Annual Report 2010

Republic Bank (Guyana) Limited

As one entity spanning many territories, Republic Bank has a thriving culture. Ours is a culture of success built on improving the lives of those we serve as customers, communities and stakeholders. United in our culture of core values, strong service traditions and innovative banking customs we have created a legacy of over 173 years of solid banking history.

We understand the benefits of culture and that is why we have always been committed to helping to sustain the diverse and vibrant art forms of the people of our region. For we know that cultures of success flourish and ultimately become a unifying force which sustains the future of nations.

Republic Bank (Guyana) Limited Annual Report 2010

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 Personalised,
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-sixth Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Kingston, Georgetown, on Monday, December 13, 2010 at 15:00 hours (3:00 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, 2010.

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; Nigel M. Baptiste, Richard I. Vasconcellos and Derwin M. Howell.

3 To reappoint the Auditors, Messrs Ram & McRae.

And the following special business namely:

4 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.

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

By order of the Board

CHRISTINE A. McGOWAN
Corporate Secretary

October 25, 2010

REGISTERED OFFICE

155-156 New Market Street
North Cummingsburg
Georgetown, Guyana

NOTES:

- 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 be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
- Any Corporation which is a member of the Company may, by resolution if its Directors or other governing body, authorise such person as it thinks fit to act as its representative at the meeting (By-Law 86).

CORPORATE INFORMATION

DIRECTORS

Chairman
DAVID J. DULAL-WHITEWAY, *BSc (Mgmt. Studies), MBA, CGA*

Managing Director
JOHN N. ALVES, *FICB*

Corporate Secretary
CHRISTINE A. McGOWAN, *LLM (Merit), LLB (Dist.), LEC (Hons.)*

NON-EXECUTIVE DIRECTORS

ROY E. CHEONG, *AA, FCII, FLMI, CLU*

NIGEL M. BAPTISTE, *BSc (Hons.) (Econ.), MSc (Econ.), ACIB*

WILLIAM H. PIERPONT SCOTT, *FCCA, CA*

JOHN G. CARPENTER, *BSc (Food Sciences)*

RICHARD I. VASCONCELLOS

DERWIN M. HOWELL, *BSc (Hons.) (Elect. Eng.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C. Eng.*

YOLANDE M. FOO, *AICB*

REGISTERED OFFICE

Promenade Court
155-156 New Market Street
North Cummingsburg
Georgetown, Guyana
South America
E-mail: email@republicguyana.com
Website: www.republicguyana.com

ATTORNEYS-AT-LAW

MESSRS CAMERON & SHEPHERD
2 Avenue of the Republic
Robbstown
Georgetown, Guyana
South America

AUDITORS

MESSRS RAM & McRAE
Chartered Accountants
157 'C' Waterloo Street
North Cummingsburg
Georgetown, Guyana
South America

FINANCIAL SUMMARY

(All figures are in thousands of Guyana Dollars)

	2010	2009	2008	2007	2006
Cash resources	16,577,891	16,265,080	16,525,468	14,099,445	16,034,183
Investment securities	8,855,437	11,197,128	11,493,650	14,060,238	29,743,194
Loans and advances	28,305,627	23,302,210	21,586,811	17,262,689	15,895,333
Total assets	95,917,296	89,333,140	84,174,720	73,869,729	66,276,602
Total deposits	84,207,045	79,204,292	75,122,519	65,909,096	60,078,668
Stockholders' equity	8,664,559	7,466,787	6,316,412	5,154,309	4,505,699
Net profit after taxation	1,982,092	1,821,457	1,559,697	1,144,418	1,028,938
Earnings per stock unit in dollars ($)	6.61	6.07	5.20	3.81	3.40
Return on average assets (%)	2.11	2.06	1.90	1.60	1.60
Return on average equity (%)	24.10	25.89	27.20	22.70	24.40

FINANCIAL HIGHLIGHTS

(All figures are in thousands of Guyana Dollars)

	2010	2009	Change	% Change
INCOME STATEMENT				
Interest and other income	7,422,506	7,213,136	209,370	2.9
Interest and non-interest expenses	(4,025,049)	(4,290,403)	265,354	6.2
Net Income before taxation	3,397,457	2,922,733	474,724	16.2
Taxation charge	(1,415,365)	(1,101,276)	(314,089)	-28.5
Net Income after taxation	1,982,092	1,821,457	160,635	8.8
BALANCE SHEET				
Loans and advances	28,305,627	23,302,210	5,003,418	21.5
Total assets	95,917,296	89,333,140	6,584,156	7.4
Average assets	93,851,878	88,294,780	5,557,098	6.3
Deposits	84,207,045	79,204,292	5,002,753	6.3
Equity (capital and reserves)	8,664,559	7,466,787	1,197,772	16.0
Average outstanding equity	8,224,485	7,035,732	1,188,753	16.9
COMMON STOCK				
Earnings in dollars per stock unit	6.61	6.07	0.54	8.9
Dividend for the year (in thousands)	775,000	750,000	25,000	3.3
Stock Units (in thousands)	300,000	300,000	0	0.0
GENERAL				
Number of:				
Stockholders	1,223	1,187	36	3.0
Common stock outstanding (in thousands)	300,000	300,000	0	0.0
Active savings, chequing and deposit accounts	207,428	168,925	38,503	22.8
Employees	592	583	9	1.5
Banking offices	9	10	(1)	-10.0

BOARD OF DIRECTORS

Left to right:

DERWIN M. HOWELL, *BSc (Hons.) (Elect. Eng.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C. Eng.*
General Manager, Commercial and Retail Banking,
Republic Bank Limited

YOLANDE M. FOO, *AICB*
Director, St Joseph Mercy Hospital

JOHN N. ALVES, *FICB*
Managing Director, Republic Bank (Guyana) Limited

ROY E. CHEONG, *AA, FCII, FLMI, CLU*
Director, Guyana & Trinidad Mutual Fire
Insurance Company Limited

Left to right:

JOHN G. CARPENTER, *BSc (Food Sciences)*
Chairman, Hand-In-Hand Fire & Life Insurance
Group of Companies

WILLIAM H. PIERPONT SCOTT, *FCCA, CA*
Financial Director, William H. Scott Limited

DAVID J. DULAL-WHITEWAY, *BSc (Mgmt. Studies), MBA, CGA*
Managing Director, Republic Bank Limited

NIGEL M. BAPTISTE, *BSc (Hons.) (Econ.), Msc (Econ.), ACIB*
Executive Director, Republic Bank Limited

RICHARD I. VASCONCELLOS
Chairman, Carib Hibiscus Development

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2010.

PRINCIPAL ACTIVITIES

The Bank provides a comprehensive range of commercial banking services at nine locations throughout Guyana.

FINANCIAL RESULTS

(in thousands of Guyana Dollars)	**2010**	2009
Net income after taxation	1,982,092	1,821,457
Interim dividend paid	250,000	225,000
Retained earnings	1,732,092	1,596,457
Final dividend proposed	575,000	525,000

DIVIDENDS

An interim dividend of $0.83 per stock unit ($250.0 million) was paid during the year and a final dividend of $1.92 per stock unit ($575 million) for the year ended September 30, 2010 is recommended. This will bring the total payout for the year to $825 million.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings total $1,128 million, as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2010 are $7,536 million (2009 - $6,370 million) after a transfer of $41 million to the General Banking Risk Reserve, $575 million paid out as dividends (final 2009 - $525 million, interim 2010 - $250 million), and $1,982 million transferred from the Statement of Income for 2010.

DONATIONS

Donations to charitable or public causes for the year were $11.8 million (2009 - $20.4 million), reflecting the Bank's continued commitment to social investment.

SUBSTANTIAL STOCKHOLDING (UNITS OF STOCK)

A substantial stockholder 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 stockholders of the Bank:

	Number of Stock Units		Number of Stock Units	
	2010	**% held**	2009	% held
Republic Bank Limited	152,898,395	50.97	152,898,395	50.97
Demerara Mutual Life Assurance Society Limited	16,306,080	5.44	16,306,080	5.44
Guyana and Trinidad Mutual Fire and Life Group of Companies	14,673,760	4.89	14,673,760	4.89
Trust Company (Guyana) Limited	15,754,286	5.25	15,680,333	5.23

DIRECTORS

In accordance with the Bank's By-Laws, Nigel M. Baptiste, Richard I. Vasconcellos and Derwin M. Howell 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 trading and deposit taking. The contribution or cost from these activities to operating profit is disclosed in the Statement of Income.

GEOGRAPHIC ANALYSIS OF TURNOVER AND CONTRIBUTION TO RESULTS

The Bank operates only in Guyana but several investments are held overseas for which income of $217 million (2009 - $269.9 million) was earned during the year. Please refer to Note 21 of the financial statements for further information.

INTEREST OF DIRECTORS AND CHIEF EXECUTIVE AND THEIR ASSOCIATES

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

	Number of stock units	
	2010	2009
John G. Carpenter	150,000	150,000
Roy E. Cheong	87,000	87,000
(75,000 held jointly with an associate, and 12,000 held by an associate)		
John N. Alves	75,000	75,000
(held jointly with an associate)		
Yolande M. Foo*	315,000	315,000
(held jointly with an associate)		

**Yolande M. Foo retired as Corporate Secretary to the Board and Executive Director on May 31, 2007. She was re-appointed as a Non-Executive Director on January 21, 2008.*

DIRECTORS' FEES ($)

	2010	2009
Edwin H. Gooding	700,000	1,200,000
Nigel M. Baptiste	1,200,000	1,200,000
John G. Carpenter	1,560,000	1,560,000
Roy E. Cheong	1,560,000	1,560,000
David J. Dulal-Whiteway	2,940,000	2,940,000
Derwin M. Howell	1,200,000	1,200,000
Richard I. Vasconcellos	1,560,000	1,560,000
William H. Pierpont Scott	1,560,000	1,560,000
John N. Alves	1,200,000	1,200,000
Yolande M. Foo	1,560,000	1,560,000

DIRECTORS' SERVICE CONTRACTS

There are no service contracts with the Directors proposed for election at the forthcoming Annual General Meeting, or with 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, nor in which the Directors were materially interested.

CONTRACT OF SIGNIFICANCE WITH STOCKHOLDER

The Bank expended the sum of $75.78 million (2009 - $75.72 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 Service fees are determined with reference to the Bank's net interest and other income.

CHAIRMAN'S REVIEW

DAVID J. DULAL-WHITEWAY, *Chairman*

This past year's financial performance was another satisfactory one, with profit after tax of $1,982 million, representing an 8.84% increase over the previous year's results. As a result, your Directors are pleased to recommend a final dividend of $575 million ($1.92 per stock unit) which, if approved by stockholders at the Annual General Meeting, will bring the total dividend for the year to $825 million (2009 - $750 million), representing a payout from our after-tax profit of 41.62%.

ECONOMIC REVIEW

The year 2010 proved another challenging one for the global economy. While the BRIC countries of Brazil, Russia, India and China showed resilience and reported continued growth, the leading economies of the United States, Britain and most of Europe experienced fluctuating fortunes. The failure of the housing markets to recover and high unemployment in these countries continued to threaten a possible return to recessionary conditions (the double-dip recession). Also of concern was the economic fragility of Portugal, Ireland, Greece and Spain and whether their challenges will drag the global economy back into recession. With each of these territories advocating strong fiscal discipline as the path to recovery, and significant budgetary cuts already implemented in France, Germany and Britain, the medium term implications for the global economy and the Caribbean as a whole remain uncertain. The outcome of the imminent US mid-term elections will indicate the extent to which the American recovery initiatives can be maintained.

The impact of this prolonged slowdown has not been as severely felt in Guyana as in most of the rest of the Caribbean region. In 2009, real Gross Domestic Product (GDP) grew by 2.3%, a modest performance when compared with 3.1%, for the previous year. For the first six months of 2010, the economy grew by 2.8% and according to the mid-year report of the Minister of Finance, overall growth for the year is now projected at 2.9%. The main contributors to the growth were rice and other crops in the agricultural sector; services; local manufacturing; transportation and communications. Growth in the sugar industry, however, was notably slower, largely due to industrial disruptions, management challenges and mechanical problems at the new flagship project at Skeldon.

Inflation in 2009 fell to 3.6%, compared to 6.4% in 2008 and 14% in 2007. The target set in Budget 2010 of 4% has been revised to 4.5% for full year 2010.

Decreases in export earnings from sugar in the first half of 2010 as a result of the European Union price cuts were more than compensated for by increased prices for gold, bauxite, rice and timber, all of which recorded percentage increases over half-year 2009, ranging from 15.5% (rice) to 48% (timber). Increases in merchandise imports were offset by increases in foreign direct investment, higher receipts of worker remittances and a decrease in net payment for services. As a result, an overall balance of payments surplus of US$34.6 million was recorded, while the Bank of Guyana increased its external reserve position from US$628 million at end 2009, to US$677 million at end June 2010.

Fiscal performance continued to be strong with central government revenue increasing by 12.6 % during the first half of the year to $54.5 billion because of increases across several tax and non-tax revenue categories. These are expected to facilitate accelerated developmental projects and programme implementation in physical and social infrastructure.

FUTURE OUTLOOK

Republic Bank (Guyana) Limited takes confidence in the performance of the economy which has been commendable despite the setbacks of the sugar sector and the global economy. The sugar sector, however, is essential to the fortunes of the economy and we look forward to all parties coming together to arrive at mutually beneficial long term arrangements.

The Takatu and Berbice River Bridges, the improved communications efficiencies brought about by the Guyana Telephone & Telegraph Company Limited's investment in new fibre-optic communications technology, and the eventual completion of the Ogle Airport development will present future opportunities for all players in the Guyana economy.

Our own growth and expansion will be advanced with the opening of our new branch at Diamond on the East Bank Demerara during the first half of Fiscal 2011. This, coming shortly after the recent launch of our Republic*Online* internet banking service, reflects our continued confidence in the future of the Guyana economy.

The collective efforts of our stakeholders (staff, customers and stockholders) have ensured that your Bank is strategically positioned to meet the growing needs of an increasingly sophisticated Guyanese community in the years ahead.

ACKNOWLEDGEMENTS

I welcome this opportunity to express my appreciation to the Management and Staff for their diligence and dedication which contributed in no small measure to the Bank's satisfactory performance. I extend my sincere thanks to our loyal customers and stockholders, and acknowledge my fellow Directors for their continued support and look forward to working with them to ensure the future success of the Bank.

Special gratitude is extended to the former Managing Director, Edwin H. Gooding, who retired during the course of the year after a successful career with Republic Bank Limited.

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MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

JOHN N. ALVES, *Managing Director*

INTRODUCTION

In this my first report as Managing Director, I am pleased to report that the Bank has had another successful year. As is to be expected, growth in many Latin American and Caribbean countries was negatively impacted by the slow-down in the world economy. However, in spite of the contagion effects of the global financial crisis, developments in our country's economy enabled the Bank to deliver strong returns to its stockholders. We continue to invest in our staff, customer service, products and banking technology while contributing to the development and well being of the communities we serve. It is heartening to note that our focus on revenue growth, employee engagement, customer satisfaction and operational efficiency has resulted in yet another encouraging year. We attribute the results to careful planning and effective execution of our key strategic initiatives.

CUSTOMER SERVICE

We continue to be highly responsive to the needs and satisfaction of our customers, with our core objective being not only to provide the best service and ensure top-tier customer satisfaction, but to have our customers become advocates of the Republic Bank brand. In this, I am pleased to report that a 2010 independent Customer Satisfaction Survey of local commercial banks placed Republic Bank (Guyana) Limited in the lead for Customer Advocacy.

In support of our belief that technology, processes, products and skills of our people must be leveraged for delivering a sustained superior banking experience, our strategies included strengthening our customer complaint redressal process; strong but friendly customer feedback mechanisms; heeding the voice of the customer through our Customer Panel focus group fora; and incorporating our customers' input and ideas in our forward strategies. Training, developing and coaching our team and keeping all staff engaged in our vision for customer service also drive our human resource strategy.

Educating our customers as a means of empowering them to make more informed financial decisions, was yet another strategy which saw us focusing on the Small to Medium business segments (SMEs) through the introduction of the SME Toolkit; the Republic Bank Commercial Customer Business Programme, in collaboration with the Arthur Lok Jack Graduate School of Business; and our partnership with EMPRETEC which sought to bring skills training to women in Micro to Small Businesses across Guyana. While potential and existing customers benefited from various mortgage and electronic banking fora aimed at improving their understanding of the features and benefits of our products and services, we have supplemented these with television and print media infomercials targeted at customer groups.

HUMAN RESOURCES

We cannot over-emphasise that our people are our most critical resource, but like all other entities in Guyana, we experience some level of staff turnover through migration and this necassitates continuous investment in training and development activities.

Staff members continued to benefit from our sponsorship/scholarship programmes through the AICB programme. These are offered by the Institute of Canadian Bankers and Diploma/Degree programmes at the University of Guyana, under the Stan Affonso Scholarship programme. Additionally, officers pursuing post-graduate studies achieve significant success that redounds to the benefit of the Bank.

We remain resolutely committed to the personal and professional aspirations of our employees, through ongoing opportunities for staff development, to ensure their suitability to be part of the Bank's development in the years ahead.

TECHNOLOGY

Customer convenience continues to be the focal point of our service strategy. In addition to the launch of Republic*Online* internet banking service, continued emphasis is being placed on enhancing our suite of electronic banking products to improve service delivery. We have maintained our leadership position with the largest Automated Teller Machine (ATM) and Point-of-Sale (POS) network, all of which have undergone upgrades during the year. Our Visa OneCard product, the first and only international debit card in Guyana, enjoys increased usage, allowing our customers convenient access to their accounts wherever they may be.

As we look to the future, our commitment is to derive maximum benefit from the Bank's investment in technology and to apply technology in serving our customers.

EXPANSION/PREMISES

In our ongoing thrust to serve existing and developing communities in the various regions, we commenced construction of a Branch at Diamond, East Bank Demerara. This new location will be open for business early in the new fiscal year and will offer the same menu of products and services to the burgeoning population centres in that and adjacent communities.

Additionally, in order to better serve our customers and to achieve improved efficiency, we undertook a re-organisation of some aspects of our Water and Camp Street premises. Similar enhancements are planned for our other locations as we carry out continuous review of our operations.

ANTI-MONEY LAUNDERING

Given the threat of money laundering to the economic wellbeing of the country and the financial sector in particular, we were pleased with the enactment of the Anti-Money Laundering and Countering the Financing of Terrorism Act 2009. We are working with our customers to ensure that they comply in a timely manner with the relevant provisions of the Act, particularly in matters of identification.

With respect to the the Bank's obligations under the Act, we have established internal systems to facilitate the detection of money laundering activities across our network, and will cooperate with the relevant authorities to ensure a banking system characterised by integrity and fairness.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2010, to be read in conjunction with the Directors' Report and Audited Financial Statements presented on pages 10 to 12 and pages 28 to 84 respectively.

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

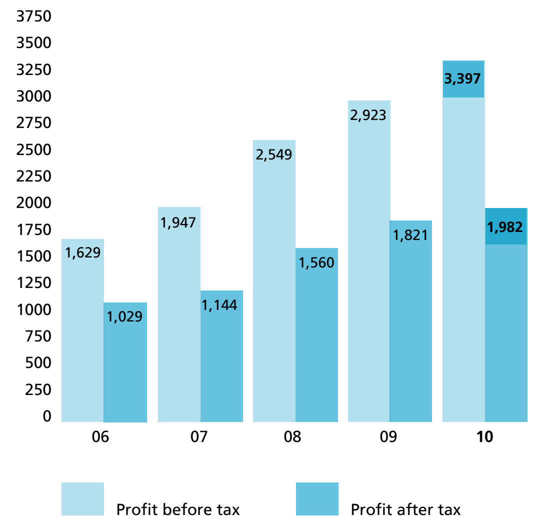
Currency	2010	2009
United States Dollars	202.5	203.5
Pounds Sterling	307.5	312.5
Canadian Dollars	185.0	172.5
Euro	250.0	260.0

STATEMENT OF INCOME REVIEW

Financial Summary

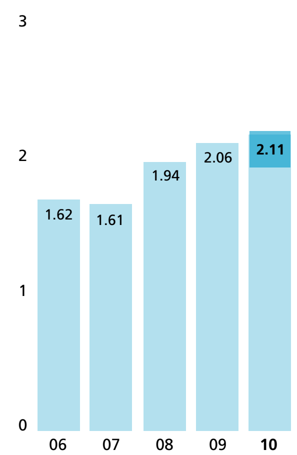
Fiscal 2010 continues a pattern of increased profit annually. After-tax profit of $1,982 million represents an improvement in profitability of $161 million or 8.8 % over 2009. This result is the product of prudent risk management, optimum investment and lending decisions and the recovery of the losses owing to fraud in 2009. Corporation Tax paid during the year was $1,257 million compared with $1,172 million in 2009.

PROFIT BEFORE/AFTER TAX (MILLIONS)

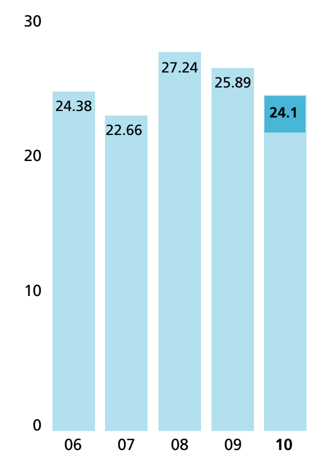


The Bank's return on average assets (2.11%) improved year-on-year, while its return on average stockholders' equity (24.1%) declined. The improvement in the return on average assets reflects the continued improved earnings stream, which also resulted in earnings per stock unit increasing from $6.1 in 2009 to $6.6 in 2010.

RETURN ON AVERAGE TOTAL ASSETS (%)



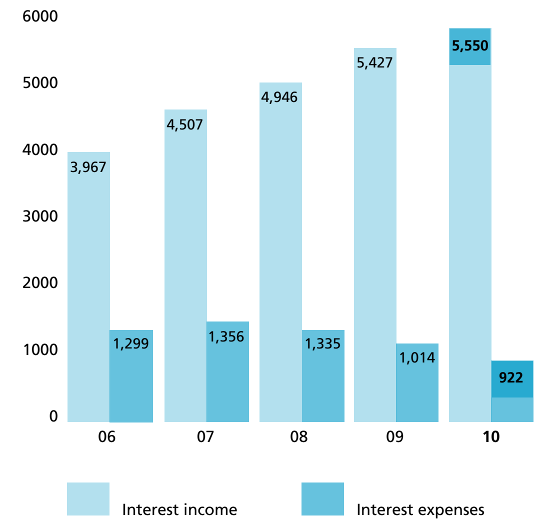
RETURN ON AVERAGE OUTSTANDING EQUITY (%)



Net Interest and Other Income

Net interest income at $4.6 billion exceeded the $4.4 billion earned in 2009 by $215 million, or 4.9%. This is attributed primarily to the increase in the lending portfolio and tight management of interest expense.

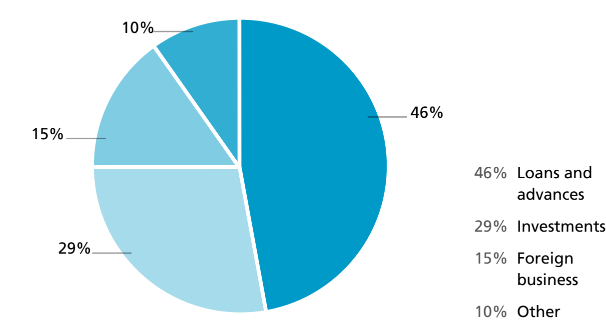
INTEREST INCOME/INTEREST EXPENSE (MILLIONS)



The ratio of the Bank's *average interest-earning assets to average customer deposits*, continues to be approximately 86%, reflecting a policy of making maximum use of customers' deposits in a challenging environment where investments and lending opportunities are relatively scarce. Almost 50% of the Bank's *interest-earning assets* at September 30, 2010 consists of Government of Guyana Treasury Bills.

Interest paid on deposits for 2010 at $922 million, was lower than that of 2009 ($1 billion) as the Bank continued to manage its assets and liabilities in an environment of inadequate investment opportunities. We recognise, however, that our customers simultaneously use a range of our products and we strive to ensure that our rates (deposit and lending) are competitive with the rest of the industry and attractive to existing and potential customers.

SOURCES OF REVENUE



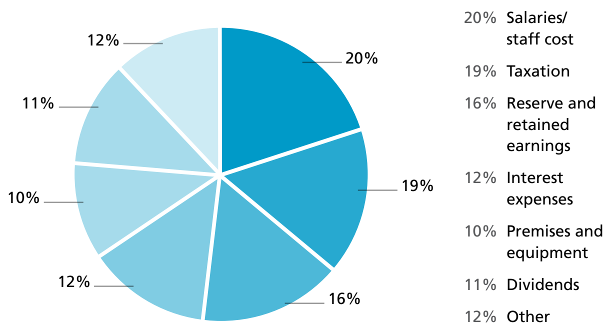
Other Income which amounted to $1.9 billion and contributed 25.1% to total income, exceeded the 2009 amount of $1.79 billion by $76 million, or 4.3%. Continued emphasis on foreign exchange trading resulted in exchange gains for 2010 of $1,136 million, a modest increase of $4.1 million, or 0.4%, over 2009. Exchange earnings continue to be the main source of Other Income, contributing 63.4% (2009 - 64.9%) of the total.

Net interest and other income grew by $121 million or 2% to $6.2 billion in 2010, compared to the $6.1 billion generated in 2009.

Non-interest expense

Non-interest expenditure, which comprises operating expenses, impairment loss on assets classified as held-for-sale, and provision for loan losses, decreased by $354 million, or 11.1%, over 2009. As a result of restructuring some areas of operation, staff costs remained unchanged at $1,452 million. There were significant increases in depreciation charges ($50 million), and loan losses net of recoveries of $119 million. The 2010 income statement reflects a turnaround of $400 million as a result of a fraud in 2009 and its settlement in 2010.

REVENUE DISTRIBUTION



In accordance with IAS 39, as well as under the Financial Institutions Act, the Bank conducts an annual review of its impaired loans. There are three levels at which the Bank provides for actual and potential loan impairment. These are a General Banking Risk Reserve and General and Specific Provisions for non-performing loans. After a $41.1 million transfer from income in 2010, the amount set aside for the General Banking Risk Reserve amounts at year end to $350.5 million. This Reserve, which is discussed in some length on page 57 of this report, is consistent with the Bank's policy of maintaining 100% provision for its non-performing loans and is in addition to the General provision.

The financial statements include general provision made on its performing portfolio under IAS 39, of $185.2 million at September 30, 2010, an increase of $33.6 million. This provision reflects the level of inherent risk in the loan portfolio for which there is no specific provision.

At September 30, 2010, specific provision on non-performing loans amounted to $181.1 million, an increase of $54.6 million over 2009. Overall in 2010, expenses related to loan-loss provisioning amounted to $261.45 million, against a provision of $91.18 million in 2009. This is the result of the Bank's adoption of a very prudent policy especially on its unsecured consumer lending portfolio. Recoveries on loans which were previously written off amounted to $182.79 million in 2010 (2009 - $132.0 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2010 improved to 1.8% from the prior year's 1.9%. On the other hand, its ratio of specific provision for loan losses to non-performing loans moved from 29.01% at September 30, 2009 to 31.5% at September 30 2010, as the Bank sought to apply stricter standards of credit. These include the recent reorganisation of the Bank's Corporate and Commercial Credit function, and the higher levels of staff expertise in handling credit matters.

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 balances in excess of the statutory deposit, decreased by $177.7 million year-on-year. This decline is due mainly to the decreased holdings at foreign and local banks. The statutory deposit balance with Bank of Guyana increased by $490.5 million over the same period.

Available-for-sale investment securities

Available-for-sale investment securities, including Government of Guyana Treasury Bills, grew by a modest 2% during the year ($863 million). The growth arose mainly in the Bank's investment in Treasury Bills which increased from $32.2 billion in 2009 to $35.4 billion at September 30, 2010, or 9.9%, compensating for a reduction in other local and foreign investments, which declined by $2.3 billion, or 20.9%, to $8.9 billion. The Bank aggressively competes for the limited investment opportunities even as the liquidity of the country's financial houses continues to grow relative to those investments.

Advances

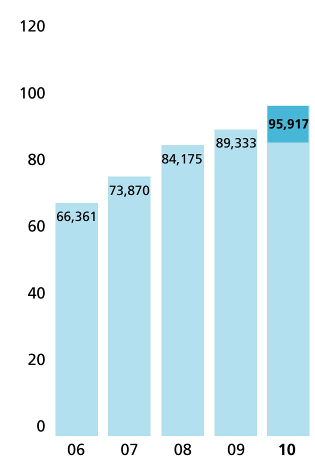
Advances grew by $5 billion to $28.3 billion, an increase of 21.5%. The concentration by sector in the loans and advances portfolio, a function of the Bank's Credit Risk Management process, has remained fairly constant during the year. Significantly, however, the Home Mortgages sub-sector recorded a 29.6% increase in value from $5.1 billion to $6.6 billion. We continue our efforts both to join with the government in facilitating home construction and ownership and to take advantage of the available tax benefits.

As a percentage of total assets, loans and advances accounted for 29.5%, up from the 26.1% achieved in 2009.

Total assets

The Bank's total assets of $95.9 billion represented an increase of $6.6 billion, or 7.4%, over 2009. Of this, loans and advances accounted for an increase of $5 billion and available-for-sale investment securities and Treasury Bills for $863 million. Over the past three years, net investment in loans and advances grew by $4.32 billion, $1.72 billion and $5 billion, respectively. In a challenging and competitive environment for sound economic projects, the Bank continues to seek out and attract new and remunerative investments, even as we honour our obligation to protect our depositors' funds.

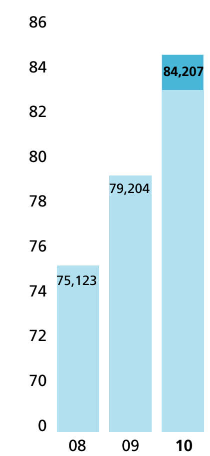
TOTAL ASSETS (BILLIONS)



Deposits

Our asset growth was funded mainly from deposits. As depositors continued to show confidence in the Bank our overall portfolio increased by $5 billion, or 6.3%. This increase is in line with the rest of the industry and well above the growth in the economy and the rate of inflation. Savings deposits, the most stable category of deposits, at 72.5% of the deposit portfolio, grew by $4.4 billion or 7.7 %. The Fixed Deposits (Term) portfolio grew more modestly by $163 million, or 2.3%, compared with growth of $501 million, or 6.7%, in 2009.

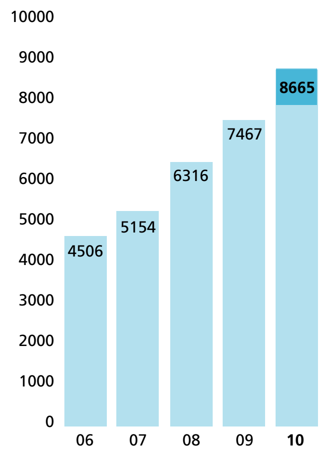
TOTAL DEPOSITS (BILLIONS)



CAPITAL STRUCTURE AND RESOURCES

The Bank's policy is to maintain capital adequacy, ensure capital growth and minimise capital impairment. The governing Financial Institutions Act 1998 restricts a single or group borrower loan to defined percentages of the Bank's capital base. From the after-tax profit of $1,982 million, $825 million is being paid out as dividends and $1,157 million transferred from the Statement of Income to stockholders' equity. At September 30, 2010, the book value of stockholders' equity amounted to $8.7 billion, or $28.9 per stock unit.

ISSUED CAPITAL AND STOCKHOLDERS' EQUITY (MILLIONS)



Total dividends paid and proposed for fiscal 2010 amounted to $825 million, an increase of 10.0% over the $750 million payout for 2009. This equates to a dividend payout ratio of 41.6% (2009 - 41.2%).

Stockholders enjoyed a significant increase in the price at which the Bank's stock traded on the Guyana Stock Exchange, with a spread of 67% between the highest price of $70 per share and lowest price of $42 with an average weighted price of $49.4 per share. In terms of both volume of stocks traded and number of trades effected, most were done at a unit price of $55. Using the Market Weighted Average Price of $49.4 from the last trade date (September 27, 2010) for the Bank's stocks, the price/earnings ratio was 7.48 (2009 - 6.6). The net asset value of one unit was $28.90 (2009 - $24.9) which, with a price of $42 gave a price/book ratio of 1.45: 1 (2009 - 1.61:1).

Regulatory capital

Capital adequacy is monitored by the Bank on a monthly basis and is computed based on guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice (the Basle Committee), as implemented by the Bank of Guyana under the Financial Institutions Act 1998.

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 base growing from $7.5 billion to $8.7 billion year-on-year. The capital adequacy ratio also improved, moving to 20.5% at September 30, 2010 from 20.0% at September 30, 2009. Together, these provide a solid platform for future growth and expansion in loans, advances and revenue.

RISK MANAGEMENT

Overview

Banking is about risks and their management. These are discussed extensively on pages 62 to 75 of this Annual Report.

The Bank manages these risks at all levels of its corporate structure, applying quantitative and qualitative criteria and strict levels of authority throughout the organisation. The Bank also benefits from continuous guidance and services of the Risk Management Unit and the Internal Audit Department of the Parent Company.

Future Outlook

We are optimistic that the improvements in the financial and other areas of performance realised over the year will continue into the future. We remain cognizant, however, that the Bank does not function in isolation, and the level of our performance depends not only on our ability to provide customers with the products and services desired, but also on the success in business and personal lives of customers, economic and political stability and an environment that is conducive to our strategic objectives.

We are optimistic about of the future and are committed to Guyana's long term development. We believe that the Government of Guyana's commitment to the Low Carbon Development Strategy and establishment of Hydro Electric Power will set a solid foundation for the future development of the country.

Acknowledgements

In conclusion, I wish to thank our Board of Directors for their guidance and support, members of the management team and staff for their dedication and hard work over the year, and our customers and business partners for their unwavering loyalty. Without your assistance and support these results would not have been realised.

MANAGEMENT TEAM

Standing left to right:

VANESSA A. THOMPSON, *Manager, Finance and Planning*

CHARLES H. BRUTON, *Corporate Manager, Corporate and Commercial Credit*

PATRICIA PLUMMER, *General Manager, Credit*

DEVAN KHEMRAJ, *Manager, Branch Operations*

ANITA MOHABEER, *Manager, Human Resources*

YONNETTE F. GREAVES, *Manager, Information Technology*

HARRY DASS GHANESS, *Manager, Corriverton Branch*

CARLA F. ROBERTS, *Corporate Manager, Corporate and Commercial Credit*

SASENARAIN JAGNANAN, *Senior Manager, Corporate and Commercial Credit*

JADOONAUTH PERSAUD, *Manager, Water Street Operations*

CHRISTINE A. McGOWAN, *Manager, Legal Services*

Seated left to right:

SHERWYN L. GREAVES, *Manager, Camp Street Branch*

CELINE E. DAVIS, *Manager, Branch Support Services*

MICHELLE H. JOHNSON, *Manager, Marketing and Communications*

LEON E. McDONALD, *Manager, Rose Hall Branch*

DENISE E. HOBBS, *General Manager, Corporate and Management Services*

DENYS R. BENJAMIN, *Manager, Corporate Operations*

THE POWER TO MAKE A DIFFERENCE

A heart to do good beats within us all. With this, comes the responsibility to take up the challenge of providing for those who cannot provide for themselves and to empower those in whom the potential for greatness dwells. In 2005, we acted on that responsibility when we launched the Power to Make A Difference programme. Stepping away from the model of traditional corporate philanthropy, we joined with our parent company Republic Bank, to work together with various non-governmental and community-based organisations (NGOs and CBOs) in an effort to invest in and safeguard a brighter future for the region.

Structured on the four pillars – the Power to Care, the Power to Help, the Power to Learn and the Power to Succeed – the Power to Make A Difference Programme draws its greatest strength from the fact that it can fully address key aspects of social development and build solid relationships within the NGO and CBO communities.

Over the first five years, we pledged $81 million in support of various community groups and the social development projects they spearhead. At the end of the first phase in 2009, Republic Bank (Guyana) Limited had invested $56 million in support of youth development through education, sport and culture, care for the elderly, and the socially marginalised.

In the first phase we created a legacy of teamwork and caring through extensive work and collaboration with the Mayor and City Councillors of the City of Georgetown on the rehabilitation and maintenance of the Promenade Gardens.

These successes gave us confidence going into the second phase of the programme. This time around, having learned firsthand of the struggles the NGO and CBO communities face, we recognised that there were previously unexplored areas where we could provide meaningful assistance.

Increasing our overall investment to $170 million, we began a new phase where the last one left off. We also broadened the scope of the Power to Make A Difference Programme to directly include the needs of the NGOs concerned with the conditions of persons with disabilities. Of the $170 million pledged under the new five year phase, $14 million has been dedicated to this year's outreach activities.

As we continued to empower our community, we deepened the value of our focus on life skills for national development. In 2009/2010, we continued our work to support young potential through a variety of on-going projects such as the Youth Link Apprentice Programme and Career Coach.

Through the Republic Bank Make a Difference Fund for learning, we teamed with the Ministry of Education and the University of Guyana to reward and encourage academic excellence at all levels, from the National Grade Six Assessment to the University of Guyana; provide learning materials for business students of the University of Guyana and a scholarship for one student at this institution.

We also continued to play a significant role in preserving local culture for future generations with the sponsorship of a Steel Band Arrangers' Workshop, the Republic Bank Mashramani Panorama Steel Pan Competition and the Republic RightStart Pan Minors Music Literacy Workshop.

We look forward to continuing this new phase of Power to Make A Difference and what it will bring. Backed by the commitment to teamwork and sustainable development, we stand ready to work together to meet the needs of our developing society. Power to Make A Difference is our way of honouring the communities we serve. By giving back to them, we are assured that a heart to do good continues to beat strongly within us all.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Republic Bank (Guyana) Limited remains committed to maintaining the highest standards of Corporate Governance. Corporate Governance refers to the system by which companies are led and managed, the structure and role of the Board of Directors, relations with stakeholders and the framework of internal control. We continuously monitor our systems and procedures to ensure that our standards are consistent 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 and Supervision Guideline No. 8 issued by the Bank of Guyana under the authority of the Financial Institutions Act 1995. The Bank has adopted the recommendations contained in that Guideline which are fully reflected in this statement.

The Board of Directors comprises nine Directors including one Executive Director. The Non-Executive Directors are persons with extensive experience in both business and finance, five of whom are independent directors and provide invaluable input at meetings through their personal values and standards arising from their varied and distinct backgrounds. Together, the Board members provide entrepreneurial leadership within a framework of prudent and effective controls. The Executive Director ensures that all pertinent information relevant to the Bank's operations and other necessary information are provided to members of the Board of Directors.

The Board is charged with the mandate to lead the Bank along a path of greater profitability without compromising the Bank's sound financial position and compliance with applicable laws. Of critical importance to the Board of Directors is the responsibility to approve and review the Bank's Strategic Plan and approve its Annual Budgets, including the capital expenditure budget. The Board retains the responsibility for reviewing and approving credit applications above a specified limit. Pursuant to the mandate to ensure that the interests of the various stakeholders are considered, 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:

Roy E. Cheong, *Chairman*
David J. Dulal-Whiteway, *Member*
Richard I. Vasconcellos, *Member*
John G. Carpenter, *Alternate Member*

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 head of the Bank's Internal Audit Department, reports directly to the Audit Committee.

The Internal Audit Department conducts periodic examinations of 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:

Nigel M. Baptiste, *Chairman*
William H. Pierpont Scott, *Member*
Derwin M. Howell, *Member*
Roy E. Cheong, *Alternate Member*

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

OTHER RISKS COMMITTEE

The members of the Other Risks Committee are:

John G. Carpenter, *Chairman*
Roy E. Cheong, *Member*
Derwin M. Howell, *Member*
William H. Pierpont Scott, *Alternate Member*

This Committee, which meets quarterly, is responsible for reviewing policies and procedures and ensuring that the Bank is not exposed to unnecessary risk with respect to its operations.

In keeping with good corporate governance principles, the Executive Director is charged with the day-to-day management of the Bank's business and is ably assisted by two competent and experienced senior managers. The Executive Director and one Senior Manager are Fellows of the Institute of Canadian Bankers while the other Senior Manager is qualified in Business Management making the team extremely qualified to offer leadership at the highest level of the Organisation. The Board of Directors has approved an organisational structure for the Bank which ensures a reporting structure with prudent and effective controls. The Managing Director and management team are appointed by the Board of Directors.

The Board of Directors ensures that the compensation package for staff is competitive. The package consists of basic salary and performance-based incentives. The performance of each staff member is evaluated annually, based on individual and collective performance criteria.

Cognizant of the need to monitor transactions with related parties, the Bank has approved a related party policy which is consistent with the requirements of the Financial Institutions Act 1995.

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 Bank encourages its stockholders to communicate all issues of concern orally or in writing. All stockholder concerns are addressed in a prompt and efficient manner by Management.

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, 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, both of which conduct periodic audits 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 regarding 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.

JOHN N. ALVES
Managing Director

CHRISTINE A. McGOWAN
Corporate Secretary

CONTENTS

INDEPENDENT AUDITORS' REPORT

TO THE STOCKHOLDERS OF REPUBLIC BANK (GUYANA) LIMITED

We have audited the financial statements of Republic Bank (Guyana) Limited which comprise the statement of financial position as at September 30, 2010, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2010, and of 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.

RAM & McRAE
Chartered Accountants

157 'C' Waterloo Street
North Cummingsburg
Georgetown, Guyana

October 25, 2010

STATEMENT OF FINANCIAL POSITION

as at September 30, 2010
Expressed in thousands of Guyana dollars ($'000)

	Notes	**2010**	2009
ASSETS			
Cash		1,188,228	1,249,922
Statutory Deposits with Bank of Guyana		10,138,510	9,648,012
Due from banks		5,251,153	5,367,146
Treasury bills		35,369,244	32,164,672
Investment interest receivable		69,581	124,750
Advances	4	28,305,627	23,302,210
Investment securities	5	8,855,437	11,197,128
Assets classified as held-for-sale		20,211	24,639
Premises and equipment	6	4,512,342	4,238,902
Goodwill	7	1,228,222	1,228,222
Deferred tax assets	9	159,264	145,859
Taxation recoverable		–	8,425
Other assets	10	819,477	633,253
TOTAL ASSETS		95,917,296	89,333,140
LIABILITIES & EQUITY			
LIABILITIES			
Due to banks		150,623	453,738
Customers' current, savings and deposit accounts	11	84,207,045	79,204,292
Net pension liability	8	236,600	215,400
Taxation payable		584,434	408,784
Deferred tax liabilities	9	244,644	265,208
Accrued interest payable		42,052	45,260
Other liabilities	12	1,787,339	1,273,671
TOTAL LIABILITIES		87,252,737	81,866,353
EQUITY			
Stated capital	13	300,000	300,000
Statutory reserves	14	300,000	300,000
Net unrealised gains	14	177,771	187,091
General banking risk reserve	14	350,536	309,423
Retained earnings		7,536,252	6,370,273
TOTAL EQUITY		8,664,559	7,466,787
TOTAL LIABILITIES & EQUITY		95,917,296	89,333,140

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

These financial statements were approved by the Board of Directors on October 25, 2010 and signed on its behalf by:

JOHN N. ALVES
Managing Director

CHRISTINE McGOWAN
Company Secretary

ROY E. CHEONG
Director, Chairman of Audit Committee

STATEMENT OF INCOME

For the year ended September 30, 2010

Expressed in thousands of Guyana dollars ($'000)

	Notes	2010	2009
Interest income	15 (a)	5,550,145	5,427,183
Interest expense	15 (b)	(921,883)	(1,013,715)
Net interest income		4,628,262	4,413,468
Other income	15 (c)	1,872,361	1,785,953
		6,500,623	6,199,421
Loan impairment expense	4 (b)	(261,453)	(91,180)
Operating expenses	15 (d)	(2,841,713)	(3,185,591)
Net impairment gain on assets classified as held-for-sale		–	83
Profit before taxation		3,397,457	2,922,733
Taxation - Current		(1,441,709)	(1,141,760)
- Deferred		26,344	40,484
Total taxation expense	16	(1,415,365)	(1,101,276)
Net profit after taxation		1,982,092	1,821,457
Earnings per stock unit ($)		6.61	6.07

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2010

Expressed in thousands of Guyana dollars ($'000)

	2010	2009
Net profit after taxation	1,982,092	1,821,457
Net gain/(losses) on available-for-sale investments	(16,945)	7,123
Tax relating to components of other comprehensive income	7,625	(3,205)
Other comprehensive income for the year, net of tax	(9,320)	3,918
Total comprehensive income for the year, net of tax	1,972,772	1,825,375

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

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000)

	Stated capital	Statutory reserves	Net unrealised gains	General banking risk reserve	Retained earnings	Total equity
Balance at September 30, 2008	300,000	300,000	183,173	455,609	5,077,630	6,316,412
Profit for the year	–	–	–	–	1,821,457	1,821,457
Other comprehensive income	–	–	3,918	–	–	3,918
Total comprehensive income for the year	–	–	3,918	–	1,821,457	1,825,375
Transfer from general banking risk reserve	–	–	–	(146,186)	146,186	–
Dividends	–	–	–	–	(675,000)	(675,000)
Balance at September 30, 2009	300,000	300,000	187,091	309,423	6,370,273	7,466,787
Balance at September 30, 2009	300,000	300,000	187,091	309,423	6,370,273	7,466,787
Profit for the year	–	–	–	–	1,982,092	1,982,092
Other comprehensive income	–	–	(9,320)	–	–	(9,320)
Total comprehensive income for the year	–	–	(9,320)	–	1,982,092	1,972,772
Transfer to general banking risk reserve	–	–	–	41,113	(41,113)	–
Dividends	–	–	–	–	(775,000)	(775,000)
Balance at September 30, 2010	300,000	300,000	177,771	350,536	7,536,252	8,664,559

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000)

	2010	2009
Operating activities		
Profit before taxation	3,397,457	2,922,733
Adjustments for:		
Depreciation	288,021	230,489
Loan impairment expense	261,453	91,180
Loss/(gain) on sale of premises and equipment	4,010	(7,181)
Impairment gain on assets classified as held-for-sale	–	(83)
Net gain on disposal of assets classified as held-for-sale	–	(183)
Increase in employee benefits	21,200	23,200
Increase in advances	(5,264,870)	(1,806,579)
Increase in customers' deposits and other fund raising instruments	5,002,753	4,081,772
Increase in Statutory Deposits with Bank of Guyana	(490,498)	(497,838)
(Increase)/decrease in other assets and investment interest receivable	(131,055)	212,888
Increase in other liabilities and accrued interest payable	510,460	69,189
Net cash from operating activities before tax	3,598,931	5,319,587
Taxes paid, net of refund	(1,257,634)	(1,171,697)
Cash provided by operating activities	2,341,297	4,147,890
Investing activities		
Purchase of investment securities	(717,000)	(2,411,501)
Redemption of investment securities	3,041,746	2,760,050
Purchase of treasury bills	(36,069,572)	(32,164,672)
Redemption of treasury bills	32,865,000	28,600,310
Additions to assets classified as held-for-sale	(72)	(1,711)
Proceeds from the disposal of assets classified as held-for-sale	4,500	3,815
Additions to premises and equipment	(579,445)	(918,330)
Proceeds from sale of premises and equipment	13,974	43,840
Cash used in investing activities	(1,440,869)	(4,088,199)

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

STATEMENT OF CASH FLOWS *(continued)*

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000)

	2010	2009
Financing activities		
Decrease in balances due to other banks	(303,115)	(142,917)
Dividends paid	(775,000)	(675,000)
Cash used in financing activities	(1,078,115)	(817,917)
Net decrease in cash and cash equivalents	(177,687)	(758,226)
Cash and cash equivalents at beginning of year	6,617,068	7,375,294
Cash and cash equivalents at end of year	6,439,381	6,617,068
Cash and cash equivalents at end of year are represented by:		
Cash on hand	1,188,228	1,249,922
Due from banks	5,251,153	5,367,146
	6,439,381	6,617,068
Supplemental information:		
Interest received during the year	5,415,275	5,432,782
Interest paid during the year	925,091	1,025,193
Dividends received	3,640	3,320

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

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

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.

The Bank was registered as a reporting issuer under the Securities Industry Act 1998 on April 7, 2003. It was designated as an approved mortgage finance company by the Minister of Finance on September 2, 2003 in accordance with section 15 of the Income Tax Act.

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 1, 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 5, 2006. As at September 30, 2010 the stockholdings of Republic Bank Limited in the Bank was 51%. The CL Financial Group holds through its various subsidiaries 52.39% of the shares of Republic Bank Limited.

On January 31, 2009, Central Bank of Trinidad & Tobago issued a Notification pursuant to sections 44D and 44E of the Central Bank Act, Chap. 79:02 that the Central Bank of Trinidad & Tobago assumed control of the affairs of CLICO Investment Bank Limited (CIB). Further, on February 13, 2009, the Central Bank of Trinidad & Tobago issued a Notification pursuant to sections 44D and 44E of the Central Bank Act, Chap. 79:02 that the Central Bank of Trinidad & Tobago assumed control of the affairs of Colonial Life Insurance Company (Trinidad) Limited (CLICO). These two companies are part of the CL Financial Group.

In accordance with the provisions of both Notifications, the Central Bank of Trinidad & Tobago has the power to deal with the assets of the Companies, including the Republic Bank Limited shares. The Central Bank of Trinidad & Tobago will not receive any benefit financial or otherwise from the exercise of its powers under the Central Bank Act. As at September 30, 2010, the combined shareholding of Republic Bank Limited for CLICO and CIB is 52.11%.

For the purpose of these financial statements, the related party note has not been amended to reflect the Central Bank control and has been prepared in a manner consistent with previous publications.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements of the Bank 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 derivative financial instruments. 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies

i) New accounting policies adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2009 except for the adoption of new standards and interpretations noted below:

IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations (Amendment) (effective January 1, 2009)

This amendment gives greater clarity in respect of vesting conditions and cancellations. The amendment defines a 'vesting condition' as a condition that includes an explicit or implicit requirement to provide services. Therefore, any condition that does not have such a requirement is a 'non-vesting' condition, for example possible non-compete provisions or transfer restrictions. The amendment requires non-vesting conditions to be treated in a similar fashion to market conditions and, hence, factored into account in determining the fair value of the equity instruments granted. Where an award does not vest as the result of a failure to meet a non-vesting condition, the accounting treatment depends on whether the failure to meet the condition is within or outside the control of either the entity or the counterparty. A failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. The adoption of this standard had no effect on the financial position or performance of the Bank.

IFRS 3 - Business Combinations (Revised) (effective July 1, 2009)

This change to the scope of IFRS 3 increases the number and types of transactions to which the standard must be applied, for example by including combinations of mutual entities and combinations without consideration. The more significant changes include changes to the measurement of non-controlling interest at each business combination, changes in the treatment of previously held interests and goodwill in step acquisitions, changes to the measurement of contingent consideration and the treatment of acquisition-related costs. The Bank has had no new business combinations for the year and as such, the adoption of this standard had no effect on the financial position or performance of the Bank.

IFRS 7 - Financial Instruments: Disclosures (Amendments) (effective January 1, 2009)

This standard has been amended to enhance disclosures about fair value measurement and liquidity risk.

The enhanced disclosures on fair value measurement include disclosures on the source of the inputs in determining fair value using a three-level hierarchy that distinguishes between quoted prices (Level 1), inputs other than quoted prices that are based on observable market data (Level 2) and those that are not based on observable market data (Level 3). This information must be given by class of financial instrument. Full details on this disclosure are included in Note 20 to the financial statements - Fair value.

The amendment to disclosures on liquidity risk includes a disclosure of the maturity analysis of financial assets held for managing liquidity risk in addition to the financial liabilities that were previously disclosed.

The adoption of this amendment had no effect on the financial position or performance of the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IFRS 8 - Operating Segments (effective January 1, 2009)

This standard replaces IAS 14 (Segment Reporting) and adopts a full management approach to identifying, measuring and disclosing the results of operating segments by reporting information based on the method used by the chief operating decision maker for internal evaluation of the performance of operating segments and the allocation of resources to those segments (a 'through the eyes of management' approach). Full details on this disclosure are included in Note 21 to the financial statements - Segmental Information.

IAS 1 - Presentation of Financial Statements (Revised) (effective January 1, 2009)

This standard has been revised to enhance the usefulness of information presented in the financial statements. The main change involves the removal of full details of non-owner changes in equity from the statement of changes in equity, resulting in only full disclosure of changes in equity arising from transactions with owners. The full details of transactions with non-owners, including the income tax relating to each component, are included in a new statement called the Statement of Comprehensive Income. This standard also introduces new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows". The adoption of this standard had no effect on the financial position or performance of the Bank.

IAS 23 - Borrowing Costs (Revised) (effective January 1, 2009)

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this standard had no material effect on the financial position or performance of the Bank.

IAS 27 - Consolidated and Separate Financial Statements – (Amendments) (effective July 1, 2009)

The most significant changes to this standard are as follows:

- Changes in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill, nor will it give rise to a gain or loss.
- Losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests') even if the losses exceed the non-controlling equity investment in the subsidiary.
- Upon loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognised on disposal.

The adoption of this standard had no material effect on the financial position or performance of the Bank.

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) (effective January 1, 2009)

This amendment allows puttable financial instruments to be classified as equity rather than as financial liabilities once they have certain specified features. The adoption of this standard had no effect on the financial position or performance of the Bank.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010

Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment) (effective July 1, 2009)

This amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The adoption of this standard had no effect on the financial position or performance of the Bank.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective October 1, 2008)

This interpretation provides guidance on hedges of foreign currency gains and losses on a net investment in a foreign operation. The adoption of this interpretation had no effect on the financial position or performance of the Bank.

ii) New accounting policies not adopted

The Bank has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued as these standards/interpretations do not apply to the activities of the Bank:

IFRS	Subject of Amendment
IFRS 1 -	First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments) (effective January 1, 2009)
IFRIC 15 -	Agreements for the Construction of Real Estate (effective January 1, 2009)
IFRIC 18 -	Transfers of Assets from Customers (effective July 1, 2009)

iii) Standards in issue not yet effective

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

IFRS	Subject of Amendment
IFRS 1 -	First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (Amendments) (effective January 1, 2010)
IFRS 1 -	First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective July 1, 2010)
IFRS 2 -	Group Cash-settled Share-based Payment Arrangements (effective January 1, 2010)
IFRS 9 -	Financial Instruments (effective January 1, 2013)
IAS 24 -	Related Party Disclosures (Revised) (effective January 1, 2011)
IAS 32 -	Financial Instruments: Presentation - Classification of Rights Issues (Amendment) (effective February 1, 2010)
IFRIC 14 -	Prepayments of a Minimum Funding Requirement (Amendment) (effective January 1, 2011)
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Standards in issue not yet effective

In April 2009, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2010. The following shows the IFRSs and topics addressed by these amendments:

IFRS	Subject of Amendment
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations Disclosures
IFRS 8	Operating Segments Disclosure of information about segment assets
IAS 1	Presentation of Financial Statements Current/non-current classification of convertible instruments
IAS 7	Statement of Cash Flows Classification of expenditures on unrecognised assets
IAS 17	Leases Classification of land and buildings
IAS 36	Impairment of Assets Unit of accounting for goodwill impairment testing
IAS 38	Intangible Assets Consequential amendments arising from IFRS 3. Measuring fair value
IAS 39	Financial Instruments: Recognition and Measurement Assessment of loan prepayment penalties as embedded derivatives. Scope exemption for business combination contract. Cash flow hedge accounting
IFRIC 9	Reassessment of Embedded Derivatives Scope of IFRIC 9 and IFRS 3
IFRIC 16	Hedges of a Net Investment in a Foreign Operation Amendment of the restriction on the entity that can hold hedging instruments

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, treasury bills, bills discounted and bankers' acceptances with original maturities of three months or less.

d) Statutory Deposits with Bank of Guyana

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 statement of financial position 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments *(continued)*

i) Advances

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

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 other 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 as available-for-sale are recognised in equity net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income.

When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the statement of income as an impairment expense on investment securities.

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments *(continued)*

iii) Debt securities and other fund raising instruments

Debt securities and other fund raising instruments are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

f) Impairment of financial assets

The Bank assesses at each reporting 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 and individually significant advances 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. Individually insignificant loans with similar characteristics are assessed for impairment.

Regulatory and other loan loss requirements that exceed these amounts are dealt with in the general banking risk 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 individually assesses each investment security for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the statement of income.

If there is objective evidence that the cost of an available-for-sale equity security may not be recovered, the security is considered to be impaired. Objective evidence that the cost may not be recovered includes qualitative impairment criteria as well as a significant or prolonged decline in the fair value below cost. The Bank's policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 30% and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than one year. This policy is applied at the individual security level.

If an available-for-sale equity security is impaired based upon the Bank's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Bank's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairments.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Leases

The leases entered into by the Bank (lessee) are all operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

h) 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 reporting 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.

i) 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.

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.

Where the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, this gain is recognised immediately in the statement of income as a credit to other income.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) 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 the employee benefit plan.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting 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 remain under the full control of the appointed Trustees.

The full results of the valuation exercise are disclosed in Note 8 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.

k) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, 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.

l) 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010

Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) Earnings per stock unit

Data on earnings per stock unit have been computed by dividing the net profit attributable to ordinary stockholders, by the weighted average number of ordinary stocks in issue during the year. The Bank has no dilutive ordinary stocks.

n) Foreign currency translation

The financial statements are presented in Guyana dollars, which is the currency of the primary economic environment in which the Bank operates (its functional currency).

Monetary assets and liabilities which are denominated in foreign currencies are expressed in Guyana dollars at rates of exchange ruling at the reporting date. 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 includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Managing Director as its chief operating decision-maker.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income and other income less impairment losses and operating expenses which in certain respects is measured differently from operating profit or loss in the financial statements. Operating expenses and income taxes are managed on a Bank wide /unit basis and are not allocated to operating segments.

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

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customer in the event of a call on these commitments. These amounts are not recorded on the Bank's Statement of Financial Position but are detailed in Note 24(b) of these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

t) Comparatives

Certain changes in presentation have been made in these financial statements. These changes had no effect on the operating results, profit after tax or earnings per share of the Bank for the previous year.

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 reporting 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 reporting date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

Valuation of investments

The Bank has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

Net pension asset / liability

In conducting valuation exercises to measure the effect of the employee benefit plan, 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 8 – 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 September 30, 2010 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 FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE BANK'S ACCOUNTING POLICIES *(continued)*

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

Premises and equipment
Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

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.

4. ADVANCES

a) Advances

	2010			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	4,428,324	17,745,043	6,529,576	28,702,943
Non-performing advances	10,927	432,371	68,480	511,778
	4,439,251	18,177,414	6,598,056	29,214,721
Unearned interest	(906,823)	–	–	(906,823)
Accrued interest	–	323,991	20,183	344,174
	3,532,428	18,501,405	6,618,239	28,652,072
Allowance for impairment losses - Note 4 (b)	(38,654)	(271,518)	(36,273)	(346,445)
Net Advances	3,493,774	18,229,887	6,581,966	28,305,627

4. ADVANCES *(continued)*

a) Advances *(continued)*

	2009			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	4,088,686	14,672,118	5,029,598	23,790,402
Non-performing advances	7,741	367,921	60,240	435,902
	4,096,427	15,040,039	5,089,838	24,226,304
Unearned interest	(800,167)	–	–	(800,167)
Accrued interest	–	137,185	16,950	154,135
	3,296,260	15,177,224	5,106,788	23,580,272
Allowance for impairment losses - Note 4 (b)	(35,016)	(224,051)	(18,995)	(278,062)
Net Advances	3,261,244	14,953,173	5,087,793	23,302,210

b) Allowance for impairment losses

(i) Impairment assessment
The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

(i) Impairment assessment *(continued)*

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans and advances.

(ii) Reconciliation of the allowance for impairment losses for loans and advances by class

	2010			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	(35,016)	(224,051)	(18,995)	(278,062)
Charge-offs and write-offs	59,306	133,764	–	193,070
Loan impairment expense	98,229	66,815	231	165,275
Loan impairment recoveries	(161,173)	(248,046)	(17,509)	(426,728)
Balance carried forward	(38,654)	(271,518)	(36,273)	(346,445)
Individual impairment	(7,169)	(130,763)	(23,309)	(161,241)
Collective impairment	(31,485)	(140,755)	(12,964)	(185,204)
	(38,654)	(271,518)	(36,273)	(346,445)
Gross amount of loans individually determined to be impaired, before deducting any allowance	10,927	432,371	68,480	511,778

4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

(ii) Reconciliation of the allowance for impairment losses for loans and advances by class *(continued)*

	2009			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	(28,594)	(318,337)	(11,507)	(358,438)
Charge-offs and write-offs	81,966	89,581	9	171,556
Loan impairment expense	(93,722)	(12,455)	(7,497)	(113,674)
Loan impairment recoveries	5,334	17,160	–	22,494
Balance carried forward	(35,016)	(224,051)	(18,995)	(278,062)
Individual impairment	(7,276)	(100,207)	(18,995)	(126,478)
Collective impairment	(27,740)	(123,844)	–	(151,584)
	(35,016)	(224,051)	(18,995)	(278,062)
Gross amount of loans individually determined to be impaired, before deducting any allowance	7,741	367,921	60,240	435,902

c) The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2010 amounts to $1,164 million (2009: $1,051 million). The collateral consists of cash, securities and properties.

d) Collateral realised

During the year, the Bank realised collateral amounting to $24.8 million (2009: $24.7 million)

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5. INVESTMENT SECURITIES

	2010	2009
Available-for-sale		
Government securities	3,152,373	5,639,053
State-owned company securities	934,925	1,166,059
Corporate bonds/debentures	4,748,139	4,227,124
Others	20,000	164,892
Total investment securities	8,855,437	11,197,128

6. PREMISES AND EQUIPMENT

2010	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	275,256	3,310,464	2,369,469	5,955,189
Additions at cost	420,387	44,424	114,634	579,445
Transfers	(193,304)	–	193,304	–
Disposal of assets	–	(2,284)	(187,186)	(189,470)
	502,339	3,352,604	2,490,221	6,345,164
Accumulated depreciation				
At beginning of year	–	273,120	1,443,167	1,716,287
Charge for the year	–	63,424	224,597	288,021
Disposal of assets	–	(752)	(170,734)	(171,486)
	–	335,792	1,497,030	1,832,822
Net book value	502,339	3,016,812	993,191	4,512,342

6. PREMISES AND EQUIPMENT *(continued)*

2009	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	254,859	2,799,934	2,214,492	5,269,285
Additions at cost	174,629	407,995	335,706	918,330
Transfers	(154,232)	113,284	40,948	–
Disposal of assets	–	(10,749)	(221,677)	(232,426)
	275,256	3,310,464	2,369,469	5,955,189
Accumulated depreciation				
At beginning of year	–	260,699	1,419,852	1,680,551
Charge for the year	–	14,245	216,244	230,489
Disposal of assets	–	(1,824)	(192,929)	(194,753)
	–	273,120	1,443,167	1,716,287
Net book value	275,256	3,037,344	926,302	4,238,902

Intangible assets	**2010**	2009
Net book value of purchased software included in equipment	88,518	33,306

Capital commitments	**2010**	2009
Contracts for outstanding capital expenditure not provided for in the financial statements	372,921	77,000
Other capital expenditure authorised by the Directors but not yet contracted for	2,826,331	3,122,252

7. GOODWILL

	2010	2009
Total unimpaired goodwill on acquisition	1,228,222	1,228,222

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7. GOODWILL *(continued)*

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was generated from the acquisition of certain assets and liabilities of the Guyana National Cooperative Bank. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at September 30, 2010 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 assumptions:

	2010	2009
Discount rate	10%	10%
Cash flow projection term	5 years	5 years
Growth rate (extrapolation period)	6%	6%

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

8. EMPLOYEE BENEFITS

a) The amounts recognised in the statement of financial position are as follows:

	2010	2009
Defined benefit obligation	1,158,500	1,035,000
Fair value of plan assets	(751,200)	(665,400)
	407,300	369,600
Unrecognised portion	(170,700)	(154,200)
Net liability recognised in the statement of financial position	236,600	215,400

8. EMPLOYEE BENEFITS *(continued)*

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

	2010	2009
Opening defined benefit obligation	1,035,000	991,500
Current service cost	61,200	60,500
Interest cost	56,400	53,800
Members' contributions	14,800	12,700
Actuarial gains/ (losses) on obligations	12,100	(51,900)
Benefits paid	(18,000)	(28,700)
Expense allowance	(3,000)	(2,900)
Closing defined benefit obligation	1,158,500	1,035,000

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

	2010	2009
Opening fair value of plan assets	665,400	631,900
Expected return	48,100	45,100
Actuarial losses	(7,800)	(43,200)
Contributions by Bank	51,700	50,500
Members' contributions	14,800	12,700
Benefits paid	(18,000)	(28,700)
Expense allowance	(3,000)	(2,900)
Closing fair value of plan assets	751,200	665,400

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

	2010	2009
Current service cost	61,200	60,500
Interest on defined benefit obligation	56,400	53,800
Expected return on plan assets	(48,100)	(45,100)
Amortised net loss	3,400	4,500
Total included in staff costs	72,900	73,700

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8. EMPLOYEE BENEFITS *(continued)*

e) Actual return on plan assets

	2010	2009
Expected return on plan assets	48,100	45,100
Actuarial gain on plan assets	(7,800)	(43,200)
Actual return on plan assets	40,300	1,900

f) Experience history

	2010	2009
Defined benefit obligation	1,158,500	1,035,000
Plan assets	(751,200)	(665,400)
Deficit	407,300	369,600
Experience adjustments on plan liabilities	12,100	(51,900)
Experience adjustments on plan assets	(7,800)	(43,200)

g) The normal cost, which is the rate of contributions that the Bank would have to pay if there were no surplus or deficit, is 6.8% of members' salaries. The current contribution rate of the Bank is 8.8% to enable removal of the deficit.

Had the plan been wound up as of the last actuarial valuation date of October 1, 2008, the assets of the scheme would have been sufficient to cover its liabilities.

h) The Bank expects to contribute $56.4 million to the plan in the 2011 financial year.

i) The principal actuarial assumptions used were as follows:

	2010 %	2009 %
Discount rate	5.50	5.50
Rate of salary increase	7.00	7.00
Expected return on plan assets	7.00	7.00
NIS ceiling rates	5.00	5.00

The expected rate of return on assets is set by reference to estimated long-term returns on assets held by the plan at that date. Allowance is made for some excess performance from the plan's equity portfolio.

8. EMPLOYEE BENEFITS *(continued)*

j) Plan asset allocation as at September 30

	2010 %	2009 %
Equity securities	11.00	12.00
Debt securities	49.00	64.00
Property	–	–
Money market instruments/cash	40.00	24.00
Total	100.00	100.00

9. DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	2010	2009
Pension liability	106,470	96,930
Fee and Commission income	52,794	48,929
	159,264	145,859

b) Deferred tax liabilities

	2010	2009
Premises and equipment	99,195	112,134
Unrealised reserve	145,449	153,074
	244,644	265,208

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010
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10. OTHER ASSETS

	2010	2009
Accounts receivable and prepayments	495,237	206,686
Other assets	324,240	426,567
	819,477	633,253

11. CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

a) Concentration of customers' current, savings and deposit accounts

	2010	2009
State	12,120,839	11,070,684
Corporate and commercial	7,981,437	7,024,191
Personal	59,653,400	55,564,796
Other financial institutions	1,670,158	2,458,074
Other	2,781,211	3,086,547
	84,207,045	79,204,292

b) Account types

	2010	2009
Demand	15,972,068	15,841,854
Savings	61,082,461	56,372,724
Time	7,152,516	6,989,714
	84,207,045	79,204,292

12. OTHER LIABILITIES

	2010	2009
Draft and settlements	796,797	550,550
Accrued expenses	80,210	108,380
Withholding taxes payable	50,661	56,452
Short term payables	55,451	93,115
Deferred income	9,769	9,686
Unearned loan origination fees	117,320	108,731
Dividends payable	32,554	22,396
Other	644,577	324,361
	1,787,339	1,273,671

13. STATED CAPITAL

	2010	2009
Authorised		
300 million ordinary stock units of no par value		
Issued and fully paid		
300 million ordinary stock units of no par value	300,000	300,000

14. OTHER RESERVES

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) Net unrealised gains

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

Specific provisions are made for non-performing advances based on the difference between the carrying amount and the discounted expected cash flows. These provisions are charged through the statement of income.

The General Banking Risk Reserve is created as an appropriation of retained earnings, for the difference between the specific provision and the carrying amount of non-performing advances. The General Banking Risk Reserve serves to enhance the Bank's non-distributable capital base.

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15. OPERATING PROFIT

a) Interest income

	2010	2009
Advances	3,388,068	3,148,550
Investment securities	636,021	780,419
Liquid assets	1,526,056	1,498,214
	5,550,145	5,427,183

b) Interest expense

	2010	2009
Customers' current, savings and deposit accounts	921,883	1,013,715
	921,883	1,013,715

c) Other income

	2010	2009
Credit and related fees	111,547	87,530
Net exchange trading income	1,136,145	1,132,038
Loan recoveries	182,794	132,044
Dividends	3,640	3,320
Deposit and related fees	317,804	303,605
Payments and transfers	117,726	118,029
Sale of premises and equipment	–	7,181
Other operating income	2,705	2,206
	1,872,361	1,785,953

15. OPERATING PROFIT *(continued)*

d) Operating expenses

	2010	2009
Staff costs	1,249,732	1,262,282
Staff profit sharing	201,763	187,170
General administrative expenses	584,710	556,475
Property related expenses	481,353	496,813
Sale of premises and equipment	4,010	–
Property tax	55,451	43,809
Depreciation expense	288,021	230,489
Advertising and public relations expenses	123,486	135,311
*Fraud	(176,206)	246,200
Directors' fees	12,700	13,207
Auditors' fees	16,693	13,835
	2,841,713	3,185,591
Impairment loss on asset classified as held-for-sale	–	(83)
	2,841,713	3,185,508

*During the year, the bank recovered $176.2 million from its insurers in respect of the prudential provision recorded in the prior year.

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16. 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:

	2010	2009
Accounting profit	3,397,457	2,922,733
Tax at applicable statutory tax rates (45%)	1,528,856	1,315,230
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(143,599)	(182,945)
Deferred tax credit	(26,344)	(40,484)
Depreciation	129,609	104,177
Donations	1,587	970
Property tax	24,953	19,714
Wear and tear allowance	(132,828)	(118,571)
Inherent Risk (General) Provisions	15,125	(4,863)
Loss/(gain) on sale of premises and equipment	4,601	(3,232)
Defined benefit obligation	9,540	10,440
Deferred fee income	3,865	840
	1,415,365	1,101,276

17. RELATED PARTIES

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

Outstanding balances

	2010	2009
Loans, investments and other assets		
CL Financial Group	6	–
Republic Bank Limited (Parent)	2,288	13,300
Fellow subsidiaries	2,263	105
Directors and key management personnel	40,672	43,492
Other related parties	1,265,688	1,698,475
	1,310,917	1,755,372

17. RELATED PARTIES *(continued)*

Outstanding balances *(continued)*

	2010	2009
Deposits and other liabilities		
CL Financial Group	605,964	557,534
Republic Bank Limited (Parent)	425,474	340,307
Fellow subsidiaries	8,742	7,145
Directors and key management personnel	80,223	71,845
Other related parties	913,911	744,872
	2,034,314	1,721,703
Interest and other income		
CL Financial Group	5	142
Republic Bank Limited (Parent)	–	–
Directors and key management personnel	1,693	1,644
Other related parties	98,631	128,152
	100,329	129,938
Interest and other expense (excluding key management compensation)		
CL Financial Group	1,883	1,301
Republic Bank Limited (Parent)	3,031	3,058
Directors and key management personnel	1,745	2,438
Other related parties	5,525	3,867
	12,184	10,664

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

Key management compensation

	2010	2009
Short-term benefits	59,247	61,962

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18. RISK MANAGEMENT

18.1 Introduction

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

The basic principles of risk management followed by the Bank include:

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks through their life cycle;
- Abiding by all applicable laws, regulations and governance standards in every country in which we do business;
- Applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- Undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

The Board of Directors has ultimate responsibility for the management of risk within the Bank. Acting with authority delegated by the Board, the Credit, Audit, Asset and Liability Committee and Other Risks Committees, review specific risk areas.

The Internal Audit function audits Risk Management processes throughout the Bank by examining both the adequacy of the procedures and the Bank's compliance with these procedures. Internal Audit discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committee.

The Bank's activities are primarily related to the use of financial instruments. The Bank accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

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

18.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maximise the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Bank.

The Bank's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, chaired by the Chairman of the Board and including executive and non-executive directors, is in place, with the authority to exercise the powers of the Board on all risk management decisions.

The Risk Management unit is accountable for the general management and administration of the Bank's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from and independent of the business development aspect of the operations.

18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

The Bank uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, a computerised Credit Scoring system with preset risk management criteria is in place at all our branches to facilitate decision-making. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The Bank's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding liability may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

Loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines.

The Bank avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

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18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

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

	2010	2009
	Gross maximum exposure	
Statutory deposits with Bank of Guyana	10,138,510	9,648,012
Due from banks	5,251,153	5,367,146
Treasury bills	35,369,244	32,164,672
Investment interest receivable	69,581	124,750
Investment securities	8,835,437	11,177,128
Loans and advances to customers	28,305,627	23,302,211
Total	87,969,552	81,783,919
Undrawn commitments	4,243,640	1,530,704
Acceptances	9,771	10,626
Guarantees and indemnities	1,401,447	1,293,062
Letters of credit	368,824	151,114
Total	6,023,682	2,985,506
Total credit risk exposure	93,993,234	84,769,425

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Collateral and other credit enhancements

The Bank maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash or securities, charges over real estate properties, inventory and trade receivables and mortgages over residential properties and chattels. The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and assesses the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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

18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector as detailed in the following tables:

(a) Geographical sectors

The Bank's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of our counterparties:

	2010	2009
Guyana	88,413,397	77,333,031
Trinidad and Tobago	1,851,331	2,764,516
Barbados	806,561	1,062,777
Eastern Caribbean	2,286,052	2,672,456
United States	231,849	784,688
Other Countries	404,044	151,957
	93,993,234	84,769,425

(b) Industry sectors

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

	2010	2009
Government and Government Bodies	52,540,501	50,883,441
Financial sector	3,917,869	4,756,939
Energy and mining	379,243	475,241
Agriculture	4,258,204	2,444,014
Electricity and water	1,119,721	971,899
Transport, storage and communication	970,342	1,496,551
Distribution	5,840,436	4,288,606
Real estate	861,338	543,631
Manufacturing	3,382,728	1,480,826
Construction	913,378	1,735,323
Hotel and restaurant	175,364	187,929
Personal	15,253,428	12,071,540
Other services	4,380,682	3,433,485
	93,993,234	84,769,425

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18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.3 Credit quality per category of financial assets

The Bank has determined that credit risk exposure arises from the following statement of financial position lines:

- Treasury bills and Statutory deposits with Bank of Guyana
- Due from banks
- Advances
- Financial investments

Treasury bills and Statutory deposits with Bank of Guyana

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

Balances due from banks

The credit quality of balances due from other banks is assessed by the Bank according to the level of creditworthiness of the institution in relation to other institutions in the region. The credit quality of these balances has been analysed into the following categories:

Superior: These institutions have been accorded the highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extremely strong.

Desirable: These institutions have been accorded the second highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is very strong.

Acceptable: These institutions have been accorded the third highest rating, indicating that the institution's capacity to meet its financial commitment is adequate.

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

	Superior	Desirable	Acceptable	Total
2010	3,366,380	170,095	1,710,126	5,246,601
2009	3,617,160	–	1,749,986	5,367,146

18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.3 Credit quality per category of financial assets *(continued)*

Loans and advances – Commercial and Corporate

The credit quality of commercial and corporate advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of management, the track record and level of supervision required for existing facilities of the company, the financial and leverage position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates and the competitive advantage held by that company in the market. The overall level of risk thus assessed is assigned a credit score which indicates the overall quality of the Commercial/Corporate borrowing account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

Superior: These counterparties have strong financial position. Facilities are well secured, and business has proven track record.

Desirable: These counterparties have good financial position. Facilities are reasonably secured and underlying business is performing well.

Acceptable: These counterparties are of average risk with a fair financial position. Business may be new or industry may be subject to more volatility, and facilities typically have lower levels of security.

Sub-standard: Past due or individually impaired.

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

	Neither past due nor impaired				
	Superior	Desirable	Acceptable	Sub-standard	Total
2010	94,389	2,373,813	14,984,173	777,512	18,229,887
2009	379,463	2,012,389	11,695,742	865,579	14,953,173

The following is an aging of facilities classed as sub-standard:

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Impaired	Total
2010	328,403	108,763	21,725	17,013	301,608	777,512
2009	474,539	32,784	1,962	88,581	267,713	865,579

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18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.3 Credit quality per category of financial assets *(continued)*

Loans and advances - Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the related assets for which these loans were granted to fund. The following is an aging analysis of these facilities:

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Impaired	Total
2010	9,049,273	801,159	161,597	14,782	–	48,929	10,075,740
2009	7,533,940	631,008	121,407	20,894	78	41,710	8,349,037

Investment securities

The debt securities within the Bank's investment security portfolio are exposed to credit risk. The credit quality of each individual security is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt. The level of credit risk thus assessed and associated with the security is assigned a risk premium. These premiums are defined as follows:

Superior: Government and Government Guaranteed securities and securities secured by a Letter of Comfort from the Government. These securities are considered risk free.

Desirable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.

Acceptable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.

18. RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.3 Credit quality per category of financial assets *(continued)*

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

	Superior	Desirable	Acceptable	Sub-standard	Total
Financial investments - Available-for-sale					
2010	4,909,310	3,926,127	–	–	8,835,437
2009	7,418,661	3,758,467	–	–	11,177,128

18.2.4 Carrying amount of financial assets renegotiated that would otherwise have been impaired.

The table below shows the carrying amount for renegotiated financial assets, by class as at September 30:

	2010	2009
Loans and advances to customers		
- Retail lending	2,695	4,262
- Commercial and Corporate lending	1,841,673	174,100
Total renegotiated financial assets	1,844,368	178,362

18.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Bank has sufficient funds to meet all of its obligations.

Two primary sources of funds are used to provide liquidity – retail deposits and the inter-bank market. A substantial portion of the Bank is funded with "core deposits". The Bank maintains a core base of retail funds, which can be drawn on to meet ongoing liquidity needs. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

The Asset/Liability Committee of the Bank (ALCO) sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury bill, the Bank also holds significant investments in other Government securities, which can be used for liquidity support. The Bank continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

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18. RISK MANAGEMENT *(continued)*

18.3 Liquidity risk *(continued)*

18.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the balance sheet.

Financial liabilities
- on statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
As at September 30, 2010					
Customers' current, savings and deposit accounts	76,971,604	7,225,807	9,634	–	84,207,045
Due to banks	150,623	–	–	–	150,623
Other liabilities	1,743,657	43,682	–	–	1,787,339
Total undiscounted financial liabilities 2010	78,865,884	7,269,489	9,634	–	86,145,007

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
As at September 30, 2009					
Customers' current, savings and deposit accounts	72,214,578	6,731,973	257,741	–	79,204,292
Due to banks	453,738	–	–	–	453,738
Other liabilities	1,202,820	70,851	–	–	1,273,671
Total undiscounted financial liabilities 2009	73,871,136	6,802,824	257,741	–	80,931,701

18. RISK MANAGEMENT *(continued)*

18.3 Liquidity risk *(continued)*

18.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities
- off statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2010					
Acceptances	–	9,771	–	–	9,771
Guarantees and indemnities	–	1,336,616	41,022	23,809	1,401,447
Letters of credit	–	368,824	–	–	368,824
Total	–	1,715,211	41,022	23,809	1,780,042
2009					
Acceptances	–	10,626	–	–	10,626
Guarantees and indemnities	–	1,234,289	58,773	–	1,293,062
Letters of credit	–	151,114	–	–	151,114
Total	–	1,396,029	58,773	–	1,454,802

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

18.4 Market risk

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

18.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Asset/Liability Committee of the Bank reviews on a bi-monthly basis the non-credit and non-operational risks of the Bank. Asset and Liability management is a vital part of the risk management process of the Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, including interest rate, foreign exchange, liquidity and market risks.

The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor and country. The Bank is committed to refining and defining these tools to be in line with international best practice.

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18. RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.1 Interest rate risk *(continued)*

The table below summarises the interest-rate exposure of the Bank's statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table.

	Increase/ decrease in basis points	Impact on net profit			
		2010		2009	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	-/+ 305,412		-/+ 242,379	
US$ Instruments	+/- 50	-/+ 23,463		-/+ 21,233	
Other currency Instruments	+/- 50	-/+ 253		-/+ 689	

	Increase/ decrease in basis points	Impact on net unrealised gains			
		2010		2009	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	(22,537)	23,127	(59,503)	60,610
US$ Instruments	+/- 50	(8,840)	10,287	(32,715)	33,448

18. RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk

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

Changes in foreign exchange rates affect the Bank's earnings and equity through differences on the re-translation of monetary assets and liabilities to Guyana dollars. Such gains or losses are recognised in the statement of income.

The principal currencies of the Bank's investments are US and Guyana dollars.

The tables below indicate the currencies to which the Bank had significant exposure at September 30 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Guyana dollar, with all other variables held constant.

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18. RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk *(continued)*

2010	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	1,091,881	379	92,889	392	2,687	1,188,228
Statutory deposits with						
Bank of Guyana	10,138,510	–	–	–	–	10,138,510
Due from banks	3,553,962	288	1,629,415	23,375	44,113	5,251,153
Treasury bills	35,369,244	–	–	–	–	35,369,244
Advances	27,445,153	–	695,132	–	165,342	28,305,627
Investment securities	6,030,561	–	2,824,876	–	–	8,855,437
Interest receivable	35,842	–	33,739	–	–	69,581
TOTAL FINANCIAL ASSETS	83,665,153	667	5,276,051	23,767	212,142	89,177,780
FINANCIAL LIABILITIES						
Due to banks	–	2,058	26,495	3,971	118,099	150,623
Customers' current, savings						
and deposit accounts	79,497,418	–	4,692,575	17,052	–	84,207,045
Interest payable	42,052	–	–	–	–	42,052
TOTAL FINANCIAL LIABILITIES	79,539,470	2,058	4,719,070	21,023	118,099	84,399,720
NET CURRENCY RISK EXPOSURE	4,125,683	(1,391)	556,981	2,744	94,043	4,778,060
Reasonably possible change						
in currency rate (%)	–	1%	1%	1%	1%	
Effect on profit before tax	–	(14)	5,570	27	940	6,523

18. RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk *(continued)*

2009	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	1,148,259	578	97,969	208	2,908	1,249,922
Statutory deposits with						
Bank of Guyana	9,648,012	–	–	–	–	9,648,012
Due from banks	253	2,298	2,186,591	23,081	3,154,923	5,367,146
Treasury bills	32,164,672	–	–	–	–	32,164,672
Advances	22,524,344	–	582,989	–	194,877	23,302,210
Investment securities	7,213,219	–	3,980,150	–	3,759	11,197,128
Investment receivable	19,442	43,132	6,054	–	56,122	124,750
TOTAL FINANCIAL ASSETS	72,718,201	46,008	6,853,753	23,289	3,412,589	83,053,840
FINANCIAL LIABILITIES						
Due to banks	74,253	1,869	26,442	2,327	348,847	453,738
Customers' current, savings						
and deposit accounts	74,940,577	–	4,246,673	17,042	–	79,204,292
Interest payable	45,260	–	–	–	–	45,260
TOTAL FINANCIAL LIABILITIES	75,060,090	1,869	4,273,115	19,369	348,847	79,703,290
NET CURRENCY RISK EXPOSURE	(2,341,889)	44,139	2,580,638	3,920	3,063,742	3,350,550
Reasonably possible change						
in currency rate (%)	–	1%	1%	1%	1%	
Effect on profit before tax	–	441	25,806	39	30,637	56,923

18.5 Operational Risk

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent to all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Bank recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Bank has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

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19. CAPITAL MANAGEMENT

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $1,198 million to $8,665 million during the year under review.

The Bank's dividend policy is to distribute 40% to 50% of net earnings to stockholders. Similar to the criteria applied in previous years, the distribution was based on core operating performance. Total distribution based on the results for the financial year 2010 of $825 million represents 41.6% of core operating profit.

Capital adequacy is monitored by the Bank, employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice (the Basle Committee), as implemented by the Bank of Guyana for supervisory purposes. The Basle risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

The Bank's Tier 1 capital at September 30, 2010 is 20.04% (2009 - 19.38%) and its capital adequacy ratio (Tier 2) is 20.53% (2009 - 19.98%). At September 30, 2010 the Bank exceeded the minimum levels required.

20. FAIR VALUE

In accordance with International Financial Reporting Standard No. 7 "Financial Instruments: Disclosures", the Bank calculates the estimated fair value of all financial instruments at the reporting date and separately discloses this information where these fair values are different from net book values.

The Bank's available-for-sale investments are not actively traded in organised financial markets, and fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Investments classified as 'at fair value through profit or loss' are actively traded in organised markets and fair value is determined by reference to the market price at year end or on the last trade date prior to year end.

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, investment interest receivable, customers' deposit accounts, other fund raising instruments, other assets and other liabilities. The Bank is required to maintain with the Bank of Guyana, statutory reserve balances in relation to deposit liabilities and the carrying value of these reserves is assumed to equal fair value.

Advances are net of specific and other provisions for impairment. The fair values of advances are based on a current yield curve appropriate for the remaining term to maturity.

The fair values of the floating rate debt securities in issue are based on quoted market prices where available and where not available are based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates and therefore the carrying values are assumed to equal fair values.

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

20. FAIR VALUE *(continued)*

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

	2010		
	Carrying value	Fair value	Unrecognized gain/(loss)
Financial assets			
Cash, due from banks and treasury bills	41,808,625	41,808,625	–
Statutory Deposits with Bank of Guyana	10,138,510	10,138,510	–
Investment securities	8,855,437	8,855,437	–
Advances	28,305,627	28,470,039	164,412
Investment interest receivable	69,581	69,581	–
Other financial assets	622,574	622,574	–
Financial liabilities			
Due to Banks	150,623	150,623	–
Customers' current, savings and deposit accounts	84,207,045	84,207,333	(288)
Accrued interest payable	42,052	42,052	–
Other financial liabilities	159,955	159,955	–
Total unrecognised change in unrealised fair value			164,124

	2009		
	Carrying value	Fair value	Unrecognized gain/(loss)
Financial assets			
Cash, due from banks and treasury bills	38,781,740	38,781,740	–
Statutory Deposits with Bank of Guyana	9,648,012	9,648,012	–
Investment securities	11,197,128	11,197,128	–
Advances	23,302,210	23,345,552	43,342
Investment interest receivable	124,750	124,750	–
Other financial assets	299,801	299,801	–
Financial liabilities			
Due to Banks	453,738	453,738	–
Customers' current, savings and deposit accounts	79,204,292	79,258,792	(54,500)
Accrued interest payable	45,260	45,260	–
Other financial liabilities	1,212,937	1,212,937	–
Total unrecognised change in unrealised fair value			(11,158)

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20. FAIR VALUE *(continued)*

20.1 Fair value and fair value hierarchies

20.1.1 Determination of fair value and fair value hierarchies

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank's own models whereby the majority of assumptions are market observable.

Level 3
Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

The following table shows an analysis of financial instruments recorded at fair value categorised by hierarchy level.

	2010 Level 1	Level 2	Level 3	Total
Financial investments -available-for-sale	1,499,053	7,356,384	–	8,855,437

20.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2010 no assets were transferred between Level 1 and Level 2.

20.1.3 Reconciliation of movements in Level 3 financial instruments measured at fair value.

For the year ended September, 30 2010 there were no Level 3 financial instruments.

21. SEGMENTAL INFORMATION

21.1 Operating Segments

The Bank has the following operating segments based on products and services as follows:

a) Retail lending – consumer loans including mortgages.
b) Corporate and commercial lending – loans and other credit facilities for corporate and institutional customers.
c) Investment – local and foreign investments.
d) Deposit business – demand, savings and certificates of deposits
e) Foreign business – foreign trade and other foreign services.
f) Other services – services offered that are not the core business of the bank.

	Retail lending	Corporate and commercial lending	Investment	Deposit business	Foreign business	Other services	Sub-total	Unallotted	Total
2010									
Interest income	1,134,950	2,022,745	2,162,078	–	–	104,503	5,424,276	125,870	5,550,146
Interest expense	–	–	–	(921,883)	–	–	(921,883)	–	(921,883)
Net interest income	1,134,950	2,022,745	2,162,078	(921,883)	–	104,503	4,502,393	125,870	4,628,263
Other income	–	–	–	170,040	1,253,871	265,656	1,689,567	182,794	1,872,361
	1,134,950	2,022,745	2,162,078	(751,843)	1,253,871	370,159	6,191,960	308,664	6,500,624
Loan impairment expense	(80,222)	(181,231)	–	–	–	–	(261,453)	–	(261,453)
Operating expenses	–	–	–	–	–	–	–	(2,841,711)	(2,841,711)
Profit before taxation	1,054,728	1,841,514	2,162,078	(751,843)	1,253,871	370,159	5,930,507	(2,533,047)	3,397,460
Total assets	10,075,740	18,229,887	45,711,278	–	3,930,484	–	77,947,389	17,969,907	95,917,296
Total liabilities	–	–	–	84,249,097	150,623	–	84,399,720	2,853,017	87,252,737

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21. SEGMENTAL INFORMATION *(continued)*

21.1 Operating Segments *(continued)*

	Retail lending	Corporate and commercial lending	Investment	Deposit business	Foreign business	Other services	Sub-total	Unallotted	Total
2009									
Interest income	1,038,925	1,920,327	2,278,634	–	–	99,121	5,337,007	90,176	5,427,183
Interest expense	–	–	–	(1,013,715)	–	–	(1,013,715)	–	(1,013,715)
Net interest income	1,038,925	1,920,327	2,278,634	(1,013,715)	–	99,121	4,323,292	90,176	4,413,468
Other income	–	–	–	170,801	1,250,067	233,041	1,653,909	132,044	1,785,953
	1,038,925	1,920,327	2,278,634	(842,914)	1,250,067	332,162	5,977,201	222,220	6,199,421
Loan impairment (expense)/recovery	(95,885)	4,705	–	–	–	–	(91,180)	–	(91,180)
Operating expenses	–	–	–	–	–	–	–	(3,185,591)	(3,185,591)
Net Impairment on assets classified as held-for-sale	–	83	–	–	–	–	83	–	83
Profit before taxation	943,040	1,925,115	2,278,634	(842,914)	1,250,067	332,162	5,886,104	(2,963,371)	2,922,733
Total assets	10,075,740	18,229,887	45,711,278	–	3,930,484	17,969,907	95,917,296		
Total liabilities	–	–	–	84,249,097	150,623	2,853,017	87,252,737		

21. SEGMENTAL INFORMATION *(continued)*

21.2 Geographical Information

The Bank operates only in Guyana but conducts investment and other correspondent banking business in other countries. The following tables show the distribution of the Bank's revenues and non-current assets allocated based on the location of the customers and assets respectively:

2010	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	5,333,132	21,171	195,842	5,550,145
Interest expense	(921,883)	–	–	(921,883)
Net interest income	4,411,249	21,171	195,842	4,628,262
Other income	1,872,361	–	–	1,872,361
Net interest and other income	6,283,610	21,171	195,842	6,500,623
Total assets	92,432,484	440,917	3,043,895	95,917,296
Total liabilities	87,252,737	–	–	87,252,737

2009	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	5,140,276	99,698	187,209	5,427,183
Interest expense	(1,013,715)	–	–	(1,013,715)
Net interest income	4,126,561	99,698	187,209	4,413,468
Other income	1,785,953	–	–	1,785,953
Net interest and other income	5,912,514	99,698	187,209	6,199,421
Total assets	84,362,016	1,292,119	3,679,005	89,333,140
Total liabilities	81,866,353	–	–	81,866,353

21.3 Major Customers

There were no revenues deriving from transactions with a single external customer or group of customers that amounted to 10% or more of the Bank's revenues.

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22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the assets and liabilities of the Bank based on the remaining period at September 30 to the contractual maturity date. See Note 18.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Up to one year	One to five years	Over five years	Total
2010				
ASSETS				
Cash, due from banks, treasury bills and bills discounted	41,808,625	–	–	41,808,625
Statutory Deposits with Bank of Guyana	10,137,404	1,106	–	10,138,510
Advances	7,376,450	8,597,742	12,331,435	28,305,627
Investment securities	2,838,211	4,240,504	1,776,722	8,855,437
Other assets	909,269	159,264	5,740,564	6,809,097
	63,069,959	12,998,616	19,848,721	95,917,296
LIABILITIES				
Due to banks	150,623	–	–	150,623
Customers' current, savings and deposit accounts	84,197,830	9,215	–	84,207,045
Other liabilities	2,413,825	244,644	236,600	2,895,069
	86,762,278	253,859	236,600	87,252,737
2009				
ASSETS				
Cash due from banks, treasury bills and bills discounted	38,781,740	–	–	38,781,740
Statutory Deposits with Bank of Guyana	8,805,251	811,548	31,213	9,648,012
Advances	1,527,953	8,690,537	13,083,720	23,302,210
Investment securities	2,455,402	6,731,727	2,009,999	11,197,128
Other assets	776,067	85,859	5,326,724	6,188,650
	52,346,413	16,319,671	20,451,656	89,117,740
LIABILITIES				
Due to banks	453,738	–	–	453,738
Customers' current, savings and deposit accounts	72,181,284	6,762,899	260,109	79,204,292
Other liabilities	1,872,264	336,059	–	2,208,323
	74,507,286	7,098,958	260,109	81,866,353

23. DIVIDENDS PAID AND PROPOSED

	2010	2009
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2009: $1.75 (2008: $1.50)	525,000	450,000
First dividend for 2010: $0.83 (2009: $0.75)	250,000	225,000
Total dividends paid	775,000	675,000
Proposed for approval at Annual General Meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary stock units:		
Final dividend for 2010: $1.92 (2009: $1.75)	575,000	525,000

24. CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2010 there were certain legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine that eventuality.

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

	2010	2009
Acceptances	9,771	10,626
Guarantees and indemnities	1,401,447	1,293,062
Letters of credit	368,824	151,114
	1,780,042	1,454,802
c) Sectoral information		
State	67,014	60,663
Corporate and commercial	1,693,176	1,370,604
Personal	19,852	23,535
	1,780,042	1,454,802

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2010

Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

24. CONTINGENT LIABILITIES *(continued)*

d) Pledged assets

Below illustrates the distribution of pledged assets in the Bank's statement of financial position:

	Carrying Amount		Related Liability	
	2010	2009	**2010**	2009
Statutory deposits	**10,138,510**	9,648,012	**84,207,045**	79,204,292

The statutory deposit is provided to the Bank of Guyana at a percentage of deposit liabilities under the Financial Institutions Act.

e) Non-cancellable operating lease commitments

	2010	2009
Less than one year	**14,412**	14,412
Between one to five years	**35,232**	49,488
More than five years	**595**	751
	50,239	64,651

25. EXTERNAL PAYMENT DEPOSITS SCHEME

	2010	2009
	47,691	47,691

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This represents 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 agreement signed with each customer which specifically exclude the Bank from any liability.

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