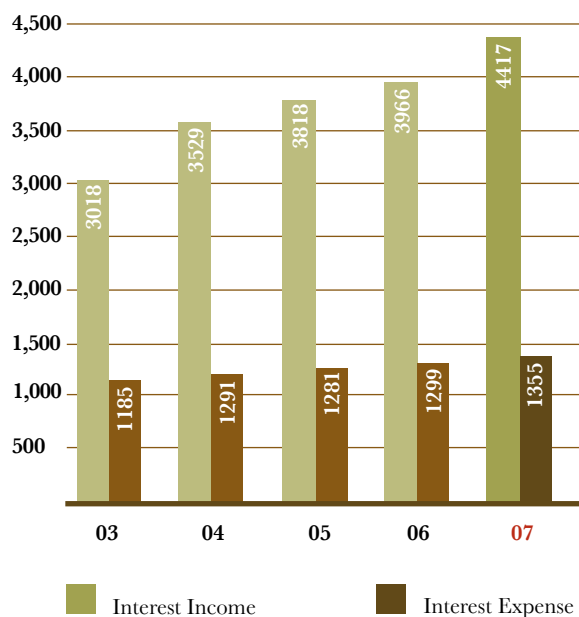
Interest income was boosted by the improvement in the Bank's average interest earning assets which, as a percentage of average deposits increased from 85.80% in 2006 to 87.83% in 2007. This increase was driven by the Bank's aggressive pursuit of viable investment opportunities.

Interest paid on deposits for 2007 at \$1.36 billion, was higher than that of 2006 (\$1.30 billion).

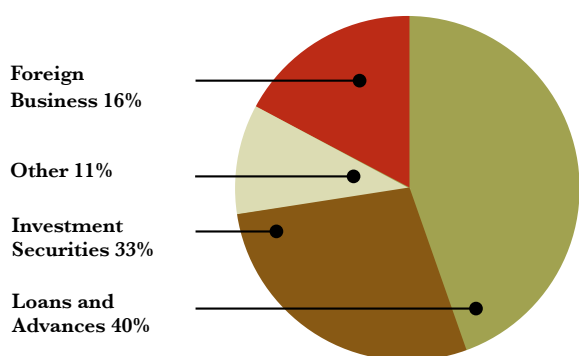
Other Income which amounted to \$1.62 billion and contributed 26.85% to total income, exceeded the 2006 amount of \$1.48 billion by \$141 million or 9.53%. A more structured and aggressive approach to foreign exchange trading resulted in exchange gains for 2007 of \$877.9 million, an increase of \$72.6 million or 9.02% over 2006. Exchange earnings continue to be the main source of the Other Income, contributing 54.16% (2006 - 54.43%) of the total.

Net interest and other income grew by \$536 million or 12.92% to \$4.68 billion for 2007 compared to the \$4.15 billion generated in 2006. This growth is consistent with the trend continued in 2006 when the Bank enjoyed a growth of \$326.4M or 8.87% over 2005.

Interest / Income Expense (Millions)



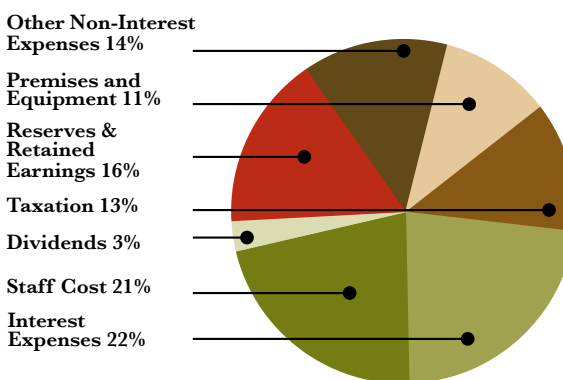
Source of Revenue



Non-interest expenses

Non-interest expenses, which comprise operating expenses, impairment loss on assets classified as held-for-sale and provision for loan losses, increased by \$218 million or 8.64% over 2006, a direct result of increased operating costs.

Revenue Distribution 2007



Operating expenses, which include staff costs, increased by \$201 million or 8.77% over 2006, to \$2.49 billion. This increase is substantially less than that experienced in 2006 of \$247.3 million over the prior year, and highlights the Bank's efforts at achieving cost efficiencies in its operations, despite general price increases of inputs. Staff costs at \$1.25 billion accounted for 50.22% of total operating expenses, and this represented an increase of \$131.3 million or 11.69% over 2006. This is in keeping with the Bank's thrust to train and retain its most valuable resource.

The remeasurement of assets classified as held-for-sale to fair value resulted in the Bank having to recognise a \$10.5 million impairment loss as compared to \$45.7 million in 2006.

In accordance with IAS 39, net loan impairment charges of \$228.1 million were booked for the year, representing an increase of \$51.3 million or 29.15% over the 2006 charges. Recoveries of loans that were previously written-off amounted to \$204.7 million (2006 - \$151.6 million). As a direct result of the recoveries, the net bad debt

management discussion & analysis

expense is \$23.5 million . This compares favourably to the expense of \$25.2 million booked in 2006.

The Bank has set aside \$562.0 million in the General Banking Risk Reserve as discussed under Risk Management (Credit Risk) below. This represents an increase of \$512.1 million from the amount of \$49.9 million set aside in 2006 and is in keeping with Group Policy of maintaining 100% provision for non-performing loans.

The Bank's ratio of non-performing to performing loans as at September 30, 2007 increased to 5.13% from the prior year's 4.14%, and its ratio of provision for loan losses to non-performing loans has increased to 49.69% from 39.84% in 2006.

Balance Sheet Review

Cash and cash equivalents

Cash and cash equivalents, which include cash on hand, deposits held with correspondent banks, claims on other banks and balance with Bank of Guyana, declined by \$1.93 billion year-on-year, due to improved cash management resulting in significant reduction in cash on hand - \$1.60 billion. Favourable movement in balance with correspondent- \$1.1 billion was also noted. There was an increase of \$0.7 billion in our statutory deposit balance with Bank of Guyana.

Available-for-sale investment securities

Available-for-sale investment securities, which include Government of Guyana Treasury bills reflected a 17.46% or \$5.54 billion growth over the preceding year and this is attributed mainly to the increase in investment in Government of Guyana Treasury bills from \$18.25 billion to \$23.20 billion. Other Available-for-sale securities consisting mainly of foreign investments increased by 4.39 % or \$591 million and represents a turnaround in performance in this area from the previous year. The average rate of return on Available-for-sale securities was 5.12%. In terms of the overall assets mix, Available-for-sale investment securities represented 50.44% of total assets. There was a minimal change in Government of Guyana debentures.

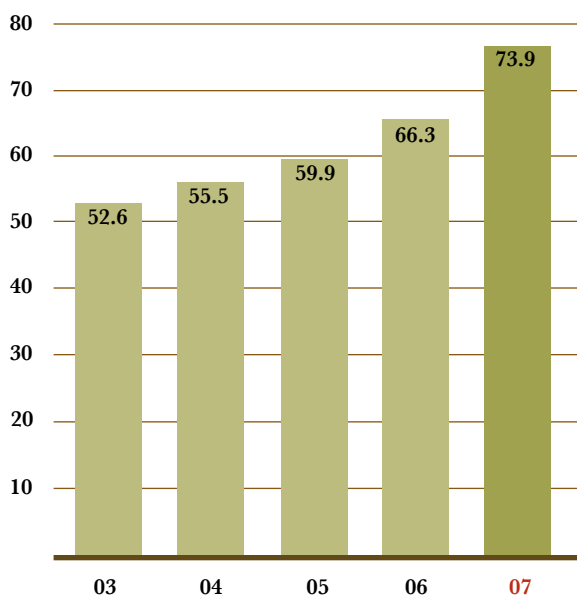
Advances

Advances grew by \$1.28 billion or 8.03% over the course of the year, moving from \$15.98 billion at the beginning of fiscal 2007 to \$17.26 billion at the end. The diversification of the Bank's loans and advances portfolio, which is a function of its credit risk management process, reflects percentage exposures to the different sectors that approximate those of the prior year. As a percentage of total assets, loans and advances accounted for 23.37%, a slight drop below the 24.08% achieved in 2006.

Total assets

Total assets increased by \$7.51 billion or 11.31% and are accounted for mainly by the growth in Available-for-sale investment securities of \$5.54 billion, and loans and advances of \$1.28 billion over the preceding year.

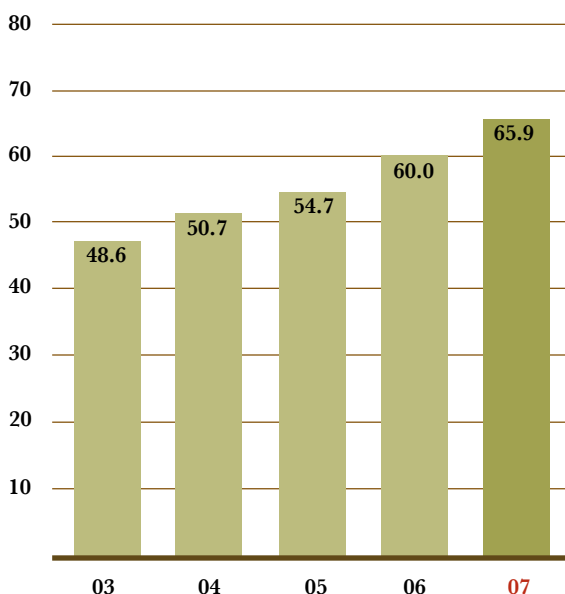
Total Assets (Billions)



Deposits

The Bank's asset growth was funded mainly from deposits, which had an overall portfolio increase of \$5.83 billion or 9.70%, which is slightly higher than prior year. Savings deposits, the most stable of the three categories of deposits, grew by \$4.09 billion or 9.98% and accounted for 70.21% of the overall increase.

Total Deposits (Billions)



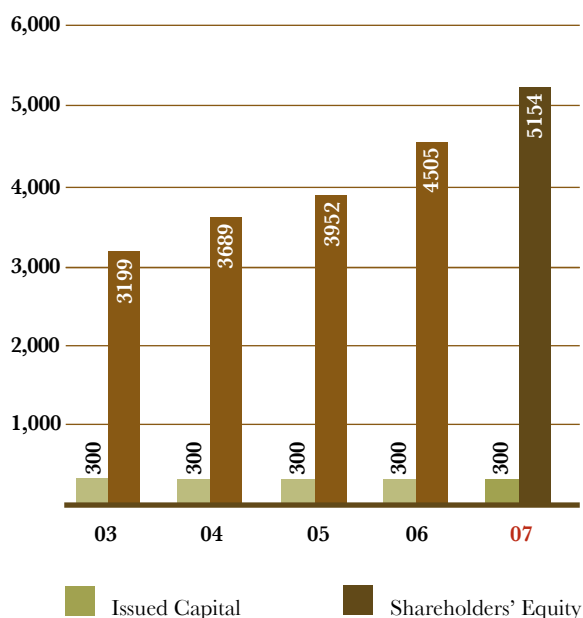
Capital Structure And Resources

The Bank's policy is to ensure capital growth, minimise capital impairment and maintain a practical correlation between capital resources and its business risks. The Bank's lending limits are statutorily linked to its capital base. Shareholders' equity increased by \$648 million to \$5.15 billion after \$1.144 billion was transferred from the Statement of Income and \$495 million distributed to stockholders.

Total dividends based on the results of fiscal 2007 amount to \$525 million, an increase of 25.00% over the \$420 million payout for 2006. This equates to a dividend payout ratio of 45.88% (2006 - 40.82%).

management discussion & analysis

Issued Capital and Shareholders Equity (Millions)



During the year, 156,300 of the Bank's shares (2006 - 80,600) were traded on the Guyana Stock Exchange at prices ranging from a low of \$28.10 to a high of \$50.00, with an average weighted price of \$41.12. In terms of both volume of shares traded and number of trades effected, most were done at a share price of \$40.00. Using the Market Weighted Average Price of \$42.00 from the last trade date (September 24th, 2007) for the Bank's shares, the price/earnings ratio is 11.02, an increase of 58% over 2006. The net asset value of one share is \$17.18 which, with a price of \$42.00 gives a price/book ratio of 2.44:1, an increase of 53.46 over 2006. Based on this analysis, it is quite evident that shareholders' confidence in the Bank's future remains strong.

Regulatory capital

Capital adequacy is monitored by the Bank on a monthly basis and is computed based on guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Bank of Guyana.

The risk-based capital guidelines require a minimum ratio of capital to risk-weighted assets of 8%.

The results for this year have further strengthened the Bank, with its capital adequacy ratio improving to 14.21% from 12.64% at the end of the last financial year. The Bank's capital base grew from \$4.51 billion to \$5.15 billion year-on-year.

This improvement provides a solid platform for future growth and expansion.

Risk Management

Overview

Risk has two components: uncertainty and exposure. Unless both are present then there is no risk. A number of risks are inextricably associated with the various core business activities of the Bank. The level of growth and success realised is directly dependent on the scope of the mitigating factors implemented by the Bank to negate or significantly reduce these risks. Risk management is an integral part of the Bank's general operating structure and during the course of its daily business activities, and on an ongoing basis, the Bank manages these risks, among which credit risk, interest rate risk, market risk, liquidity risk, foreign currency risk and operational risk are at the forefront.

While the Bank has developed its own framework for managing risks, Republic Bank Limited, its parent company, provides the overall supporting structure and guidance, thereby ensuring that all aspects of risk management are adequately covered and there is uniformity in approach.

The Bank's Asset/Liability Management Committee (ALCO) meets on a fortnightly basis to review non-credit and non-operational risks. The Committee's task of managing liquidity, interest rate, foreign exchange and market risks is facilitated by various tools such as gap analysis, interest rate analysis, and exposure limits. The Bank's investment policy document defines the instruments to be considered and sets out limits for the maturity ladder and asset class weightings of the portfolio.

The Bank's framework for managing each of these risks is outlined below:

Credit Risk

Credit risk is the risk due to uncertainty in a counterparty's ability to meet its obligations in accordance with the agreed terms and conditions. In managing credit risk, the Bank's objective is to maintain its exposure at an acceptable level that will provide the highest risk-adjusted rate of return. The extension of credit is one of the core activities of the Bank and hence the effective management of credit risk is critical to its future success.

The Bank's credit risk management process operates on the basis of a hierarchy

of discretionary authorities and at the higher end includes sanctioning by the Risk Management Unit of Republic Bank Limited. Credit proposals are reviewed by a team of credit analysts to ensure viability and compliance with the various stipulated guidelines.

Credit risk management is done at the individual account level. The level of monitoring is determined by the outcome of the risk evaluation. For facilities that show signs of deterioration, corrective measures are implemented immediately. In instances where recovery of the outstanding liability is remote, such accounts are relegated to non-performing status.

Loan loss provisions are set aside in accordance with International Financial Reporting Standards to cover any potential loss in respect of non-performing debts. Any excess in provisioning requirements in accordance with the Financial Institutions Act is appropriated from retained earnings to a general banking risk reserve account. Review of provisioning requirements is done on a quarterly basis and recommended provisions are submitted to the Risk Management Unit of Republic Bank Limited and the Board of Directors for approval. Non-performing debts recommended for write-off are also reviewed quarterly and action taken in accordance with the International Financial Reporting Standards.

Market Risk

Market risk is risk which is common to an entire class of assets or liabilities that may

management discussion & analysis

be affected by changes in market variables such as interest rates or foreign exchange rates that impact large portions of the market. Changes in asset allocation and portfolio diversification offer some measure of protection against market risk since all sectors of the market do not underperform at the same time.

Interest Rate Risk

Interest rate risk is the exposure of interest bearing assets and liabilities to fluctuations in interest rates and the accompanying changes in their carrying values. Accepting and operating with interest rate risk are integral to the Bank's core business activities but constant monitoring ensures that this risk exposure is properly managed.

Currency Risk

Currency risk is the risk of exposure to unfavourable changes in foreign currency exchange rates. The Bank has established holding limits on each foreign currency in its operations to reduce currency risk exposure. As far as possible funding requirements are matched in the same currency.

The Bank's foreign currency denominated assets and liabilities are converted at the mid-rate to Guyana dollars and any gains or losses are recognised in the Statement of Income.

Liquidity Risk

Liquidity risk is the potential that the Bank will be unable to satisfy its cash outflow commitments as they fall due because of its

inability to liquidate assets or source adequate funding. Liquidity management focuses on ensuring that the Bank has adequate liquid resources to meet all of its obligations.

Deposits are the primary source of funding used to provide liquidity, with most of this funding provided by the Bank's core deposits. The interbank market is accessed for overnight funding needs. Short term deposits and money market fund accounts can also provide additional liquidity as required. Investments in Government of Guyana treasury bills provide another source of funding since they can be sold to the Bank of Guyana at any time within three months to maturity or traded in the interbank market.

The Bank's daily funding needs are managed by its Finance and Planning Department.

Operational Risk

Operational risk is the risk of financial or reputational loss resulting from inadequate or failed internal controls, operational procedures or their support systems, or from external events. Operational risk is associated with all aspects of the Bank's activities. It includes errors, omissions, disasters and fraud.

While it is recognised that such risk can never be eliminated, the Bank nevertheless manages this risk through its documented systems and procedures to monitor and record transactions. Various audit checks are performed in keeping with established procedures to minimise operational risk.

The Internal Audit Department of the Bank and that of its parent company are integrally involved in reviewing and implementing systems and procedures to combat operational risk. The Bank's Internal Audit Department, through its random inspections and internal verification processes, is tasked with ensuring that the integrity of its operations is maintained at all times.

corporate governance

The Principles of Corporate Governance set best practice for the way in which companies are led and managed, the structure and role of the Board of Directors, relations with stakeholders and the framework of internal control. The Board of Directors of Republic Bank (Guyana) Limited is committed to proper standards of corporate governance and maintaining these standards at the highest level. We continuously monitor our systems and procedures to ensure that our standards are in keeping with the best practice as determined by the Principles of Corporate Governance. The Bank is also guided by the *Recommendations for a Code of Corporate Governance* issued by the Guyana Securities Council. The Bank has studied a draft Guideline on Corporate Governance issued by the Bank of Guyana under authority of the Financial Institutions Act 1995. The Bank will adopt and implement the recommendations contained in that Guideline when it becomes effective.

The Board of Directors comprises seven external directors and two executive directors. The external directors, four of whom have international exposure, provide invaluable input at Board Meetings as a result of their vast experience and distinct backgrounds. The two executive directors ensure that all pertinent information relevant to the Bank's operations and other necessary information are provided to members of the Board of Directors and the Executive Sub-Committee of the Board. Each executive director brings to the Board's deliberations a wealth of knowledge and experience acquired in the field of banking.

The Board of Directors meets on a quarterly basis while the Executive Sub-Committee of the Board, comprising seven Board members, meets monthly for the remaining eight months. The Managing Director's responsibilities and authorities are documented and approved by the Board of Directors. Limits on credit dispensation, capital and operating expenditures are stated specifically in the Managing Director's authorities.

In accordance with the Bank's By-Laws, three directors retire from the Board annually and may offer themselves for re-election at the Bank's Annual General Meeting.

The following Board committees exist to ensure the Bank's commitment to maintaining the highest standards of Corporate Governance:

Audit Committee

The members of the Audit Committee are:

Chairman

Mr. Roy E. Cheong

Member

Mr. David Dulal-Whiteway

Member

Mr. Richard I. Vasconcellos

Alternate Member

Mr. John G. Carpenter

The Audit Committee of the Board meets at least quarterly to review the Bank's system of internal control, financial reporting process, audit and inspection process, and compliance with statutory and regulatory laws. When necessary, the Audit Committee is responsible

for reviewing the independence, competence and qualifications of the External Auditors. The External Auditors receive notice of every meeting of the Audit Committee and may attend as of right. The Bank's Manager - Internal Audit, reports directly to the Audit Committee. The Internal Audit Department conducts periodic examinations on all aspects of the Bank's operations to ensure that management's controls for the integrity and fairness of the financial statement and accounting systems are adequate and being complied with.

Compensation Committee

The members of the Compensation Committee are:

Chairman

Mr. Nigel M. Baptiste

Member

Mr. William H. Pierpont Scott

Member

Mr. Derwin M. Howell

Alternate Member

Mr. Roy E. Cheong

This Committee, which meets at minimum once per year, is responsible for formalising the Bank's remuneration policy for all staff.

The Bank regards its business and the banking affairs of its customers and clients as confidential, and has established rules to ensure the highest ethical standards in this regard. These rules pertain to honesty and integrity, integrity of records, client privacy, proprietary bank information, insider information, and non-discrimination among others.

The External Auditors have full and free access to, and meet, when necessary, with the Audit Committee to discuss their audit and findings as to the integrity of the Bank's financial and accounting reporting and the adequacy of the system of internal controls.



Signed on behalf of the Board

David J. Dulal Whiteway

Chairman

management's responsibility for financial reporting

The financial statements which follow were prepared by the management of Republic Bank (Guyana) Limited.

While the form of the financial statements and the accounting policies followed are similar to those used by many banks and are prepared in conformity with the requirements of International Financial Reporting Standards, the Companies Act 1991, the Financial Institutions Act 1995, and the Securities Industry Act 1998, some amounts must of necessity be based on the best estimates and judgement of management.

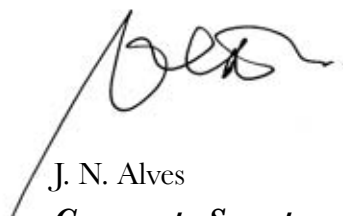
In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorised, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training of employees, written policies and procedures manuals, and accountability for performance within appropriate and well defined areas of responsibility. The system of internal controls is further supported by the Bank's Internal Audit Department and that of the parent company's Internal Audit Department, both of which conduct periodic inspections of all aspects of the Bank's operations. From time to time, the Bank Supervision Department of the Bank of Guyana carries out examinations of the Bank's operations under the Financial Institutions Act 1995.

Messrs. Ram & McRae, the Independent Auditors appointed to report to the stockholders of the Bank, have audited our financial statements in accordance with International Standards on Auditing.

We have disclosed to the Auditors all matters known to us which may have a material effect on the accounts presented. The Auditors have full and free access to the Audit Committee of the Board of Directors to discuss their audit and their findings as to the integrity of the Bank's financial reporting and the adequacy of the system of internal controls. The Audit Committee comprises Directors who are not employees of the Bank.



E. H. Gooding
Managing Director



J. N. Alves
Corporate Secretary

independent auditors report

To the Shareholders of Republic Bank (Guyana) Limited

We have audited the accompanying financial statements of Republic Bank (Guyana) Limited, which comprise the balance sheet as at September 30, 2007, and the Statements of Income, Changes in Shareholders' Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

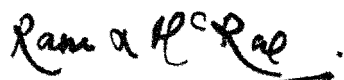
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Companies Act 1991, the Financial Institutions Act 1995 and the Securities Industry Act 1998. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditors consider internal controls 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 internal controls. 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.

In our opinion, the financial statements on pages 50 to 98 present fairly, in all material respects, the financial position of Republic Bank (Guyana) Limited as at September 30, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies Act 1991, the Financial Institutions Act 1995 and the Securities Industry Act 1998.



Ram & McRae

Chartered Accountants

157 'C' Waterloo Street

North Cummingsburg

Georgetown, Guyana

5th November 2007

balance sheet

at 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

	Notes	2007	Restated 2006
ASSETS			
Cash		2,566,646	4,165,059
Cheques and other items in transit		356,333	226,471
Statutory deposits with Central Bank		7,922,279	7,189,661
Due from banks		3,254,187	4,452,992
Treasury bills		23,200,906	16,274,217
Investment securities	4	14,060,238	13,468,977
Advances	6(a)	17,262,689	15,979,555
Deferred tax assets	8(a)	118,892	99,235
Investment interest receivable		120,167	96,332
Assets classified as held for sale	5	41,804	166,403
Other assets	9(a)	836,258	413,955
Tax recoverable		8,425	8,425
Goodwill	10	1,228,222	1,228,222
Premises and equipment	11	2,892,683	2,591,320
TOTAL ASSETS		73,869,729	66,360,824

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

balance sheet

at 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

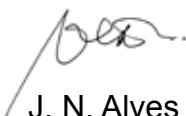
	Notes	2007	Restated 2006
LIABILITIES & EQUITY			
LIABILITIES			
Customers' current, savings and deposit accounts	12	65,909,096	60,078,668
Due to banks	13	472,378	242,711
Taxation payable		588,823	346,659
Deferred tax liabilities	8(b)	145,155	82,269
Net pension liability	7	167,900	136,300
Accrued interest payable		64,598	60,378
Other liabilities	9(b)	1,367,470	908,140
TOTAL LIABILITIES		68,715,420	61,855,125
EQUITY			
Stated capital	14	300,000	300,000
Statutory reserves	15(a)	300,000	300,000
Other reserves	15(b)	55,767	56,575
General banking risk reserve	15(c)	562,025	49,930
Retained earnings		3,936,517	3,799,194
TOTAL EQUITY		5,154,309	4,505,699
TOTAL LIABILITIES & EQUITY		73,869,729	66,360,824

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

These financial statements were approved by the Board of Directors on 5th November, 2007 and signed on its behalf by:



E. H. Gooding
Managing Director



J. N. Alves
Company Secretary



R. E. Cheong
Director

statement of income

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

	Notes	2007	Restated 2006
Interest income	16(a)	4,417,826	3,966,780
Interest expense	16(b)	(1,355,534)	(1,299,004)
Net interest income		3,062,292	2,667,776
Other income	16(c)	1,621,002	1,479,687
		4,683,294	4,147,463
Loan impairment recovery/(expense)	6(b)	(228,152)	(176,770)
Operating expenses	16(d)	(2,497,818)	(2,296,364)
Net impairment loss on assets classified as held- for- sale	16(d)	(10,516)	(45,705)
Profit before taxation		1,946,808	1,628,624
Taxation			
- Current		(759,161)	(414,200)
- Deferred		(43,229)	(185,486)
Total taxation expense	17	(802,390)	(599,686)
Net profit after taxation		1,144,418	1,028,938
Earnings per share (\$)	18	3.81	3.43

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

statement of changes in equity

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

	Stated capital	Statutory reserves	Other reserves	General banking risk reserve	Retained earnings	Total Equity
Balance at 1st October, 2005	300,000	300,000	130,658	98,748	3,081,438	3,910,844
Revaluation of available- for-sale investments	-	-	(74,083)	-	-	(74,083)
Total income and expense for the year recognised directly in equity	-	-	(74,083)	-	-	(74,083)
Net profit for the year	-	-	-	-	1,028,938	1,028,938
Transfer of general provision for loan losses	-	-	-	(48,818)	48,818	-
Equity dividends	-	-	-	-	(360,000)	(360,000)
Balance at 30th September, 2006	300,000	300,000	56,575	49,930	3,799,194	4,505,699
Revaluation of available- for-sale investments	-	-	(808)	-	-	(808)
Total income and expense for the year recognised directly in equity	-	-	(808)	-	-	(808)
Net profit for the year	-	-	-	-	1,144,418	1,144,418
Transfer of general provision for loan losses	-	-	-	512,095	(512,095)	-
Equity dividends -	-	-	-	-	(495,000)	495,000)
Balance at 30th September, 2007	300,000	300,000	55,767	562,025	3,936,517	5,154,309

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

statement of cash flows

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

	2007	2006
Operating activities		
Profit before taxation	1,946,808	1,628,624
Adjustments for:		
Depreciation	176,058	177,198
Impairment loss on assets classified as held-for-sale	10,516	45,705
Net (gain)/loss on disposal of assets classified as held-for-sale	(281)	(2,548)
Loan impairment expense	228,152	176,770
(Gain) /loss on sale of premises and equipment	(4,093)	8,427
Increase in employee benefit liability	31,600	800
Increase in advances	(1,283,134)	(1,198,122)
Increase in customers' deposits	5,830,429	5,297,847
Increase in statutory deposits with Central Bank	(732,618)	(710,848)
Decrease/(increase) in other assets and investment interest receivable	(674,289)	196,904
Increase in other liabilities and accrued interest payable	461,171	57,275
Corporation taxes paid, net of refund	(515,807)	(112,623)
Cash provided by operating activities	5,474,512	5,565,409
Investing activities		
Purchase of investment securities	(1,427,235)	(1,502,269)
Redemption of investment securities	835,165	2,835,621
Purchase of treasury bills	(10,377,744)	(3,027,616)
Redemption of treasury bills	3,451,055	2,149,234
Additions to assets classified as held-for-sale	(2,933)	(16,530)
Proceeds from the disposal of assets classified as held-for-sale	117,298	145,067
Additions to premises and equipment	(496,820)	(241,375)
Proceeds from sale of premises and equipment	23,487	10,290
Cash provided by/(used in) investing activities	(7,877,727)	352,422

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

statement of cash flows

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

	Notes	2007	2006
Financing activities			
(Decrease)/increase in balances due to other banks		230,859	77,588
Dividends paid on share capital		(495,000)	(360,000)
Cash used in financing activities		(264,141)	(282,412)
Net increase in cash and cash equivalents		(2,667,356)	5,635,419
Cash and cash equivalents at beginning of year		8,844,522	3,209,103
Cash and cash equivalents at end of year		6,177,166	8,844,522
Cash and cash equivalents at end of year are represented by:			
Cash on hand		2,566,646	2,185,735
Cheques and other items in transit		356,333	226,471
Due from banks		3,254,187	4,452,992
Treasury bills		-	1,979,324
		6,177,166	8,844,522
Supplemental information:			
Interest received during the year		4,393,990	4,201,985
Interest paid during the year		1,351,312	1,164,987
Dividends received		7,400	1,600

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

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

1. Corporate information

The Bank was incorporated in the Co-operative Republic of Guyana on November 20, 1984 as a limited liability Company under the Companies Act, Chapter 89:01 and continued under the Companies Act 1991 on May 16, 1997 and is licensed as Bankers under the Financial Institutions Act 1995.

Banking operations began on February 16, 1837 by the British Guiana Bank which had been incorporated on November 11, 1836. On November 17, 1913 operations were sold to The Royal Bank of Canada. Assets and Liabilities of the Guyana operations of The Royal Bank of Canada were acquired by the Government of Guyana on November 29, 1984 and vested in the National Bank of Industry and Commerce Limited on December 01, 1984. In October 1997 the Bank became a subsidiary of Republic Bank Limited of Trinidad and Tobago and subsequently changed its name to Republic Bank (Guyana) Limited on June 05, 2006. As at September 30, 2007 the stockholdings of Republic Bank Limited in the Bank was 51%. The ultimate parent company is CL Financial Limited which, through its various subsidiaries, holds 54.94% of the shares in Republic Bank Limited.

On March 15, 2003 the Bank acquired from the Government of Guyana certain assets and liabilities of the Guyana National Co-operative Bank.

The Bank was registered as a reporting issuer under the Securities Industry Act 1998 on April 07, 2003. It was designated as an approved mortgage finance company by the Minister of Finance on September 02, 2003 in accordance with Section 15 of the Income Tax Act. With this designation the Bank is exempted from the payment of corporation tax on income earned from mortgages granted in accordance with the stipulated regulations of an approved mortgage finance company, subsequent to September 02, 2003.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Guyana Dollars. These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale and 'at fair value through profit or loss' and valuation of certain fixed assets vested in the Bank on December 01, 1984 at the consideration agreed at the time of vesting and valuation of assets acquired from the Guyana National Co-operative Bank on March 15, 2003 at fair value as at the date of acquisition. 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) Adoption of International Financial Reporting Standards(IFRS) during the year

The Bank has adopted the new and revised standards effective for financial year with effect from October 1, 2006. During the year the bank adopted International Accounting Standard 18 in full resulting in certain amounts being restated as outlined below in accordance with International Accounting Standard 8. Also, the effects of inherent provision on advances at September 30, 2007 have been recognised in the Statement of Income (refer note 6(b)).

The Bank has not applied International Financial Reporting Standard 7 - Financial Instruments: Disclosures, as this standard is applicable for financial periods with effect from 1st January, 2007. The Bank expects that adoption of this standard will have no quantitative impact on its financial statements but will impact the disclosure requirements.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies (*continued*)

b) Adoption of International Financial Reporting Standards(IFRS) during the year (*continued*)

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.

Loan fee recognition estimate

In accordance with IAS 18 Revenue, loan origination fees, which have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. The impact of this accounting treatment was in the past determined to be immaterial and as such, not recorded. During the current year, however, a decision was taken to record the adjustment.

The recording of this adjustment has been applied retrospectively and the comparative statements for 2006 have been restated. The effect is tabulated below. Opening retained earnings for 2007 has been reduced by \$46.3 million which is the amount of the adjustment relating to periods prior to 2007.

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies (*continued*)

b) Adoption of International Financial Reporting Standards(IFRS) during the year (*continued*)

The effect on the statement of income for 2006 was as follows:

Net profit after taxation and minority interest previously reported	1,033,473
Adjusted for:	
Decrease in fee and commission income	(8,245)
Decrease in deferred tax assets	3,710

Net profit for the year after taxation as restated	1,028,938
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Earnings per share as previously reported	3.44
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Earnings per share as restated	3.43
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The effect on the balance sheet for 2006 was as follows:

Total assets as previously reported	66,322,924
Adjusted for:	
Increase in deferred tax asset	37,900

Total assets as restated	66,360,824
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Total liabilities as previously reported	61,770,903
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Adjusted for:	
Increase in other liabilities	84,222

Total liabilities as restated	61,855,125
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Total equity as previously reported	4,552,021
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Adjusted for:	
Decrease in retained earnings	(46,322)

Total equity as restated	4,505,699
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notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

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 with original maturities of three months or less. The amount disclosed as Cash in the Balance Sheet includes deposit held at Bank of Guyana in excess of the Reserve Requirement.

d) Statutory deposit with Central Bank

Pursuant to the Financial Institutions Act 1995, the Bank is required to maintain with the Bank of Guyana, a statutory reserve balance in relation to the deposit liabilities of the institution.

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

Loans and advances are stated at principal outstanding net of unearned interest and provisions for losses. Specific provisions are established on individual loans and advances to recognise anticipated losses, and uncollectible debts are written off when the possibility of further recovery seems remote. A general provision has been made for the first time to compensate for inherent risks in keeping with International Accounting Standard 39. Loans and advances are classified as non-accrual whenever:

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

e) Financial instruments

i) Advances

- there is reasonable doubt regarding the collectibility of principal or interest, or
- payment of interest or principal is ninety days past due.

ii) Investment securities

- At fair value through profit or loss

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

- 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

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

e) Financial instruments *(continued)*

ii) Investment securities *(continued)*

- Available-for-sale (continued)

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 net investment trading 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. “

- Held to maturity

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

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

All non-performing facilities are individually reviewed and specific provisions made for the impaired portion based on the realisable value of the loan collateral and discounted by the original effective interest rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral.

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

f) Impairment of financial assets *(continued)*

i) Advances *(continued)*

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

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

ii) Investment securities

The Bank 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) Leases

The leases entered into by the Bank (lessee) are all operating leases. Payments made under operating leases are charged to the Statement of Income in accordance with the terms of the lease.

h) Employee benefits

i) Pension obligations

The Bank operates a defined benefit pension plan for qualifying employees. The Plan is funded and the Bank's contribution is determined by the independent actuaries. Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of all employee benefit plans.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

h) Employee benefits *(continued)*

i) Pension obligations *(continued)*

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by the independent actuaries 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 the actuaries. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10% of either the defined benefit obligation or the fair value of the plan assets. These gains or losses are recognised by amortising them over the weighted average remaining working lifetime of employees.

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

The full results of the valuation exercise are disclosed in note 7 to these financial statements.

ii) Profit sharing scheme

The Bank operates an employee profit sharing scheme in accordance with terms outlined in the Human Resource policy guidelines. The profit share to be distributed to employees each year is based on a specific formula outlined in these guidelines. Employees are paid profit share in cash. The Bank accounts for the profit share as an expense through the Statement of Income.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

i) Balances excluded from the financial statements

The financial statements do not include Acceptances, Guarantees, Letters of Credit and External Payment Deposits. In the opinion of management the Bank bears no financial responsibility in respect of External Payment Deposits as it acts merely as an intermediary. These balances are instead disclosed as a note to the accounts (see note 28).

j) Taxation

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

k) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies (continued)

k) Goodwill (continued)

As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

l) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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.

Leasehold buildings and leased equipment are depreciated over the period of the lease. Depreciation other than on leasehold buildings and leased equipment is computed on the declining balance method at rates expected to apportion the cost of the assets over their estimated useful lives as follows:

Buildings	-	30 to 75 years
Security equipment	-	10 to 60 years
Computer equipment	-	5 to 20 years
Furniture, fixtures and other equipment	-	3 to 60 years

Land and work-in-progress are not depreciated.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

m) Earnings per share

Data on earnings per share have been computed by dividing the net profit attributable to ordinary shareholders, by the weighted average number of ordinary shares in issue during the year. The Bank has no dilutive potential ordinary shares.

n) Foreign currency translation

Monetary assets and liabilities of the Bank, which are denominated in foreign currencies are expressed in Guyana dollars at rates of exchange ruling on 30th September, 2007. 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.

o) 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 is not recognised on non-accrual loans.

p) 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.

q) Segment reporting

A geographical segment is engaged in providing products, or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

2. Significant accounting policies *(continued)*

q) Segment reporting *(continued)*

A business segment is a group of assets and operations engaged in providing similar products and services that are subject to risks and returns that are different from those of other business segments.

The Bank analyses its operations by both geographic and business segments.

r) Comparatives

The Bank has revised the presentation of its financial statements to align with that of other group companies and to facilitate better analysis by Stockholders of the performance of the Bank. Where necessary, the prior year figures were reclassified accordingly. Significantly, Property Tax charges are now included in Operating expenses, Recoveries on debts previously written-off included in Other Income, Government of Guyana Treasury Bills with an original term to maturity of less than 3 months included in Cash, excess over our Statutory Reserve now included in Cash, and Fee and commission income now included in the effective interest rate calculation and accordingly recognised in the Statement of Income and Statement of Changes in Equity for both years 2006 and 2007.

s) Assets classified as held-for-sale

A non-current asset is classified as held-for-sale when: its carrying amount will be recovered principally through a sale transaction rather than through continuing use; the asset is available for immediate sale in its present condition; and its sale is highly probable. Assets classified as held-for-sale are not depreciated or amortised and are carried at the lower of the carrying amount and fair value less cost to sell.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

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.

Valuation of investments

The Bank has generally 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.

Net pension asset / liability

In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Bank, the Bank's independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plan. These are detailed in Note 7 – Employee Benefits.

Goodwill

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at 30th September, 2007 using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

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

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the reducing balance method over the estimated useful lives (three to five years). Subsequent expenditure on software assets is capitalised only when there is an increase in the future economic benefits inherent in the specific assets to which it relates. All other expenditure is expensed as incurred.

Deferred taxes

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

Property, plant 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 statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

4. Investment securities

	2007	2006
Government of Guyana Treasury bills		
Original term to maturity up to 3 months	-	1,979,324
Original term to maturity exceeding 3 months	23,200,906	16,274,217
	23,200,906	18,253,541
Available-for-sale		
Government securities	8,433,464	9,100,403
State owned company securities	1,017,231	498,844
Corporate bonds	3,564,827	2,885,490
Other	1,044,716	984,240
Total investment securities	14,060,238	13,468,977
Included above is the following:		
Government of Guyana debenture	7,768,010	7,918,010

The Government of Guyana (GoG) guaranteed the Bank net assets of \$2,000 million on the acquisition in 2003 of certain assets and liabilities of the Guyana National Co-operative Bank (GNCB). The net value of assets and liabilities taken over resulted in a Debenture of \$7,918 million being issued by GoG on March 15, 2003 to guarantee the Bank net assets of \$2,000 million.

This debenture is repayable in parts at the end of each of years five through ten, from the date of issue.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

5. Assets classified as held-for-sale	2007	2006
Cost	130,318	427,225
Impairment	(54,694)	(97,063)
Deposits	(33,820)	(163,759)
	41,804	166,403
Bank premises	26,731	139,778
Other assets	15,073	26,625
	41,804	166,403

Bank premises represent those assets designated as held-for-sale at the time of acquisition of GNCB. Other assets represent assets purchased through public auction which were previously held as security for loans and advances granted to customers who defaulted on their obligations. The Bank has successfully pursued the sale of several properties through the public tendering process. Deposits have been received on the sale of several others, risks and rewards attendant to the ownership of which still reside with the Bank.

6. Advances	2007	2006
a) Net advances		
Mortgages	2,866,938	1,915,986
Term loans	3,019,781	2,450,723
Overdrafts	3,889,004	4,064,777
Other loans	7,495,003	7,526,019
Non performing advances	885,172	661,520
	18,155,898	16,619,025
Unearned interest	(576,313)	(489,874)
Accrued interest	122,968	113,945
	17,702,553	16,243,096
Provision for loan losses - note 6(b)	(439,864)	(263,541)
Net advances	17,262,689	15,979,555

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

6. Advances (continued)	2007	2006
b) Provision for loan losses		
Balance brought forward	263,541	168,454
Charge-offs and write-offs	(51,829)	(81,683)
Specific Provision for loan losses	111,435	176,770
General Provision for loan losses	116,717	-
Balance carried forward	439,864	263,541
c) Concentration of net advances		
Agriculture	889,717	1,070,300
Mining	231,601	133,904
Manufacturing sector	1,389,970	2,331,957
Distribution sector	3,451,836	4,551,436
Financial services	36,924	9,101
Personal sector	7,877,137	5,647,409
Others	3,385,504	2,235,448
	17,262,689	15,979,555

7. Employee benefits (Defined benefit pension plan)

The Bank's normal contribution to the Pension Plan for the year amounted to \$28.2 million (2006 - \$28.0 million). The Bank has been making a special monthly contribution of 2.6% of the total basic salary to fund the Plan's deficit as recommended by the Actuaries. This increased contribution which has been in effect since January 1, 2000 amounted to \$14 million for the year (2006 - \$14.1 million).

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

7. Employee benefits (Defined benefit pension plan) (continued)

The amounts recognised in the balance sheet are as follows:

	2007	2006
Defined benefit obligation	904,500	847,900
Fair value of plan assets	(564,000)	(530,300)
Present value of unfunded obligations	340,500	317,600
Unrecognised actuarial loss	(172,600)	(181,300)
Defined benefit liability	167,900	136,300
<i>Reconciliation of opening and closing defined benefit liability</i>		
Opening balance	136,300	135,500
Plus net pension cost	73,800	42,900
Less contributions paid	(42,200)	(42,100)
Closing balance	167,900	136,300
<i>Change in defined benefit obligation</i>		
Opening balance	847,900	636,100
Service cost	51,300	39,400
Interest cost	45,900	31,700
Members' contributions	10,500	10,500
Actuarial (gain)/loss	(20,300)	136,900
Benefits paid	(28,100)	(4,200)
Expenses paid	(2,700)	(2,500)
Closing balance	904,500	847,900

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

7. Employee benefits (Defined benefit pension plan) (continued)

	2007	2006
Change in scheme assets		
Opening balance	530,300	448,000
Expected return on scheme assets	29,800	28,200
Actuarial gain/(loss)	(18,000)	8,200
Company contribution	42,200	42,100
Members' contributions	10,500	10,500
Benefits paid	(28,100)	(4,200)
Expenses paid	(2,700)	(2,500)
Closing balance	564,000	530,300
The amounts recognised in staff costs in the Statement of Income are as follows:		
Current service cost	51,300	39,400
Interest on defined benefit obligation	45,900	31,700
Expected return on plan assets	(29,800)	(28,200)
Amortised net (gain)/loss	6,400	-
Total included in staff costs	73,800	42,900
Actual return on plan assets		
Expected return on plan assets	29,800	28,200
Actuarial gain on plan assets	(18,000)	8,200
Actual return on plan assets	11,800	36,400

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

7. Employee benefits (Defined benefit pension plan) (continued)

	2007	2006
Experience history		
Defined benefit obligation	904,500	847,900
Fair value of scheme assets	(564,000)	(530,300)
(Surplus) / deficit	340,500	317,600
Experience adjustment on scheme liabilities	(20,300)	26,700
Experience adjustment on scheme assets	(18,000)	8,200
Expected Bank contributions in 2007/2008	45,306	44,400
Actuarial Assumptions		
Discount rate	5.5% per annum	5.5% per annum
Expected return on scheme assets	7.0% per annum	5.5% per annum
Rate of salary increases	7.0% per annum	7.0% per annum
Rate of national insurance ceiling increases	5.0% per annum	5.0% per annum
Pension increase	0% per annum	0% per annum
Valuation of scheme assets	Market value	Market value
Equity securities	19%	20%
Debt securities	29%	4%
Other	52%	76%
Total	100%	100%

The Scheme does not directly hold any assets in the Bank.

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

8. Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

	2007	2006
a) Deferred tax assets		
Components of deferred tax assets		
Defined benefit liability	75,555	61,335
Minimum corporation tax recoverable	-	-
Fee and Commission income	43,337	37,900
	118,892	99,235

Movement in deferred tax assets

	Defined Benefit Liability	Minimum Corporation Tax	Fees and Commission Income	Total
At October 01, 2005	60,975	142,172	-	203,147
Movements in temporary differences	360	(142,172)	37,900	(103,912)
At September 30, 2006	61,335	-	37,900	99,235
Movements in temporary differences	14,220	-	5,437	19,657
At September 30, 2007	75,555	-	43,337	118,892

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

8. Deferred tax assets and liabilities *(continued)*

b) Deferred tax liabilities	2007	2006
<i>Component of deferred tax liabilities</i>		
Premises and equipment	145,155	82,269
Total	145,155	82,269
Balance at beginning of year	82,269	34,885
Movements in temporary difference	62,886	47,384
Balance at end of year	145,155	82,269
9. a) Other Assets		
Accounts receivable and prepayments	127,342	256,334
Other receivables	708,916	157,621
	836,258	413,955
b) Other Liabilities		
Drafts and Settlements	912,220	511,673
Accrued Expenses	58,083	26,980
Withholding taxes payable	83,519	76,725
Short term payables	41,011	59,471
Deferred income	96,305	84,222
Other	176,332	149,069
	1,367,470	908,140

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

10. Goodwill

	2007	2006
Total unimpaired goodwill on acquisition of GNCB	1,228,222	1,228,222

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was generated from the acquisition of certain assets and liabilities of Guyana National Co-operative Bank as the acquisition cost (\$2,706 million) exceeded the assessed net fair values (\$1,435.4 million) of the acquired assets and liabilities. Of the total goodwill of \$1,270.6 million, \$42.4 million was amortised in 2003. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at 30th September, 2007 using the 'value in use' method. Based on the results of this review, no impairment expense was required.

The following table highlights the goodwill and impairment information:

	2007	2006
Discount rate	10%	10%
Cash flow projection term	5 years	5 years
Growth rate (extrapolation period)	6%	6%

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

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

11. Premises and equipment

	Capital works in progress	Freehold premises	Equipment, furniture & fittings	Total 2007	Total 2006
Cost					
At beginning of year	113,086	1,998,636	1,862,138	3,973,860	3,837,545
Additions at cost	334,016	16,672	146,130	496,818	241,375
Disposal/transfer of assets	-	(9,564)	(29,836)	(39,400)	(105,059)
	447,102	2,005,744	1,978,432	4,431,278	3,973,861
Accumulated depreciation					
At beginning of year	-	208,388	1,174,153	1,382,541	1,291,686
Charge for the year	-	38,714	137,344	176,058	177,198
Disposal of assets	-	-	(20,004)	(20,004)	(86,343)
	-	247,102	1,291,493	1,538,595	1,382,541
Net book value					
At September 30, 2007	447,102	1,758,642	686,939	2,892,683	-
At September 30, 2006	113,086	1,790,248	687,986	-	2,591,320
Capital commitments				2007	2006
Contracts for outstanding capital expenditure not provided for in the financial statements				479,485	160,516
Other capital expenditure authorised by the Directors but not yet contracted for				996,583	493,484
Intangible Assets					

Equipment includes purchased software with a net book value of \$9.4 million
(2006- \$6.7 million).

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

12. Customers' current, savings & deposit accounts

	2007	2006
(a) Concentration of customers' current, savings & deposit accounts		
State	3,113,220	1,969,243
Corporate and commercial	10,471,964	9,202,651
Personal	48,458,509	44,325,265
Other financial institutions	971,052	1,921,509
Other	2,894,351	2,660,000
	65,909,096	60,078,668
(b) Concentration of customers' current, savings & deposit accounts		
Demand	12,923,486	11,117,599
Savings	45,154,782	41,060,867
Fixed and term	7,830,828	7,900,202
	65,909,096	60,078,668

13. Due to banks

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

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

14. Stated capital

	2007	2006
Authorised		
300 million ordinary shares of no par value		
Issued and fully paid		
300 million ordinary shares of no par value	300,000	300,000

15. (a) Statutory reserves

In accordance with the Financial Institutions Act 1995, a minimum of 15% of the current year's net profit must be transferred to the Reserve Fund until the amount in the Fund is equal to the paid up Capital of the Bank. This reserve is non-distributable.

(b) Other reserves

This represents the gains and losses arising from re-measurement of Available-for-sale investment securities to fair value as discussed in note 2 (e). This reserve is non-distributable.

(c) General banking risk reserve

With effect from October 1, 2006, the Bank's internal policy on impairment of loans and advances stipulates a mandatory 100% coverage of total non-performing loans. Any difference between this provision and the impairment provision determined under International Financial Reporting Standards (IFRS) is appropriated out of retained earnings to a non-distributable general banking risk reserve.

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

16. Operating profit

	2007	2006
a) Interest income		
Loans and advances	2,397,917	2,179,290
Investment securities	877,989	913,408
Liquid assets	1,141,920	874,082
	4,417,826	3,966,780
b) Interest expense		
Customer deposits	1,355,095	1,298,692
Other interest bearing liabilities	439	312
	1,355,534	1,299,004
c) Other income		
Fee and commission income	149,370	143,450
Exchange earnings	877,930	805,301
Loan recoveries	204,677	151,569
Dividends	7,400	1,600
Assets classified as held-for-sale	281	2,548
Sale of premises and equipment	4,093	-
Other operating income	377,251	375,219
	1,621,002	1,479,687

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

16. Operating profit *(continued)*

	2007	2006
d) Operating expenses		
Staff costs	1,134,447	1,015,645
Staff profit sharing	120,162	107,612
General administrative expenses	523,564	439,347
Property related expenses	452,269	414,821
Depreciation expense	176,058	177,198
Advertising and public relations expenses	83,158	61,011
Directors' fees	8,160	10,500
Re-branding	-	70,230
	2,497,818	2,296,364
Net impairment loss on assets classified as held-for-sale	10,516	45,705
	2,508,334	2,342,069
Auditors' remuneration		
Audit fees	7,350	7,000
Audit related services	2,000	750
Audit expenses	1,108	696
Taxation and other	3,306	2,270
	13,764	10,716

notes to the financial statement

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17. Taxation expense

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:

	2007	2006
Accounting profit	1,946,808	1,628,624
Tax at applicable statutory tax rate (45%)	876,064	732,881
Tax exempt income	(186,748)	(172,624)
Deferred tax asset	43,229	47,023
Depreciation	79,226	79,739
Donations	1,015	773
Property tax	12,330	9,695
Wear and tear allowance	(87,628)	(101,278)
Loss on sale of fixed assets	50,682	3,477
Defined benefit obligation	14,220	-
	802,390	599,686
18. Earnings per stock unit		
Net income after taxation	1,144,418	1,028,938
Number of stock units issued (in thousands)	300,000	300,000
Earnings per stock unit in dollars	3.81	3.43

19. Undrawn commitments

Facilities committed but not yet drawn at the balance sheet date total approximately \$2.422 billion (2006: \$2.829 billion).

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

20. Related parties *(continued)*

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

Outstanding balances	2007	2006
Loans, investments and other assets		
Parent	116,727	25,275
Fellow subsidiaries	36,854	97,186
Directors and key management personnel	15,302	11,554
Other related parties	405,094	394,401
	573,977	528,416
No impairment losses have been recorded against these balances.		
Deposits and other liabilities		
Parent	305,006	158,754
Fellow subsidiaries	47,762	48,929
Directors and key management personnel	32,441	48,180
Other related parties	578,316	1,006,474
	963,525	1,262,337
Interest and other income		
Parent	1,726	1,585
Fellow subsidiaries	7,128	16,973
Directors and key management personnel	608	493
Other related parties	46,562	23,104
	56,024	42,155

notes to the financial statement

for the year ended 30th September, 2007
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20. Related parties

	2007	2006
Interest and other expense		
Parent	58,317	56,193
Fellow subsidiaries	1,052	1,614
Directors and key management personnel	4,960	5,983
Other related parties	5,831	13,252
	70,160	77,042
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank.		
Key management compensation		
Short term benefits	56,794	49,360

During the year the Bank sold Available-for-sale investment securities of \$325.9 million to the Republic Bank (Guyana) Limited - Pension Fund Scheme at cost.

21. Financial risk management

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 and foreign currency risk. The Bank reviews and agrees policies for managing each of these risks as follows:

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

21. Financial risk management *(continued)*

Credit risk

The Bank uses a credit rating system which groups commercial/corporate accounts into various risk categories. The Bank's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action. Where the 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 non-performing debts. A review of these provisions is conducted quarterly and non-performing debts recommended for write-off are also reviewed quarterly.

Interest rate and market risk

The Bank has an Asset/liability Committee which reviews on a fortnightly basis its non-credit and non-operational risk. The primary tools 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.

Liquidity risk

The two primary sources of funds used to provide liquidity are retail deposits and wholesale deposits. The Bank maintains a core base of wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required. Facilities are also established with correspondent banks as conditions demand. The Asset/Liability Committee sets targets for daily float, allowable liquid assets and funding diversification. The primary asset used for short term liquidity management is the Treasury Bill but the Bank also holds significant investments in long term dated securities which can be used for liquidity support.

Currency risk

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.

notes to the financial statement

for the year ended 30th September, 2007

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22. Fair value of financial instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by quoted market values, if they exist. The fair values of financial assets and liabilities not carried at fair value in the financial statements are assumed to approximate their carrying values. The key financial assets and liabilities not presented at fair value are as follows:

Loans and advances

Loans and advances are stated net of provision for losses. The rates of interest are reflective of market conditions and provide discounted cash flow values which approximate the carrying values presented in the financial statements.

Deposits

Deposits have fixed rates that do not differ substantially from current rates and are considered to have carrying values that are not at variance with discounted cash flow values.

23. Segmental information

Management considers its banking operation to be a single business unit. All business is done in Guyana except for certain investment activities.

	2007			2006		
	Guyana	Outside of Guyana	Total	Guyana	Outside of Guyana	Total
Market value of investment securities	9,877,837	4,182,401	14,060,238	9,348,500	4,120,477	13,468,977
Income from investment securities	877,989	237,641	1,115,630	637,202	276,206	913,408

notes to the financial statement

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24. Currency risk

The reporting currency is the Guyana dollar. The aggregate Guyana dollar equivalent amount of assets and liabilities denominated in currencies other than the reporting currency are as follows:

	US dollar	Pounds Sterling	CDN dollar	Euro	Other	Total
2007						
ASSETS						
Cash and cash equivalents	3,079,503	35,031	11,437	29,478	8,295	3,163,744
Investment securities	2,707,401	-	-	-	-	2,707,401
Advances	265,859	-	-	-	-	265,859
Other assets	260,958	-	36	-	-	260,994
	6,313,721	35,031	11,473	29,478	8,295	6,397,998
LIABILITIES						
Customers' current, savings & deposits	3,623,819	25,325	3,419	27,403	-	3,679,966
Due to banks	104,018	3,270	5,890	-	98	113,276
Other liabilities	2,451	24	-	-	-	2,475
	3,730,288	28,619	9,309	27,403	98	3,795,717
NET	2,583,433	6,412	2,164	2,075	8,187	2,602,281

notes to the financial statement

for the year ended 30th September, 2007
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24. Currency risk (continued)

	US dollar	Pounds Sterling	CDN dollar	Euro	Other	Total
2006						
ASSETS						
Cash and cash equivalents	4,424,576	49,981	36,027	19,082	11,235	4,540,901
Investment securities	2,645,476	-	-	-	-	2,645,476
Advances	235,958	-	-	-	-	235,958
Other assets	88,296	262	288	-	6	88,852
	7,394,306	50,243	36,315	19,082	11,241	7,511,187
LIABILITIES						
Customers' current, savings & deposit accounts	3,006,290	14,448	5,746	6,180	-	3,032,664
Due to banks	25,451	2,473	1,030	-	67	29,021
Other liabilities	2,270	184	-	-	-	2,454
	3,034,011	17,105	6,776	6,180	67	3,064,139
NET	4,360,295	33,138	29,539	12,902	11,174	4,447,048

25. Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bank uses an Asset/Liability Committee to continually review and manage these risks. The Committee employs a number of tools including gap analysis and interest rate sensitivity analysis to monitor these risks and establish appropriate strategies to limit exposure.

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

25. Interest rate risk (continued)

The table below summarises assets and liabilities at their carrying amounts categorised by the earlier of contractual repricing or maturity dates.

	Average effective rate	Up to one year	One to five years	Over five years	Non-interest bearing	Total
2007						
ASSETS						
Cash and cash equivalents	5.69%	4,072,126	-	-	1,985,470	6,057,596
Statutory deposits with Central Bank	0.00%	-	-	-	7,922,279	7,922,279
Treasury bills	4.34%	23,200,906	-	-	-	23,200,906
Investment securities	6.52%	3,983,199	8,597,576	1,479,463	-	14,060,238
Due from associated entities	2.00%	113,671	-	-	5,898	119,569
Advances	13.97%	9,986,524	3,128,537	4,147,628	-	17,262,689
Other assets	0.00%	-	-	-	5,246,452	5,246,452
		41,356,426	11,726,113	5,627,091	15,160,099	73,869,729
LIABILITIES						
Customers' current, savings & deposit accounts	2.10%	56,353,890	311,687	-	9,243,519	65,909,096
Due to associated entities	2.60%	302,681	-	-	1,761	304,442
Due to banks	0.00%	-	-	-	167,936	167,936
Other liabilities	3.00%	-	-	-	2,333,946	2,333,946
		56,656,571	311,687	-	11,747,162	68,715,420
INTEREST SENSITIVITY GAP		(15,300,145)	11,414,426	5,627,091	3,412,937	5,154,309

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

25. Interest rate risk (continued)

	Average effective rate	Up to one year	One to five years	Over five years	Non-interest bearing	Total
2006						
ASSETS						
Cash and cash equivalents	4.5%	6,301,173	-	-	2,516,507	8,817,680
Statutory deposits with Central Bank	0.00%	-	-	-	7,189,661	7,189,661
Treasury bills	4.35%	16,274,217	-	-	-	16,274,217
Investment securities	6.58%	704,101	11,623,266	1,141,610	-	13,468,977
Due from associated entities	2.00%	23,264	-	-	3,577	26,841
Advances	14.15%	7,867,596	2,824,259	5,287,700	-	15,979,555
Other assets	0.00%	-	-	-	4,603,893	4,603,893
		31,170,351	14,447,525	6,429,310	14,313,638	66,360,824
LIABILITIES						
Customers' current, savings & deposit accounts	2.58%	51,759,282	234,451	-	8,084,935	60,078,668
Due to associated entities	3.00%	156,595	-	-	2,230	158,825
Due to banks	0.00%	-	-	-	83,886	83,886
Other liabilities	0.00%	-	-	-	1,533,746	1,533,746
		51,915,877	234,451	-	9,704,797	61,855,125
INTEREST SENSITIVITY GAP		(20,745,526)	14,213,074	6,429,310	4,608,841	4,505,699

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

26. Liquidity risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The table below analyses major financial assets and liabilities of the Bank into relevant groupings based on the remaining period at 30th September 2007 to the contractual maturity date.

	Up to one year	One to five years	Over five years	Total
2007				
ASSETS				
Cash and cash equivalents	6,057,597	-	-	6,057,597
Statutory deposits with				
Central Bank	7,884,877	37,402	-	7,922,279
Treasury bills	23,200,906	-	-	23,200,906
Investment securities	3,983,199	8,597,577	1,479,462	14,060,238
Advances	9,986,524	3,128,537	4,147,628	17,262,689
Other assets	1,294,122	118,891	3,953,007	5,366,020
	52,407,225	11,882,407	9,580,097	73,869,729
LIABILITIES				
Customers' current, savings				
& deposit accounts	65,597,409	311,687	-	65,909,096
Due to banks	167,936	-	-	167,936
Other liabilities	2,325,333	145,155	167,900	2,638,388
	68,090,678	456,842	167,900	68,715,420
NET LIQUIDITY GAP	(15,683,453)	11,425,565	9,412,197	5,154,309

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

26. Liquidity risk

	Up to one year	One to five years	Over five years	Total
2006				
ASSETS				
Cash and cash equivalents	8,817,680	-	-	8,817,680
Statutory deposits with Central Bank	7,161,527	28,134	-	7,189,661
Treasury bills	16,274,217	-	-	16,274,217
Investment securities	704,101	11,623,266	1,141,610	13,468,977
Advances	7,867,596	2,824,259	5,287,700	15,979,555
Other assets	711,957	61,335	3,857,442	4,630,734
	41,537,078	14,536,994	10,286,752	66,360,824
LIABILITIES				
Customers' current, savings & deposit accounts	59,844,217	234,451	-	60,078,668
Due to banks	83,886	-	-	83,886
Other liabilities	1,389,780	166,491	136,300	1,692,571
	61,317,883	400,942	136,300	61,855,125
NET LIQUIDITY GAP	(19,780,805)	14,136,052	10,150,452	4,505,699

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

27. Dividends paid and proposed

Declared and paid during the year -	2007	2006
Equity dividends on ordinary shares:		
First dividend for 2006: \$1.00 (2005: \$0.80)	300,000	240,000
First dividend for 2007: \$0.65 (2006: \$0.40)	195,000	120,000
Total dividends paid	495,000	360,000
Proposed for approval at Annual General Meeting (not recognised as a liability as at 30 September, 2007)		
Equity dividends on ordinary shares:		
Final dividend for 2007: \$1.10 (2006: \$1.00)	330,000	300,000
28. Contingent liabilities		
a) External payment deposits scheme	47,691	47,691

These represent monies received on behalf of customers and deposited in the External Payment Deposits Scheme with the Bank of Guyana, in accordance with the terms of agreements signed with each customer which specifically exclude the Bank from any liability.

b) Litigation

The Bank is a party to several litigation matters involving defaulting customers. The Bank is the claimant in these matters and accordingly the directors are of the opinion that no provision for any contingencies is necessary. As at 30th September, 2007 there were certain legal proceedings outstanding against the Bank for which a provision of \$5 million has been made.

notes to the financial statement

for the year ended 30th September, 2007
Expressed in thousands of Guyana dollars (\$'000)

28. Contingent liabilities (continued)

c) 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 customers in the event of a call on these commitments.

	2007	2006
Acceptances	4,630	124,962
Guarantees and indemnities	1,118,312	1,109,622
Letters of credit	102,850	293,564
	1,225,792	1,528,148

Sectoral information

State	38,451	80,244
Corporate and commercial	1,159,723	1,316,324
Personal	17,452	121,580
Other	10,166	10,000
	1,225,792	1,528,148

d) Operating lease commitments

Less than one year	15,272	17,136
Between one to five years	5,550	20,414
More than five years	910	1,030
	21,732	38,580

notes to the financial statement

for the year ended 30th September, 2007

Expressed in thousands of Guyana dollars (\$'000)

29. Employees

The number of employees in the Bank as at 30th September, 2007 amounted to 577 (2006: 570).

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