Republic Bank (Guyana) Limited

ANNUAL REPORT 2012

In celebrating 175 years of service to the people of the region, we have taken a look back at our journey, at our successes and the steps we took to achieve them. Our path, like any other in the field, has been met with challenges and victories, each making us stronger in its own way. As the decades have passed, Republic Bank has come to the firm realisation that our solid foundation has remained as such through a steadfast commitment to the needs of our customers, staff, shareholders and communities.

And in looking toward the next 175 years, we stand fast and true in our belief that each individual has the ability to make a lasting contribution to the overall good of the Nation. Guided by this belief, we will move forward, even more focussed on those we serve locally and regionally, with the aim of building successful communities and having a positive impact on our societies.

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.

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Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the twenty-eighth Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Kingston, Georgetown, on Monday, December 10, 2012 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, 2012.

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; John N. Alves, William H. Pierpont Scott and John G. Carpenter.

3 To reappoint the Auditors, Messrs Ram & McRae.

And the following special business namely:

4 To consider and if thought fit, pass resolutions relating to:

a Dividends;
b Directors' service agreements providing for their remuneration; and
c Remuneration of the auditors.

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

By order of the Board

Christine A. McGowan
Corporate Secretary

October 25, 2012

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 of 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 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, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*

William H. Pierpont Scott, *FCCA, CA*

John G. Carpenter, *BSc (Food Sciences)*

Richard I. Vasconcellos

Derwin M. Howell, *BSc (Elect. Eng.) (Hons.), Executive MBA, MSc (Tele. Systems), 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 & Mc Rae
Chartered Accountants
157 'C' Waterloo Street
North Cummingsburg
Georgetown
Guyana, South America

Bank Profile

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

SENIOR MANAGEMENT

Managing Director
John N. Alves, *FICB*

General Manager, Credit
Patricia Plummer, *FICB*

General Manager, Corporate and Management Services
Denise E. Hobbs, *Dip. (Business Mgmt.)*

MANAGEMENT

Senior Manager, Corporate and Commercial Credit
Sasenarain Jagnanan, *AICB, Dip. (Banking and Finance)*

Manager, Branch Operations
Devan Khemraj, *AICB, ACCA, BSc (Applied Accounting) (Hons.), MBA*

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 A. Thompson, *BSocSc (Mgmt.), ACCA, MBA*

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 (Mgmt.) (Hons.), 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 Public Road
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
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 Great 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
Lot 6 Public Road
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, *Dip. (Marketing)*

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 ($'000)

	2012	2011	2010	2009	2008
Cash resources	23,280,892	16,392,343	16,577,891	16,265,080	16,525,468
Investment securities	5,957,434	7,187,075	8,855,437	11,197,128	11,493,650
Loans and advances	38,631,805	32,814,345	28,305,627	23,302,210	21,586,811
Total assets	115,355,534	103,875,703	95,917,296	89,333,140	84,174,720
Total deposits	101,736,334	91,871,620	84,207,045	79,204,292	75,122,519
Stockholders' equity	10,803,787	9,639,821	8,664,559	7,466,787	6,316,412
Net profit after taxation	2,012,936	1,928,364	1,982,092	1,821,457	1,559,697
Earnings per stock unit in dollars ($)	6.71	6.43	6.61	6.07	5.20
Return on average assets (%)	1.85	1.88	2.11	2.06	1.90
Return on average equity (%)	19.58	20.56	24.10	25.89	27.20

Financial Highlights

All figures are in thousands of Guyana dollars ($'000)

	2012	2011	Change	% Change
Statement of Income				
Interest and other income	7,613,198	7,457,303	155,895	2.1
Interest and non-interest expenses	(4,391,884)	(4,281,873)	(110,011)	(2.6)
Net Income before taxation	3,221,314	3,175,430	45,884	1.4
Taxation charge	(1,208,378)	(1,247,066)	38,688	3.1
Net Income after taxation	2,012,936	1,928,364	84,572	4.4
Statement of Financial Position				
Loans and advances	38,631,805	32,814,345	5,817,460	17.7
Total assets	115,355,534	103,875,703	11,479,831	11.1
Average assets	108,689,460	102,673,318	6,016,142	5.9
Deposits	101,736,334	91,871,620	9,864,714	10.7
Equity (capital and reserves)	10,803,787	9,639,821	1,163,966	12.1
Average outstanding equity	10,280,755	9,379,170	901,585	9.6
Common Stock				
Earnings in dollars per stock unit	6.7	6.4	0.3	4.4
Dividend for the year (in thousands)	875,000	850,000	25,000	2.9
Stock units (in thousands)	300,000	300,000	0.0	0.0
General				
Number of:				
Stockholders	1,199	1,194	5.0	0.4
Common stock outstanding (in thousands)	300,000	300,000	0.0	0.0
Active savings, chequing and deposit accounts	201,095	136,010	65,085	47.9
Employees	614	608	6.0	1.0
Banking offices	10	10	0.0	0.0

Board of Directors

David Dulal-Whiteway, *BSc (Mgmt. Studies), MBA, CGA*
Managing Director, Republic Bank Limited

John N. Alves, *FICB*
Managing Director, Republic Bank (Guyana) Limited

Nigel M. Baptiste, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*
Executive Director, Republic Bank Limited

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

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

Yolande M. Foo, *AICB*
Director, St Joseph Mercy Hospital

Derwin M. Howell, *BSc (Elect. Eng.) (Hons.), Executive MBA, , MSc (Tele. Systems), MIET, MIEEE, C. Eng.*
Managing Director and CEO, Republic Bank (Barbados) Limited

William H. Pierpont Scott, *FCCA, CA*
Financial Director, William H. Scott Limited

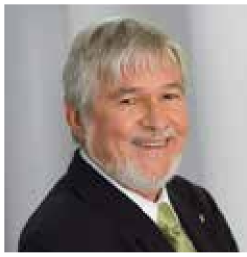
Richard I. Vasconcellos
Chairman, Carib Hibiscus Development

David
Dulal-Whiteway

John N.
Alves

Roy E.
Cheong

Nigel M.
Baptiste



John G.
Carpenter

Yolande M.
Foo

Derwin M.
Howell

William H.
Pierpont Scott

Richard I.
Vasconcellos

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2012.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

(in thousands of Guyana Dollars)

	2012	2011
Net income after taxation	2,012,936	1,928,364
Interim dividend paid	275,000	275,010
Retained earnings	1,737,935	1,653,355
Final dividend proposed	600,000	575,000

DIVIDENDS

An interim dividend of $0.917 per stock unit ($275.0 million) was paid during the year and a final dividend of $2.00 per stock unit ($600 million) for the year ended September 30, 2012 is recommended. This if approved will bring the total payout for the year to $875 million.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings total $1,958 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2012 is $8,845 million (2011 - $7,926 million) after a transfer of $243 million to the General Banking Risk Reserve, $850 million paid out as dividends (final 2011 - $575 million, interim 2012 - $275 million), and $2,013 million transferred from the Statement of Income for 2012.

DONATIONS

Donations to charitable or public causes for the year were $7.4 million (2011- $7.1 million), emphasizing 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 five percent or more of the voting power at a General Meeting. The following are the substantial stockholders of the Bank:

	Number of Stock Units		Number of Stock Units	
	2012	% held	2011	% 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	15,798,760	5.27
Trust Company (Guyana) Limited	16,662,460	5.55	16,415,943	5.47

DIRECTORS

In accordance with the Bank's By-Laws, Messrs John N. Alves, William H. Pierpont Scott and John G. Carpenter retire from the Board by rotation and being eligible, offer themselves for re-election.

AUDITORS

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

CONTRIBUTION OF EACH ACTIVITY TO OPERATING PROFIT

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

GEOGRAPHIC ANALYSIS OF TURNOVER AND CONTRIBUTION TO RESULTS

The Bank operates only in Guyana but several investments are held overseas for which income of $140 million (2011 - $160 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	
	2012	2011
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 ($)

	2012	2011
Nigel M. Baptiste	1,560,000	1,440,000
John G. Carpenter	1,530,000	1,440,000
Roy E. Cheong	1,650,000	1,530,000
David Dulal-Whiteway	2,550,000	2,460,000
Derwin M. Howell	1,470,000	1,440,000
Richard I. Vasconcellos	1,320,000	1,290,000
William H. Pierpont Scott	1,500,000	1,410,000
John N. Alves	–	700,000
Yolande M. Foo	1,560,000	1,440,000

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 or in which the Directors were materially interested.

CONTRACT OF SIGNIFICANCE WITH STOCKHOLDER

The Bank expended the sum of $81.41 million (2011 - $78.57 million) in fees (inclusive of Directors' fees) and expenses under a Technical Services Agreement with Republic Bank Limited for the provision of management, credit analysis, internal audit and other services. Technical Service fees are determined with reference to the Bank's net interest and other income.

Chairman's Review

David Dulal-Whiteway

The Bank recorded an after tax profit of $2.013 billion for fiscal 2012, reflecting a 4.4% growth over prior year results. Earnings per stock unit also trended upwards moving from $6.43 to $6.71. The Bank's performance was achieved amid strong competition within the banking industry and is a result of the implementation of sound strategies. The Board has recommended a final dividend of $600 million ($2.00 per stock unit) which, if approved by stockholders at the Annual General Meeting, will bring the total dividend for the year to $875 million (2011-$850 million), a total dividend payout of 43.47%.

Economic Review

The widening of the Euro-Zone debt crisis in the latter part of 2011 coupled with the slowdown in emerging markets undermined world economic growth, which was 3.8% in 2011 compared with 5.2% in the prior period. On account of weaker economic growth, unemployment was high at over 7%, though global consumer price inflation remains subdued after peaking at 2.75% in 2011 because of higher commodity prices.

Guyana's Gross Domestic Product registered a growth rate of 5.4% for 2011 compared with 4.4% in the prior period due to a combination of high demand and commodity prices for major exports. With a projected growth rate of 3.8% for 2012, Guyana realised a 2.8% growth rate for the first half of the year, with mining and quarrying, along with the services sector (financial and distributive trade), being the main drivers. Domestic growth this year was hindered by underperformance in the sugar and forestry industries and the manufacturing sector. Inflation for 2012 is projected at 4.6% but was contained at 1.8% in the first half of the year as a result of a less-than-anticipated rise in food and fuel prices.

Transactions on the foreign exchange market increased by 13.1% to US$3.2 billion, on account of significant proceeds from remittances and proceeds from the export of gold and rice. Exchange rates have remained very stable over the last decade, and this trend continued into the first half of 2012, as a result of a net positive supply of foreign exchange in the system.

Future Outlook

Sectorally, gold mining is expected to continue to make a significant contribution to Guyana's economic growth. Current buoyant prices, increased output, improved interior road linkages and the increase in land made available for mining are all contributing factors. Bauxite will also continue to experience growth in production due to higher demand for the grades of bauxite produced locally. Quarrying is poised to maintain steady growth as a result of expansion in the construction sector, and continuous improvement in domestic infrastructure.

Foreign Direct Investment in manganese mining and oil exploration activities, along with large-scale gold and diamond prospecting projects, hold additional hope for the continued contribution of mining to Guyana's gross domestic and foreign exchange earnings in the coming years.

The services sector, which includes distributive trade, financial services, information and communication, grew by 5.5% for the first half of the year. Going forward, this sector is expected to benefit from the commencement of work on extending the four-lane access road to Diamond/Grove on the East Bank of Demerara, the widening of the highway on the East Coast of Demerara, ongoing construction and maintenance of the country's infrastructure and the continued distribution of previously held sugar lands to citizens in the form of new residential housing schemes and commercial zones.

The agricultural sector is also projected to continue contributing positively to gross domestic product, foreign exchange earnings and employment, albeit with constraints. The rice sector, currently viewed as the most productive agricultural sector in Guyana, with export earnings surpassing that of sugar over the past two years, is projected to continue recording growth. Production and export earnings are expected to further improve, due to the stability and buoyant prices for rice and paddy in the Venezuelan market, Guyana's newest trading partner. The re-election of the United Socialist Party in Venezuela is expected to ensure price stability for rice/paddy and cheaper than world market prices for petroleum products to Guyana, under the Petro-Caribe Initiative. Sugar on the other hand, is expected to rebound, notwithstanding the challenges of unpredictable weather conditions, along with industrial action and factory-related issues.

Republic Bank (Guyana) Limited remains committed to future development in Guyana and the financial sector, as improvement in the economic and political climate continues and there are signs that an enabling environment for the Guyanese people is evolving, gradually. The Bank expects to establish a new location at Lethem and commence construction of a new facility at Rosignol during fiscal 2013, and will continue to examine the feasibility of strengthening its presence in other areas/regions, as may be deemed necessary to serve the populace.

Acknowledgements

I take this opportunity to again thank management and staff for their contribution to the success of the organisation over the past year. I also extend my sincere gratitude to our loyal customers and stockholders, acknowledge my fellow Directors for their continued support, and look forward to working with them to ensure the future success of the Bank.

Managing Director's Discussion and Analysis

John N. Alves

INTRODUCTION

I am pleased to report that despite a challenging market environment both locally and abroad the Bank's performance has been solid and reassuring. For the year ended September 30, 2012, profit after tax improved by 4.4% to $2,013 million when compared to fiscal 2011. Earnings per stock unit increased to $6.7 from $6.4 while dividends of $2.0 per stock is proposed bringing the total proposed dividends payable for the financial year ended September 30, 2012 to $875 million. Our focus for fiscal 2012, was careful asset/liability management, close control of operating expenditure, vibrant efforts to increase non-interest income and successful strategies in expanding our credit portfolio.

Our success is attributable to our philosophy of custormer service, integrity, asset quality, innovation and staff development which we firmly maintain through efficient monitoring of processes. Our operating income remains strong and continues to grow. We remain hopeful that the signs of improvement in Parliamentary Government will result in further improvements in the economic and political climate.

The Bank demonstrated its strength by continued dominance in the market place as total deposits grew by 10.7% to G$101.7 billion during fiscal 2012. We continued to be the Bank of choice, financing worthwhile projects throughout the country thereby increasing our portfolio of commercial and corporate lending by 11.8% and retail by 29.6%.

We are cognisant of the integral functions that are the foundation of what we do, and made major strides during the fiscal in several areas to ensure our brand remains strong and competitive in the market.

Customer Service

This aspect of our operation receives our ongoing attention as we strive for service excellence. We appreciate that our customers and their satisfaction are crucial to our continued success. In recognition of this, a number of projects and re-engineering exercises aimed at improving their perception and efficiency are ongoing. In addition, we continue to be guided by feedback derived from our customer and staff focus groups. Key among our considerations/focus, and in keeping with global trends, is automation, while we recognise that, just as important, will be educating our customers on how best to capitalise on these facilities.

We continue to maintain our leadership position in the deployment of Automated Teller Machines (ATMs) and Point of Sale (POS) terminals. As we move forward, our commitment is to derive maximum benefit from the Bank's investment in technology and continue implementing new technological means towards better serving our customers, and providing improved returns to our stockholders. Republic Bank recognises the importance of creating and developing good relationships in order to provide value to our customers, and we affirm our commitment to total Customer Care and resolving customer concerns within a reasonable timeframe.

Human Resources

At Republic Bank we know that in order to provide the highest quality service to our customers and enhance stockholder value, we must develop our prime resource, our staff. We are consistently reviewing our policies and practices to ensure that we nurture and sustain an environment in which we can maximise the use of our human resources. Our training activities were intensified during fiscal 2012 with the focus being to ensure that staff at all levels are exposed to requisite training to enhance our skill set. Our team at the Training and Development Centre worked diligently to first equip themselves with the mechanics of new techniques, and related programme content was revised/updated, additional sessions scheduled based on needs, and strategies reviewed for effectiveness. On-the-job training was also employed where practicable.

Further, in addition to the training provided by local staff, overseas seminars, meetings and attachments were accessed; primarily at our parent company. Professionals from Trinidad also conducted training in various operational and credit areas. We continued through our scholarship programs to afford staff the opportunity to read for relevant degrees/diplomas at the tertiary level. Under the Stan Affonso Scholarship Plan, one new scholarship was granted. Two officers are continuing under the Advanced Plan, with three new scholarships having been granted. Two officers completed the AICB Diploma programme offered by the Institute of Canadian Bankers, 40 are continuing. The Bank's Youth Link Apprenticeship Programme continues to be well received, with the fourth batch of 26 apprentices having come on board on October 27, 2011 and graduated in May 2012.

As we embrace the future, we intend optimising staff potential through continued opportunities for staff development to ensure the quality of human resource necessary to take us into the future.

Technology

Our real-time front-line banking system, which facilitates any branch banking, continues to impact positively on our service delivery. Our Point of Sale (POS) network continues to expand with some 235 merchants on board at 262 locations nationwide, as more businesses recognise the convenience, reliability and safety these devices afford; especially at a time when criminal activity remains a concern. Our ATM network comprises 33 machines, and we will continue to explore other feasible locations as informed by usage/demand. The Bank's Core Banking System and ATM and POS software were also updated.

Given the increase in technologically driven products, the Bank remains committed to affording customers innovative and convenient means of conducting banking. To this end, we will continue our focus of educating customers about the benefits of using our various products and services, which also include Online and Telephone Banking. Our International Debit Card, the only in the local financial sector, continues to benefit customers given its reach worldwide.

Premises/Operations

While no major construction was pursued during fiscal 2012, the Bank continued routine maintenance of its various locations, in keeping with our corporate image. Of significance, however, and in keeping with our ongoing thrust to effectively manage operating cost, the Bank commissioned a state-of-the-art energy management lighting system at five (5) of its 10 locations. Utilising specialised sensors in conjunction with dimmable lighting ballasts, the system has the ability to detect fine motions and adjust lights on or off according to users' needs. It also makes use of ambient lighting, by dimming lighting fixtures to a level that is sufficient for normal business operations, thereby reducing electricity consumption. The Bank's electronic surveillance continues to be upgraded as well.

Plans are moving apace for construction of a new branch, at Rosignol, West Coast Berbice, which will afford both staff and customers modern and spacious facilities to conduct business, and a branch in Lethem. Future plans include a presence on the East Coast of Demerara. In our ongoing thrust to improve efficiency, the operations of several departments were reviewed and changes implemented, as deemed necessary to improve output. This approach will continue in the new fiscal given the obvious benefits in terms of external and internal customer satisfaction.

Community Relations

The Bank celebrated its 175th Anniversary during 2012, and as such it is opportune to pause and reflect on our history. With 175 years of operations, our Bank has been contributing to the development of our country as the British Guiana Bank, the Royal Bank of Canada, National Bank of Industry and Commerce Limited and now as Republic Bank (Guyana) Limited. It is our intention with your help, to serve Guyana for many more years to come. Our ongoing commitment to the welfare of our people was demonstrated through annual donations toward youth development, charities such as orphanages, senior citizens homes, and institutions for the physically challenged. We have also supported various sporting disciplines throughout the regions, and undertaken sponsorship at the competitive level for cricket, badminton, and basketball. Educational institutions from nursery to university have benefited from funding from Republic Bank, and our community activities remain an integral part of our vision of banking, as we remain committed to the development of Guyana, its communities and people. We believe it is our duty as a responsible corporate citizen to make a positive difference in the lives of our people and enhance the communities in which we operate.

Foreign Account Tax Compliance Act (FATCA)

As widely publicised, the United States Government enacted the Foreign Account Tax Compliance Act (FATCA) in 2010 as part of its efforts to combat tax evasion by US persons. Under FATCA, US persons holding financial assets outside of the United States are required to report these to the US Inland Revenue Service (IRS). It means, therefore, that foreign financial institutions such as the Republic Bank Group, must enter a special agreement with the IRS during 2013 to give effect to such reporting. To this end, the Republic Bank Group has mobilised efforts to ensure compliance with FATCA.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2012, to be read in conjunction with the Directors' report and audited financial statements, presented on pages 12 to 14 and pages 36 to 88 respectively.

These statements are published in Guyana dollars. Foreign amounts have been converted to Guyana dollars at the prevailing mid-rate on September 30, for each financial year. The following are the mid-rates for the major currencies as at September 30, 2012:

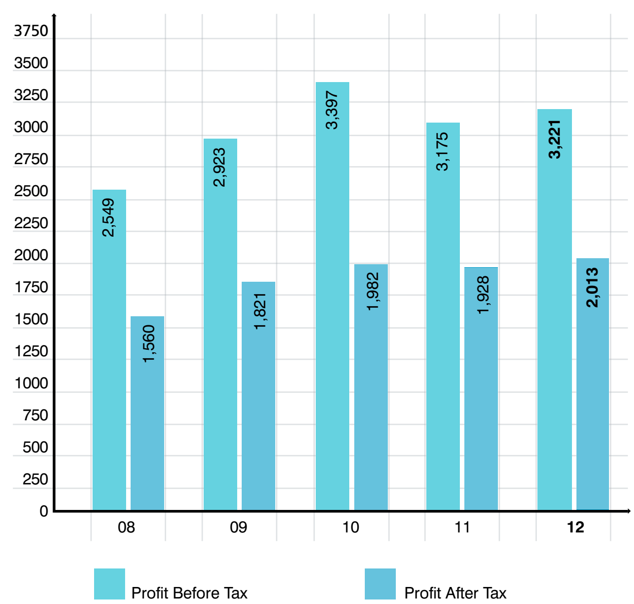
	2012	2011
United States dollars	**202.5**	202.5
Pounds Sterling	**309.0**	309.0
Canadian dollars	**195.0**	197.5
Euro	**261.5**	271.5

STATEMENT OF INCOME REVIEW

Financial Summary

After-tax profit of $2,013 million represents an increase in profitability of $84.6 million or 4.4% over 2011. This increase in profitability resulted from an increase in net interest and other income. Additionally, Corporation Tax paid during the year amounted to $1,132 million compared with $1,546 million in 2011.

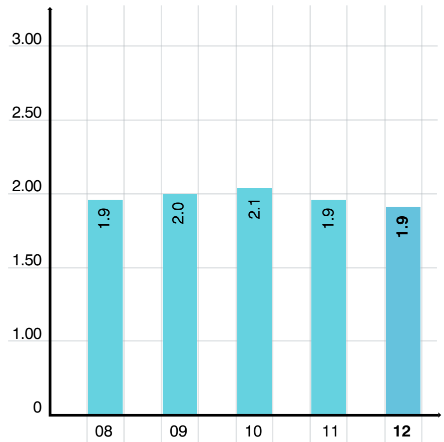
Profit Before/After Tax ($ Millions)



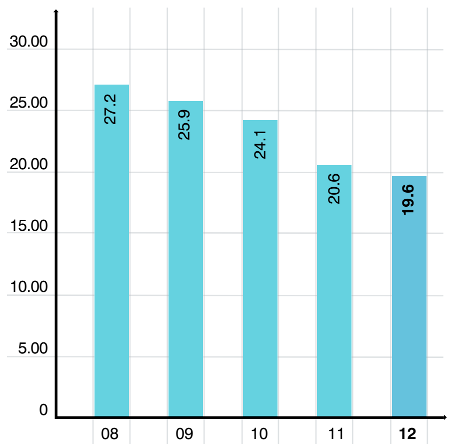
Financial Summary

The Bank's return on average assets (1.9%) remained stable year-on-year, however, there was a decline in return on average stockholders' equity (19.6%). Earnings per stock unit increased from $6.4 in 2011 to $6.7 in 2012.

Return on Average Total Assets (%)



Return on Average Outstanding Equity (%)



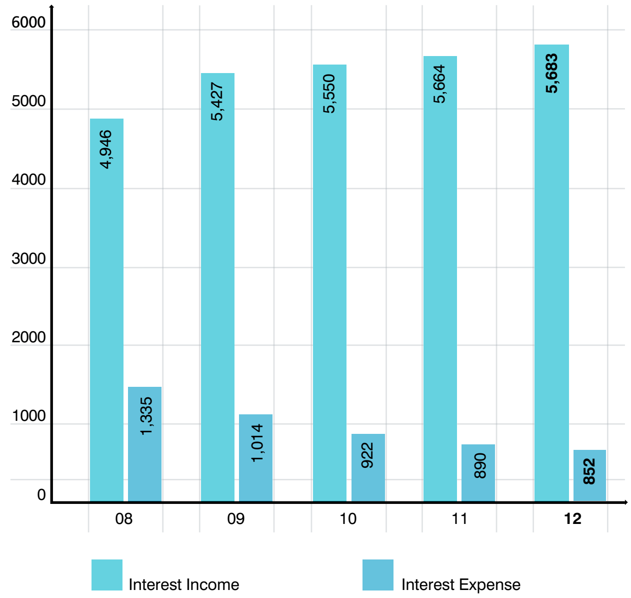
Net Interest and Other Income

Net interest income remained stable at $4.8 billion and is attributed primarily to the tight management of interest expense.

The ratio of the Bank's average interest earning assets to average customer deposits, increased to 88.2% from 87.5% in 2011. 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. At September 30, 2012, 47% of the Bank's interest earning assets consist of Government of Guyana Treasury Bills.

Interest paid on deposits for 2012 at $851 million, was lower than that of 2011 ($890 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.

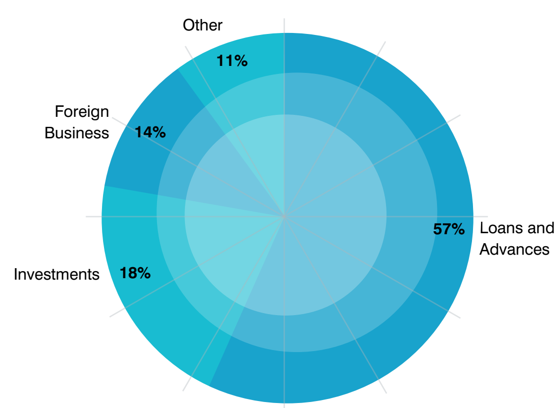
Interest Income/Interest Expense ($ Millions)



Other Income which amounted to $1.9 billion and contributed 25.3% to total income, was above the 2011 amount of $1.8 billion by $136.7 million, or 7.6%. Continued emphasis on foreign exchange trading resulted in exchange gains for 2012 of $1,080 million, however, this represented a decrease of $28.1 million or 2.5% over 2011. Exchange earnings continue to be the main source of Other Income, contributing 55.9% (2011 - 60.9%) of the total.

Net interest and other income grew by $194.2 million or 2.9% to $6.8 billion in 2012 compared to the $6.6 billion generated in 2011.

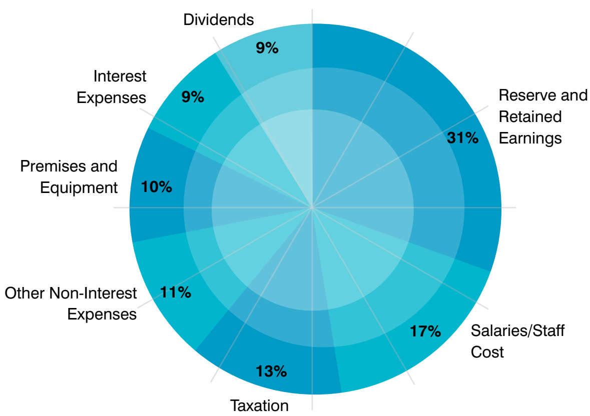
Sources of Revenue (%)



Non-interest Expense

Non-interest expenditure, which comprises operating expenses and provision for loan losses, increased by $148.3 million, or 4.4% over 2011. Staff cost increased to $1,620 million. There was also an increase in depreciation charges ($3.1 million) and a significant decline in loan losses net of recoveries of $43.4 million.

Revenue Distribution (%)



In accordance with IAS 39, as well as under the Financial Institutions Act, the Bank conducts an annual review of its impaired loans. There are three levels at which the Bank provides for actual and potential loan impairment. These are a General Banking Risk Reserve and General and Specific Provisions for non-performing loans. After a $243.2 million transfer from income in 2012, the amount set aside for the General Banking Risk Reserve amounts at year end to $1,283 million. This Reserve which is discussed in some length on page 64 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 $191.4 million at September 30, 2012, an increase of $8.2 million. This provision reflects the level of inherent risk in the loan portfolio for which there is no specific provision.

At September 30, 2012, specific provision on non-performing loans amounted to $101.0 million, a decrease of $20.7 million over 2011. Overall in 2012, expenses related to loan-loss provisioning amounted to $134.2 million against a provision of $175.2 million in 2011. 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 $170.9 million in 2012 (2011- $95.2 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2012 remained stable at 3.7%. On the other hand its ratio of specific provision for loan losses to non-performing loans declined from 10.5% at September 30, 2011 to 7.3% at September 30, 2012 reflecting the quality of collateral held to secure the newly classified non-performing loans.

STATEMENT OF FINANCIAL POSITION 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 increased by $6.2 billion year on year. This increase is due mainly to increased customer deposits and matured Government of Guyana Debentures. The statutory deposit balance with Bank of Guyana increased by $718.7 million over the same period.

Available-for-sale Investment Securities

Available-for-sale investment securities, including Government of Guyana Treasury Bills, declined by 3.2% during the year ($1.5 billion). The decrease was mainly as a result of the maturity of Government of Guyana Debentures moving from $1.8 billion to $0.8 billion at September 30, 2012 or 54.7%. The Bank aggressively competes for the limited investment opportunities even as the liquidity of the country's financial houses continues to grow relative to those investments.

Advances

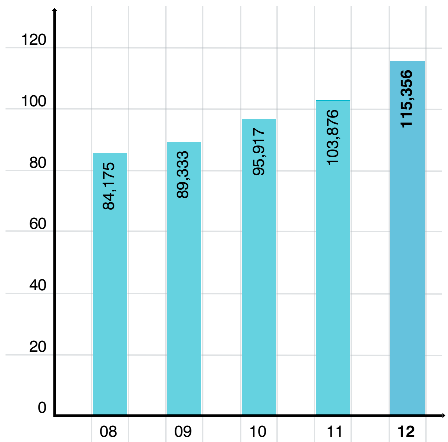
Advances grew by $5.8 billion to $38.6 billion, an increase of 17.7%. The concentration by sector in the loans and advances portfolio, a function of the Bank's Credit Risk Management process, remained fairly constant during the year. Significantly, however, the Home Mortgages sub-sector recorded a 24.4% increase in value from $8.6 billion to $10.7 billion. We continue our efforts both to join the Government in facilitating home construction and ownership.

As a percentage of total assets, loans and advances accounted for 33.5%, up from the 31.7% achieved in 2011.

Total Assets

The Bank's total assets of $115.3 billion represented an increase of $11.5 billion or 11.0% over 2011. Of this loans and advances accounted for an increase of $5.8 billion and available-for-sale investment securities and Treasury Bills for $1.5 billion. Over the past three years, net investment in loans and advances grew by $5 billion, $4.5 billion and $5.8 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.

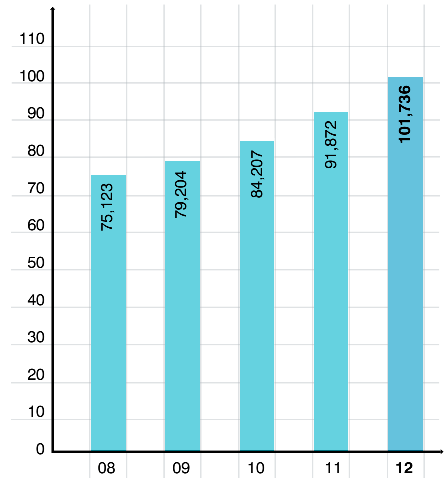
Total Assets ($ Billions)



Deposits

Our asset growth was funded mainly from deposits. As depositors continued to show confidence in the Bank, our overall portfolio increased by $9.9 billion or 10.7%. 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 71.6% of the deposit portfolio, grew by $9.0 billion or 14.2%. The Fixed Deposit (Term) portfolio grew modestly by $233 million or 3.3% compared with decline of $72 million or 1.0% in 2011.

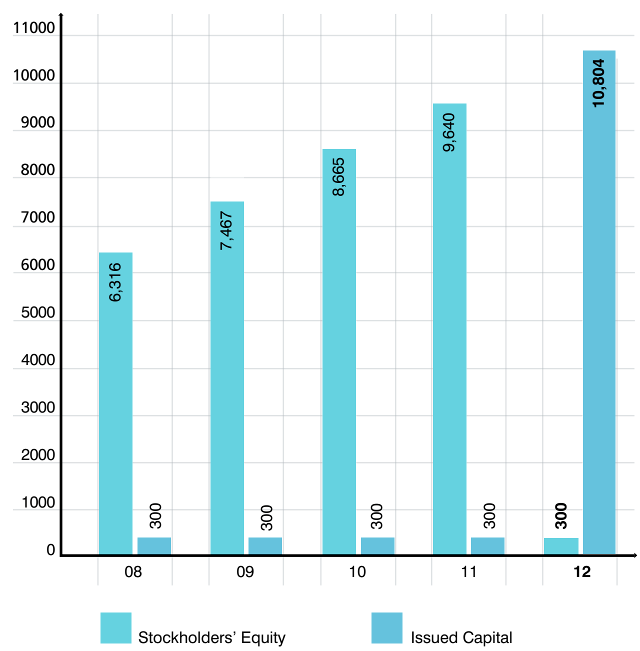
Total Deposits ($ Billions)



CAPITAL STRUCTURE AND RESOURCES

The Bank’s policy is to maintain capital adequacy, ensure capital growth and minimise capital impairment. The governing Financial Institutions Act 1995 restricts a single or group borrower loan to defined percentages of the Bank’s capital base. From the after-tax profits of $2,013 million, $875 million is being proposed as dividends and $1,138 million transferred from the Statement of Income to stockholders’ equity. At September 30, 2012, the book value of stockholders’ equity amounted to $10.8 billion.

Issued Capital and Stockholders’ Equity ($ Millions)



Total dividends paid and proposed for fiscal 2012 amount to $875 million, an increase of 2.9% over the $850 million payout for 2011. This equates to a dividend payout ratio of 43.5% (2011 - 44.1%).

Stockholders enjoyed a significant increase in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 61.5% between the highest price of $105.0 and lowest price of $65.0 with an average weighted price of $87.8 per stock unit. In terms of volume, most trades were done at a unit price of $85.0. Using the Market Weighted Average Price of $87.8 from the last trade date (September 24, 2012) for the Bank's stock, the price/earnings ratio is 13.1 (2011 - 11.2). The net asset value of one unit is $36.0 (2011 - $32.1) which, with a price of $87.8 gives a price/book ratio of 2.44:1 (2011 - 1.89:1).

Regulatory Capital

Capital adequacy is monitored by the Bank on a monthly basis and computed based on guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice (the Basle Committee), as implemented by the Bank of Guyana under the Financial Institutions Act 1995.

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 $9.6 billion to $10.8 billion year-on-year. The capital adequacy ratio declined, moving to 19.7% at September 30, 2012, from 19.8% at September 30, 2011. 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 68 to 80 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, is tasked with ensuring that the integrity of the Bank's operations is maintained at all times.

Future Outlook

In recognition of our role in the development of the country, we will continue to focus on customer service, innovation and asset quality. Our investment in the development of our service delivery locations is evidence of our confidence in Guyana. Our operating income remains strong, staff are competent, and Management and the Board remain committed to the organisation's continued growth and development. These attributes, and the strategies which we have in place, leave us well equipped to face the challenges of the future.

In the financial sector, we expect the continuation of aggressive competition in a low interest rate environment which may further erode net interest margins. We are however, confident that we have implemented the necessary strategies and will successfully utilise our resources to continue performing satisfactorily. We are making significant investments in technology and systems, and while these will impact current cost, they will provide for significant future benefits. During fiscal 2013 we will continue to upgrade our premises, and plans for our Lethem and new Rosignol Branches will be advanced. A number of new lifestyle based products are under consideration for roll-out during the course of the year. As we move forward, staff training at all levels will continue to be a priority as we entrench the core values of customer service, respect for the individual, honesty, integrity, confidentiality and team orientation. We remain committed to ensuring efficiency in all that we do in order to provide the highest quality of service to our customers and people of Guyana.

The future is replete with opportunities such as the renewed prospects of oil exploration in the Berbice region and the Amaila Falls hydro-electric project, which have to be balanced against the challenges associated with the continued phased reduction of EU sugar prices, rising prices and crime levels. Republic Bank (Guyana) Limited remains committed to Guyana and its development and will continue to demonstrate this in the development opportunities for our staff, enhancement to physical and technological infrastructure and our Power to Make a Difference social investment programme.

Political stability, however, remains an imperative and efforts must be intensified to provide the requisite infrastructure for social and economic growth. As alluded to earlier, the performance of the Bank is influenced by the environment in which it operates. Hence, the constraints which continue to impede our plans need to be addressed with urgency by the relevant authorities. Similarly, increased take-up and use of the Bank's technological products through its network depend heavily on modern and reliable telecommunication infrastructure. Our progress over the years has been steady and our plans for the future are many and varied. Management and staff are committed to meeting the challenges ahead, with the support of our customers and stockholders.

Acknowledgements

I thank our staff for their commitment and dedication, customers and stockholders for their support and loyalty, and Board of Directors for their oversight.

Senior Management

John N.
Alves

Denise E.
Hobbs

Patricia
Plummer

John N. Alves
Managing Director

Denise E. Hobbs
General Manager, Corporate and Management Services

Patricia Plummer
General Manager, Credit

Management

Denys R. Benjamin
Manager, Corporate Operations

Charles H. Bruton
Corporate Manager, Corporate and Commercial Credit

Celine E. Davis
Manager, Branch Support Services

Harry Dass Ghaness
Manager, Corriverton Branch

Stanton Grant
Manager, Internal Audit

Sherwyn L. Greaves
Manager, Camp Street Branch

Yonnette F. Greaves
Manager, Information Technology

Sasenarain Jagnanan
Senior Manager, Corporate and Commercial Credit

Michelle H. Johnson
Manager, Marketing and Communications

Devan Khemraj
Manager, Branch Operations

Leon E. McDonald
Manager, Rose Hall Branch

Christine A. McGowan
Manager, Legal Services

Anita Mohabeer
Manager, Human Resources

Jadoonauth Persaud
Manager, Water Street Operations

Carla F. Roberts
Corporate Manager, Corporate and Commercial Credit

Vanessa A. Thompson
Manager, Finance and Planning

Denys R.
Benjamin

Charles H.
Bruton

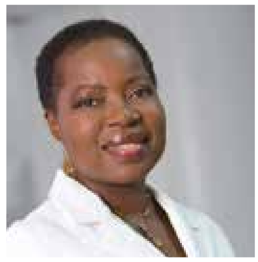
Stanton
Grant

Celine E.
Davis

Harry Dass
Ghaness

Sherwyn L.
Greaves

Yonnette F.
Greaves

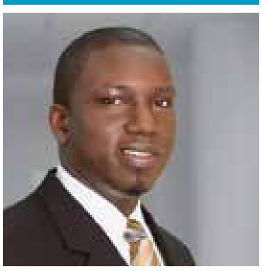


Devan
Khemraj

Sasenarain
Jagnanan

Michelle H.
Johnson

Leon E.
McDonald

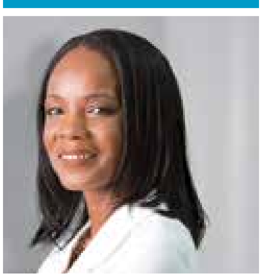


Christine
A. McGowan

Anita
Mohabeer

Jadoonauth
Persaud

Carla F.
Roberts



Vanessa A.
Thompson

The Power to Make a Difference

"We recognise that building communities goes well beyond random donations. It is about social intervention, social investment and a genuine long-term commitment to partner with like-minded organisations to change mindsets and provide opportunities for persons to learn, achieve and prosper. This is, in fact, the driving focus of the Power to Make a Difference."

John N. Alves, Managing Director, Republic Bank (Guyana) Limited

A constant throughout the years in our nation's financial sector for 175 years, Republic Bank (Guyana) Limited remains committed to serving the people of our country, helping to realise dreams and providing hope for those in need. Having been a key part of Guyana's financial, social and cultural history for decades, Republic Bank (Guyana) Limited takes pride in being keenly attuned to the ever-changing needs of the Guyanese people and nation.

Acting on the firm belief that we could help make a positive difference in the lives of the young, the elderly, the disenfranchised and differently-abled in our communities, we launched, in 2004, our groundbreaking Power to Make a Difference programme and in so doing, changed the face of corporate social responsibility. Eight years later, we have seen and experienced the beneficial results of this choice, even as we continue the journey.

We believe in the value of every human life and in the ability of every individual to contribute to the development of our nation. This belief has guided the evolution of the Power to Make a Difference over the years, under the four pillars – the Power to Care, the Power to Learn, the Power to Succeed and the Power to Help.

Our hope is that, as we continue to fulfil the aims and beliefs of this initiative, others will be motivated to take up and carry the torch of social responsibility, to the overall benefit of the nation and region.

Our history as one of the longest serving financial institutions in Guyana has been one of leadership and achievement. The partnerships we have forged throughout the years have catalysed our social investment efforts, and the success of these efforts has inspired us to keep moving forward with our vision.

These relationships with various non-governmental organisations (NGOs) and community-based organisations (CBOs) have helped transform the shape and face of communities, while unlocking the potential of their members.

We believe that our nation's future lies in investing in our young people, and through the Power to Make a Difference, we have placed a major focus on empowering our youth, through sporting, educational and cultural programmes. We are pleased to be able to say that thousands of young people have come to employ their talents and realise their potential through our programmes, and this includes our sponsorship of the Republic Bank Youth Link Apprenticeship Programme.

We also consider culture an important vehicle for youth development. With the aim of giving young people an understanding of the nation's history and culture, we have sponsored the annual Republic Bank Mashramani Steel Band Competition and the annual Republic Bank Pan Minors Music Literacy Programme. Our educational focus extends to the award of a University of Guyana Scholarship; maintenance of the University Library Business Journal Subscription as well as the University of Guyana and Ministry of Education Academic Achievement Awards.

In continuing our commitment to the needs of the differently-abled, we have worked with NGOs in their struggle to improve the quality of life of those with both visible and hidden disabilities. We have worked with the Guyana Community Based Rehabilitation Programme to maintain the 15-seater reconditioned minibus that was donated to the organisation to aid the programme beneficiaries' transportation needs.

We have also extended our support for other initiatives, such as the maintenance of the Promenade Gardens and the Staff Volunteerism Programme whereby staff avail themselves to help enrich the lives of residents of senior citizen homes, orphanages and disability centres.

As a corporate citizen, Republic Bank believes that it is not enough to be aware of the needs of those around us – we must do what we can to fulfil those needs. However large or small the impact of our efforts may be, we stand firm in the knowledge that no effort is wasted. The differently-abled child who now has a wheelchair; the dyslexic student who can now function in a classroom of his peers; the young footballer who has received a football scholarship; the senior citizen who now has a comfortable place to sleep – their smiles, their well-being, their successes and their survival – these are the only reasons we need for continuing to embrace the Power to Make a Difference.

Republic Bank
Mashramani Steel
Band Competition
2012

Republic Bank
Youth Link
Apprenticeship
Care-A-Van outreach
to the Ptolemy Reid
Rehabilitation Centre

Republic Bank
RightStart Pan Minors
Music Literacy
Programme – Closing
Ceremony 2012

Republic Bank/
University of Guyana
Awards – Best
Graduating Social
Science Degree
Student 2011

1836
British Guiana Bank,
Water and Robb
Streets

PROGRESS

2007
Launch of the
Power to Make a
Difference
Programme

COMMUNITY

1986
Bank celebrated
150 years of service,
with celebrations
culminating in
a float around
Georgetown

VISION

1997
Republic Bank
meets with
Janet Jagan,
Prime Minister
of Guyana

EXCELLENCE

2009
Business Excellence
Award for
HIV/AIDS
Workplace
Programmes

SERVICE

2009
Staff Rally,
celebrated #1
position in Customer
Service and to launch
Customer Care

2006
Corporate
Rebranding of NBIC
Limited to
Republic Bank
(Guyana) Limited

Statement of Corporate Governance Practices

Corporate Governance has been defined as "the system by which companies are directed and controlled". Alternatively, it can be said that 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 Number 8.

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. In keeping with the Bank's culture of broad disclosure 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 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 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 Dulal-Whiteway
Chairman

Financial Reporting Requirements

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

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

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

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

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

John N. Alves
Managing Director

Christine A. McGowan
Corporate Secretary

Contents

Independent Auditors' Report

TO THE STOCKHOLDERS OF REPUBLIC BANK (GUYANA) LIMITED

We have audited the financial statements of Republic Bank (Guyana) Limited which comprise the statement of financial position as at September 30, 2012, 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 and for such internal control as management determines is necessary to enable the preparation 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, 2012, 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 22, 2012

Statement of Financial Position

as at September 30, 2012
Expressed in thousands of Guyana dollars ($'000)

	Notes	2012	2011
ASSETS			
Cash		1,321,714	975,963
Statutory deposit with Bank of Guyana		11,856,323	11,137,660
Due from banks		10,102,855	4,278,720
Treasury bills		40,208,527	40,525,362
Investment interest receivable		70,972	54,631
Advances	4	38,631,805	32,814,345
Investment securities	5	5,957,434	7,187,075
Premises and equipment	6	5,430,787	4,975,920
Goodwill	7	1,228,222	1,228,222
Deferred tax assets	9	175,868	156,945
Other assets	10	371,027	540,860
TOTAL ASSETS		115,355,534	103,875,703
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		253,897	137,247
Customers' current, savings and deposit accounts	11	101,736,334	91,871,620
Net pension liability	8	276,100	256,300
Taxation payable		314,276	218,888
Deferred tax liabilities	9	208,033	194,736
Accrued interest payable		33,407	33,274
Other liabilities	12	1,729,700	1,523,817
TOTAL LIABILITIES		104,551,747	94,235,882
EQUITY			
Stated capital	13	300,000	300,000
Statutory reserves	14	300,000	300,000
Net unrealised gains	14	75,709	74,679
General banking risk reserve	14	1,282,602	1,039,437
Retained earnings		8,845,476	7,925,705
TOTAL EQUITY		10,803,787	9,639,821
TOTAL LIABILITIES AND EQUITY		115,355,534	103,875,703

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

These financial statements were approved by the Board of Directors on October 22, 2012 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, 2012
Expressed in thousands of Guyana dollars ($'000)

	Notes	2012	2011
Interest income	15 (a)	5,683,450	5,664,308
Interest expense	15 (b)	(851,588)	(889,875)
Net interest income		4,831,862	4,774,433
Other income	15 (c)	1,929,748	1,792,995
		6,761,610	6,567,428
Loan impairment expense	4 (b)	(134,252)	(175,214)
Operating expenses	15 (d)	(3,406,044)	(3,216,784)
Profit before taxation		3,221,314	3,175,430
Taxation - Current		(1,214,415)	(1,196,313)
- Deferred		6,037	(50,753)
Total taxation expense	16	(1,208,378)	(1,247,066)
Net profit after taxation		2,012,936	1,928,364
Earnings per stock unit ($)		6.71	6.43

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

Statement of Comprehensive Income

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000)

	2012	2011
Net profit after taxation	2,012,936	1,928,364
Net gains/(losses) on available-for-sale investments	1,717	(171,820)
Tax relating to components of other comprehensive income	(687)	68,728
Other comprehensive income for the year, net of tax	1,030	(103,092)
Total comprehensive income for the year, net of tax	2,013,966	1,825,272

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

Statement of Changes in Equity

For the year ended September 30, 2012
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, 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
Balance at September 30, 2011	300,000	300,000	74,679	1,039,437	7,925,705	9,639,821
Profit for the year	–	–	–	–	2,012,936	2,012,936
Other comprehensive income	–	–	1,030	–	–	1,030
Total comprehensive income for the year	–	–	1,030	–	2,012,936	2,013,966
Transfer to general banking risk reserve	–	–	–	243,165	(243,165)	–
Dividends	–	–	–	–	(850,000)	(850,000)
Balance at September 30, 2012	300,000	300,000	75,709	1,282,602	8,845,476	10,803,787

Statement of Cash Flows

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000)

	2012	2011
Operating activities		
Profit before taxation	3,221,314	3,175,430
Adjustments for:		
Depreciation	322,835	319,756
Loan impairment expense	134,252	175,214
Gains on sale of premises and equipment	(2,353)	(212)
Increase in employee benefits	19,800	19,700
Increase in advances	(5,951,712)	(4,683,930)
Increase in customers' deposits and other fund raising instruments	9,864,714	7,664,575
Increase in statutory deposit with Bank of Guyana	(718,663)	(999,150)
Decrease in other assets and investment interest receivable	153,492	313,778
Increase/(decrease) in other liabilities and accrued interest payable	213,944	(272,300)
Net cash from operating activities before tax	7,257,623	5,712,861
Taxes paid	(1,102,950)	(1,561,860)
Cash provided by operating activities	6,154,673	4,151,001
Investing activities		
Purchase of investment securities	(120,000)	(500,000)
Redemption of investment securities	1,241,633	3,159,753
Purchase of Treasury bills	(40,625,350)	(42,428,378)
Redemption of Treasury bills	41,012,150	36,076,710
Additions to premises and equipment	(818,087)	(783,334)
Proceeds from sale of premises and equipment	58,217	2,936
Cash provided by/(used in) investing activities	748,563	(4,472,313)
Financing activities		
Increase/(decrease) in balances due to other banks	116,650	(13,376)
Dividends paid	(850,000)	(850,010)
Cash used in financing activities	(733,350)	(863,386)
Net increase/(decrease) in cash and cash equivalents	6,169,886	(1,184,698)
Cash and cash equivalents at beginning of year	5,254,683	6,439,381
Cash and cash equivalents at end of year	11,424,569	5,254,683
Cash and cash equivalents at end of year are represented by:		
Cash on hand	1,321,714	975,963
Due from banks	10,102,855	4,278,720
	11,424,569	5,254,683
Supplemental information:		
Interest received during the year	5,573,190	5,675,943
Interest paid during the year	851,455	898,653
Dividends received	5,800	5,600

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 under 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, 2012 the stockholdings of Republic Bank Limited in the Bank were 51.1%.

The CL Financial Group holds through its various subsidiaries 51.4% of the stockholdings 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 had 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 it 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, 2012, the combined stockholding of Republic Bank Limited for CLICO and CIB is 51.2%.

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, 2011 except for the adoption of new and amended standards and interpretations noted below:

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IAS 24 - Related Party Disclosures (Revised) (effective January 1, 2011)
The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The adoption of this standard had no effect on the financial position or performance of the Bank.

IFRS 7 - Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (effective July 1, 2011)
The amendment requires additional disclosures about financial assets that have been transferred, but not derecognised, to enable the user of the Bank's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of and risks associated with, the entity's continuing involvement in those derecognised assets.

IFRIC 14 - Prepayments of a minimum funding requirement (Amendments) (effective January 1, 2011)
The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IAS 1 - Presentation of Financial Statements (effective January 1, 2011)
The amendment clarifies that an entity will present an analysis of Other comprehensive income (OCI) for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IAS 34 - Interim Financial Reporting (effective January 1, 2011)
The amendment provides guidance to illustrate how to apply the disclosure principles in IAS 34 and requires additional disclosures of the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets.The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IFRS 7 - Financial Instruments: Disclosures (effective January 1, 2011)
The amendments emphasise the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments as follows:

The amendments clarify that only financial assets with carrying amounts that do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

The amendments require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements, including the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies adopted (continued)

IFRS 7 - Financial Instruments: Disclosures (effective January 1, 2011) *(continued)*

The amendments remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

The amendments remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and

The amendments clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets held at the reporting date.

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

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

ii) New accounting policies not adopted

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

IFRS 1 - First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective July 1, 2011)

The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation.

iii) Standards and interpretations issued but not yet effective

IFRS 1 – Government Loans – Amendment to IFRS 1 (effective January 1, 2013)

The amendment has added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective January 1, 2013)

These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments:Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Standards and interpretations issued but not yet effective *(continued)*

IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective January 1, 2014)
These amendments clarify the meaning of the phrase “currently has a legally enforceable right to set-off” by stating that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

IFRIC 20 - Stripping Costs in the Production Phase of a surface Mine (effective January 1, 2013)
This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity during the production phase of the mine. If the benefit from the stripping activity will be realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognise these costs as a non-current asset, only if certain criteria are met. This is referred to as the “stripping activity asset”. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, the entity allocates the cost between the two assets using an allocation method based on a relevant production measure. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

IAS 12 - Income Taxes (Amendment)/Deferred taxes - Recovery of Underlying Assets (effective January 1, 2012)
The amendment clarified the determination of deferred tax in investment property measured at fair value by introducing a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendment introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 to always be measured on the sale basis of the asset.

IFRS 9 - Financial Instruments: Classification and Measurement ((Phase 1) effective January 1, 2015)
IFRS 9 as issued reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank’s financial assets.

IFRS 10 - Consolidated Financial Statements, IAS 27 Separate Financial Statements (effective January 1, 2013)
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities resulting in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control.

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

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

IFRS 11 - Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures (effective January 1, 2013)
IFRS 11 replaces IAS 31 *Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers*. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 12 - Disclosure of Interests in Other Entities (effective January 1, 2013)
IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new. The objective of the new disclosure requirements is to help the users of financial statements understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and to understand the nature of, and the risks associated with the entity's interest in other entities.

IFRS 13 - Fair Value Measurement (effective January 1, 2013)
IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e., an 'exit price'). 'Fair value' as used in IFRS 2 Sharebased Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

IAS 1 - Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective July 1, 2012)
The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods.

IAS 19 - Employee Benefits (revised) (effective January 1, 2013)
The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss. Under the amended version of IAS 19, the excess of the Bank's defined benefit liability of $150.3 million as shown in note 8(a) will be reversed in the Statement of Financial Position.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Standards and interpretations issued but not yet effective *(continued)*

IAS 19 – Employee Benefits (Revised) (effective January 1, 2013) *(continued)*

The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

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 Statement of Income. 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 whilst losses are reported in operating expenses.

Interest and dividends earned whilst holding trading securities and those designated at fair value through profit or loss are reported in interest income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments *(continued)*

ii) Investment securities (continued)

- 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.

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. Interest continues to be accrued at the effective interest rate and is recorded in "interest income". 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Impairment of financial assets *(continued)*

ii) *Investment securities*

The Bank individually assesses each investment security for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the 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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Taxation *(continued)*

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

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.

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) Dividends

Dividend income is recognised when the right to receive the payment is established.

q) 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.

r) 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 a single business unit. All business is conducted in Guyana with the exception of certain investment activities.

For the year ended September 30, 2012
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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

t) 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.

u) 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.

Inherent provisions on advances (Note 4b)

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 (Note 5)

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 (Note 8)

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.

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

Goodwill (Note 7)

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2012 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 (Note 9)

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 (Note 6)

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

		2012		
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	6,727,619	21,212,785	10,548,047	38,488,451
Non-performing advances	5,408	1,178,764	199,424	1,383,596
	6,733,027	22,391,549	10,747,471	39,872,047
Unearned interest	(1,389,174)	–	–	(1,389,174)
Accrued interest	–	389,705	51,703	441,408
	5,343,853	22,781,254	10,799,174	38,924,281
Allowance for impairment losses - Note 4 (b)	(41,952)	(200,774)	(49,750)	(292,476)
Net Advances	5,301,901	22,580,480	10,749,424	38,631,805

For the year ended September 30, 2012
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4 ADVANCES *(continued)*

a) Advances *(continued)*

	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**

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.

4 ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

i) Impairment assessment (continued)

Collectively assessed allowances (continued)

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

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

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

	2012			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	(38,884)	(208,159)	(57,943)	(304,986)
Charge-offs and write-offs	87,691	58,941	130	146,762
Loan impairment expense	334,118	1,624,519	161,572	2,120,209
Loan impairment recoveries	(424,877)	(1,676,075)	(153,509)	(2,254,461)
Balance carried forward	(41,952)	(200,774)	(49,750)	(292,476)
Individual impairment	(7,180)	(57,966)	(35,845)	(100,991)
Collective impairment	(34,772)	(142,808)	(13,905)	(191,485)
	(41,952)	(200,774)	(49,750)	(292,476)
Gross amount of loans individually determined to be impaired, before deducting any allowance	5,408	1,178,764	199,424	1,383,596

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4 ADVANCES *(continued)*

b) Allowance for impairment losses *(continued)*

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

	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

c) The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2012 amounts to $2,003 million (2011: $1,561 million). The collateral consists of cash, securities and properties.

d) Collateral realised

During the year, the Bank realised collateral amounting to $19.1 million (2011: $27.1 million).

5 INVESTMENT SECURITIES

Available-for-sale

	2012	2011
Government securities	1,056,462	2,513,201
State-owned company securities	705,803	418,406
Corporate bonds/debentures	4,175,169	4,235,468
Others	20,000	20,000
Total investment securities	5,957,434	7,187,075

6 PREMISES AND EQUIPMENT

2012	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	486,140	4,033,897	2,608,461	7,128,498
Additions at cost	366,258	110,760	341,069	818,087
Disposal/transfer of assets	(243,964)	(65,293)	168,870	(140,387)
	608,434	4,079,364	3,118,400	7,806,198
Accumulated depreciation				
At beginning of year	–	362,850	1,789,728	2,152,578
Charge for the year	–	68,774	254,061	322,835
Disposal of assets	–	(23,724)	(76,278)	(100,002)
	–	407,900	1,967,511	2,375,411
Net book value	608,434	3,671,464	1,150,889	5,430,787

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
Disposal/transfer of assets	(350,197)	343,210	(11,031)	(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

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

6 PREMISES AND EQUIPMENT *(continued)*

Intangible assets

	2012	2011
Net book value of purchased software included in the category equipment, furniture and fittings	220,356	45,648

Capital commitments

	2012	2011
Contracts for outstanding capital expenditure not provided for in the financial statements	1,294,998	952,163
Other capital expenditure authorised by the Directors but not yet contracted for	664,577	161,000

7 GOODWILL

	2012	2011
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, 2012 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:

	2012	2011
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:

	2012	2011
Defined benefit obligation	1,091,600	1,230,600
Fair value of plan assets	(965,800)	(853,500)
	125,800	377,100
Unrecognised actuarial (loss)/gain	150,300	(120,800)
Net liability recognised in the Statement of Financial Position	276,100	256,300

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

	2012	2011
Opening defined benefit obligation	1,230,600	1,158,500
Current service cost	71,200	62,500
Interest cost	67,100	63,200
Members' contributions	19,700	17,700
Actuarial gains on obligations	(271,500)	(49,700)
Benefits paid	(22,200)	(18,400)
Expense allowance	(3,300)	(3,200)
Closing defined benefit obligation	1,091,600	1,230,600

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

	2012	2011
Opening fair value of plan assets	853,500	751,200
Expected return	61,500	54,400
Actuarial losses	(400)	(3,500)
Contributions by Bank	57,000	55,300
Members' contributions	19,700	17,700
Benefits paid	(22,200)	(18,400)
Expense allowance	(3,300)	(3,200)
Closing fair value of plan assets	965,800	853,500

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

8 EMPLOYEE BENEFITS *(continued)*

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

	2012	2011
Current service cost	71,200	62,500
Interest on defined benefit obligation	67,100	63,200
Expected return on plan assets	(61,500)	(54,400)
Amortised net loss	–	3,700
Total included in staff costs	76,800	75,000

e) Actual return on plan assets

	2012	2011
Expected return on plan assets	61,500	54,400
Actuarial gain on plan assets	(400)	(3,500)
Actual return on plan assets	61,100	50,900

f) Experience history

	2012	2011
Defined benefit obligation	1,091,600	1,230,600
Plan assets	(965,800)	(853,500)
Deficit	125,800	377,100
Experience adjustments on plan liabilities	(46,500)	(49,700)
Experience adjustments on plan assets	(400)	(3,500)

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, 2011, the assets of the scheme would have been sufficient to cover its liabilities.

h) The Bank expects to contribute $68.7 million to the plan in the 2013 financial year.

8 EMPLOYEE BENEFITS *(continued)*

i) The principal actuarial assumptions used were as follows:

	2012 %	2011 %
Discount rate	5.50	5.50
Rate of salary increase	5.50	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.

j) Plan asset allocation as at September 30

	2012 %	2011 %
Equity securities	19.00	19.00
Debt securities	44.00	51.00
Money market instruments/cash	37.00	30.00
Total	100.00	100.00

The plan does not directly hold any assets of the Bank.

9 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening Balance 2011	(Charge)/Credit Statement of Income	(Charge)/Credit Other Comprehensive Income	Closing Balance 2012
Pension liability	102,520	7,920	–	110,440
Fee and Commission income	54,425	11,003	–	65,428
	156,945	18,923	–	175,868

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

9 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Components of deferred tax assets and liabilities *(continued)*

b) Deferred tax liabilities

	Opening Balance 2011	Credit/(Charge) Statement of Income	Credit/(Charge) Other Comprehensive Income	Closing Balance 2012
Premises and equipment	144,950	12,886	–	157,836
Unrealised reserve	49,786	–	411	50,197
	194,736	12,886	411	208,033

10 OTHER ASSETS

	2012	2011
Accounts receivable and prepayments	146,684	100,342
Other assets	224,343	440,518
	371,027	540,860

11 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

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

	2012	2011
State	8,512,746	11,386,666
Corporate and commercial	13,886,753	8,548,516
Personal	74,593,462	66,992,927
Other financial institutions	2,363,422	1,782,911
Other	2,379,951	3,160,600
	101,736,334	91,871,620

11 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS *(continued)*

b) Account types

	2012	2011
Demand	21,553,242	20,973,561
Savings	72,869,861	63,817,570
Time	7,313,231	7,080,489
	101,736,334	91,871,620

12 OTHER LIABILITIES

	2012	2011
Drafts and settlements	971,644	858,737
Accrued expenses	85,233	91,573
Withholding taxes payable	44,996	49,262
Short term payables	68,132	59,000
Deferred income	9,498	9,317
Unearned loan origination fees	163,569	136,062
Dividends payable	52,897	41,656
Other	333,731	278,210
	1,729,700	1,523,817

13 STATED CAPITAL

	2012	2011
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

For the year ended September 30, 2012
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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.

15 OPERATING PROFIT

a) Interest income

	2012	2011
Advances	4,311,336	3,751,212
Investment securities	429,593	528,515
Liquid assets	942,521	1,384,581
	5,683,450	5,664,308

b) Interest expense

	2012	2011
Customers' current, savings and deposit accounts	851,588	889,875
	851,588	889,875

15 OPERATING PROFIT *(continued)*

c) Other income

	2012	2011
Credit and related fees	90,000	80,288
Net exchange trading income	1,080,043	1,108,141
Loan recoveries	170,879	95,176
Dividends	5,800	5,600
Deposit and related fees	393,398	339,113
Payments and transfers	185,284	162,663
Sale of premises and equipment	2,643	466
Other operating income	1,701	1,548
	1,929,748	1,792,995

d) Operating expenses

	2012	2011
Staff costs	1,436,849	1,380,167
Staff profit share	183,725	179,940
General administrative expenses	594,593	526,233
Property related expenses	561,228	498,722
Property tax	68,022	59,000
Depreciation expense	322,835	319,756
Communication	79,524	84,373
Advertising and public relations expenses	126,866	137,103
Directors' fees	15,480	15,490
Auditors' fees	16,922	16,000
	3,406,044	3,216,784

For the year ended September 30, 2012
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16 TAXATION EXPENSE

Reconciliation

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

	2012	2011
Accounting profit	3,221,314	3,175,430
Tax at applicable statutory tax rates (40%)	1,288,526	1,270,172
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(134,808)	(124,100)
Depreciation	129,134	127,903
Donations	1,778	1,661
Property tax	27,209	23,600
Wear and tear allowance	(118,582)	(117,333)
Inherent risk (general) provisions	3,292	(780)
Loss/(gain) on sale of premises and equipment	(1,057)	(187)
Defined benefit obligation	7,920	7,880
Deferred fee income	11,003	7,497
Current tax	1,214,415	1,196,313
Deferred tax	(6,037)	50,753
Total Taxation	1,208,378	1,247,066

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 are both secured and unsecured and were carried out on commercial terms and conditions, at market rates.

Outstanding balances

	2012	2011
Loans, investments and other assets		
Republic Bank Limited (Parent)	40,951	16,735
Fellow subsidiaries	2,947	816
Directors and key management personnel	45,713	44,396
Other related parties	500,582	523,092
	590,193	585,039

17 RELATED PARTIES *(continued)*

Outstanding balances *(continued)*

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

	2012	2011
Deposits and other liabilities		
CL Financial Group	23,092	233,679
Republic Bank Limited (Parent)	1,012,785	506,479
Fellow subsidiaries	14,791	12,450
Directors and key management personnel	110,376	95,705
Other related parties	1,083,562	985,041
	2,244,606	1,833,354
Interest and other income		
Directors and key management personnel	1,731	1,846
Other related parties	40,490	51,895
	42,221	53,741
Interest and other expense (excluding key management compensation)		
CL Financial Group	5	2
Republic Bank Limited (Parent)	76,387	66,434
Directors and key management personnel	15,575	15,466
Other related parties	8,612	11,577
	100,579	93,479

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

Key management compensation

	2012	2011
Short-term benefits	64,985	66,222

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18 RISK MANAGEMENT

18.1 Introduction

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

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.

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	
	2012	2011
Statutory deposit with Bank of Guyana	11,856,323	11,137,660
Due from banks	10,102,855	4,278,720
Treasury bills	40,208,527	40,525,362
Investment interest receivable	70,972	54,631
Investment securities	5,937,434	7,167,075
Loans and advances to customers	38,631,805	32,814,345
Total	106,807,916	95,977,793
Undrawn commitments	6,677,602	5,500,207
Acceptances	–	5,324
Guarantees and indemnities	1,540,787	1,476,460
Letters of credit	382,634	568,756
Total	8,601,023	7,550,747
Total credit risk exposure	115,408,939	103,528,540

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

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements *(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, inventories 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. As at September 30, 2012, $10.3M (2011: $7.5M) in repossessed properties are still in the process of being disposed of.

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:

	2012	2011
Guyana	109,505,439	98,987,869
Trinidad and Tobago	1,934,186	1,651,769
Barbados	538,203	680,887
Eastern Caribbean	1,581,996	1,575,463
United States	1,585,860	255,254
Other Countries	263,255	377,298
	115,408,939	103,528,540

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:

	2012	2011
Government and Government Bodies	53,868,383	55,657,201
Financial sector	11,482,414	5,727,908
Energy and mining	1,423,052	266,087
Agriculture	4,544,656	3,660,865
Electricity and water	734,721	905,606
Transport, storage and communication	962,382	1,686,130
Distribution	7,254,912	8,266,419
Real estate	834,083	290,599
Manufacturing	1,974,584	2,612,687
Construction	3,264,551	1,225,563
Hotel and restaurant	131,204	188,998
Personal	23,630,932	18,471,086
Other services	5,303,065	4,569,391
	115,408,939	103,528,540

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 held 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'.

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)*

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
2012	6,229,613	1,476,719	2,396,523	10,102,855
2011	2,594,635	7,767	1,676,318	4,278,720

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.

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

Loans and advances - Commercial and Corporate (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
2012	65,710	2,007,769	18,964,650	1,542,350	22,580,479
2011	104,814	3,039,232	15,311,675	1,676,942	20,132,663

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
2012	233,263	75,194	28,114	84,981	1,120,798	1,542,350
2011	204,719	44,188	12,629	488,750	926,656	1,676,942

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
2012	14,615,209	1,014,128	181,629	78,552	–	161,807	16,051,325
2011	11,465,274	887,435	183,442	32,748	–	112,783	12,681,682

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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)*

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					
2012	**2,519,517**	**3,417,917**	**–**	**–**	**5,937,434**
2011	3,823,015	3,344,060	–	–	7,167,075

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:

	2012	2011
Loans and advances to customers		
- Retail lending	418	1,308
- Mortgages	38,332	34,544
- Commercial and Corporate lending	1,518,433	1,674,708
Total renegotiated financial assets	1,557,183	1,710,560

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.

For the year ended September 30, 2012
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)*

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, 2012					
Customers' current, savings and deposit accounts	94,423,103	7,308,472	4,759	–	101,736,334
Due to banks	253,897	–	–	–	253,897
Other liabilities	1,729,700	–	–	–	1,729,700
Total undiscounted financial liabilities 2012	96,406,700	7,308,472	4,759	–	103,719,931
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

Financial liabilities - off Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2012					
Acceptances	–	–	–	–	–
Guarantees and indemnities	–	22,833	134,070	1,383,883	1,540,786
Letters of credit	–	382,634	–	–	382,634
Total	–	405,467	134,070	1,383,883	1,923,420
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

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

18 RISK MANAGEMENT *(continued)*

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			
		2012		2011	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	-/+ 364,349		-/+ 319,088	
US$ Instruments	+/- 50	-/+ 29,710		-/+ 34,549	
Other currency Instruments	+/- 50	-/+ 257		-/+ 1,549	

		Impact on net unrealised gains			
		2012		2011	
	Increase/decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	(7,737)	7,077	(14,308)	14,457
US$ Instruments	+/- 50	(22,004)	22,422	(31,415)	32,125

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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

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.

2012	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	1,221,833	126	95,499	505	3,751	1,321,714
Statutory deposit with Bank of Guyana	11,856,323	–	–	–	–	11,856,323
Due from banks	7,042,374	2,379	2,983,620	22,093	52,389	10,102,855
Treasury bills	40,208,527	–	–	–	–	40,208,527
Advances	38,013,841	–	617,964	–	–	38,631,805
Investment securities	3,464,439	–	2,492,995	–	–	5,957,434
Interest receivable	42,190	–	28,782	–	–	70,972
TOTAL FINANCIAL ASSETS	101,849,527	2,505	6,218,860	22,598	56,140	108,149,630
FINANCIAL LIABILITIES						
Due to banks	–	2,168	151,508	4,191	96,030	253,897
Customers' current, savings and deposit accounts	95,781,141	–	5,942,028	16,165	–	101,739,334
Interest payable	33,407	–	–	–	–	33,407
TOTAL FINANCIAL LIABILITIES	95,814,548	2,168	6,093,536	20,356	96,030	102,026,638
NET CURRENCY RISK EXPOSURE	6,034,979	337	125,324	2,242	(39,890)	6,122,992
Reasonably possible change in currency rate (%)	–	1%	1%	1%	1%	–
Effect on profit before tax	–	3	1,253	22	(399)	879

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)

18.5 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.

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18 RISK MANAGEMENT *(continued)*

18.5 Operational Risk *(continued)*

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 $1,164 million to $10,804 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 proposed distribution based on the results for the financial year 2012 of $875 million represents 43.5% of core operating profit.

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

The Bank's Tier 1 capital at September 30, 2012 is 19.67% (2011 - 19.83%) and its capital adequacy ratio (Tier 2) is 19.84% (2011-20.03%). At September 30, 2012 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:

		2012	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury bills	51,633,096	51,633,096	–
Statutory deposit with Bank of Guyana	11,856,323	11,856,323	–
Investment securities	5,957,434	5,957,434	–
Advances	38,631,805	39,057,001	425,196
Investment interest receivable	70,972	70,972	–
Other financial assets	132,337	132,337	–
Financial liabilities			
Due to banks	253,897	253,897	–
Customers' current, savings and deposit accounts	101,736,334	101,859,272	(122,938)
Accrued interest payable	33,407	33,407	–
Other financial liabilities	253,897	253,897	–
Total unrecognised change in unrealised fair value			302,258

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

20 FAIR VALUE *(continued)*

	Carrying value	2011 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	218,182	218,182	–
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	137,247	137,247	–
Total unrecognised change in unrealised fair value			11,888

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.

	Level 1	Level 2	Level 3	Total
Financial investments -available-for-sale				
2012	1,496,239	4,461,195	–	5,957,434
2011	1,466,282	5,720,793	–	7,187,075

20.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2012, 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, 2012, 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, interest expenses, total assets and total liabilities allocated based on the location of the customers and assets respectively:

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

21 SEGMENTAL INFORMATION *(continued)*

21.2 Geographical Information *(continued)*

2012	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	5,543,296	20,881	119,273	5,683,450
Interest expense	(851,588)	–	–	(851,588)
Net interest income	4,691,708	20,881	119,273	4,831,862
Other income	1,929,748	–	–	1,929,748
Net interest and other income	6,621,456	20,881	119,273	6,761,610
Total assets	112,841,539	428,795	2,085,200	115,355,534
Total liabilities	104,297,850	2,168	251,729	104,551,747
2011				
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	102,064,955	48,406	2,225,920	104,339,281
Total liabilities	94,098,635	2,072	135,175	94,235,882

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.

2012	Within 12 months	After 12 months	Total
ASSETS			
Cash	1,321,714	–	1,321,714
Statutory deposit with Bank of Guyana	11,855,752	571	11,856,323
Due from banks	10,102,855	–	10,102,855
Treasury bills	40,208,527	–	40,208,527
Investment interest receivable	28,217	42,755	70,972
Advances	6,586,034	32,045,771	38,631,805
Investment securities	1,232,794	4,724,640	5,957,434
Premises and equipment	–	5,430,787	5,430,787
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	175,868	175,868
Other assets	371,027	–	371,027
	71,706,920	43,648,614	115,355,534
LIABILITIES			
Due to banks	253,897	–	253,897
Customers' current, savings and deposit accounts	101,731,575	4,759	101,736,334
Net pension liability	–	276,100	276,100
Taxation payable	314,276	–	314,276
Deferred tax liabilities	–	208,033	208,033
Accrued interest payable	33,407	–	33,407
Other liabilities	1,729,700	–	1,729,700
	104,062,855	488,892	104,551,747

For the year ended September 30, 2012
Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

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

2011	Within 12 months	After 12 months	Total
ASSETS			
Cash	975,973	–	975,973
Statutory deposit with Bank of Guyana	11,135,906	1,754	11,137,660
Due from banks	4,278,720	–	4,278,720
Treasury bills	40,525,362	–	40,525,362
Investment interest receivable	2,314	52,317	54,631
Advances	7,079,941	25,734,404	32,814,345
Investment securities	1,501,110	5,685,965	7,187,075
Premises and equipment	–	4,975,920	4,975,920
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	156,945	156,945
Other assets	540,850	–	540,850
	66,040,176	37,835,527	103,875,703
LIABILITIES			
Due to banks	137,247	–	137,247
Customers' current, savings and deposit accounts	91,857,006	14,614	91,871,620
Net pension liability	–	256,300	256,300
Taxation payable	218,888	–	218,888
Deferred tax liabilities	–	194,736	194,736
Accrued interest payable	33,274	–	33,274
Other liabilities	1,523,817	–	1,523,817
	93,770,232	465,650	94,235,882

23 DIVIDENDS PAID AND PROPOSED

	2012	2011
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2011: $1.92 (2010: $1.92)	575,000	575,000
First dividend for 2012: $0.917 (2011: $0.917)	275,000	275,010
Total dividends paid	850,000	850,010
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 2012: $2.00 (2011: $1.92)	600,000	575,000

24 CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2012 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

	2012	2011
Acceptances	–	5,324
Guarantees and indemnities	1,540,787	1,476,460
Letters of credit	382,634	568,756
	1,923,421	2,050,540

c) Sectoral information

	2012	2011
State	688,474	1,092,222
Corporate and commercial	1,228,963	934,536
Personal	5,984	23,782
	1,923,421	2,050,540

For the year ended September 30, 2012
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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	
	2012	2011	2012	2011
Statutory deposit	11,856,323	11,137,660	101,736,334	91,871,620

The statutory deposit is provided to the Bank of Guyana at a percentage of deposit liabilities under the Financial Institutions Act 1995.

e) Non-cancellable operating lease commitments

	2012	2011
Less than one year	14,416	14,416
Between one to five years	6,740	20,996
More than five years	400	560
	21,556	35,972

25 EXTERNAL PAYMENT DEPOSIT SCHEME

	2012	2011
	47,619	47,619

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.

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