We believe that every member of Republic Bank has a stake in our success. As we interweave our individual contributions, we seek out the most effective means of unlocking the true potential of our people, our country and our region. Each of us contributes to the evolution of our resources, enhancement of customer service and the improvement of the quality of life in the communities with which we share our future.

Over the course of almost 175 years, Republic Bank has formed an interconnected Group, dedicated to local and regional progress. Together with our employees, our customers and our shareholders, we embrace a vision of building successful societies, wherever the business of banking and financial services may take us.

Vision

Republic Bank,
the Caribbean Financial Institution of Choice
for our Staff, Customers and Shareholders.
We set the Standard of Excellence
in Customer Satisfaction,
Employee Engagement, Social Responsibility
and Shareholder Value,
while building successful societies.

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, Shareholders
and the communities we serve.

Values

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

Table of Contents

Notice of Meeting	4
Corporate Information	5
Bank Profile	6
Financial Summary	8
Financial Highlights	9
Board of Directors	10
Directors' Report	12
Chairman's Review	15
Managing Director's Discussion and Analysis	17
Management	24
Power to Make a Difference	26
Statement of Corporate Governance Practices	28
Management's Responsibility for Financial Reporting	30
FINANCIAL	
Independent Auditors' Report	32
Statement of Financial Position	33
Statement of Income	34
Statement of Comprehensive Income	35
Statement of Changes In Equity	36
Statement of Cash Flows	37
Notes to the Financial Statements	38

Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the twenty-seventh Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Monday December 12, 2011 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, 2011.

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; Yolande M. Foo, Roy E. Cheong and David J. Dulal-Whiteway.

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 agreement 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 24, 2011

REGISTERED OFFICE

155-156 New Market Street
North Cummingsburg
Georgetown, Guyana

NOTES:

- Only stockholders may attend.
- Any member entitled to attend and to vote is entitled to appoint a proxy to attend and vote instead of him/her.
- A proxy need not to 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
Managing Director – Republic Bank Limited
DAVID J. DULAL-WHITEWAY, *BSc Mgmt. Studies, MBA, CGA*

Managing Director
JOHN N. ALVES, *FICB*

NON-EXECUTIVE DIRECTORS
ROY E. CHEONG, *AA, FCII, FLMI, CLU*

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

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*

CORPORATE SECRETARY
CHRISTINE A. McGOWAN, *LEC (Hons.), LLB (Dist.), LLM (Merit), AMLCA*

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

Through the power of feedback, our Customer Panel creates the supportive environment for our clients to provide candid information on our products and services to enable us to improve our customer service.

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

MANAGERS

Managing Director
JOHN N. ALVES, *FICB*

General Manager, Credit
PATRICIA PLUMMER, *FICB*

General Manager, Corporate and Management Services
DENISE E. HOBBS, *Dip. (Business Mgmt.)*

Senior Manager, Corporate and Commercial Credit
SASENARAIN JAGNANAN, *Dip. AICB, (Banking and Finance)*

Manager, Branch Operations
DEVAN KHEMRAJ, *AICB, ACCA, BSc (Applied Accounting) (Hons.)*

Corporate Manager, Corporate and Commercial Credit
CHARLES H. BRUTON, *BSc (Econ.)*

Corporate Manager, Corporate and Commercial Credit
CARLA F. ROBERTS, *BSc (Accountancy)*

Manager, Finance and Planning
VANESSA THOMPSON, *BSocSc (Mgmt.), ACCA*

Manager, Human Resources
ANITA MOHABEER

Manager, Corporate Operations
DENYS BENJAMIN

Manager, Legal Services
CHRISTINE A. McGOWAN, *LEC (Hons.), LLB (Dist.), LLM (Merit), AMLCA*

Manager, Marketing and Communications
MICHELLE JOHNSON, *BSocSc (Hons.) (Mgmt.), PG Dip. (CIPR), MACC (Dist), MCIPR*

Manager, Branch Support Services
CELINE DAVIS, *ICB- Letter of Accomplishment, BSocSc (Mgmt.), PG Dip.(Developmental Studies), MSc (HR Mgmt.)*

Manager, Information Technology
YONNETTE GREAVES, *Dip. (Info. Services) LIMIS*

Manager, Internal Audit
STANTON GRANT, *BSc (Econ.), AICB*

MAIN BANKING OFFICE

WATER STREET OPERATIONS
38-40 Water Street
Georgetown, Guyana
Telephone: (592) 226-4091-5, 226-1691-5
Fax: (592) 227-2921
SWIFT: RBGL GYGG
E-mail: WaterStreet.Branch@republicguyana.com

Manager
JADOONAUTH PERSAUD, *Dip. (Banking and Finance)*

OTHER BANKING OFFICES

ANNA REGINA BRANCH
Lot 8 Anna Regina
Essequibo Coast
Telephone: (592) 771-4171, 4778, 4779
Fax: (592) 771-4085
E-mail: AnnaRegina.Branch@republicguyana.com

Officer-in-Charge
GUITREE RAMSAMOOJ, *CAT*

CAMP STREET BRANCH
78-80 Robb and Camp Streets
Georgetown, Guyana
Telephone: (592) 226-4911, 223-7433, 226-7267, 225-0343-5
Fax: (592) 226-4846
E-mail: CampStreet.Branch@republicguyana.com

Manager
SHERWYN GREAVES, *AICB*

CORRIVERTON BRANCH
Lot 5 #78 Corriverton
Corentyne, Berbice
Telephone: (592) 335-3351, 3354, 3376
Fax: (592) 335-3092
E-mail: Corriverton.Branch@republicguyana.com

Manager
HARRY DASS GHANESS, *ICB - Letter of Accomplishment*

LINDEN BRANCH
101-102 Republic Avenue
Mc Kenzie, Linden
Telephone: (592) 444-6951, 6952, 6090, 6001
Fax: (592) 444-6008
E-mail: Linden.Branch@republicguyana.com

Officer-in-Charge
RANDULPH SEARS, *Business Group Cert.(ICM), Dip. (Marketing), ACIM*

DIAMOND BRANCH
Public Road
Plantation Diamond
East Bank Demerara
Telephone: (592) 265-5731, 5737
Fax: (592) 265-5738
E-mail: Diamond.Branch@republicguyana.com

Officer-in-Charge
JOEL SINGH, *AICB*

NEW AMSTERDAM BRANCH
16 Strand
New Amsterdam, Berbice
Telephone: (592) 333-2633, 2639, 2706, 2215
Fax: (592) 333-3432
E-mail: NewAmsterdam.Branch@republicguyana.com

Officer-In-Charge
IMRAN SACCOOR

ROSE HALL BRANCH
29 Public Road
Rose Hall Town
Corentyne, Berbice
Telephone: (592) 337-4300, 4500, 4550
Fax: (592) 337-4424
E-mail: RoseHall.Branch@republicguyana.com

Manager
LEON E. McDONALD, *Dip. Accounting (AAT), AICB, CAT*

ROSIGNOL BRANCH
31-32 Public Road
Rosignol Village
West Bank Berbice
Telephone: (592) 330-2219, 2680, 2683
Fax: (592) 330-2681
E-mail: Rosignol.Branch@republicguyana.com

Officer-in-Charge
JOSEPH DOWNES, *BSocSc. (Mgmt.) (Dist.)*

VREED-EN-HOOP BRANCH
27 ‘C’ Stelling Road
Vreed-en-Hoop
West Coast Demerara
Telephone: (592) 264-2367, 3106, 3107, 3108
Fax: (592) 264-2605
E-mail: Vreed-en-Hoop.Branch@republicguyana.com

Officer-In-Charge
SHRIDATH PATANDIN, *AICB*

Financial Summary

All figures are in thousands of Guyana Dollars

	2011	2010	2009	2008	2007
Cash resources	**16,392,343**	16,577,891	16,265,080	16,525,468	14,099,445
Investment securities	**7,187,075**	8,855,437	11,197,128	11,493,650	14,060,238
Loans and advances	**32,814,345**	28,305,627	23,302,210	21,586,811	17,262,689
Total assets	**103,875,703**	95,917,296	89,333,140	84,174,720	73,869,729
Total deposits	**91,871,620**	84,207,045	79,204,292	75,122,519	65,909,096
Stockholders' equity	**9,639,821**	8,664,559	7,466,787	6,316,412	5,154,309
Net profit after taxation	**1,928,364**	1,982,092	1,821,457	1,559,697	1,144,418
Earnings per stock unit in dollars ($)	**6.43**	6.61	6.07	5.20	3.81
Return on average assets (%)	**1.9**	2.1	2.0	1.9	1.6
Return on average equity (%)	**20.6**	24.1	25.9	27.2	22.7

Financial Highlights

All figures are in thousands of Guyana Dollars

	2011	2010	Change	% change
Income statement				
Interest and other income	**7,457,303**	7,422,506	34,797	0.5
Interest and non-interest expenses	**(4,281,873)**	(4,025,049)	(256,824)	(6.4)
Net Income before taxation	**3,175,430**	3,397,457	(222,027)	(6.5)
Taxation charge	**(1,247,066)**	(1,415,365)	168,299	11.9
Net Income after taxation	**1,928,364**	1,982,092	(53,728)	(2.7)
Balance sheet				
Loans and advances	**32,814,345**	28,305,627	4,508,718	15.9
Total assets	**103,875,703**	95,917,296	7,958,407	8.3
Average assets	**102,673,318**	93,851,878	8,821,440	9.4
Deposits	**91,871,620**	84,207,045	7,664,575	9.1
Equity (capital and reserves)	**9,639,821**	8,664,559	975,262	11.3
Average outstanding equity	**9,379,170**	8,224,485	1,154,685	14.0
Common stock				
Earnings in dollars per stock unit	**6.43**	6.61	(0.2)	(2.8)
Dividend for the year (in thousands)	**825,000**	775,000	50,000	6.5
Stock Units (in thousands)	**300,000**	300,000	0	0.0
General				
Number of:				
Stockholders	**1,194**	1,223	(29)	(2.4)
Common stock outstanding (in thousands)	**300,000**	300,000	0	0.0
Active savings, chequing and deposit accounts	**136,010**	207,428	(71,418)	(34.4)
Employees	**608**	592	16	2.7
Banking offices	**10**	9	1	11.1

Board of Directors

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

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

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

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

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

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

7 DERWIN M. HOWELL
BSc (Hons.) (Elect. Eng.), MSc (Tele. Systems),
Executive MBA, MIET, MIEEE, C. Eng.
Managing Director,
Barbados National Bank Inc.

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

9 RICHARD I. VASCONCELLOS
Chairman,
Carib Hibiscus Development


1

2

3

4

5

6

7

8

9

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2011.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

(in thousands of Guyana Dollars)

	2011	2010
Net income after taxation	1,928,364	1,982,092
Interim dividend paid	275,010	250,000
Retained earnings	1,653,355	1,732,092
Final dividend proposed	575,000	575,000

DIVIDENDS

An interim dividend of $0.92 per stock unit ($275.0 million) was paid during the year and a final dividend of $1.92 per stock unit ($575 million) for the year ended September 30, 2011 is recommended. This will bring the total payout for the year to $850 million.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings total $1,714 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2011 is $7,926 million (2010 - $7,536 million) after a transfer of $689 million to the General Banking Risk Reserve, $575 million paid out as dividends (final 2010 - $575 million, interim 2011 - $275 million), and $1,928 million transferred from the Statement of Income for 2011.

DONATIONS

Donations to charitable or public causes for the year were $7.1 million (2010 - $11.8 million), emphasising the Bank's strong social investment policy.

SUBSTANTIAL STOCKHOLDING (UNITS OF STOCK)

A substantial stockholder for the purposes of the Securities Industry Act 1998 is one who controls 5% 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	
	2011	% held	2010	% 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	15,798,760	5.27	14,673,760	4.89
Trust Company (Guyana) Limited	16,415,943	5.47	15,754,286	5.25

DIRECTORS

In accordance with the Bank's By-Laws, Yolande M. Foo, Roy E. Cheong and David J. Dulal-Whiteway 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 a 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 $160 million (2010 - $217 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	
	2011	2010
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 associates)		

DIRECTORS' FEES ($)

	2011	2010
Edwin H. Gooding	–	700,000
Nigel M. Baptiste	1,440,000	1,200,000
John G. Carpenter	1,800,000	1,560,000
Roy E. Cheong	1,890,000	1,560,000
David J. Dulal-Whiteway	3,000,000	2,940,000
Derwin M. Howell	1,440,000	1,200,000
Richard I. Vasconcellos	1,650,000	1,560,000
William H. Pierpont Scott	1,770,000	1,560,000
John N. Alves	700,000	1,200,000
Yolande M. Foo	1,800,000	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 $78.57 million (2010 - $75.78 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.

Our new Branch at Diamond on the East Bank Demerara offers customers a spacious and modern environment in which to conduct their business, while providing a full range of banking services.

Chairman's Review

DAVID J. DULAL-WHITEWAY

THE BANK HAS RECORDED A SATISFACTORY PERFORMANCE in the context of the current testing operating environment, with profit after tax of $1,928.4 million, representing a 2.7% reduction on the $1,982 million realised in 2010. The Board has recommended a final dividend of $575 million ($1.9167 per stock unit) which, if approved by stockholders at the Annual General Meeting, will bring the total dividend for the year to $850 million (2010 - $825 million), a total dividend payout of 44.1%.

Economic Review

This year began with tentative signs of a global recovery but this has proven illusory for many developed countries. A combination of austerity measures, sovereign debt crisis and natural disasters has already resulted in weak growth within many G7 countries. Moreover, the current political impasse in the United States and political indecision within the EU's euro zone could lead to further stagnation beyond 2011. Projections for economic growth above 4% this year have already been lowered to 3.5% or lower by many economists. However, the distribution of this growth will not be even, as the emerging economies, which represent about 30% of global GDP, are expected to contribute more than 60% of growth in the coming year. The BRIC countries– Brazil, Russia, India and China–continue to demonstrate strong economic growth driven by higher productivity, rising domestic demand and higher commodity prices. China continues to lead the world in outsourced manufacturing while India leads in outsourced services, and the two countries recorded growth rates of 9.5% and 8% respectively. Nonetheless, the revival of the global economy remains largely dependent upon improvement in international trade. Consequently, a continuation of weak growth in the G7 and other developed countries, combined with uncertainty in the financial markets, will ultimately lead to further tensions around the world.

The impact of the global slowdown has not yet had any severe repercussions within Guyana. In 2010, real Gross Domestic Product (GDP) grew by 3.6% compared to 2.3% in 2009. This improvement was sustained during the first six months of the year when the economy grew at a rate of 5.9% according to the half-year report of the Bank of Guyana. Overall growth for 2011 is now projected to be 5.1% by the end of the year. The main contributors to growth for this year were agriculture, mining and quarrying, manufacturing and service sectors for which improved performance was buoyed by good weather, high commodity prices and increased investment respectively. The forestry, fishing and diamond sectors contracted during the period but the rice industry continued to boom. Last year rice contributed 4% of GDP and also surpassed sugar as the highest agricultural foreign exchange earner. This performance is expected to be sustained in 2011 with increased rice exports to Venezuela. In the meanwhile, the sugar industry demonstrated tentative signs of recovery with the first crop in 2011 reflecting an increase of 30.5% over last year's first crop although 21% below target. This improvement was largely attributable to increased acreage under cultivation, higher yields and enhanced mechanisation even as the industry's flagship project at Skeldon continues to face challenges, and remains a cause for concern.

Export earnings for the first half of 2011 increased by 32.9% to US$523 million over the same period in 2010. The improvement was led by increased earnings in the export of gold (US$229.5 million), rice (US$92.7 million) and bauxite (US$65.2 million). Merchandise imports also increased by 25% to US$859.5 million during the first six months of the year. The overall balance of payments reflected a deficit of US$19.6 million at the end of June 2011, compared to a surplus of US$34.6 million a year ago. The Bank of Guyana now expects this deficit to reach US$36.1 million by the end of 2011. The downturn was caused by the higher deficits in merchandise trade and services, although this was partially offset by higher transfers. We note that the External Public Debt has increased to US$1.1 billion as at mid-year. Nonetheless, the country's net international reserves reached a historic high of US$724 million at mid-year, and we are confident that Guyana will be able to weather any foreseeable shocks, given the continued boom in commodity prices.

Fiscal performance continued to be satisfactory as central government's revenue increased by 13% to G$61.5 billion due to higher tax collections at the end of June 2011. Notwithstanding this, overall surplus dipped to G$5.2 billion due to higher spending on agriculture, construction and housing.

Inflation fell to 2.97% during the first half of 2011, compared to 4.5% in 2010. However, the Bank of Guyana expects this rate to increase to 4.8% by the end of this year, due to the pressures of rising food and fuel imports. The Guyana dollar continues to remain stable against the US dollar.

Outlook

Republic Bank (Guyana) Limited remains confident in the performance of the economy and its future prospects. The improved performance of the agricultural and mining sectors is likely to be sustained by high commodity prices. At the same time, the upgrading of its infrastructural and technological network creates many opportunities for all stakeholders in the Guyanese economy. Our focus remains that of developing new products and services aimed at meeting the needs of our customers.

Construction and relocation to our new Rosignol Branch is scheduled to commence in 2012 and is necessary in order to provide more spacious and convenient premises. We also plan to establish a presence in Lethem and on the East Coast of Demerara in the not- too-distant future.

Acknowledgements

I take this opportunity to thank management and staff for their hard work and dedication during the fiscal year. I also 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 in ensuring the Bank's future success.

The Republic Bank Youth Link Apprenticeship Programme is our commitment to the development of Guyana's young people, and equips participants with the basic tools to improve their personal development and career options. It is a training programme geared to teaching marketable skills in business-related disciplines

JOHN N. ALVES

Managing Director's Discussion and Analysis

INTRODUCTION

THE YEAR UNDER REVIEW PROVED ANOTHER CHALLENGING one for the Bank, given the ongoing trickle-down effects of the global financial fallout and the challenges these imposed on the Bank's operations. Notwithstanding this, the Bank achieved an after-tax profit of $1,928 million or 2.7% below that of 2010. Earnings per stock unit reduced to $6.43 from $6.61.

A dividend of $1.92 per stock unit has been proposed, bringing the total dividend payable for the financial year ended September 30, 2011 to $850 million. This represents a 44.1% distribution of net earnings after tax. Our performance is the result of careful planning, strict budgetary controls and our singular focus on key strategic initiatives. In 2011, our focus was that of cementing the benefits of the previous year's changes and building a solid base for the future. The components of the solid base are technology, human resources, quality assets, a strong capital base and service excellence.

While the local economy remains not directly vulnerable to the global fallout, increased liquidity, reduced/limited investment opportunities and incoming foreign remittances continue to influence levels of business, more particularly in the area of lending, as consumers assume a more cautious approach. The environment of excess liquidity also impacted foreign exchange selling rates and net interest margins. Through the effective management of resources and operating expenses, the Bank was able to navigate another challenging year.

Customer Service

The Bank remains committed to ensuring the highest level of customer service and efforts aimed at providing the best service in Guyana are ongoing. We continue to gain invaluable insight into our customers' perceptions, experiences and needs through our staff and customer focus groups. These afford opportunities for improved performance and help to inform our strategic direction.

During the fiscal year we also introduced an enhanced Mystery Shopper programme to aid in continually monitoring service delivery and which, to this date, has proven quite effective. As the demands of the real-time customer evolve, outstanding customer service is no longer an option but instead a prerequisite, and to this end the Bank spares no effort to ensure that its workforce remains abreast of these trends, and institutes measures to attain the desired results.

Human Resources

Our people are our critical resource and as always, we endeavour to be the employer of choice. The development of our human resources remains a prime objective of our Bank, as trained and qualified personnel enable us to meet the changing needs of our customers. Initiatives to increase employee satisfaction and transform the culture include:

- Leadership and staff fora that afford the opportunity for involving staff in the Bank's business plans;
- A performance management system that is results-oriented and includes a behavioural component linked to our core values;
- Community outreach activities through our staff volunteerism and Youth Link Apprenticeship programmes.

Staff engagement also remains a priority, as it is our firm belief that this is a key ingredient in helping the Bank to meet the range of varying challenges it faces. Effective staff engagement is essential to help meet the financial challenges and improve productivity. It is seen as an essential component in developing training programmes.

During fiscal 2011 G$39.72 million were allocated for the training and education of our employees, and these investments will continue, for they represent the Bank's commitment to maintaining highly trained staff as we seek to ensure quality financial products and service.

Several officers attended programmes, both locally and overseas, and these included Management, Fraud Detection and Control, Marketing, Leadership, Job Evaluation, Small Medium Enterprise (SME) and Accounting. The Bank offers both in-house tutoring and tutoring towards academic and professional qualifications, as well as educational opportunities for all eligible employees wishing to benefit.

Anti-Money Laundering

The Bank continues to take the necessary steps to counter the possible use of its products and services to facilitate money laundering and the financing of terrorism. As a result, there are ongoing efforts to ensure that the Bank is fully compliant with all local and international best practices associated with the prevention and detection of money laundering and terrorist financing. In keeping with this approach, the Bank continues to co-operate fully with local and international initiatives geared at protecting the financial sector from the ills of laundering and other financial crimes.

During the year the staff of the Bank received training in the prevention and detection of money laundering and terrorist financing, and one of the Bank's officers was certified as an Anti Money Laundering Certified Associate (AML/CA) by the prestigious Florida International Bankers Association.

Technology

Continued emphasis was placed on enhancing our automated products to improve service delivery. The face of banking continues to evolve, and as such, electronic Banking and upgraded Information Technology remain paramount among the Bank's plans, which are aimed at ensuring the ability to deliver the level of service expected by the modern, discerning customer. The Bank successfully launched its Internet Banking service in 2010, and our thrust to promote the use electronic banking products is ongoing. This trend is expected to continue in 2012, as we continue reviewing our systems, with particular emphasis on reliable, convenient, and secure banking.

Our Automated Teller Machine and Point of Sale network increased to 33 and 249, respectively. We are also heartened by increased usage of these channels in a society that is still largely cash-based. The growth of electronic commerce, and globalisation of business present exciting Information Technology challenges for the Bank, and during the year we upgraded our core application and enhanced security to ensure reliability and optimum security at all times.

As we move forward, our commitment is to derive maximum benefit from the Bank's investment in technology, and continue to implement new ways of applying technology towards serving our customers more efficiently and, by extension, providing an improved return to our stockholders.

Expansion/Premises

In keeping with our commitment to provide the highest level of service to our customers, the Bank's expansion plans continued with the opening of a modern branch at Diamond, East Bank Demerara on January 17, 2011, to serve the burgeoning neighbouring communities. Other major infrastructural work included the renovation and expansion of the Linden Branch.

Plans are also moving apace for the construction of a branch in Lethem and a new/larger facility at Rosignol, West Coast Berbice. Future plans include the establishment of a branch on the East Coast of Demerara, reflecting our confidence in the stability of the economy, people and communities.

Operations

Routine maintenance of the Bank's properties continued in order to maintain our high standards, and this focus will continue in the new fiscal year. A number of departments within the Bank were also re-engineered/re-organised during 2011 and this effort will continue in the new year. Much focus was placed this year on improving the operations at our branches with satisfactory progress, and in the new financial year special attention will be paid to our Water Street, Camp Street and Rosignol Branches.

Amendments and adjustments were made to existing products and services to increase their appeal and efficiency.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2011, to be read in conjunction with the Directors' report and audited financial statements presented on page 12 to 14 and pages 32 to 81 respectively.

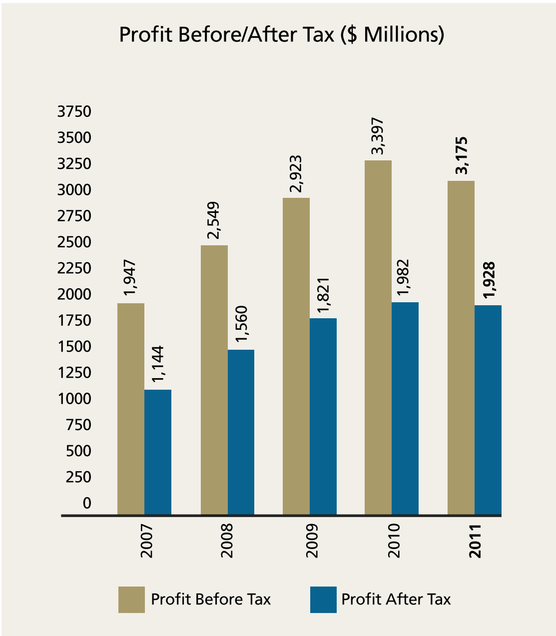
These statements are published in Guyana dollars. Foreign amounts have been converted to Guyana dollars at the prevailing mid-rate on September 30th for each financial year. The following are the mid-rates for the major currencies as at September 30, 2011:

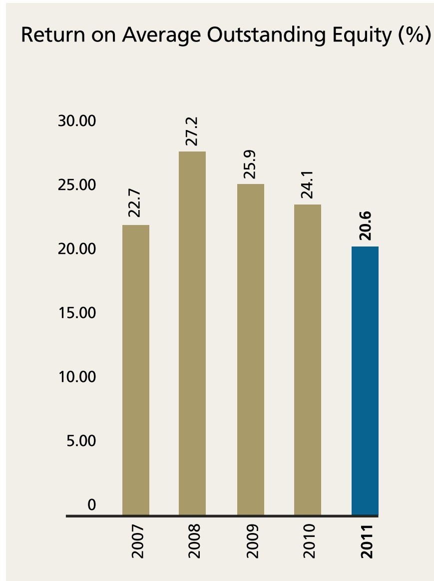
	2011	2010
United States dollars	**202.5**	202.5
Pounds Sterling	**309.0**	307.5
Canadian dollars	**197.5**	185.0
Euro	**271.5**	250.0

STATEMENT OF INCOME REVIEW

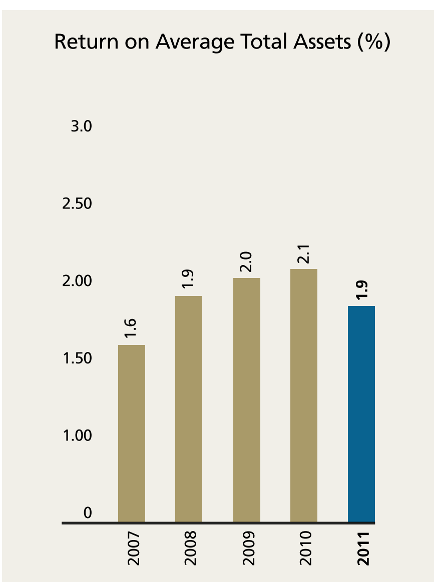
Financial Summary

After-tax profit of $1,928 million represents a decline in profitability of $54 million or 2.7% over 2010. This decline in profitability was as a result of a decrease in other income, mainly in the area of foreign trade, as well as an increase in operating expenses partly due to branch expansion during the fiscal year. Additionally, Corporation Tax paid during the year amounted to $1,546 million compared with $1,257 million in 2010.





The Bank's return on average assets (1.9%) declined year on year as well as its return on average stockholders' equity (20.6%). Earnings per stock unit also decreased from $6.6 in 2010 to $6.4 in 2011.



Net Interest and Other Income

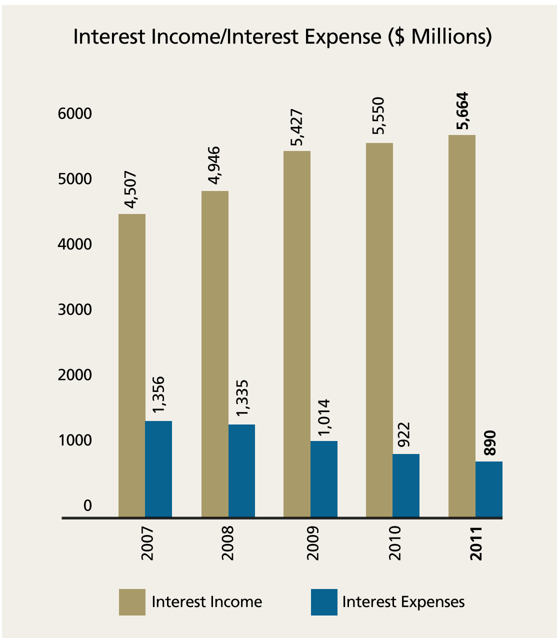
Net interest income at $4.8 billion exceeded the $4.6 billion earned in 2010 by $146 million, or 3.2%. This is attributed primarily to the increase in the lending portfolio and tight management of interest expense.

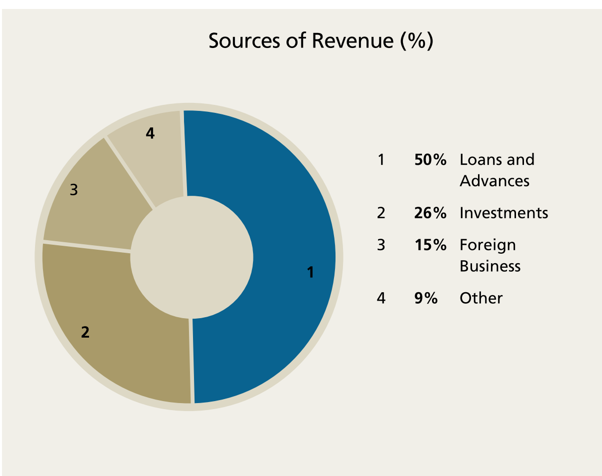
The ratio of the Bank's average interest-earning assets to average customer deposits, increased to 87.5% from 86.8% in 2010. This reflects the Bank's policy of making maximum use of customers' deposits in a challenging environment where investments and lending opportunities are relatively scarce. Almost 60% of the Bank's interest earning assets at September 30, 2011 consists of Government of Guyana Treasury bills.

Interest paid on deposits for 2011 at $890 million, was lower than that of 2010 ($922 million) 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.

Other Income which amounted to $1.8 billion and contributed 24% to total income, fell below the 2010 amount of $1.9 billion by $79.3 million, or 4.2%. Continued emphasis on foreign exchange trading resulted in exchange gains for 2011 of $1,108 million, a decrease of $28.0 million or 2.5% over 2010. Exchange earnings continue to be the main source of Other Income, contributing 60.9% (2010 - 63.4%) of the total.

Net interest and other income grew by $66.8 million or 1% to $6.6 billion in 2011 compared to the $6.5 billion generated in 2010.





Non-interest expense

Non-interest expenditure, which comprises operating expenses and provision for loan losses, increased by $289 million or 9.3% over 2010. Staff costs increased to $1,560 million. There were also significant increases in depreciation charges ($31.7 million) and loan losses net of recoveries of $1.4 million.

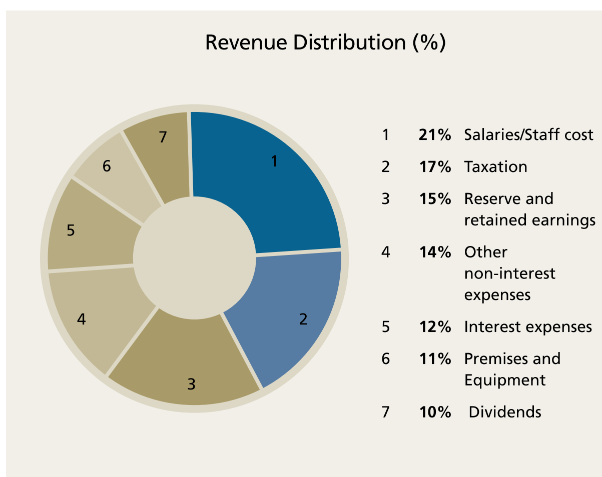
In accordance with IAS 39, as well as under the Financial Institutions Act, the Bank conducts an annual review of its impaired loans. There are three levels at which the Bank provides for actual and potential loan impairment. These are a General Banking Risk Reserve and General and Specific Provisions for non-performing loans. After a $688.9 million transfer from retained earnings in 2011, the amount set aside for the General Banking Risk Reserve amounts at year end to $1,039 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 $183.3 million at September 30, 2011, a decrease of $1.9 million.

This provision reflects the level of inherent risk in the loan portfolio for which there is no specific provision.

At September 30, 2011, specific provision on non-performing loans amounted to $121.7 million, a decrease of $39.5 million over 2010. Overall in 2011, expenses related to loan-loss provisioning amounted to $175.2 million against a provision of $261.4 million in 2010. Notwithstanding the reductions, the Bank continues to adopt a very prudent policy especially on its unsecured consumer lending portfolio. Recoveries on loans which were previously written-off amounted to $95.2 million in 2011 (2010 - $182.8 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2011 increased to 3.7% from the prior year's 1.8%. On the other hand, its ratio of specific provision for loan losses to non-performing loans declined from 31.5% at September 30, 2010 to 10.5% at September 30, 2011, reflecting the quality of collateral held to secure the newly classified non-performing loans.



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 $1.2 billion 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 $999.2 million over the same period.

Available-for-sale investment securities

Available-for-sale investment securities, including Government of Guyana Treasury Bills, grew by 8% during the year ($3.5 billion). The growth arose mainly in the Bank's investment in Treasury Bills which increased from $35.4 billion in 2010 to $40.5 billion at September 30, 2011 or 14.4%, compensating for a reduction in other local and foreign investments, which declined by $1.7 billion or 18.8% to $7.2 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.

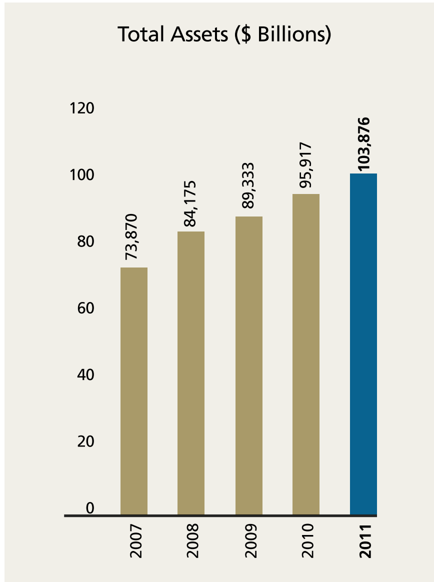
Advances

Advances grew by $4.5 billion to $32.8 billion, an increase of 15.9%. 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 30.3% increase in value from $6.6 billion to $8.6 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 31.7%, up from the 29.5% achieved in 2010.

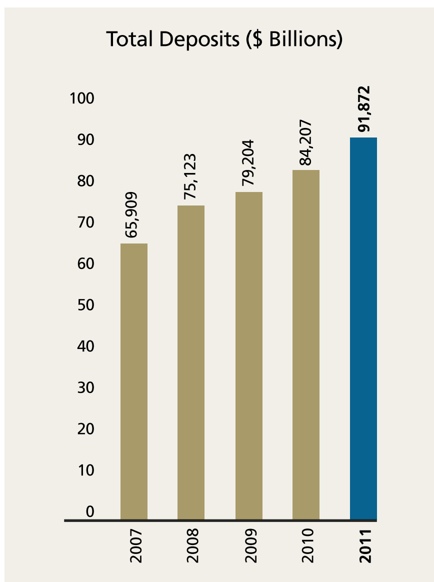
Total assets

The Bank's total assets of $103.9 billion represented an increase of $8 billion or 8.3% over 2010. Of this loans and advances accounted for an increase of $4.5 billion and available-for-sale investment securities and Treasury bills for $3.5 billion. Over the past three years, net investment in loans and advances grew by $1.72 billion, $5 billion and $4.5 billion, respectively. In a challenging and competitive environment for sound economic projects, the Bank continues to seek and attract new and remunerative investments, even as we honour our obligation to protect our depositors' funds.



Deposits

Our asset growth was funded mainly from deposits. As depositors continued to show confidence in the Bank our overall portfolio increased by $7.7 billion or 9.1%. 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 69.5% of the deposits' portfolio, grew by $2.7 billion or 4.5%. The Certificate of Deposit portfolio declined modestly by $72 million or 1% compared with growth of $163 million or 2.3% in 2010.



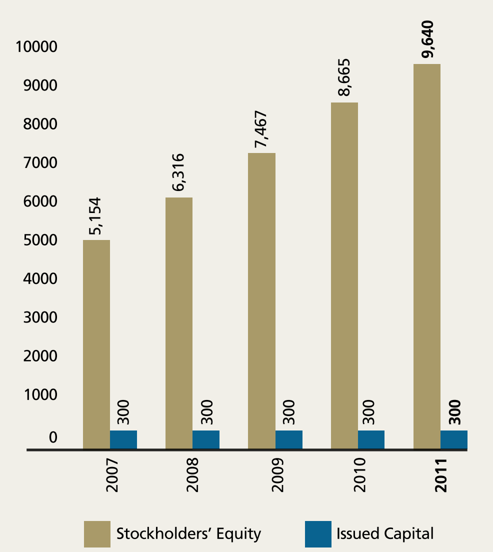
CAPITAL STRUCTURE AND RESOURCES

The Bank's policy is to maintain capital adequacy, ensure capital growth and minimise capital impairment. The governing Financial Institutions Act 1995 restricts a single or group borrower loan to defined percentages of the Bank's capital base. From the after tax profits of $1,928 million, $850 million is being paid out as dividends and $1,078 million transferred from the Statement of Income to stockholders' equity. At September 30, 2011 the book value of stockholders' equity amounted to $9.6 billion or $32.1 per stock unit.

Total dividends paid and proposed for fiscal 2011 amount to $850 million, an increase of 3% over the $825 million payout for 2010. This equates to a dividend payout ratio of 44.1% (2010 - 41.6%).

Stockholders enjoyed a significant increase in the price at which the Bank's stock traded on the Guyana Stock Exchange, with a spread of 44% between the highest price of $88 and lowest price of $61, with an average weighted price of $71.83 per stock unit. In terms of volume, most trades were done at a unit price of $70.00. Using the Market Weighted Average Price of $71.83 from the last trade date (September 26, 2011) for the Bank's stocks, the price/earnings ratio is 11.17 (2010 - 7.48). The net asset value of one unit is $32.1 (2010 - $28.9) which, with a price of $61, gives a price/book ratio of 1.89:1 (2010 - 1.45:1).

Issued Capital and Stockholders' Equity ($ Millions)



Regulatory capital

Capital adequacy is monitored by the Bank on a monthly basis, and is computed based on guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Bank of Guyana 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 $8.7 billion to $9.6 billion year-on-year. The capital adequacy ratio declined, moving to 20% at September 30, 2011 from 20.5% at September 30, 2010. 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 61 to 74 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.

The Internal Audit Department of the Bank and that of its parent company are also integrally involved in reviewing and implementing systems and procedures to combat operational risk. The department, through its random audits and internal verification processes, has the task of ensuring that the integrity of its operations is maintained at all times.

Future Outlook

The last year has seen a slow-down in world economic growth, and there are indications that there may be further decline over the next year. The recent events in the United States and Europe suggests that the slow-down will be protracted. This economic environment and the impact it is having on numerous industries can negatively affect the region and, in this regard, we expect that businesses will continue to operate in challenging circumstances over the short and medium-term.

In spite of the numerous challenges, however, Guyana remains well poised for further development and growth. We remain confident that the banking sector is sound, vibrant and well regulated, and while competition is keen, opportunities for growth and increased profit continue to exist. In the financial sector, we expect the continuation of aggressive competition in a low-interest-rate environment that may further erode net interest margins. We are, however, confident about implementing appropriate strategies, and will successfully utilise our resources to continue performing well. Significant investments will be made in technology and systems, and these will provide for significant future benefits.

Republic Bank is committed to working with the Government and Non-Governmental Organisations to help alleviate the social challenges facing the country. Each year we donate significantly to recognised charities that work to relieve the suffering of the differently-abled, aged and orphaned children and to improve the education and reward academic achievements of young people at varying levels.

We remain optimistic that Guyanese people will remain focused on the political and social stability necessary to improve living standards for all. The Government's ongoing drive to improve the country's housing sector is noteworthy, and we are hopeful that an improved economic, social and political climate will provide the enabling environment for Guyanese people and all sectors of the economy to grow.

We believe that customer service, integrity, innovation, staff development, asset quality and appropriate technology are the bases on which the Bank will continue to prosper, and expect 2012 to reflect an improvement in the Bank's performance.

Acknowledgements

In conclusion, I wish to thank our staff for their dedication and relentless efforts over the year, our Board for its guidance and counsel, and our customers and business partners for their unswerving loyalty and support. Without your help these results would not have been possible.

Preparing prospective university graduates for the world of work is yet another Power to Make a Difference initiative that encourages young people to learn and succeed, and equips them with skills needed to improve their career options.

Management

1 **DENYS R. BENJAMIN**
Manager,
Corporate Operations

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

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

4 **HARRY DASS GHANESS**
Manager,
Corriverton Branch

5 **STANTON GRANT**
Manager,
Internal Audit

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

7 **YONNETTE F. GREAVES**
Manager,
Information Technology

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

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

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

11 **DEVAN KHEMRAJ**
Manager,
Branch Operations

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

13 **CHRISTINE A. McGOWAN**
Manager,
Legal Services

14 **ANITA MOHABEER**
Manager,
Human Resources

15 **JADOONAUTH PERSAUD**
Manager,
Water Street Operations

16 **PATRICIA PLUMMER**
General Manager,
Credit

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

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


1


2


3


4


5


6


7


8


9


10


11


12


13


14


15


16


17


18


Digicel

The Power to Make a Difference

The Invisible Ones –
Nurturing their true potential

In 2011, the sixth year of our on-going Power to Make a Difference programme, Republic Bank (Guyana) Limited has once again confirmed our dedication to youth empowerment and championing the rights of the differently-abled, in order to help both groups succeed in their goals of high achievement in all areas of life.

Since the programme's inception in 2005, we have encouraged achievement in communities through the use of advocacy and teamwork. Together with Government Ministries, the University of Guyana, Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs), we have changed the shape and scope of Corporate Social Responsibility, both locally and regionally. And we have been steered by the belief that if the nation's young, elderly and socially disadvantaged can retain the hope, vision and wherewithal to achieve; we would have fulfilled our mandate to be our brothers' and sisters' keeper.

Over the years, we have directed our resources in a variety of ways as we worked with communities to support their ideals for improvement. The recent economic challenges have not diminished our zeal, as we continue to heed our communities' calls for help.

Power to Make a Difference –
Year Six Advocacy for the Differently-abled

Through our deeper involvement with the NGO community, we have gained a clearer appreciation of the struggles of people with physical and mental challenges.

While we support the interests of the differently-abled, including those with visible or physical disabilities, we have also been drawn to the area of hidden disabilities because these tend to be misdiagnosed, or worse, remain undetected, with dire consequences. In December 2010, we supported several charitable organisations in their continued quest to help enrich the lives of socially marginalised persons in our communities. Collaborations with the Guyana Community-Based Rehabilitation Project (CBR) to whom a 15-seater reconditioned minibus was donated, have benefited many differently-abled persons in Guyana.

The introduction of the Staff Volunteerism Programme has played a key role in the success of our Power to Make a Difference programme and our objective of holistic support of the work of charitable organisations. Through our Staff Volunteerism Programme every member of the Republic team is challenged to give of their time and energy to assist individuals and groups in need. As volunteers, we have enriched the lives of the young and elderly at orphanages, disability centres and senior citizen homes.

Youth Programmes

The empowerment of young people continues to be one of the main focuses of the Power to Make a Difference programme. The most enduring testament to our work is seen in the high attendance numbers of a variety of eagerly anticipated sport programmes. Over the last two years, many young achievers have benefited from the University of Guyana Career Coach, Youth Link Apprenticeship Programme and the Republic Bank National Drawing Competition.

This vision of youth empowerment continues to extend into programmes specifically designed to extract, develop and showcase the potential and talents of young people from many walks of life. In 2010/2011, we maintained our RightStart Pan Minors Music Literacy Programme; sponsorship of the Republic Bank Mashramani Panorama Steelpan Competition; awarded excellence through the Republic Bank University of Guyana Awards and Ministry of Education Awards; continued the University of Guyana Scholarship Award and sustained our subscription to Business Journals for the University Library.

Republic Bank remains committed to building successful societies and we are confident that these objectives can be achieved through deeper engagement with the various communities that we serve.

Statement of Corporate Governance Practices

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. The Board of Directors of Republic Bank (Guyana) Limited is committed to proper standards of Corporate Governance and maintaining these standards at the highest level. We continuously monitor our systems and procedures to ensure that our standards are in keeping with the best practice as determined by the Principles of Corporate Governance. The Bank is also guided by the Recommendations for a Code of Corporate Governance issued by the Guyana Securities Council 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. This statement is made pursuant to the abovementioned Supervision Guideline.

The Board of Directors comprises nine Directors including one Executive Director. The Non-Executive Directors comprise 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 is 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 while ensuring 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 within this context to approve Annual Budgets, including capital expenditure. 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. VASCONELLOS, 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 minimum once per year, 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 a competent and experienced management team. Two members of the Senior Management Team are Fellows of the Institute of Canadian Bankers, while the other is qualified in Business Management, making the team extremely qualified to offer leadership to the management team. 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, allowances, non-cash benefits and performance-based incentives. The performance of each staff member is evaluated annually based on individual and collective performance criteria.

Cognisant 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	32
Statement of Financial Position	33
Statement of Income	34
Statement of Comprehensive Income	35
Statement of Changes in Equity	36
Statement of Cash Flows	37
Notes to the Financial Statements	
1. Corporate Information	38
2. Significant accounting policies	38
a) Basis of preparation	38
b) Changes in accounting policies	38
c) Cash and cash equivalents	40
d) Statutory deposit with Bank of Guyana	40
e) Financial instruments	41
f) Impairment of financial assets	42
g) Leases	42
h) Premises and equipment	43
i) Goodwill	43
j) Employee benefits	43
k) Taxation	44
l) Statutory reserves	44
m) Earnings per stock unit	44
n) Foreign currency translation	44
o) Interest income and expense	45
p) Fee and commission income	45
q) Segment reporting	45
r) Customers' liability under acceptances, guarantees, indemnities and letters of credit	45
s) Assets classified as held-for-sale	45
t) Comparatives	45
3. Significant accounting judgements and estimates	45
4. Advances	47
5. Investment securities	50
6. Premises and equipment	50
7. Goodwill	52
8. Employee benefits	52
9. Deferred tax assets and liabilities	55
10. Other assets	55
11. Customers' current, savings and deposit accounts	56
12. Other liabilities	56
13. Stated capital	57
14. Other reserves	57
15. Operating profit	57
16. Taxation expense	59
17. Related parties	59
18. Risk management	61
19. Capital management	74
20. Fair value	74
21. Segmental information	77
22. Maturity analysis of assets and liabilities	78
23. Dividends paid and proposed	80
24. Contingent liabilities	80
25. External Payment Deposit Scheme	81

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, 2011, 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.

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, 2011, and of its financial performance and 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 24, 2011

Statement of Financial Position

as at September 30, 2011
Expressed in thousands of Guyana dollars ($'000)

	Notes	2011	2010
ASSETS			
Cash		975,963	1,188,228
Statutory deposit with Bank of Guyana		11,137,660	10,138,510
Due from banks		4,278,720	5,251,153
Treasury bills		40,525,362	35,369,244
Investment interest receivable		54,631	69,581
Advances	4	32,814,345	28,305,627
Investment securities	5	7,187,075	8,855,437
Premises and equipment	6	4,975,920	4,512,342
Goodwill	7	1,228,222	1,228,222
Deferred tax assets	9	156,945	159,264
Other assets	10	540,860	839,688
TOTAL ASSETS		103,875,703	95,917,296
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		137,247	150,623
Customers' current, savings and deposit accounts	11	91,871,620	84,207,045
Net pension liability	8	256,300	236,600
Taxation payable		218,888	584,434
Deferred tax liabilities	9	194,736	244,644
Accrued interest payable		33,274	42,052
Other liabilities	12	1,523,817	1,787,339
TOTAL LIABILITIES		94,235,882	87,252,737
EQUITY			
Stated capital	13	300,000	300,000
Statutory reserves	14	300,000	300,000
Net unrealised gains	14	74,679	177,771
General banking risk reserve	14	1,039,437	350,536
Retained earnings		7,925,705	7,536,252
TOTAL EQUITY		9,639,821	8,664,559
TOTAL LIABILITIES AND EQUITY		103,875,703	95,917,296

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

These financial statements were approved by the Board of Directors on October 24, 2011 and signed on its behalf by:

JOHN N. ALVES
Managing Director

CHRISTINE A. McGOWAN
Company Secretary

ROY E. CHEONG
Director, Chairman of Audit Committee

Statement of Income

For the year ended September 30, 2011
Expressed in thousands of Guyana dollars ($'000)

	Notes	2011	2010
Interest income	15 (a)	5,664,308	5,550,145
Interest expense	15 (b)	(889,875)	(921,883)
Net interest income		4,774,433	4,628,262
Other income	15 (c)	1,792,995	1,872,361
		6,567,428	6,500,623
Loan impairment expense	4 (b)	(175,214)	(261,453)
Operating expenses	15 (d)	(3,216,784)	(2,841,713)
Profit before taxation		3,175,430	3,397,457
Taxation - Current		(1,196,313)	(1,441,709)
- Deferred		(50,753)	26,344
Total taxation expense	16	(1,247,066)	(1,415,365)
Net profit after taxation		1,928,364	1,982,092
Earnings per stock unit ($)		6.43	6.61

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

Statement of Comprehensive Income

For the year ended September 30, 2011
Expressed in thousands of Guyana dollars ($'000)

	2011	2010
Net profit after taxation	**1,928,364**	1,982,092
Net losses on available-for-sale investments	**(171,820)**	(16,945)
Tax relating to components of other comprehensive income	68,728	7,625
Other comprehensive income for the year, net of tax	**(103,092)**	(9,320)
Total comprehensive income for the year, net of tax	**1,825,272**	1,972,772

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

Statement of Changes in Equity

For the year ended September 30, 2011
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, 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**
Balance at September 30, 2010	**300,000**	**300,000**	**177,771**	**350,536**	**7,536,252**	**8,664,559**
Profit for the year	–	–	–	–	1,928,364	1,928,364
Other comprehensive income	–	–	(103,092)	–	–	(103,092)
Total comprehensive income for the year	–	–	(103,092)	–	1,928,364	1,825,272
Transfer to general banking risk reserve	–	–	–	688,901	(688,901)	–
Dividends	–	–	–	–	(850,010)	(850,010)
Balance at September 30, 2011	**300,000**	**300,000**	**74,679**	**1,039,437**	**7,925,705**	**9,639,821**

Statement of Cash Flows

For the year ended September 30, 2011
Expressed in thousands of Guyana dollars ($'000)

	2011	2010
Operating activities		
Profit before taxation	3,175,430	3,397,457
Adjustments for:		
Depreciation	319,756	288,021
Loan impairment expense	175,214	261,453
Gain/(loss) on sale of premises and equipment	(212)	4,010
Increase in employee benefits	19,700	21,200
Increase in advances	(4,683,930)	(5,264,870)
Increase in customers' deposits and other fund raising instruments	7,664,575	5,002,753
Increase in statutory deposit with Bank of Guyana	(999,150)	(490,498)
(Increase)/decrease in other assets and investment interest receivable	313,778	(131,055)
Increase/(decrease) in other liabilities and accrued interest payable	(272,300)	510,460
Net cash from operating activities before tax	5,715,861	3,598,931
Taxes paid, net of refund	(1,561,860)	(1,257,634)
Cash provided by operating activities	4,151,001	2,341,297
Investing activities		
Purchase of investment securities	(500,000)	(717,000)
Redemption of investment securities	3,159,753	3,041,746
Purchase of Treasury bills	(42,428,378)	(36,069,572)
Redemption of Treasury bills	36,076,710	32,865,000
Additions to premises and equipment	(783,334)	(579,517)
Proceeds from sale of premises and equipment	2,936	18,474
Cash used in investing activities	(4,472,313)	(1,440,869)
Financing activities		
Decrease in balances due to other banks	(13,376)	(303,115)
Dividends paid	(850,010)	(775,000)
Cash used in financing activities	(863,386)	(1,078,115)
Net decrease in cash and cash equivalents	(1,184,698)	(177,687)
Cash and cash equivalents at beginning of year	6,439,381	6,617,068
Cash and cash equivalents at end of year	5,254,683	6,439,381
Cash and cash equivalents at end of year are represented by:		
Cash on hand	975,963	1,188,228
Due from banks	4,278,720	5,251,153
	5,254,683	6,439,381
Supplemental information:		
Interest received during the year	5,675,943	5,415,275
Interest paid during the year	898,653	925,091
Dividends received	5,600	3,640

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

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, 2011 the stockholdings of Republic Bank Limited in the Bank were 51%.

The CL Financial Group holds through its various subsidiaries 51.5% of the shares of Republic Bank Limited.

On January 31, 2009, Central Bank of Trinidad and Tobago (CBTT) issued a Notification pursuant to sections 44D and 44E of the Central Bank Act, Chap. 79:02 that the CBTT assumed control of the affairs of CLICO Investment Bank Limited (CIB). Further, on February 13, 2009, the CBTT issued a Notification pursuant to sections 44D and 44E of the Central Bank Act, Chap. 79:02 that the CBTT 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 CBTT has the power to deal with the assets of the Companies, including the Republic Bank Limited shares. The CBTT will not receive any benefit financial or otherwise from the exercise of its powers under the Central Bank Act. As at September 30, 2011, the combined shareholding of Republic Bank Limited for CLICO and CIB was 51.22%.

For the purpose of these financial statements, the related party note has not been amended to reflect the Central Bank control and was 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.

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, 2010 except for the adoption of new and amended standards and interpretations noted on the following page:

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

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	Share-based payment – Group Cash-settled Share-based Payment Transactions (effective January 1, 2010)
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (effective February 1, 2010)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010)
	Improvements to IFRSs (issued 2009) (effective January 1, 2010)
IFRS 2	Share-based Payment – Scope of IFRS 2 and revised IFRS 3
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations
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 leases of land and buildings
IAS 18	Revenue – Determining whether an entity is acting as a principal or as an agent
IAS 36	Impairment of Assets – Unit of accounting for goodwill impairment test
IAS 38	Intangible Assets – Additional consequential amendments arising from IFRS 3(2008); and Measuring the fair value of an intangible asset acquired in a business combination
IAS 39	Financial Instruments: Recognition and Measurement – Treating loan prepayment penalties as closely related derivatives; Scope exemption for business combination contract; Cash flow hedge accounting; and Hedging using internal contracts
IFRIC 9	Reassessment of Embedded Derivatives – Scope of IFRIC 9 and revised IFRS 3
IFRIC 16	Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments

The adoption of these pronouncements had no impact on the Bank's reported financial position or performance.

ii) Standards and interpretations issued but not yet effective

New and amended standards and interpretations issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. The Bank reasonably expects these to be applicable at a future date and intends to adopt them when they become effective.

IAS 1	Presentation of Financial Statements - Other comprehensive income (effective July 1, 2012)
IAS 12	Income Taxes - Recovery of Underlying Assets (effective January 1, 2012)
IAS 19	Employee Benefits (amendment) (effective January 1, 2013)
IAS 24	Related Party Disclosures - Partial exemption for government-related entities and revised definition (effective January 1, 2011)
IAS 27	Separate Financial Statements (effective January 1, 2013)

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards and interpretations issued but not yet effective (continued)

IFRS 1	First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective July 1, 2011)
IFRS 7	Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (effective July 1, 2011)
IFRS 9	Financial Instruments (effective January 1, 2013)
IFRS 10	Consolidated Financial Statements (effective January 1, 2013)
IFRS 11	Joint Arrangements (effective January 1, 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective January 1, 2013)
IFRS 13	Fair Value Measurement (effective January 1, 2013)
IFRIC 14	Prepayments of a minimum funding requirement (Amendment) (effective January 1, 2011)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (effective January 1, 2013)

Improvements to IFRSs (issued in May 2010) (effective mainly January 1, 2011)

IFRS 1	First-time Adoption of International Financial Reporting Standards - Accounting policy changes in the year of adoption; Revaluation basis as deemed cost; and Use of deemed cost for operations subject to rate regulation
IFRS 3	Business Combinations - Measurement of non-controlling interests; Un-replaced and voluntary replaced sharebased payment awards; and Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3
IFRS 7	Financial Instruments: Disclosures - Clarifications of disclosures
IAS 1	Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 27	Consolidated and Separate Financial Statements - Transitional requirements for consequential amendments as a result IAS 27
IAS 34	Interim Financial Reporting - Significant events and transactions
IFRIC 13	Customer Loyalty Programmes - Fair value of award credit

Except for the application of IAS 19 as revised and IFRS 9, the bank expects no impact from the adoption of the amendments on its financial position or performance.

Under the amended version of IAS 19, the unrecognised portion of the Bank's defined benefit liability (currently $120.8 million as shown in note 8 a) will be recognised in the Statement of Financial Position.

IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting IFRS 9. However, as the impact of adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect.

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 deposit 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.

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 re-measured 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 that 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.

g) Leases

The leases entered 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Employee benefits *(continued)*

i) Pension obligations (continued)

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 share 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.

m) Earnings per stock unit

Data on earnings per stock unit has 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 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 considers its banking operation to be single business unit. All business is conducted in Guyana with the exception of certain investment activities.

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 detailed in Note 24(b) of these financial statements.

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 stock unit 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.

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

Impairment of financial assets *(continued)*

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, 2011 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.

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

	2011			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	5,210,423	19,021,710	8,473,930	32,706,063
Non-performing advances	9,323	996,038	155,811	1,161,172
	5,219,746	20,017,748	8,629,741	33,867,235
Unearned interest	(1,095,393)	–	–	(1,095,393)
Accrued interest	–	323,074	24,415	347,489
	4,124,353	20,340,822	8,654,156	33,119,331
Allowance for impairment losses - Note 4 (b)	(38,884)	(208,159)	(57,943)	(304,986)
Net Advances	**4,085,469**	**20,132,663**	**8,596,213**	**32,814,345**

	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)*

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 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.

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.

4. ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	2011			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	(38,654)	(271,518)	(36,273)	(346,445)
Charge-offs and write-offs	83,303	133,307	63	216,673
Loan impairment expense	284,377	1,479,051	142,634	1,906,062
Loan impairment recoveries	(367,910)	(1,548,999)	(164,367)	(2,081,276)
Balance carried forward	(38,884)	(208,159)	(57,943)	(304,986)
Individual impairment	(7,404)	(69,382)	(44,947)	(121,733)
Collective impairment	(31,480)	(138,777)	(12,996)	(183,253)
	(38,884)	(208,159)	(57,943)	(304,986)
Gross amount of loans individually determined to be impaired, before deducting any allowance	9,323	996,038	155,811	1,161,172

	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

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

4. ADVANCES *(continued)*

c) The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2011 amounts to $1,561 million (2010: $1,164 million). The collateral consists of cash, securities and properties.

d) Collateral realised

During the year, the Bank realised collateral amounting to $27.1 million (2010: $24.8 million)

5. INVESTMENT SECURITIES

Available-for-sale

	2011	2010
Government securities	2,513,201	3,152,373
State-owned company securities	418,406	934,925
Corporate bonds/debentures	4,235,468	4,748,139
Others	20,000	20,000
Total investment securities	7,187,075	8,855,437

6. PREMISES AND EQUIPMENT

2011	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	502,339	3,352,604	2,490,221	6,345,164
Additions at cost	333,998	338,083	129,271	801,352
Transfers	(350,197)	343,210	6,987	–
Disposal of assets	–	–	(18,018)	(18,018)
	486,140	4,033,897	2,608,461	7,128,498
Accumulated depreciation				
At beginning of year	–	335,792	1,497,030	1,832,822
Charge for the year	–	27,058	307,992	335,050
Disposal of assets	–	–	(15,294)	(15,294)
	–	362,850	1,789,728	2,152,578
Net book value	486,140	3,671,047	818,733	4,975,920

6. PREMISES AND EQUIPMENT *(continued)*

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**

Intangible assets

	2011	2010
Net book value of purchased software included in equipment	**45,648**	88,518

Capital commitments

	2011	2010
Contracts for outstanding capital expenditure not provided for in the financial statements	**952,163**	994,840
Other capital expenditure authorised by the Directors but not yet contracted for	**161,000**	75,000

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

7. GOODWILL

	2011	2010
Total unimpaired goodwill on acquisition	1,228,222	1,228,222

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was generated from the acquisition of certain assets and liabilities of the Guyana National Cooperative Bank. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at September 30, 2011 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:

	2011	2010
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:**

	2011	2010
Defined benefit obligation	1,230,600	1,158,500
Fair value of plan assets	(853,500)	(751,200)
	377,100	407,300
Unrecognised portion	(120,800)	(170,700)
Net liability recognised in the Statement of Financial Position	256,300	236,600

8. EMPLOYEE BENEFITS *(continued)*

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

	2011	2010
Opening defined benefit obligation	1,158,500	1,035,000
Current service cost	62,500	61,200
Interest cost	63,200	56,400
Members' contributions	17,700	14,800
Actuarial gains/ (losses) on obligations	(49,700)	12,100
Benefits paid	(18,400)	(18,000)
Expense allowance	(3,200)	(3,000)
Closing defined benefit obligation	1,230,600	1,158,500

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

	2011	2010
Opening fair value of plan assets	751,200	665,400
Expected return	54,400	48,100
Actuarial losses	(3,500)	(7,800)
Contributions by Bank	55,300	51,700
Members' contributions	17,700	14,800
Benefits paid	(18,400)	(18,000)
Expense allowance	(3,200)	(3,000)
Closing fair value of plan assets	853,500	751,200

d) The amounts recognised in the Statement of Income are as follows:

	2011	2010
Current service cost	62,500	61,200
Interest on defined benefit obligation	63,200	56,400
Expected return on plan assets	(54,400)	(48,100)
Amortised net loss	3,700	3,400
Total included in staff costs	75,000	72,900

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

8. EMPLOYEE BENEFITS *(continued)*

e) Actual return on plan assets

	2011	2010
Expected return on plan assets	54,400	48,100
Actuarial gain on plan assets	(3,500)	(7,800)
Actual return on plan assets	50,900	40,300

f) Experience history

	2011	2010
Defined benefit obligation	1,230,600	1,158,500
Plan assets	(853,500)	(751,200)
Deficit	377,100	407,300
Experience adjustments on plan liabilities	(49,700)	12,100
Experience adjustments on plan assets	(3,500)	(7,800)

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 $57.8 million to the plan in the 2012 financial year.

i) The principal actuarial assumptions used were as follows:

	2011 %	2010 %
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

	2011 %	2010 %
Equity securities	11	11
Debt securities	49	49
Money market instruments/cash	40	40
Total	100	100

9. DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	2011	2010
Pension liability	102,520	106,470
Fee and Commission income	54,425	52,794
	156,945	159,264

b) Deferred tax liabilities

	2011	2010
Premises and equipment	144,950	99,195
Unrealised reserve	49,786	145,449
	194,736	244,644

10. OTHER ASSETS

	2011	2010
Accounts receivable and prepayments	100,342	495,237
Other assets	440,518	344,451
	540,860	839,688

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

11. CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

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

	2011	2010
State	11,386,666	12,120,839
Corporate and commercial	8,548,516	7,981,437
Personal	66,992,927	59,653,400
Other financial institutions	1,782,911	1,670,158
Other	3,160,600	2,781,211
	91,871,620	84,207,045

b) Account types

	2011	2010
Demand	20,973,561	15,972,068
Savings	63,817,570	61,082,461
Time	7,080,489	7,152,516
	91,871,620	84,207,045

12. OTHER LIABILITIES

	2011	2010
Draft and settlements	858,737	796,797
Accrued expenses	91,573	80,210
Withholding taxes payable	49,262	50,661
Short term payables	59,000	55,451
Deferred income	9,317	9,769
Unearned loan origination fees	136,062	117,320
Dividends payable	41,656	32,554
Other	278,210	644,577
	1,523,817	1,787,339

13. STATED CAPITAL

	2011	2010
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. The significant reduction in 2011 was primarily due to a correction to the method used in the valuation of an investment.

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.

The increase in General Banking Risk Reserve in 2011 was primarily due to relegation of several non-performing advances for which there was no corresponding increase in the specific provision for loan losses.

15. OPERATING PROFIT

a) Interest income

	2011	2010
Advances	**3,751,212**	3,388,068
Investment securities	**528,515**	636,021
Liquid assets	**1,384,581**	1,526,056
	5,664,308	5,550,145

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

15. OPERATING PROFIT *(continued)*

b) Interest expense

	2011	2010
Customers' current, savings and deposit accounts	889,875	921,883
	889,875	921,883

c) Other income

	2011	2010
Credit and related fees	80,288	111,547
Net exchange trading income	1,108,141	1,136,145
Loan recoveries	95,176	182,794
Dividends	5,600	3,640
Deposit and related fees	339,113	317,804
Payments and transfers	162,663	117,726
Sale of premises and equipment	466	-
Other operating income	1,548	2,705
	1,792,995	1,872,361

d) Operating expenses

	2011	2010
Staff costs	1,380,167	1,249,732
Staff profit share	179,940	201,763
General administrative expenses	546,495	518,859
Property related expenses	498,722	481,353
Property tax	59,000	55,451
Depreciation expense	319,756	288,021
Communication	84,373	69,861
Advertising and public relations expenses	137,103	123,486
*Fraud	(20,262)	(176,206)
Directors' fees	15,490	12,700
Auditors' fees	16,000	16,693
	3,216,784	2,841,713

* During the year, the bank recovered $20.3 million from its insurers in respect of the prudential provision recorded in the year 2009.

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:

	2011	2010
Accounting profit	3,175,430	3,397,457
Tax at applicable statutory tax rates (40%)	1,270,172	1,528,856
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(124,100)	(143,599)
Deferred tax credit	50,753	(26,344)
Depreciation	127,903	129,609
Donations	1,661	1,587
Property tax	23,600	24,953
Wear and tear allowance	(117,333)	(132,828)
Inherent risk (general) provisions	(780)	15,125
Loss/(gain) on sale of premises and equipment	(187)	4,601
Defined benefit obligation	7,880	9,540
Deferred fee income	7,497	3,865
	1,247,066	1,415,365

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

	2011	2010
Loans, investments and other assets		
CL Financial Group	–	6
Republic Bank Limited (Parent)	16,735	2,288
Fellow subsidiaries	816	2,263
Directors and key management personnel	44,396	40,672
Other related parties	872,048	1,265,688
	933,995	1,310,911

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

17. RELATED PARTIES *(continued)*

Outstanding balances *(continued)*

No provisions have been made against amounts due from related parties.

	2011	2010
Deposits and other liabilities		
CL Financial Group	233,679	605,964
Republic Bank Limited (Parent)	506,479	425,474
Fellow subsidiaries	12,450	8,742
Directors and key management personnel	95,705	80,223
Other related parties	985,041	913,911
	1,833,354	2,034,314
Interest and other income		
CL Financial Group	–	5
Republic Bank Limited (Parent)	–	–
Directors and key management personnel	1,846	1,693
Other related parties	22,442	98,631
	24,288	100,329
Interest and other expense (excluding key management compensation)		
CL Financial Group	2	1,883
Republic Bank Limited (Parent)	66,434	73,409
Directors and key management personnel	2,316	1,745
Other related parties	11,577	5,525
	80,329	82,562

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

Key management compensation

	2011	2010
Short-term benefits	66,222	59,247

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. The Board has the final authority 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.

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

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, loans are individually assessed at all our branches. 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 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.

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:

	Gross maximum exposure	
	2011	**2010**
Statutory deposit with Bank of Guyana	**11,137,660**	10,138,510
Due from banks	**4,278,720**	5,251,153
Treasury bills	**40,525,362**	35,369,244
Investment interest receivable	**54,631**	69,581
Investment securities	**7,167,075**	8,835,437
Loans and advances to customers	**32,814,345**	28,305,627
Total	**95,977,793**	**87,969,552**
Undrawn commitments	**5,500,207**	4,243,640
Acceptances	**5,324**	9,771
Guarantees and indemnities	**1,476,460**	1,401,447
Letters of credit	**568,756**	368,824
Total	**7,550,747**	**6,023,682**
Total credit risk exposure	**103,528,540**	**93,993,234**

18.2 Credit risk *(continued)*

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

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 monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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

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:

	2011	2010
Guyana	**98,987,869**	88,413,397
Trinidad and Tobago	**1,651,769**	1,851,331
Barbados	**680,887**	806,561
Eastern Caribbean	**1,575,463**	2,286,052
United States	**255,254**	231,849
Other Countries	**377,298**	404,044
	103,528,540	93,993,234

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

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.2 Risk concentrations of the maximum exposure to credit risk *(continued)*

b) Industry sectors

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

	2011	2010
Government and Government Bodies	55,657,201	52,540,501
Financial sector	5,727,908	3,917,869
Energy and mining	266,087	379,243
Agriculture	3,660,865	4,258,204
Electricity and water	905,606	1,119,721
Transport, storage and communication	1,686,130	970,342
Distribution	8,266,419	5,840,436
Real estate	290,599	861,338
Manufacturing	2,612,687	3,382,728
Construction	1,225,563	913,378
Hotel and restaurant	188,998	175,364
Personal	18,471,086	15,253,428
Other services	4,569,391	4,380,682
	103,528,540	93,993,234

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 deposit with Bank of Guyana
- Due from banks
- Advances
- Financial investments

Treasury bills and Statutory deposit 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'.

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

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
2011	**2,594,635**	**7,767**	**1,676,318**	**4,278,720**
2010	3,366,380	170,095	1,714,678	5,251,153

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.

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

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

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
2011	**104,814**	**3,039,232**	**15,311,675**	**1,676,942**	**20,132,663**
2010	94,389	2,373,813	14,984,173	777,512	18,229,887

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
2011	**204,719**	**44,188**	**12,629**	**488,750**	**926,656**	**1,676,942**
2010	328,403	108,763	21,725	17,013	301,608	777,512

Loans and advances - Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the 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
2011	**11,465,274**	**887,435**	**183,442**	**32,748**	**–**	**112,783**	**12,681,682**
2010	9,049,273	801,159	161,597	14,782	–	48,929	10,075,740

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

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 more than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.

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					
2011	**3,823,015**	**3,344,060**	**–**	**–**	**7,167,075**
2010	4,909,310	3,926,127	–	–	8,835,437

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

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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:

	2011	2010
Loans and advances to customers		
- Retail lending	1,308	2,695
- Mortgages	34,544	–
- Commercial & Corporate lending	1,674,708	1,841,673
Total renegotiated financial assets	1,710,560	1,844,368

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.

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 Statement of Financial Position.

18 RISK MANAGEMENT *(continued)*

18.3 Liquidity risk *(continued)*

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

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, 2011					
Customers' current, savings and deposit accounts	84,757,857	7,074,851	38,912	–	91,871,620
Due to banks	137,247	–	–	–	137,247
Other liabilities	1,432,244	91,573	–	–	1,523,817
Total undiscounted financial liabilities 2011	86,327,348	7,166,424	38,912	–	93,532,684
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

Financial liabilities - off Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2011					
Acceptances	–	5,324	–	–	5,324
Guarantees and indemnities	–	1,406,839	64,022	5,599	1,476,460
Letters of credit	–	568,756	–	–	568,756
Total	–	1,980,919	64,022	5,599	2,050,540
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

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

18 RISK MANAGEMENT *(continued)*

18.3 Liquidity risk *(continued)*

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

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.

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.

		Impact on net profit			
		2011		2010	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	-/+ 319,088		-/+ 305,412	
US$ Instruments	+/- 50	-/+ 34,549		-/+ 23,463	
Other currency Instruments	+/- 50	-/+ 1,549		-/+ 253	

18 RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.1 Interest rate risk *(continued)*

		Impact on net unrealised gain			
		2011		2010	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	(14,308)	14,457	(22,537)	23,127
US$ Instruments	+/- 50	(31,415)	32,125	(8,840)	10,287

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 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.

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

18 RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk *(continued)*

2011	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	919,981	29	52,622	295	3,036	975,963
Statutory deposit with Bank of Guyana	11,137,660	–	–	–	–	11,137,660
Due from banks	2,584,322	16,735	1,338,917	34,194	304,552	4,278,720
Treasury bills	40,525,362	–	–	–	–	40,525,362
Advances	32,157,386	–	656,959	–	–	32,814,345
Investment securities	4,542,749	–	2,640,613	–	-	7,183,362
Interest receivable	21,294	–	33,337	–	–	54,631
TOTAL FINANCIAL ASSETS	91,888,754	16,764	4,722,448	34,489	307,588	96,970,043
FINANCIAL LIABILITIES						
Due to banks	–	2,072	51,731	4,012	79,432	137,247
Customers' current, savings and deposit accounts	84,944,652	–	6,909,766	17,202	–	91,871,620
Interest payable	33,274	–	–	–	–	33,274
TOTAL FINANCIAL LIABILITIES	84,977,926	2,072	6,961,497	21,214	79,432	92,042,141
NET CURRENCY RISK EXPOSURE	6,910,828	14,692	(2,239,049)	13,275	228,156	4,927,902
Reasonably possible change in currency rate (%)	–	1%	1%	1%	1%	–
Effect on profit before tax	–	147	(22,390)	133	2,282	(19,828)

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 deposit 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)*

18.5 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.

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 $952 million to $9,617 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 2011 of $850 million represents 44.1% 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 stockholders' equity.

The Bank's Tier 1 capital at September 30, 2011 is 19.83% (2010 - 20.04%) and its capital adequacy ratio (Tier 2) is 20.03% (2010 - 20.53%). At September 30, 2011 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.

20. FAIR VALUE *(continued)*

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 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.

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

	2011		
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury bills	34,624,275	34,624,275	–
Statutory deposit with Bank of Guyana	11,137,660	11,137,660	–
Investment securities	7,187,075	7,187,075	–
Advances	32,814,345	32,960,865	146,520
Investment interest receivable	54,631	54,631	–
Other financial assets	383,915	383,915	–
Financial liabilities			
Due to Banks	137,247	137,247	–
Customers' current, savings and deposit accounts	91,871,620	92,006,252	(134,632)
Accrued interest payable	33,274	33,274	–
Other financial liabilities	161,462	161,462	–
Total unrecognised change in unrealised fair value			11,888

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

20. FAIR VALUE *(continued)*

	2010		
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury bills	41,808,625	41,808,625	–
Statutory deposit 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**

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.

20. FAIR VALUE *(continued)*

20.1 Fair value and fair value hierarchies *(continued)*

20.1.1 Determination of fair value and fair value hierarchies *(continued)*

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.

	2011			
	Level 1	Level 2	Level 3	Total
Financial investments - available-for-sale	1,466,282	5,720,793	–	7,187,075

20.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2011, 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, 2011, there were no Level 3 financial instruments.

21. SEGMENTAL INFORMATION

21.1 Operating Segments

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 the entity. The Bank has determined the Managing Director as its chief operating decision-maker.

Management considers its banking operation to be a single business unit. All business is conducted in Guyana with the exception of certain investment activities.

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:

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

21. SEGMENTAL INFORMATION *(continued)*

21.2 Geographical Information *(continued)*

2011	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	**5,503,728**	**21,029**	**139,551**	**5,664,308**
Interest expense	**(889,875)**	**–**	**–**	**(889,875)**
Net interest income	**4,613,853**	**21,029**	**139,551**	**4,774,433**
Other income	**1,792,995**	**–**	**–**	**1,792,995**
Net interest and other income	**6,406,848**	**21,029**	**139,551**	**6,567,428**
Total assets	**101,601,377**	**48,406**	**2,225,920**	**103,875,703**
Total liabilities	**94,235,882**	**–**	**–**	**94,235,882**
2010				
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

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.

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.

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

2011	Up to one year	One to five years	Over five years	Total
ASSETS				
Cash, due from banks and Treasury bills and bills discounted	45,780,046	–	–	45,780,046
Statutory deposit with Bank of Guyana	11,135,906	1,754	–	11,137,660
Advances	7,079,941	9,638,419	16,095,985	32,814,345
Investment securities	1,501,110	4,162,675	1,523,290	7,187,075
Other assets	595,492	156,945	6,204,142	6,956,579
	66,092,495	13,959,793	23,823,417	103,875,705
LIABILITIES				
Due to banks	137,247	–	–	137,247
Customers' current, savings and deposit accounts	91,857,006	14,614	–	91,871,620
Other liabilities	1,775,982	194,736	256,300	2,227,018
	93,770,235	209,350	256,300	94,235,885
2010				
ASSETS				
Cash due from banks, Treasury bills and bills discounted	41,808,625	–	–	41,808,625
Statutory deposit 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

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

23. DIVIDENDS PAID AND PROPOSED

	2011	2010
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2010: $1.92 (2009: $1.75)	575,000	525,000
First dividend for 2011: $0.917 (2010: $0.83)	275,010	250,000
Total dividends paid	850,010	775,000
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 2011: $1.92 (2010: $1.92)	575,000	575,000

24. CONTINGENT LIABILITIES

a) **Litigation**

As at September 30, 2011 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**

	2011	2010
Acceptances	5,324	9,771
Guarantees and indemnities	1,476,460	1,401,447
Letters of credit	568,756	368,824
	2,050,540	1,780,042

c) **Sectoral information**

	2011	2010
State	1,092,222	67,014
Corporate and commercial	934,536	1,693,176
Personal	23,782	19,852
	2,050,540	1,780,042

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	
	2011	2010	**2011**	2010
Statutory deposit	**11,137,660**	10,138,510	**91,871,620**	84,207,045

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

	2011	2010
Less than one year	**14,416**	14,412
Between one to five years	**20,996**	35,232
More than five years	**560**	595
	35,972	50,239

25. EXTERNAL PAYMENT DEPOSIT SCHEME

	2011	2010
	47,619	47,691

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