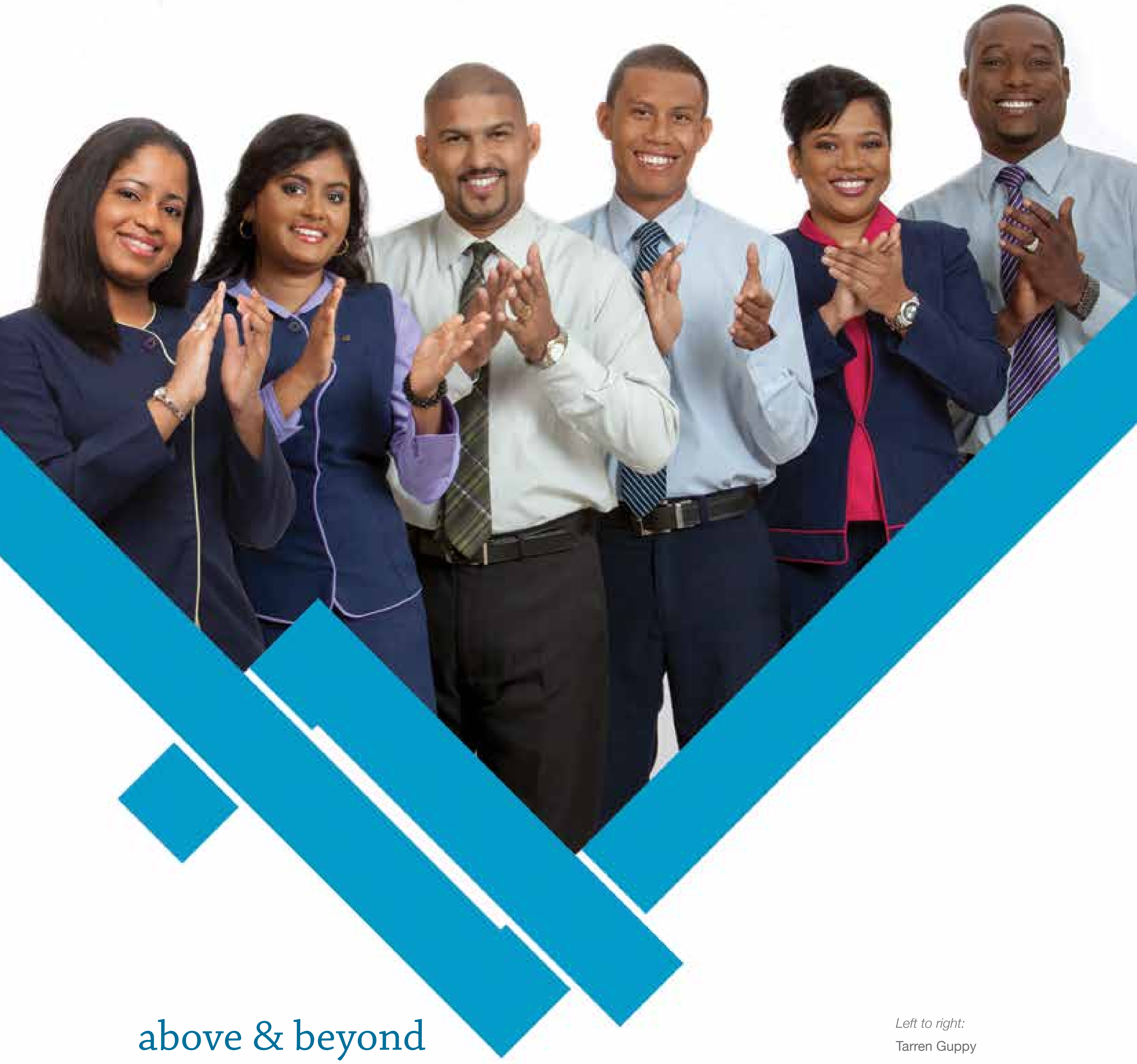
2013 Annual Report

above & beyond

Republic Bank (Guyana) Limited



above & beyond

Left to right:
Tarren Guppy
Malinie Narine
Javed Khan
Charlton Ansdell
Patrina Harding
Odel Denny

When we go beyond what is expected of us, we discover within ourselves new abilities and qualities. We also contribute something new and better to the common goal of serving others. Thus, in celebrating those among us that have gone above & beyond the call of duty in our Bank, we are challenging ourselves to emulate them and to grow and discover our own unique gifts. As we celebrate the best among us, we are focusing on what's right, on what is good, on what is successful. This focus will lead us to a place of positive potential where we can create success that transcends common boundaries. We have recognised our individual and collective strengths as forces with which to be reckoned. Our power is in the commitment of each member of staff. In asserting this power, we are now better able to apply it in the service of others. In honouring our ability to perform, we are more inspired to set new precedents, to raise the bar, to ascend to new heights in service, productivity, job fulfilment and profitability. We are Republic Bank. We are an upward moving momentum that has only just begun to achieve goals beyond the ordinary.

Vision
Mission
Values

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-ninth Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Monday, December 9, 2013 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, 2013.

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

3 To elect Farid Antar who was appointed to fill a casual vacancy as Director in accordance with the By-Laws.

4 To reappoint the Auditors, Messrs Ram & McRae.

And the following special business namely:

1 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.

2 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 21, 2013

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

Executive Director, Republic Bank Limited

Nigel M. Baptiste, BSc (Econ.) (Hons.), MSc (Econ.), ACIB

Managing Director

John N. Alves, FICB

Non-Executive Directors

Farid Antar, ACIB, ACIS, SOBMM, AMLCA

Roy E. Cheong, AA, FCII, FLMI, CLU

William H. Pierpont Scott, FCCA, CA

John G. Carpenter, BSc (Food Sciences)

Richard I. Vasconcellos

Derwin M. Howell, BSc (Elect. Eng.) (Hons.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE. C. Eng.

Yolande M. Foo, AICB

CORPORATE SECRETARY

Christine A. McGowan, LLM (Merit), LLB (Dist.), LEC (Hons.), AMLCA

REGISTERED OFFICE

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

ATTORNEYS-AT-LAW

Messrs Cameron & Shepherd

2 Avenue of the Republic
Robbstown
Georgetown
Guyana, South America

AUDITORS

Messrs Ram & McRae

Chartered Accountants
157 ‘C’ Waterloo Street
North Cummingsburg
Georgetown
Guyana, South America

Bank Profile

HEAD OFFICE

Republic Bank Promenade Court
155-156 New Market Street
North Cummingsburg
Georgetown
Guyana, South America
Telephone: (592)-223-7938-49
Fax: (592)-233-5007
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 Management)

MANAGEMENT

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

Manager, Branch Operations
Jadoonauth Persaud, Dip. (Banking and Finance), 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, LLM (Merit), LLB (Dist.), LEC (Hons.), AMLCA

Assistant Manager, Legal Services
Ndidi Jones, Dip. (Sociology), LLB, LEC, LLM (Merit)

Manager, Marketing and Communications
Michelle Johnson, BSocSc (Mgmt.)(Credit), PG Dip. CIPR, MACC (Dist.), MCIPR

Manager, Branch Support Services
Erica Jeffrey, ICB - Letter of Accomplishment

Manager, Information Technology
Yonnette Greaves, Dip. (Info. Services), LIMIS

Assistant Manager, Information Technology
Yugisther Mohabir, MCSA

Manager, Internal Audit
Stanton Grant, BSc (Econ.), AICB

MAIN BANKING OFFICE

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

Manager
Celine Davis, ICB - Letter of Accomplishment, BSocSc (Mgmt.), PG Dip. (Dev. Studies), MSc (Human Resource Mgmt.)

OTHER BANKING OFFICES

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

Manager
Guitree Ramsamooj, CAT

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

Manager
Sherwyn Greaves, AICB, MBA

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, McKenzie, Linden
Telephone: (592) 444-6951, 6952, 6090, 6001
Fax (592) 444-6008
E-mail: Linden.Branch@republicguyana.com

Manager
Randulph Sears, Business Group Cert. (ICM), Dip. (Marketing), ACIM

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

Manager
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

Manager
Joseph Downes, BSocSc (Mgmt.) (Dist.), AICB

VREED-EN-HOOP BRANCH
27 ‘C’ Stelling Road Vreed-en-Hoop
West Coast Demerara
Telephone: (592) 264-2367/3106-8
Fax: (592) 264-2605
E-mail: Vreed-en-Hoop.Branch@republicguyana.com

Manager
Shridath Patandin, AICB

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

Financial Summary

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

	2013	2012	2011	2010	2009
Cash resources	**32,564,269**	23,280,892	16,392,343	16,577,891	16,265,080
Investment securities	**5,676,215**	5,957,434	7,187,075	8,855,437	11,197,128
Loans and advances	**46,573,714**	38,631,805	32,814,345	28,305,627	23,302,210
Total assets	**132,535,496**	115,355,534	103,875,703	95,917,296	89,333,140
Total deposits	**117,117,616**	101,736,334	91,871,620	84,207,045	79,204,292
Stockholders' equity	**12,179,453**	10,803,787	9,639,821	8,664,559	7,466,787
Net profit after taxation	**2,354,287**	2,012,936	1,928,364	1,982,092	1,821,457
Earnings per stock unit in dollars ($)	**7.85**	6.71	6.428	6.61	6.07
Return on average assets (%)	**1.84**	1.85	1.88	2.11	2.06
Return on average equity (%)	**20.38**	19.58	20.56	24.10	25.89

Financial Highlights

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

	2013	2012	Change	% change
STATEMENT OF INCOME				
Interest and other income	**8,434,209**	7,613,198	821,011	10.8
Interest and non-interest expenses	**(4,702,085)**	(4,391,884)	(310,202)	(7.1)
Net Income before taxation	**3,732,124**	3,221,314	510,810	15.9
Taxation charge	**(1,377,837)**	(1,208,378)	(169,459)	(14.0)
Net Income after taxation	**2,354,287**	2,012,936	341,351	17.0
STATEMENT OF FINANCIAL POSITION				
Loans and advances	**46,573,714**	38,631,805	7,941,909	20.6
Total assets	**132,535,496**	115,355,534	17,179,962	14.9
Average assets	**127,611,250**	108,689,460	18,921,790	17.4
Deposits	**117,117,616**	101,736,334	15,381,282	15.1
Equity (capital and reserves)	**12,179,453**	10,803,787	1,375,666	12.7
Average outstanding equity	**11,549,835**	10,280,755	1,269,079	12.3
COMMON STOCK				
Earnings in dollars per stock unit	**7.85**	6.71	1.1	17.0
Dividend for the year (in thousands)	**1,000,000**	875,000	125,000	14.3
Stock Units (in thousands)	**300,000**	300,000	0	0.0
GENERAL				
Number of:				
Stockholders	**1,252**	1,199	53	4.4
Common stock outstanding (in thousands)	**300,000**	300,000	0	0.0
Active savings, chequing and deposit accounts	**196,516**	201,095	(4,579)	(2.3)
Employees	**622**	614	8	1.3
Banking offices	**10**	10	0	0.0

Board of Directors

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

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

Farid Antar
ACIB, ACIS, SOBMM, AMLCA
General Manager,
Corporate Operations
and Process Improvement
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

Yolande M. Foo
AICB
Director,
St Joseph Mercy Hospital

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

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

Richard I. Vasconcellos
Chairman,
Carib Hibiscus
Development

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2013.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

(in thousands of Guyana Dollars)

	2013	2012
Net income after taxation	**2,354,287**	2,012,936
Interim dividend paid	**300,000**	275,000
Retained earnings	**2,054,287**	1,737,935
Final dividend proposed	**700,000**	600,000

DIVIDENDS

An interim dividend of $1.00 per stock unit ($300.0 million) was paid during the year and a final dividend of $2.33 per stock unit ($700 million) for the year ended September 30, 2013 is recommended. This, if approved, will bring the total payout for the year to $1 billion.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings total $1,831 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2013 is $10,348 million (2012 - $8,845 million) after a transfer of $48 million from the General Banking Risk Reserve, $900 million paid out as dividends (final 2012 - $600 million, interim 2013 - $300 million), and $2,354 million transferred from the Statement of Income for 2013.

DONATIONS

Donations to charitable or public causes for the year were $8.1 million (2012- $7.4 million), emphasising the Bank's strong social investment policy.

SUBSTANTIAL STOCKHOLDING (UNITS OF STOCK)

A substantial stockholder for the purposes of the Securities Industry Act 1998 is one who controls 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 2013	% held	Number of Stock Units 2012	% 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 & Trinidad Mutual Fire and Life Group of Companies	**15,798,760**	5.27	15,798,760	5.27
Trust Company (Guyana) Limited	**17,134,880**	5.71	16,662,460	5.55

DIRECTORS

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

AUDITORS

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

CONTRIBUTION OF EACH ACTIVITY TO OPERATING PROFIT

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

GEOGRAPHIC ANALYSIS OF TURNOVER AND CONTRIBUTION TO RESULTS

The Bank operates only in Guyana but several investments are held overseas for which income of $154 million (2012 - $140 million) was earned during the year. Please refer to note 22 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	
	2013	**2012**
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 ($)

	2013	**2012**
Nigel M. Baptiste	**1,640,000**	1,640,000
John G. Carpenter	**1,530,000**	1,530,000
Roy E. Cheong	**1,710,000**	1,650,000
David Dulal-Whiteway	**1,520,000**	2,550,000
Derwin M. Howell	**1,530,000**	1,470,000
Richard I. Vasconcellos	**1,380,000**	1,320,000
William H. Pierpont Scott	**1,530,000**	1,500,000
Yolande M. Foo	**1,560,000**	1,560,000
John N. Alves	**–**	–

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 $89.25 million (2012 - $79.04 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

INTRODUCTION

On this my first opportunity to address you as Chairman of Republic Bank (Guyana) Limited, having been elected to the position during this financial year, I take the occasion to thank you for being afforded the opportunity to serve. It is, therefore, with much pleasure I report that despite the varying challenges faced in 2013, the Bank recorded a productive year, improving on the 2012 performance.

Financial Performance

The financial year ended September 30, 2013 was a successful year for Republic Bank (Guyana) Limited, as further sustained improvements in the Bank's overall financial performance were achieved. Net after tax profit reflected an increase of 16.96% to G$2,354 million compared to fiscal 2012's performance, while total assets grew by 14.89% to G$132.5 billion. Earnings Per Stock Unit improved from G$6.71 to G$7.85 for 2013.

I am pleased to advise that your Board of Directors has approved a final dividend of G$2.33 per stock unit. When added to the interim dividend of G$1.00 per stock unit earlier paid, the total dividend for the financial year is G$3.33 per stock unit; surpassing the total dividend of G$2.917 paid in 2012. This represents the sum of G$1 billion and pay out of 42.83% of profit after tax compared with the amount of G$875 million paid last year.

Economic Review

With weaker growth anticipated in both the advanced and key emerging market economies, the global economy continues to grow at a modest pace and growth is projected to remain subdued at slightly above 3% in 2013 – about the same as 2012. This forecast is driven by three factors, namely; weaker domestic demand and slower growth in several key emerging market economies - the outlook for many commodity exporters has deteriorated due to lower commodity prices; protracted recession in the euro area caused by low demand, depressed confidence and weak balance sheets and the US economy expanding at a weaker pace as stronger fiscal contraction weighed on improving private demand. In the meanwhile, global financial markets have experienced considerable volatility owing to prospective changes in US monetary policy, a new policy in Japan and instability in China's banking system.

Real economic growth in Guyana was registered at 3.9% for the first half of 2013. The drop in gold prices during the first half of the year had a negative impact on the domestic economy due to lower than projected earnings and expenditure from the industry. Notwithstanding this, gold declarations increased by 27% due to an expansion of small scale gold mining even as global gold prices trended downwards during the first half of the year. The agricultural sector recorded an increase of 4.2% for the first half of 2013 due to larger investments and good weather delivering higher production for rice and logs. Rice output was 25.1% more that the corresponding period last year and was attributable to favourable weather, improved yields and increased acreage under cultivation. By contrast, sugar output was 32.5% lower than the corresponding period last year due to insufficient supply of cane and adverse weather conditions.

Overall, the economy is expected to grow by 4.8% for 2013. The mining and quarrying, manufacturing and services sectors are expected to propel this growth, while the agricultural sector is expected to experience flat growth on the basis of lower output in the sugar, fishing and forestry industries, although rice and livestock production is expected to increase. Inflation continues to be contained as the domestic consumer price index increased by 0.2% for the first half of the year while unemployment averaged around 11%.

Export receipts at US$589 million as at mid-year were almost unchanged from a year ago and were led by a 12% increase in earnings from gold exports to US$300 million, as an expansion in volume outweighed a contraction in price. Bauxite export earnings declined by 13% to US$69 million due to contraction in export volume. Sugar export earnings also declined by 28% to US$31 million. Notwithstanding the increase in domestic rice production, rice export earnings remained practically stable at US$83 million.

Central Government's current revenues rose by 10.5% to $71.7 billion which was attributable to higher tax collections. On the other hand, the capital account recorded a 6.8% decrease in deficit as a result of a 24.6% contraction in capital expenditure. The Central Government's overall surplus is expected to decrease for the remainder of the year due to projected increases in current and capital expenditure. However, the current account surplus is expected to improve due to projected increases in current revenue.

Anti-Money Laundering (AML)

In 2011, the Caribbean Financial Action Task Force (CFATF) brought to the attention of Members in several jurisdictions, including Guyana, deficiencies in anti-money laundering (AML) and countering the financing of terrorism (CFT). With a view to encouraging expeditious rectification of identified deficiencies, the CFATF, in conjunction with Guyana developed an Action Plan with agreed target dates to address deficiencies that exist in its national architecture to combat money laundering and the financing of terrorism.

The country has taken steps towards improving its AML/CFT compliance including strengthening its record keeping requirements and functionality of the Financial Intelligence Unit. The CFATF however, determined that Guyana is yet to make sufficient progress in addressing significant strategic deficiencies, including required legislative reforms. An amendment Bill to address the deficiencies was introduced into Parliament. In light of international developments Guyana is encouraged to urgently approve and implement the necessary amendments and to take appropriate steps to strengthen its AML/CFT framework.

Foreign Account Tax Compliance Act (FATCA)

Globally, the issue of tax evasion has attracted much attention and the United States of America has led the way in enacting legislation with extra-territorial effect in its attempt to curb this phenomenon. The provisions of the Foreign Account Tax Compliance Act (FATCA) have the distinct objective of providing the United States' Internal Revenue Service (IRS) with increased capability to detect US tax evaders concealing assets in foreign accounts and investments. Although not automatically binding on other countries the sanctions for non-compliance are so severe that many countries and financial institutions have agreed in principle to conform with this Act and are in the process of implementing systems to do so.

In order to comply with the provisions of FATCA financial institutions need to be able to identify customers who are "US Persons" as defined by the Act. This requires the institution to have in-depth knowledge of its customers in order to properly classify customers according to the proposed FATCA classification guidelines, and report on US persons whether they own an account directly or indirectly through a foreign entity. It is anticipated that foreign financial institutions will obtain/retain appropriate documentary evidence from their customers as they seek to confirm whether the customer is subject to the provisions of the Act.

In the year ahead Republic Bank (Guyana) Limited will advance its initiatives to be compliant with FATCA and will interface directly with customers who are potentially affected by the provisions of this Act.

Future Outlook

Gold mining is expected to continue playing an important role in the economy as production increased by 27% despite uncertain prices. The mining and quarrying sector registered an 18% growth rate for the first six months of the year and this trend is expected to continue on the back of ongoing demands from the construction sector and requirements for domestic infrastructure. Overall, this sector is expected to grow by 3.9% in 2013 with an improvement in gold declarations despite the slide in prices. By contrast, value added in the bauxite industry declined by 11% in the first six months but the medium-term prospects remain positive. The services sector which includes construction activities, distributive trade and financial services, among others, grew by 2.7%. This sector will continue to benefit from ongoing construction and maintenance of the country's infrastructure, including road works on the East Bank and East Coast of Demerara and building activities in the new residential housing and commercial zones. This trend is expected to continue to year end and should translate to ongoing growth in the services sector.

The agricultural sector is expected to continue its positive contribution to the national economy, led by expanded output from the rice industry on the back of exports to Venezuela. Rice production increased by 25% in the first crop 2013 and the industry is projected to grow by 16% overall for this year. Sugar faces an uncertain future based on the underperformance of Guysuco's flagship factory at Skeldon Estate and the early closure of the 2013 first crop. In this regard, we anticipate a 13% contraction in the industry for this year. Nonetheless, the ongoing remedial works at Skeldon Estate offer hope for a turnaround in the fortunes of the sugar industry in the medium term.

The future outlook for the Bank is intrinsically linked to the future of Guyana's economy, to this end the Board of Directors, Management and staff of Republic Bank (Guyana) Limited remain cognisant of the important role we are expected to play in the national development process. In the new fiscal we will continue to implement policies and strategies to improve asset allocation, operational efficiencies and expand our range of financial services. Increasing our presence in the various communities will also remain among our plans, as we seek to broaden our reach. We are confident that we possess the human and technical resources, and the goodwill of our diversified customer base to face the challenges of fiscal 2014 and beyond.

Acknowledgements

Our management and staff have again made a sterling contribution, and their diligent efforts throughout the year continue to have a positive effect on the Bank's financial performance. I commend and thank them for their continued support and dedication. I take this opportunity as well, to thank our former Chairman, David Dulal-Whiteway for his service, and welcome Farid Antar to the directorate. To my fellow Directors, thank you for your ongoing support.

In conclusion, appreciation is extended to our customers, who instill our motivation to excel, and our stockholders whose resolve and investment in this company make our vision attainable.

INTRODUCTION

I am pleased to advise that the business model and strategies pursued over the last year have resulted in the financial year 2013 being a successful one for Republic Bank (Guyana) Limited. It is gratifying to note that our focus on prudent risk management, enhanced and diversified revenue growth and aggressive cost control measures have borne the desired results.

All areas of the Bank's operations performed well, but as alluded to in the Chairman's report, the banking sector cannot escape the effects of international and domestic market forces. On the domestic front, the banking environment was influenced by the changes effected by the issuance of additional Guidelines under the Authority of the Financial Institutions Act by the Central Bank.

Notwithstanding the testing operating environment and the challenges it imposed on the Bank's operations and resources, our efforts this year resulted in an increase of 16.96% in profits after tax to G$2,354 million compared to G$2,013 million in 2012. Return on Assets declined marginally to 1.84%. Return on Equity improved to a satisfying 20.38% and our Earnings Per Stock Unit increased from G$6.71 to G$7.85.

Customer Service

Ensuring that our customers experience continuous improvement in service delivery continues to be the cornerstone of our Bank, with emphasis being placed on training and development of staff, enhancing our products and services, and expanding our delivery channels to meet our customers' needs.

During the year, staff at all levels were exposed to the Bank's Service Excellence training programme to assure alignment of purpose in our pursuit of service excellence in customer interfaces. Customer focus is one of our core values and we are committed to intensifying this focus. A recently completed Customer Service Survey conducted by an independent market research firm concluded that customer service at the Bank compared favourably with the service provided by our competitors in the industry.

While we are heartened with the comparison and progress made, we recognise there is more to be done to meet the standards we have set ourselves, and, in keeping with this thrust, encourage customers to share their experiences through our feedback mechanisms. It is this information that helps to guide our strategies as we seek to continuously improve our standard of service.

Our customers have spoken, and effective October 5, 2013 we commenced Saturday business at our Branch located at Robb and Camp Streets, Georgetown, to facilitate non-cash related loan business such as enquiries and applications.

Human Resources

The level of performance of the entire staff body was commendable, and would have contributed in no small measure to the results achieved in fiscal 2013.

Our ongoing focus is on training and development of staff, and on-the-job and specialist training are regular features of our development programme. Two of our Managers obtained an Executive Masters Degree in Business Administration and another is pursuing an MBA. Eleven officers obtained certification through the Institute of Canadian Bankers/Canadian Securities Institute, and 29 are continuing. Several members of staff were exposed to external training programmes both locally and overseas, and some persons afforded attachments with Republic Bank Limited.

We commenced our sixth Youth Link Apprenticeship Programme in October. Geared to equip young participants with basic training and skills in business related disciplines in preparation for the world of work, the programme continues to be lauded.

Like many other companies in Guyana, the Bank has seen staff turnover through migration of Guyanese citizens. Consequently, we have over the years enhanced our already extensive training and development activities and continue to focus on effective recruitment policies. As we embrace the future we intend optimising staff potential through continued opportunities for development to ensure that we possess the quality of human resource necessary to take us into the future.

Information Technology

The Bank has been steadily laying the groundwork and improving the technological infrastructure aimed at enhancing the electronic banking system (EBS), and fiscal 2013 was yet another successful year for the Bank's Information Technology operations. Upgrades were effected to our Core System, bandwidth and communication circuits to Branches. Our focus in this area remains that of providing innovative and advanced service alternatives that are convenient, time and cost effective.

Progress has been encouraging and our electronic delivery system now includes 36 Automated Teller Machines (ATMs) and 281 Point-Of-Sale terminals throughout various regions of the country; the majority being in Georgetown. Customers will soon enjoy the added convenience and security of our mobile POS terminals at popular restaurants, and introduction of Fast Cash functionality to improve customer wait time at our ATMs is in train. Among our menu as well, are Telephone and Internet Banking, with the latter showing steady strides as more customers embrace this mode of doing business.

As noted in the media, the local financial institutions will benefit from a Credit Bureau, and technology will no doubt be integral in this process for information sharing. To this end, it is gratifying to advise that your Bank was the first to embrace the process, which we anticipate adding value to credit assessment.

The face of Banking continues to evolve, as customers seek more efficient and less time consuming means to conduct their financial affairs, and Republic Bank remains committed to providing those channels that will afford convenient access to accounts 24/7.

Branching/Premises

In keeping with our ongoing thrust to serve developing and existing communities in the various regions, our newest Branch at Lethem, Region Nine, commenced operations on October 21, 2013. With the exception of one service, the Branch offers the same menu of products and services enjoyed at our other locations.

Construction of a new, and spacious Rosignol Branch to better serve this clientele will commence during the first quarter of the new fiscal. Additionally, in order to better serve customers we re-organised the Retail Lending section of our Camp Street premises. Similar enhancements are being examined for other locations as we continually review our operations to ensure improved efficiency, and customer satisfaction.

Community Relations

Our involvement with and in the communities we serve, is an integral part of our social responsibility, and it is with a deep sense of pride that we continue to respond to the ever-increasing need for social development through our Power To Make a Difference initiatives. In 2013 we again demonstrated our commitment to this cause through donations toward upgrading the standard of education, enriching the lives of the less fortunate and differently able.

Several areas of sport and culture also benefited from our support. In terms of the latter, our ongoing interest in the art of pan saw yet another resounding response to the 2013 Steel Band competition. Our steel pan workshops in collaboration with the Ministry of Culture Youth and Sport continue to touch the lives of many youths in the various regions, and the Bank is committed to sustaining this momentum as a means of empowering young people to tap into their varying talents and strengths.

During the year, our staff continued their efforts through the Bank's Volunteerism Programme, which entails members of staff giving freely of their time in various capacities, to serve the elderly and less fortunate. In the new fiscal, the scope of this programme will be expanded and we are confident that like the Bank, our staff will continue to make a difference in the lives of others.

Compliance

The international regulatory climate continues to grow increasingly severe as financial institutions are challenged to strengthen their obligations linked to Anti-Money Laundering and Countering the Financing of Terrorism, which continue to impact the way financial institutions do business.

Locally, Guyana is required to strengthen its overall legislative and operational framework to ensure that adequate systems are in place to identify breaches of Anti-Money Laundering legislation and to prosecute offenders. It is therefore anticipated that failure to meet the requirements of the Caribbean Financial Action Task Force or to get a further extension could result in the imposition of international sanctions from the Caribbean Financial Action Task Force (CFATF). Additionally, the financial sector will be viewed as weak and international monetary institutions may opt to withdraw partnerships or decline further investments in Guyana. Transactions originating from local banks will be even more strictly monitored by correspondents still willing to facilitate these, and the process, no doubt, will impact the efficiency of payment systems.

We remain optimistic however, that these negative consequences would be avoided and your Bank has responded to these developments by taking further steps to strengthen its internal practices and procedures in order to enable us to detect money laundering activities across our network. Your Bank has taken steps to fully comply with all local and international requirements and we remain committed to partnering with the relevant authorities to build a financial system that is characterised by integrity.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2013, to be read in conjunction with the Directors' report and audited financial statements presented on pages 11 to 13 and pages 38 to 93 respectively.

These statements are published in Guyana dollars. Foreign amounts have been converted to Guyana dollars at the prevailing mid-rate on September 30, or each financial year. The following are the mid-rates for the major currencies as at September 30, 2013:

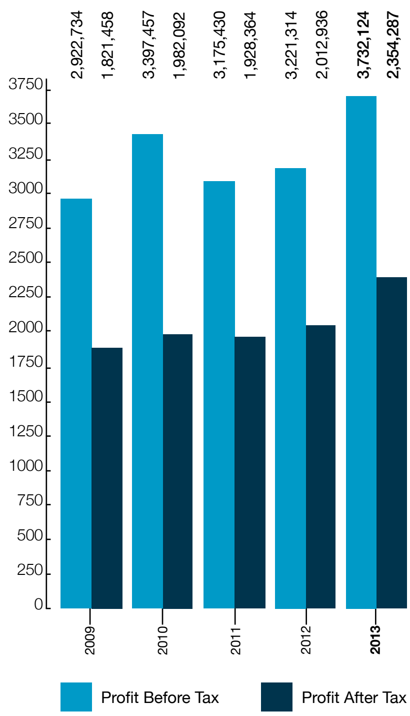
	2013	2012
United States dollars	**204.0**	202.5
Pounds Sterling	**309.0**	309.0
Canadian dollars	**195.0**	195.0
Euro	**261.5**	261.5

STATEMENT OF INCOME REVIEW

Financial Summary

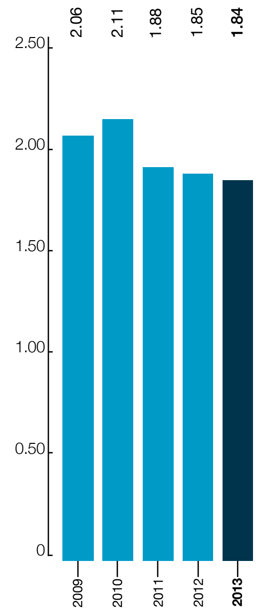
After tax profit of $2,354 million represents an increase in profitability of $341.3 million or 16.9 % over 2012. This increase in profitability resulted from an increase in net interest and other income. Notwithstanding, Corporation Tax paid during the year amounted to $1,228 million compared with $1,132 million in 2012.

Profit Before/After Tax ($ Million)

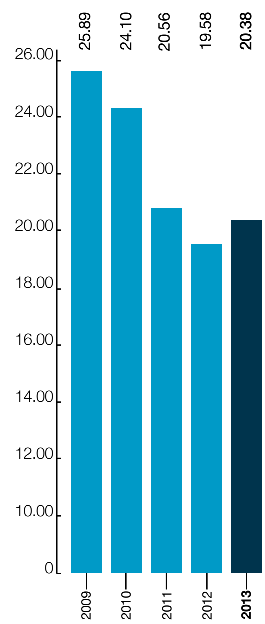


The Bank's return on average assets (1.84%) decreased marginally year on year; however, its return on average stockholders' equity increased (20.38%). Earnings per stock unit increased from $6.7 in 2012 to $7.8 in 2013.

Return on Average Assets (%)



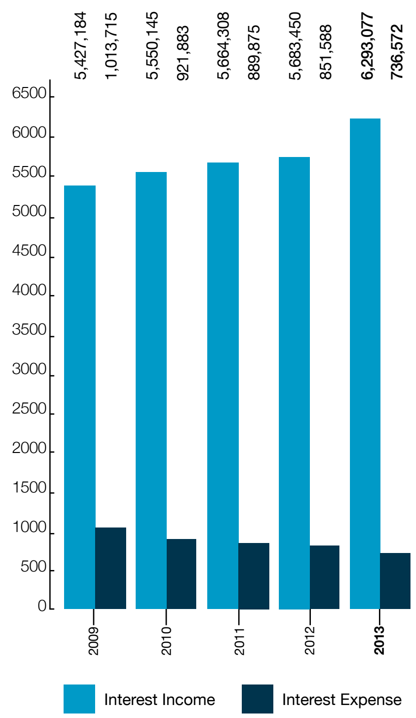
Return on Average Outstanding Equity (%)



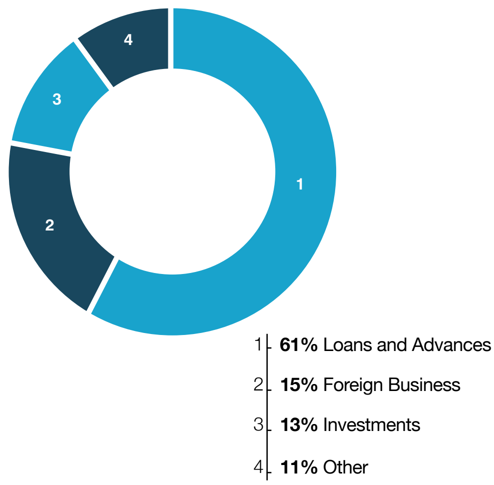
Net Interest and Other Income

Net interest income at $5.5 billion exceeded the $4.8 billion earned in 2012 by $724.6 million or 15% and is attributed primarily to the increase in the lending portfolio and tight management of interest expense.

Interest Income/Interest Expense ($ Million)



Sources of Revenue (%)



Net Interest Margin

	2013	2012
Net interest income/ Total average interest earning assets	**5.47%**	5.53%
Net interest income/ Total average assets	**4.20%**	4.31%

Refer to Statement of financial position and note 16.

There were no unusual non-operational items.

The ratio of the Bank's average interest earning assets to average customer deposits, decreased marginally to 86.4% from 88.2% in 2012. 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, 2013, 42.8% of the Bank's interest earning assets consist of Government of Guyana Treasury Bills.

Interest paid on deposits for 2013 at $736.6 million, was lower than that of 2012 ($851.6 million) as the Bank continued to manage its assets and liabilities in an environment of inadequate investment opportunities. We recognise, however, that our customers simultaneously use a range of our products and we strive to ensure that our rates (deposit and lending) are competitive with the rest of the industry and attractive to existing and potential customers.

Other Income which amounted to $2.1 billion and contributed 25.3% to total income, was above the 2012 amount of $1.9 billion by $211.4 million, or 10.9%. Continued emphasis on foreign exchange trading resulted in exchange gains for 2013 of $1,224 million, which represented an increase of $143.9 million or 13.3% over 2012. Exchange earnings continue to be the main source of Other Income, contributing 57.2% (2012 - 55.9%) of the total.

Net interest and other income grew by $936.0 million or 13.8 % to $7.7 billion in 2013 compared to the $6.8 billion generated in 2012, which is attributed mainly to the increase in our loans portfolio.

Non-interest expense

Non-interest expenditure, which comprises operating expenses and provision for loan losses, increased by $425.2 million or 12.0% over 2012. Staff cost increased to $1,721 million, attributable to increases in salaries and allowances. There was also an increase in depreciation charges ($85.7 million), resulting from an increase in capitalisation of assets and a significant increase in loan losses net of recoveries of $205.5 million. Property tax also increased due to the enactment of new legislation.

Revenue Distribution (%)

1. **32%** Reserve and Retained Earnings
2. **17%** Salaries/Staff Cost
3. **14%** Taxation
4. **12%** Other Non-Interest Expense
5. **9%** Premises and Equipment
6. **7%** Interest Expense
7. **-9%** Dividends

	Notes	2013	2012
Productivity Ratio	16	**47.85%**	50.37%

In accordance with IAS 39, and 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 $48.3 million transfer to income in 2013, the amount set aside for the General Banking Risk Reserve amounts at year end to $1,234 million. This Reserve which is discussed in some length on page 67 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 $153.3 million at September 30, 2013, a decrease of $38.2 million. This provision reflects the level of inherent risk in the loan portfolio for which there is no specific provision.

At September 30, 2013, specific provision on non-performing loans amounted to $182.2 million, an increase of $81.2 million over 2012. Overall in 2013, expenses related to loan-loss provisioning amounted to $275.95 million against a provision of $134.25 million in 2012. The Bank continues to strive to maintain a very prudent policy especially on its unsecured consumer lending portfolio. Recoveries on loans which were previously written-off amounted to $107.1 million in 2013 (2012 - $170.9 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2013 decreased marginally to 3.1% from 3.7% in 2012. On the other hand its ratio of specific provision for loan losses to non-performing loans moved from 7.3% at September 30, 2012 to 12.9% at September 30, 2013.

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 $7.5 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 $6.1 billion over the same period.

Available-for-sale investment securities

Available-for-sale investment securities, including Government of Guyana Treasury Bills, declined by 1.7% during the year ($770.5 million). The decrease was mainly as a result of the maturity of the final tranche of Government of Guyana Debentures ($836 million). 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 $7.9 billion to $46.6 billion, an increase of 20.6%. 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. The Bank's investment in agriculture declined by $150.8 million; and has amended its approach in response to challenges faced by the sector and will continue to reassess the position as circumstances change.

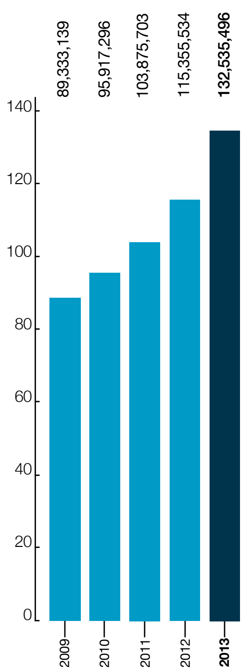
Significantly, however, the Home Mortgages sub-sector recorded a 26.5% increase in value from $10.7 billion to $13.3 billion. We continue our efforts to join the government in facilitating home construction and ownership.

As a percentage of total assets, loans and advances accounted for 35.1%, up from the 33.5% achieved in 2012.

Total assets

The Bank's total assets of $132.5 billion represented an increase of $17.2 billion or 14.9% over 2012. Of this loans and advances accounted for an increase of $7.9 billion and available-for-sale investment securities and Treasury Bills for $770.5 million. Over the past three years, net investment in loans and advances grew by $4.5 billion, $5.8 billion and $7.9 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.

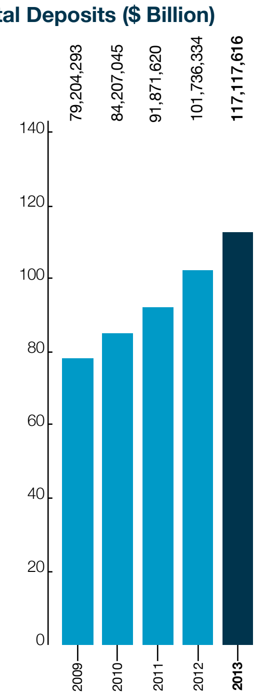
Total Assets ($ Billion)



Deposits

Our asset growth was funded mainly from deposits. As depositors continued to show confidence in the Bank our overall portfolio increased by $15.4 billion or 15.2%. 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 67.4% of the deposit portfolio, grew by $6.1 billion or 8.4 %. The Certificate of Deposit (Term) portfolio grew significantly by $1.5 billion or 21.3% compared with growth of $233 million or 3.3% in 2012.

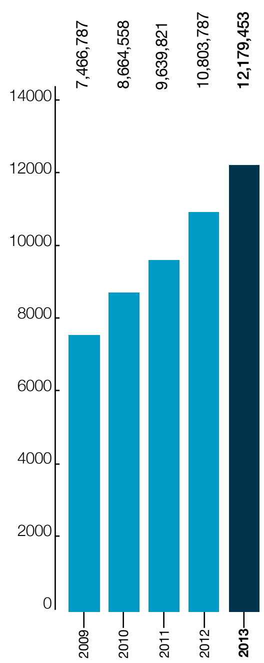
Total Deposits ($ Billion)



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 $2,354 million, $1,000 million is being proposed as dividends and $1,354 million transferred from the Statement of Income to stockholders' equity. At September 30, 2013 the book value of stockholders' equity amounted to $12.2 billion.

Stockholders' Equity ($Million)



Total dividends paid and proposed for fiscal 2013 amount to $1,000 million, an increase of 14.3% over the $875 million payout for 2012. This equates to a dividend payout ratio of 42.5% (2012 - 43.5%).

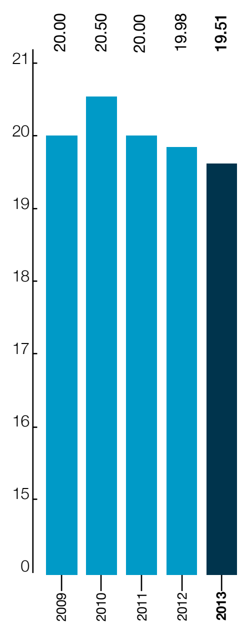
Stockholders enjoyed a significant increase in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 60.1% between the highest price of $158.5 and lowest price of $99 with an average weighted price of $125 per stock unit. In terms of volume, most trades were done at a unit price of $150. Using the Market Weighted Average Price of $125 from the last trade date (September 20, 2013) for the Bank's stock, the price/earnings ratio is 15.9 (2012 - 13.1). The net asset value of one unit is $40.6 (2012 - $36) which, with a price of $125 gives a price/book ratio of 3.08:1 (2012 - 2.44:1).

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 $10.8 billion to $12.2 billion year-on-year. The capital adequacy ratio declined marginally, moving to 19.5% at September 30, 2013 from 19.9% at September 30, 2012. This decline is attributable to an increase in total risk-weighted assets.

Capital Adequacy ($Million)



RISK MANAGEMENT

Overview

Banking is about risks and their management. These are discussed extensively on pages 71 to 85 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

We continue to embrace the belief that customer service, innovation, human resource development, asset quality and integrity are the foundation on which our contribution to the future well-being of Guyana is founded. Your Bank has shown that we can withstand the many challenges; our operating income remains strong, staff competent and Management committed to resolute and decisive leadership. These attributes and strategic plans see us well equipped to face the challenges of the future. The drive to increased productivity, efficiency and use of available technology will receive added impetus in the new financial year.

In the financial sector, we anticipate the continuation of aggressive competition in a low interest rate environment which can further erode net interest margins, but we are confident that with appropriate strategies and resources, the Bank will continue to perform well. The new year will be a testing one, bearing in mind the ever changing economic environment but we have the resilience to overcome these challenges and so prove our collective qualities.

Since the Bank does not operate in isolation, for the aforementioned efforts to be successful, an economic, political and social environment conducive to growth and development remain imperative. To this end, we encourage the political parties to work towards better understanding and co-operation in the work and deliberations of Parliament. It is imperative for the future of Guyana that leaders and senior members of these parties remain engaged.

The economic prospects for Guyana remain good and we are confident that the banking sector is strong and well regulated. While competition in the Banking sector is keen, opportunities for growth and increased profit continue to exist.

As we move forward, Republic Bank (Guyana) Limited will continue working with the Government and Non-Government Organisations, to help alleviate the social problems facing our country. We remain committed to ensuring efficiency in all that we do in order to provide the highest quality of service to our customers and the nation.

ACKNOWLEDGEMENTS

I wish to commend our staff for the dedication and commitment shown throughout the year. Their commitment to the Bank and our customers was demonstrated on numerous occasions as they found ways to work even in testing circumstances. They, like our customers remain our most valuable assets and our hopes for the future reside with them.

I thank the Board of Directors for their oversight and guidance throughout the year, and also take the opportunity to thank our former Chairman, David Dulal-Whiteway for his contributions to the Bank, and wish him every success going forward.

Senior Management

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,
Water Street Operations

Joseph Downes
Manager,
Rosignol Branch

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

Erica Jeffrey

Manager,
Branch Support Services

Michelle H. Johnson

Manager,
Marketing and
Communications

Ndidi Jones

Assistant Manager,
Legal Services

Leon E. McDonald

Manager,
Rose Hall Branch

Christine A. McGowan

Manager,
Legal Services

Anita Mohabeer

Manager,
Human Resources

Yugisther Mohabir

Assistant Manager,
Information Technology

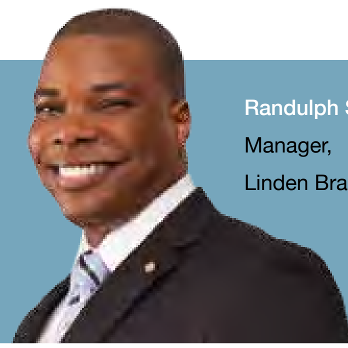
Shridath Patandin
Manager,
Vreed-en-Hoop Branch

Jadoonauth Persaud
Manager,
Branch Operations

Guitree Ramsamooj
Manager,
Anna Regina Branch

Carla F. Roberts
Corporate Manager,
Corporate and
Commercial Credit

Imran Saccoor
Manager,
New Amsterdam Branch



Randulph Sears
Manager,
Linden Branch

Vanessa A. Thompson
Manager,
Finance and Planning

The Power to Make a Difference

Republic Bank believes that every human being is important and has a valuable contribution to make to his environment, and to the national community. This belief, was the inspiration for our ground-breaking social investment programme the —Power to Make a Difference —which was introduced in 2004. The programme is the Bank's vehicle for encouraging positive change in our society, and is built upon four pillars—*The Power to Care, The Power to Help, The Power to Learn and The Power to Succeed*.

The Power to Make a Difference programme aims to enhance the quality of life of disadvantaged persons; support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education and the arts; build community spirit and, in essence, help to correct some of society's ills. This one programme has provided a model for corporate social responsibility in Guyana and indeed in the wider English-speaking Caribbean.

The Power to Make a Difference programme is administered in five-year horizons and 2013 will mark the penultimate year of the second, five year phase which commenced in October 2009. Over the programme's 9 year existence, resilient bonds were formed with many charitable organisations. Communities were transformed and the potential of thousands of young people was unlocked and unleashed.

Our focus on differently-abled persons in 2009 shone the national spotlight on this previously neglected group. Focus was placed on physical disabilities, greater energy was expended on "hidden disabilities" particularly those that affect learning, such as Dyslexia, Autism Spectrum Disorder and ADHD. We also focused on the provision of physical facilities for differently-abled persons, as well as training opportunities for them to assist in their adaptation and general education and awareness of their special needs. These were targeted at the mainstream population to generate enhanced levels of understanding, tolerance and acceptance.

The Differently-Abled

From 2009, therefore, our projects included affording the Youth Link Apprentices the opportunity to provide community service to institutions that care for persons with disabilities and the elderly. We also donated a minibus to transport differently-abled participants in the Guyana Community-Based Rehabilitation Programme. Included in this sponsorship as well is the provision of annual insurance and maintenance along with monthly subsidies for driver's salary and fuel.

In seeking to mitigate the stigma attached to persons with disabilities, we developed a partnership with the Step by Step Foundation for Autistic Children providing tuition for one of the school's students, remuneration for a tutor and facilitation of a thrice yearly visit by a specialised medical practitioner.

Clockwise
top to bottom:

Youth Link Apprentices interact with the children of the Guyana Red Cross Convalescent Home as part of their Care-A-Van

Republic RightStart Pan Minors enjoy a practical session during the 2013 programme

Guyana and the Caribbean's top 2012 CSEC student receives her PMAD Academic Achievement Award from Managing Director, John Alves

An enthusiastic young and upcoming Pannist at the Republic Bank Mashramani Panorama Steel Band Competition 2013

Educating and Inspiring a Nation

The Bank's focus on the development of young people through education and the arts has continued apace, with the maintenance of the University of Guyana Scholarship and Business Journals Subscription; University of Guyana Awards and the Ministry of Education Awards.

In 2009, Republic Bank assumed the role of title sponsor of the Republic Bank Mashramani Panorama Steel Band Competition, firmly asserting our role as a staunch supporter of national culture. Not limiting the support to Mashramani, we partnered with the Ministry of Culture, Youth and Sport to host the annual Republic Bank Pan Minors Music Literacy Programme and with the National Art Gallery – Castellani House to host the biennial National Drawing Competition for young artists across the length and breadth of the country. Our maintenance of the Promenade Gardens continues to afford visitors the opportunity of a refreshing space for relaxation and events. Our national heritage, in the form of our history and culture, are therefore important components of the Power to Make a Difference programme.

Steadfast Resolve

Nine years later, Republic Bank is more convinced than ever before, that as an organisation and as individuals, we have the Power to Make a Difference in the lives of our fellow men. Every journey begins with a single step, and through our Staff Volunteerism programme, Republic Bank's staff have now joined this powerful movement to help, to care, to teach and to move others onto the road to success. Nine years and an investment of $106.5 million later, small remote communities are growing, critically ill children are getting a new lease on life, mothers are becoming self sufficient through literacy, young people are learning that there are viable alternatives to guns and violence – and those alternatives lie in embracing their sporting talents, immersing themselves in our cultural heritage and grasping the opportunities for education that are available to them. There is much left to be done, but with our committed staff and selfless NGO and CBO partners, we shall continue this thrust in the interest of building a better Guyana.

Clockwise
top to bottom:

Some proud graduates display their certificates of participation for the 2013 Republic RightStart Pan Minors Music Literacy Programme

The Step By Step School for Autistic Childen receives their first annual sponsorship cheque

Students performing at the Republic Bank Mashramani Panorama Competition 2013

Youth Link Care-A-Van at the Guyana Red Cross Convalescent Home

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 the Bank's 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 on Corporate Governance 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 No. 8. In addition the Bank is compliant with Supervision Guideline No. 10 on the Public Disclosure of Information.

The Board of Directors comprises nine directors including one Executive Director. The Non-Executive Directors, five of whom are independent, comprise persons with extensive experience in both business and finance, 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, at a minimum, on a quarterly basis while the Executive Sub-Committee of the Board, comprising seven Board members, meets monthly for the remaining months.

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

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

AUDIT COMMITTEE

The members of the Audit Committee are:

Chairman

Roy E. Cheong

Members

William H. Pierpont Scott

Richard I. Vasconellos

Yolande M. Foo

Alternate Member

John G. Carpenter

The Audit Committee of the Board meets at least quarterly to review the Bank's system of internal control, financial reporting process, audit and examination 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 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. 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 are complied with.

COMPENSATION COMMITTEE

The members of the Compensation Committee are:

Chairman

Derwin M. Howell

Members

William H. Pierpont Scott

Roy E. Cheong

Alternate Member

Yolande M. Foo

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

OTHER RISKS COMMITTEE

The members of the Other Risks Committee are:

Chairman

John G. Carpenter

Members

Roy E. Cheong

Derwin M. Howell

Alternate Member

William H. Pierpont Scott

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

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. Each Management Officer has a written mandate and is required to execute the stated functions as outlined therein. Key areas of responsibility are outlined and adherence to the Bank's core values is mandatory.

The Managing Director's responsibilities and authorities are documented and approved by the Board of Directors. Limits on credit dispensation, capital and operating expenditure are stated specifically in the Managing Director's authorities. In keeping with good corporate governance principles, the Managing 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. The Bank's two General Managers report directly to the Managing Director. Senior Management, which has combined banking experience of 112 years has general oversight of the Bank's credit portfolio, branch network and general operations. 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 ensures that the compensation package for staff is competitive. The package consists of basic salary and performance based incentives. In determining the basic salary to be paid to officers of the Bank, including Management Officers, the responsibilities attached to the position are assessed. This forms the core basis for the basic salary of each employee.

The performance of each staff member, is evaluated annually based on individual and collective performance criteria. In keeping with the expectation of the Board of Directors, the performance of each Management Officer is also assessed against all Key Performance Areas which among other things may include financial targets. The performance of all Management Officers is reviewed by the Board of Directors on an annual basis.

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's Related Party Policy underscores the need for all transactions done with related parties and affiliates to be done on the same terms and conditions as with a non-related party. Directors are required to disclose their interest in related party transactions and to recuse themselves from considering or approving transactions in which they have an interest. All material related party transactions must be approved by the Board of Directors. On an annual basis the Board of Directors reviews a report on related party transactions in order to ensure compliance with the Bank's Related Party Policy.

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.

Signed on behalf of the Board

NIGEL M. BAPTISTE
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

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, 2013, 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, 2013, 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 21, 2013

Statement of Financial Position

As at September 30, 2013
Expressed in thousands of Guyana dollars ($'000)

	Notes	2013	2012
ASSETS			
Cash		**1,365,322**	1,321,714
Statutory deposit with Bank of Guyana		**13,675,027**	11,856,323
Due from banks	4	**17,523,920**	10,102,855
Treasury Bills	6 (c)	**39,719,239**	40,208,527
Investment interest receivable		**47,712**	70,972
Advances	5	**46,573,714**	38,631,805
Investment securities	6	**5,676,215**	5,957,434
Premises and equipment	7 (a)	**5,236,090**	5,221,403
Intangible assets	7 (b)	**195,473**	209,384
Goodwill	8	**1,228,222**	1,228,222
Deferred tax assets	10	**178,959**	175,868
Other assets	11	**1,115,603**	371,027
TOTAL ASSETS		**132,535,496**	**115,355,534**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**189,436**	253,897
Customers' chequing, savings and deposit accounts	12	**117,117,616**	101,736,334
Pension liability	9	**247,200**	276,100
Taxation payable		**409,891**	314,276
Deferred tax liabilities	10	**213,349**	208,033
Accrued interest payable		**41,860**	33,407
Other liabilities	13	**2,136,691**	1,729,700
TOTAL LIABILITIES		**120,356,043**	**104,551,747**
EQUITY			
Stated capital	14	**300,000**	300,000
Statutory reserves	15	**300,000**	300,000
Net unrealised gains	15	**(2,912)**	75,709
General banking risk reserve	15	**1,234,292**	1,282,602
Retained earnings		**10,348,073**	8,845,476
TOTAL EQUITY		**12,179,453**	**10,803,787**
TOTAL LIABILITIES AND EQUITY		**132,535,496**	**115,355,534**

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

These financial statements were approved by the Board of Directors on October 21, 2013 and signed on its behalf by:

JOHN N. ALVES
Managing Director

ROY E. CHEONG
Director, Chairman of Audit Committee

CHRISTINE Mc GOWAN
Company Secretary

Statement of Income

For the year ended September 30, 2013
Expressed in thousands of Guyana dollars ($'000)

	Notes	2013	2012
Interest income	16 (a)	**6,293,077**	5,683,450
Interest expense	16 (b)	**(736,572)**	(851,588)
Net interest income		**5,556,505**	4,831,862
Other income	16 (c)	**2,141,132**	1,929,748
		7,697,637	6,761,610
Loan impairment expense net of recoveries	5 (c)	**(275,953)**	(134,252)
Operating expenses	16 (d)	**(3,689,560)**	(3,406,044)
Profit before taxation		**3,732,124**	3,221,314
Taxation - Current		**(1,323,325)**	(1,214,415)
Taxation - Deferred		**(54,512)**	6,037
Total taxation expense	17	**(1,377,837)**	(1,208,378)
Net profit after taxation		**2,354,287**	**2,012,936**
Earnings per stock unit ($)		**7.85**	6.71

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

Statement of Comprehensive Income

For the year ended September 30, 2013
Expressed in thousands of Guyana dollars ($'000)

	2013	2012
Net profit after taxation	**2,354,287**	2,012,936
Net (loss)/gain on available-for-sale investments	**(130,908)**	1,717
Tax relating to components of other comprehensive loss/(income)	**52,287**	(687)
Other comprehensive (loss)/income for the year, net of tax	**(78,621)**	**1,030**
Total comprehensive income for the year, net of tax	**2,275,666**	**2,013,966**

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

Statement of Changes in Equity

For the year ended September 30, 2013
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, 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**
Profit for the year	–	–	–	–	2,354,287	2,354,287
Other comprehensive loss	–	–	(78,621)	–	–	(78,621)
Total comprehensive (loss)/income for the year	–	–	(78,621)	–	2,354,287	2,275,666
Transfer from general banking risk reserve	–	–	–	(48,310)	48,310	–
Dividends	–	–	–	–	(900,000)	(900,000)
Balance at September 30, 2013	**300,000**	**300,000**	**(2,912)**	**1,234,292**	**10,348,073**	**12,179,453**

Statement of Cash Flows

For the year ended September 30, 2013
Expressed in thousands of Guyana dollars ($'000)

	Notes	2013	2012
Operating activities			
Profit before taxation		**3,732,124**	3,221,314
Adjustments for:			
Depreciation		**408,558**	322,835
Loan impairment expense		**275,953**	134,252
Loss/(gain) on sale of premises and equipment		**11,908**	(2,353)
(Decrease)/increase in employee benefits		**(28,900)**	19,800
Increase in advances		**(7,941,909)**	(5,951,712)
Increase in customers' deposits		**15,381,282**	9,864,714
Increase in statutory deposit with Bank of Guyana		**(1,818,704)**	(718,663)
(Increase)/decrease in other assets and investment interest receivable		**(721,316)**	153,492
Increase in other liabilities and accrued interest payable		**415,444**	213,944
Net cash from operating activities before tax		**9,714,440**	7,257,623
Taxes paid		**(1,225,988)**	(1,102,950)
Cash provided by operating activities		**8,488,452**	**6,154,673**
Investing activities			
Purchase of investment securities		**(1,583,541)**	(120,000)
Redemption of investment securities		**1,628,653**	1,241,633
Purchase of Treasury Bills		**(39,990,000)**	(40,625,350)
Redemption of Treasury Bills		**40,625,350**	41,012,150
Additions to premises and equipment		**(739,881)**	(818,087)
Proceeds from sale of premises and equipment		**101**	58,217
Cash provided by/(used in) investing activities		**(59,318)**	**748,563**
Financing activities			
Increase/(decrease) in balances due to other banks		**(64,461)**	116,650
Dividends paid		**(900,000)**	(850,000)
Cash used in financing activities		**(964,461)**	**(733,350)**
Net increase in cash and cash equivalents		**7,464,673**	**6,169,886**
Cash and cash equivalents at beginning of year		**11,424,569**	**5,254,683**
Cash and cash equivalents at end of year		**18,889,242**	**11,424,569**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**1,365,322**	1,321,714
Due from banks	4	**17,523,920**	10,102,855
		18,889,242	**11,424,569**
Supplemental information:			
Interest received during the year		**6,319,413**	5,573,190
Interest paid during the year		**728,119**	851,455
Dividends received		**6,640**	5,800

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, 2013 the stockholdings of Republic Bank Limited in the Bank were 51.1%.

Until October 31, 2012, the CL Financial Group held through its various subsidiaries, 51.4% of the shares of Republic Bank Limited, of which Colonial Life Insurance Company (Trinidad) Limited (CLICO) and CLICO Investment Bank Limited (CIB) combined, held 51.1%.

On November 1, 2012, 24.8% of Republic Bank Limited shares formerly owned by CLICO was transferred into an investment fund launched by the Government of the Republic of Trinidad and Tobago and called the CLICO Investment Fund (the Fund). The Trustee of the Fund is the CLICO Trust Corporation Limited which holds the 24.8% shareholding in Republic Bank Limited in trust solely for the benefit of subscribing Unit holders of the Fund. The Fund is as a consequence the largest shareholder in Republic Bank Limited.

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, 2012 except for the adoption of new and amended standards and interpretations noted below:

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) *New accounting policies adopted (continued)*

IAS 12 - Income Taxes (Amendment)/Deferred taxes - Recovery of Underlying Assets (effective January 1, 2012)

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

ii) *Standards and interpretations issued but not yet effective*

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Bank's financial statements. The Bank reasonably expects these standards and interpretations to be applicable at a future date and intends to adopt those standards and interpretations when they become effective.

The Bank is currently assessing the impact of adopting these standards and interpretations since the impact of adoption depends on the assets held by the Bank at the date of adoption and it is not practical to quantify the effect at this time.

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. Deferred actuarial gain totalled $117.4 million at September 30, 2013.

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.

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.

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.

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

b) Changes in accounting policies *(continued)*

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

IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 (effective January 1, 2014)

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a result of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

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.

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.

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

b) **Changes in accounting policies** *(continued)*

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

IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amendments) (effective January 1, 2014)

The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity.

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.

(iii) Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2013.

IFRS Subject of Amendment

IAS 1 - Presentation of Financial Statements

IAS 16 - Property, Plant and Equipment

IAS 32 - Financial Instruments : Presentation

IAS 34 - Interim Financial Reporting

IFRS 1 - First-time Adoption of International Financial Reporting Standards

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

- Available-for-sale

Available-for-sale investments are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale securities are initially recognised at fair value plus transaction costs and are continuously re-measured at fair value based on quoted market prices where available or discounted cash flow models. Fair values for unquoted equity instruments or unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income.

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

- Held to maturity

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments *(continued)*

iii) Debt securities and other fund raising instruments

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

f) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

i) Advances

All non-performing and individually significant advances are individually reviewed and specific provisions made for the impaired portion based on the realisable value of the loan collateral and discounted by the original effective interest rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. Previously accrued income is reversed and further interest income is not accrued. Individually insignificant loans with similar characteristics are assessed for impairment on a group basis.

Where possible, the Bank seeks to restructure loans instead of taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms are renegotiated, any impairment is measured using the original effective interest rate and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and future payments likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

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

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

ii) Investment securities

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

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

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

g) Leases

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

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

h) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

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

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

Land and work-in-progress are not depreciated.

i) Intangible assets

The Bank's intangible assets comprise of the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

Amortisation is calculated using the reducing balance method over their estimated useful lifes of three to five years.

Subsequent expenditure on intagible 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.

j) 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.

k) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Employee benefits *(continued)*

i) Pension obligations *(continued)*

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 9 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.

l) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

m) 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.

n) 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.

o) 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).

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

o) Foreign currency translation *(continued)*

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.

p) 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.

q) Dividends

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

r) 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.

s) 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.

t) Customers' liability under acceptances, guarantees, indemnities and letters of credit

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customer in the event of a call on these commitments. These amounts are not recorded on the Bank's Statement of Financial Position but set out in Note 25(b) of these financial statements.

u) 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.

v) 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.

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

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 5b)

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 6)

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 9)

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 9 – Employee benefits.

Goodwill (note 8)

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2013 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 10)

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 and Intangible Assets (note 7)

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.

4 DUE FROM BANKS

	2013	2012
Bank of Guyana	**10,340,447**	6,107,251
Other banks	**7,183,473**	3,995,604
	17,523,920	**10,102,855**

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

5 ADVANCES

a) Advances

	2013			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	7,469,945	25,707,819	13,345,989	46,523,753
Non-performing advances	25,520	1,110,800	280,205	1,416,525
	7,495,465	26,818,619	13,626,194	47,940,278
Unearned interest	(1,469,339)	–	–	(1,469,339)
Accrued interest	–	398,693	39,639	438,332
	6,026,126	27,217,312	13,665,833	46,909,271
Allowance for impairment losses - Note 5(c)	(36,268)	(244,981)	(54,308)	(335,557)
Net Advances	**5,989,858**	**26,972,331**	**13,611,525**	**46,573,714**

	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 5(c)	(41,952)	(200,774)	(49,750)	(292,476)
Net Advances	**5,301,901**	**22,580,480**	**10,749,424**	**38,631,805**

b) Loans by remaining term to maturity

	2013	2012
Within three months	**1,064,865**	831,503
Between three and six months	**553,571**	421,404
Between six months and one year	**7,270,467**	5,333,127
Between one to five years	**13,098,127**	12,340,942
More than five years	**24,586,684**	19,704,829
	46,573,714	38,631,805

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

5 ADVANCES *(continued)*

c) Allowance for impairment losses

i) Impairment assessment

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

Individually assessed allowances

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

Collectively assessed allowances

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

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

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

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

	2013			
	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	(41,952)	(200,774)	(49,750)	(292,476)
Charge-offs and write-offs	128,636	104,236	–	232,872
Loan impairment expense	315,127	1,644,343	184,810	2,144,280
Loan impairment recoveries	(438,079)	(1,792,786)	(189,368)	(2,420,233)
Balance carried forward	(36,268)	(244,981)	(54,308)	(335,557)
Individual impairment	(7,519)	(134,526)	(40,186)	(182,231)
Collective impairment	(28,749)	(110,455)	(14,122)	(153,326)
	(36,268)	(244,981)	(54,308)	(335,557)
Gross amount of loans individually determined to be impaired, before deducting any allowance	**25,520**	**1,110,800**	**280,205**	**1,416,525**

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

5 ADVANCES *(continued)*

c) Allowance for impairment losses *(continued)*

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

	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**

iii) Provision for loan losses by economic sectors

	Gross Amount	Non-Performing	Specific Provision	General Provision	Net Advances
2013					
Government and government bodies	8,850	–	–	–	8,850
Financial sector	109,199	–	–	(462)	108,737
Energy and mining	299,670	10,843	–	(1,268)	309,245
Agriculture	4,697,520	202,492	(60,476)	(19,882)	4,819,654
Electricity and water	1,093,878	–	–	(4,630)	1,089,248
Transport, storage and communication	1,281,107	–	–	(5,422)	1,275,685
Distribution	6,407,754	458,476	(3,893)	(27,120)	6,835,217
Real estate mortgages	13,385,628	280,205	(40,186)	(14,122)	13,611,525
Manufacturing	2,318,840	333,554	(57,244)	(9,814)	2,585,336
Construction	1,158,389	23,299	–	(4,903)	1,176,785
Hotel and restaurant	40,165	4,058	–	(170)	44,053
Personal	6,000,606	25,520	(7,519)	(28,749)	5,989,858
Non-residents	387,304	–	–	(1,639)	385,665
Other services	8,303,836	78,078	(12,913)	(35,145)	8,333,856
	45,492,746	**1,416,525**	**(182,231)**	**(153,326)**	**46,573,714**

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

5 **ADVANCES** *(continued)*

c) **Allowance for impairment losses** *(continued)*

iii) **Provision for loan losses by economic sectors** *(continued)*

	Gross Amount	Non-Performing	Specific Provision	General Provision	Net Advances
2012					
Government and government bodies	54,503	–	–	–	54,503
Financial sector	89,003	–	–	(590)	88,413
Energy and mining	229,730	11,650	(3,326)	(1,523)	236,531
Agriculture	4,519,780	216,856	(5,433)	(29,955)	4,701,248
Electricity and water	322,523	–	–	(2,138)	320,385
Transport, storage and communication	736,826	–	–	(4,883)	731,943
Distribution	6,071,660	488,363	(7,798)	(40,240)	6,511,985
Real estate mortgages	10,599,750	199,424	(35,845)	(13,905)	10,749,424
Manufacturing	1,795,621	346,531	(25,262)	(11,900)	2,104,990
Construction	986,240	71,783	–	(6,536)	1,051,487
Hotel and restaurant	108,834	17	–	(721)	108,130
Personal	5,338,445	5,408	(7,180)	(34,772)	5,301,901
Non-residents	624,837	–	–	(4,141)	620,696
Other services	6,062,933	43,564	(16,147)	(40,181)	6,050,169
	37,540,685	**1,383,596**	**(100,991)**	**(191,485)**	**38,631,805**

Included above is $1,798 million (2012: $697 million) representing Public Non-Financial Institutions.

d) The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2013 amounts to $2,220 million (2012: $2,003 million). The collateral consists of cash, securities and properties.

e) **Collateral realised**
During the year, the Bank realised collateral amounting to $17.4 million (2012: $19.1 million).

f) **Credit concentration by economic sector (facilities totaling 10% and above of Capital base)**

	2013	2012
Financial sector	**1,215,000**	1,215,000
Agriculture	**1,341,597**	1,294,543
Distribution	**1,612,897**	1,480,000
Transport, storage and communication	**–**	896,716
	4,169,494	4,886,259

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

6 a) Investment securities

	2013	2012
Available-for-sale		
Government securities	**197,047**	1,056,462
State-owned company securities	**1,622,256**	705,803
Corporate bonds/debentures	**3,836,912**	4,175,169
Others	**20,000**	20,000
Total investment securities	**5,676,215**	**5,957,434**

b) Investment securities by remaining term to maturity

	2013	2012
Within three months	**496,750**	407,794
Between three and six months	**–**	874,056
Between six months and one year	**3,525,442**	3,508,021
Between one and five years	**1,634,023**	1,147,563
More than five years	**20,000**	20,000
	5,676,215	**5,957,434**

c) Treasury Bills by remaining term to maturity

	2013	2012
Within three months	**17,165,470**	9,456,406
Between three and six months	**11,898,605**	12,399,035
Between six months and one year	**10,655,164**	18,353,086
	39,719,239	**40,208,527**

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

7 a) **Premises and equipment**

	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
2013				
Cost				
At beginning of year	608,434	4,079,364	2,615,270	7,303,068
Additions at cost	26,503	–	646,930	673,433
Disposal/transfer of assets	(510,416)	182,485	(70,968)	(398,899)
	124,521	**4,261,849**	**3,191,232**	**7,577,602**
Accumulated depreciation				
At beginning of year	–	407,900	1,673,765	2,081,665
Charge for the year	–	61,180	267,018	328,198
Disposal of assets	–	(4)	(68,347)	(68,351)
	–	**469,076**	**1,872,436**	**2,341,512**
Net book value	**124,521**	**3,792,773**	**1,318,796**	**5,236,090**

	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
2012				
Cost				
At beginning of year	486,140	4,033,897	2,313,586	6,833,623
Additions at cost	366,258	110,760	132,814	609,832
Disposal/transfer of assets	(243,964)	(65,293)	168,670	(140,387)
	608,434	**4,079,364**	**2,615,270**	**7,303,068**
Accumulated depreciation				
At beginning of year	–	362,850	1,536,200	1,899,050
Charge for the year	–	68,774	213,843	282,617
Disposal of assets	–	(23,724)	(76,278)	(100,002)
	–	**407,900**	**1,673,765**	**2,081,665**
Net book value	**608,434**	**3,671,464**	**941,505**	**5,221,403**

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

7 PREMISES AND EQUIPMENT *(continued)*

b) Intangible assets

	2013	2012
Cost		
At beginning of year	**503,130**	294,875
Additions at cost	**66,448**	208,255
	569,578	503,130
Accumulated depreciation		
At beginning of year	**293,746**	253,528
Charge for the year	**80,359**	40,218
	374,105	293,746
Net book value	**195,473**	**209,384**

c) Capital commitments

	2013	2012
Contracts for outstanding capital expenditure not provided for in the financial statements	**1,030,116**	**1,294,998**
Other capital expenditure authorised by the Directors but not yet contracted for	**412,431**	**664,577**

8 GOODWILL

	2013	2012
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, 2013 using the 'value in use' method. Based on the results of this review, no impairment expense was required.

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

8 GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

The following table highlights the goodwill and impairment assumptions:

	2013	2012
Discount rate	**8%**	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.

9 EMPLOYEE BENEFITS

a) The amounts recognised in the Statement of Financial Position are as follows:

	2013	2012
Defined benefit obligation	**1,231,400**	1,091,600
Fair value of plan assets	**(1,101,600)**	(965,800)
	129,800	125,800
Unrecognised actuarial gains	**117,400**	150,300
Net liability recognised in the Statement of Financial Position	**247,200**	**276,100**

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

	2013	2012
Opening defined benefit obligation	**1,091,600**	1,230,600
Current service cost	**52,300**	71,200
Interest cost	**59,600**	67,100
Members' contributions	**22,200**	19,700
Actuarial (gain)/loss on obligations	**26,900**	(271,500)
Benefits paid	**(17,700)**	(22,200)
Expense allowance	**(3,500)**	(3,300)
Closing defined benefit obligation	**1,231,400**	**1,091,600**

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

9 EMPLOYEE BENEFITS *(continued)*

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

	2013	2012
Opening fair value of plan assets	**965,800**	853,500
Expected return on plan assets	**70,000**	61,500
Actuarial losses	**(3,300)**	(400)
Contributions by Bank	**68,100**	57,000
Members' contributions	**22,200**	19,700
Benefits paid	**(17,700)**	(22,200)
Expense allowance	**(3,500)**	(3,300)
Closing fair value of plan assets	**1,101,600**	**965,800**

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

	2013	2012
Current service cost	**52,300**	71,200
Interest on defined benefit obligation	**59,600**	67,100
Expected return on plan assets	**(70,000)**	(61,500)
Amortised net gain	**(2,700)**	–
Total included in staff costs	**39,200**	**76,800**

e) Actual return on plan assets

	2013	2012
Expected return on plan assets	**70,000**	61,500
Actuarial losses on plan assets	**(3,300)**	(400)
Actual return on plan assets	**66,700**	**61,100**

f) Experience history

	2013	2012	2011	2010	2009
Defined benefit obligation	**1,231,400**	1,091,600	1,230,600	1,158,500	1,035,000
Plan assets	**(1,101,600)**	(965,800)	(853,500)	(751,200)	(665,400)
Deficit	**129,800**	125,800	377,100	407,300	369,600
Experience adjustments on plan liabilities	**26,900**	(46,500)	(49,700)	12,100	(51,900)
Experience adjustments on plan assets	**(3,300)**	(400)	(3,500)	(7,800)	(43,200)

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

9 EMPLOYEE BENEFITS *(continued)*

g) The normal cost, which is the rate of contributions that the Bank would have to pay if there was no surplus or deficit, is 9.8% 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 $75.3 million to the plan in the 2014 financial year.

i) The principal actuarial assumptions used were as follows:

	2013 %	2012 %
Discount rate	**5.50**	5.50
Rate of salary increase	**5.50**	5.50
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

	2013 %	2012 %
Equity securities	**19.00**	19.00
Debt securities	**23.00**	44.00
Money market instruments/cash	**58.00**	37.00
Total	**100.00**	**100.00**

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening Balance 2012	(Charge)/Credit Statement of Income	(Charge)/Credit Other Comprehensive Income	Closing Balance 2013
Pension liability	110,440	(11,560)	–	**98,880**
Fee and commission income	65,428	12,561	–	**77,989**
Unrealised reserves	–	–	2,090	**2,090**
	175,868	**1,001**	**2,090**	**178,959**

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

10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

b) Deferred tax liabilities

	Opening Balance	Credit/(Charge) Statement of Income	Other Comprehensive Income	Closing Balance
	2012			2013
Premises and equipment	157,836	55,513	–	**213,349**
Unrealised reserve	50,197	–	(50,197)	**–**
	208,033	**55,513**	**(50,197)**	**213,349**

11 OTHER ASSETS

	2013	2012
Accounts receivable and prepayments	**178,357**	146,684
Items in transit	**513,008**	185,698
Other assets	**424,238**	38,645
	1,115,603	371,027

12 CUSTOMERS' CHEQUING, SAVINGS AND DEPOSIT ACCOUNTS

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

	Demand	Savings	Time	Total
2013				
State	11,322,177	6,097,083	92,953	17,512,213
Corporate and commercial	8,414,409	5,181,797	148,762	13,744,968
Personal	6,365,069	66,618,572	6,628,641	79,612,282
Other financial institutions	1,043,098	704,298	1,600,718	3,348,114
Other	2,103,137	397,512	399,390	2,900,039
	29,247,890	**78,999,262**	**8,870,464**	**117,117,616**

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

12 CUSTOMERS' CHEQUING, SAVINGS AND DEPOSIT ACCOUNTS *(continued)*

a) Concentration of customers' chequing savings and deposit accounts *(continued)*

	Demand	Savings	Time	Total
2012				
State	5,502,897	2,917,329	92,390	8,512,616
Corporate and commercial	8,885,801	4,853,105	147,474	13,886,380
Personal	4,830,402	63,231,213	6,501,139	74,562,754
Other financial institutions	629,032	1,611,162	116,341	2,356,535
Other	1,705,111	257,051	455,887	2,418,049
	21,553,243	**72,869,860**	**7,313,231**	**101,736,334**

b) Time deposits by remaining term to maturity

	2013	2012
Within three months	**2,996,579**	2,984,522
Between three and six months	**1,269,467**	1,238,153
Between six months and one year	**4,602,655**	3,085,797
More than one year	**1,763**	4,759
	8,870,464	**7,313,231**

13 OTHER LIABILITIES

	2013	2012
Drafts and settlements	**1,227,461**	971,644
Accrued expenses	**119,764**	85,233
Statutory liabilities	**36,005**	44,996
Short term payables	**125,738**	68,132
Deferred income	**9,974**	9,498
Unearned loan origination fees	**194,972**	163,569
Dividends payable	**62,677**	52,897
Other	**360,100**	333,731
	2,136,691	**1,729,700**

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

14 STATED CAPITAL

	2013	2012
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

15 OTHER RESERVES

a) Statutory reserves

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

b) Net unrealised gains

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

c) General banking risk reserve

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

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

16 OPERATING PROFIT

	2013	2012
a) Interest income		
Advances	**5,180,792**	4,311,336
Investment securities	**374,553**	429,593
Liquid assets	**737,732**	942,521
	6,293,077	5,683,450
b) Interest expense		
Customers' chequing, savings and deposit accounts	**736,572**	851,588
	736,572	851,588

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

16 OPERATING PROFIT *(continued)*

	2013	2012
c) Other income		
Credit and related fees	**114,787**	90,000
Net exchange trading income	**1,224,003**	1,080,043
Loan recoveries	**107,060**	170,879
Dividends	**6,640**	5,800
Deposit and related fees	**488,687**	393,398
Payments and transfers	**198,322**	185,284
Sale of premises and equipment	**–**	2,643
Other operating income	**1,633**	1,701
	2,141,132	**1,929,748**

d) Operating expenses

	2013	2012
Staff costs	**1,476,740**	1,436,849
Staff profit share	**244,075**	183,725
General administrative expenses	**590,189**	574,516
Lease rental expenses	**19,804**	20,077
Property related expenses	**551,072**	561,228
Property tax	**125,738**	68,022
Premises and equipment	**11,908**	–
Depreciation expense	**408,558**	322,835
Communication	**71,324**	79,524
Advertising and public relations expenses	**158,037**	126,866
Directors' fees	**14,515**	15,480
Auditors' fees	**17,600**	16,922
	3,689,560	**3,406,044**

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

17 TAXATION EXPENSE

Reconciliation

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

	2013	2012
Accounting profit	**3,732,124**	3,221,314
Tax at applicable statutory tax rates (40%)	**1,492,850**	1,288,526
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(172,843)**	(134,808)
Depreciation	**163,423**	129,134
Donations	**1,860**	1,778
Property tax	**50,295**	27,209
Wear and tear allowance	**(202,761)**	(118,582)
Inherent risk (general) provisions	**(15,263)**	3,292
Loss/(gain) on sale of premises and equipment	**4,763**	(1,057)
Defined benefit obligation	**(11,560)**	7,920
Deferred fee income	**12,561**	11,003
Current tax	**1,323,325**	1,214,415
Deferred tax debit/(credit)	**54,512**	(6,037)
Total taxation	**1,377,837**	1,208,378

18 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

	2013	2012
Loans, investments and other assets		
Republic Bank Limited (Parent)	**108,364**	40,951
Fellow subsidiaries	**1,586**	2,947
Directors and key management personnel	**37,196**	45,713
Other related parties	**386,310**	505,189
	533,456	**594,800**

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

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

18 RELATED PARTIES *(continued)*

Outstanding balances *(continued)*

	2013	2012
Deposits and other liabilities		
CL Financial Group	**–**	23,092
Republic Bank Limited (Parent)	**176,477**	1,012,785
Fellow subsidiaries	**11,650**	14,791
Directors and key management personnel	**131,675**	110,376
Other related parties	**1,063,714**	1,085,696
	1,383,516	2,246,740
Interest and other income		
Directors and key management personnel	**1,772**	1,731
Other related parties	**33,936**	40,490
	35,708	42,221
Interest and other expense (excluding key management compensation)		
CL Financial Group	**–**	5
Republic Bank Limited (Parent)	**70,847**	76,387
Directors and key management personnel	**2,420**	2,435
Other related parties	**7,286**	8,612
	80,553	**87,439**
Proportion of related parties exposure to total customer exposure	**0.87%**	0.68%

Amounts due from the five parties with the highest exposures totalled $382 million (2012: $518 million) and represents 3.69% (2012: 5.86%) of the Bank's capital base.

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

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

18 RELATED PARTIES *(continued)*

Key management compensation

	2013	2012
Short-term benefits	**82,322**	78,125

Loans

	Balance at the beginning of year	Loans during the year	Repayments	Balance at the end of year
2013				
Directors	10,659	–	(4,078)	6,581
Other related parties	164,804	2,000	(52,027)	114,777
	175,463	**2,000**	**(56,105)**	**121,358**
2012				
Directors	15,107	–	(4,448)	10,659
Other related parties	200,239	8,471	(43,906)	164,804
	215,346	**8,471**	**(48,354)**	**175,463**

19 RISK MANAGEMENT

19.1 Introduction

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

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

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

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

19 RISK MANAGEMENT *(continued)*

19.1 Introduction *(continued)*

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 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, operational risk and country risk. The Bank reviews and agrees policies for managing each of these risks as follows:

19.2 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.

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 quarterly and action taken in accordance with prescribed guidelines. To this end, there are separate units established to monitor these loans and recommend necessary action to Management.

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.

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.1 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:

	2013	2012
	Gross maximum exposure	
Statutory deposit with Bank of Guyana	**13,675,027**	11,856,323
Due from banks	**17,523,920**	10,102,855
Treasury Bills	**39,719,239**	40,208,527
Investment interest receivable	**47,712**	70,972
Investment securities	**5,656,215**	5,937,434
Loans and advances to customers	**46,573,714**	38,631,805
Total	**123,195,827**	**106,807,916**
Undrawn commitments	**6,957,106**	6,677,602
Acceptances	**–**	–
Guarantees and indemnities	**1,690,833**	1,540,787
Letters of credit	**242,401**	382,634
Total	**8,890,340**	**8,601,023**
Total credit risk exposure	**132,086,167**	**115,408,939**

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 appropriate guarantees for loans from parent companies, owners/stockholders, directors or other parties.

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.

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

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, 2013, $22.3 million (2012: $10.3 million) in repossessed properties are still in the process of being disposed of.

19.2.2 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:

	2013	2012
Guyana	**121,745,463**	109,505,439
Trinidad and Tobago	**3,137,357**	1,934,186
Barbados	**395,520**	538,203
Eastern Caribbean	**1,508,139**	1,581,996
United States	**5,122,488**	1,585,860
Other countries	**177,200**	263,255
	132,086,167	115,408,939

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.2 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:

	2013	2012
Government and government bodies	**54,245,858**	53,868,383
Financial sector	**18,919,471**	11,482,414
Energy and mining	**298,123**	1,423,052
Agriculture	**4,757,585**	4,544,656
Electricity and water	**1,366,265**	734,721
Transport, storage and communication	**1,606,369**	962,382
Distribution	**8,698,902**	7,254,912
Real estate mortgages	**13,665,833**	10,799,174
Other real estate	**887,211**	834,083
Manufacturing	**4,148,593**	1,974,584
Construction	**2,709,895**	3,264,551
Hotel and restaurant	**43,010**	131,204
Personal	**15,161,099**	12,206,921
Non-residents	**387,304**	624,837
Other services	**5,190,649**	5,303,065
	132,086,167	115,408,939

Included above is $1,798 million (2012: $697 million) representing Public Non-Financial Institutions.

c) Top five concentration (as a % of capital base)

	2013	2012
Government	**383.83%**	454.57%
Central Bank	**232.08%**	203.08%
Counterparty 3	**15.59%**	16.73%
Counterparty 4	**12.96%**	14.64%
Counterparty 5	**11.74%**	13.74%

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.3 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'.

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
2013	**12,950,578**	**2,462,004**	**2,111,338**	**17,523,920**
2012	6,229,613	1,476,719	2,396,523	10,102,855

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:

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

Loans and advances - Commercial and Corporate (continued)

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

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

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

Sub-standard: Past due or individually impaired.

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

	Neither past due nor impaired				
	Superior	Desirable	Acceptable	Sub-standard	Total
2013	**35,709**	**2,600,928**	**21,962,270**	**2,373,424**	**26,972,331**
2012	65,710	2,007,769	18,964,650	1,542,351	22,580,480

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
2013	**261,835**	**207,152**	**83,916**	**844,247**	**976,274**	**2,373,424**
2012	233,263	75,194	28,114	84,981	1,120,799	1,542,351

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

Loans and advances - Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the 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
2013	**16,113,605**	**2,627,083**	**440,690**	**161,985**	**–**	**258,020**	**19,601,383**
2012	14,615,209	1,014,128	181,629	78,552	–	161,807	16,051,325

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:

Financial investments

	Superior	Desirable	Acceptable	Sub-standard	Total
- Available-for-sale					
2013	**2,730,457**	**2,925,758**	**–**	**–**	**5,656,215**
2012	2,519,517	3,417,917	–	–	5,937,434

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

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.4 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:

	2013	2012
Loans and advances to customers		
- Retail lending	**1,622**	1,889
- Mortgages	**68,022**	57,105
- Commercial and Corporate lending	**1,822,816**	1,655,225
Total renegotiated financial assets	**1,892,460**	**1,714,219**

19.2.5 Carrying amount of financial assets renegotiated during the year.

The table below shows the carrying amount for renegotiated financial assets during the year by class:

	2013	2012
Loans and advances to customers		
- Retail lending	**1,622**	1,472
- Mortgages	**9,950**	18,773
- Commercial and Corporate lending	**364,360**	136,792
Total renegotiated financial assets	**375,932**	**157,037**

19.3 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.

The Bank's liquidity management policy is formulated by the Board and Management to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, to satisfy the demands of customers for additional borrowings or to meet undrawn commitments. Undrawn commitments are reviewed by the Asset/Liability Committee and are subject to review by management prior to disbursement. Liquidity management focuses on ensuring that the Bank has sufficient funds to meet all of its obligations.

Periodic stress testing is conducted by the regulator and corrective action taken by the Bank, if deemed necessary.

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.

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

19 RISK MANAGEMENT *(continued)*

19.3 Liquidity risk *(continued)*

19.3.1 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.

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, 2013					
Customers' chequing, savings and deposit accounts	108,247,152	8,868,701	1,763	–	117,117,616
Due to banks	189,436	–	–	–	189,436
Other liabilities	2,136,691	–	–	–	2,136,691
Total undiscounted financial liabilities 2013	**110,573,279**	**8,868,701**	**1,763**	**–**	**119,443,743**
As at September 30, 2012					
Customers' chequing, 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**

Financial liabilities - off Statement of Financial Position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2013					
Acceptances	–	–	–	–	–
Guarantees and indemnities	–	1,556,888	28,930	105,015	1,690,833
Letters of credit	–	242,401	–	–	242,401
Total	**–**	**1,799,289**	**28,930**	**105,015**	**1,933,234**

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

19 RISK MANAGEMENT *(continued)*

19.3 Liquidity risk *(continued)*

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

Financial liabilities - off Statement of Financial Position *(continued)*

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2012					
Acceptances	–	–	–	–	–
Guarantees and indemnities	–	1,383,884	22,833	134,070	1,540,787
Letters of credit	–	382,634	–	–	382,634
Total	**–**	**1,766,518**	**22,833**	**134,070**	**1,923,421**

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

19.4 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.

19.4.1 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. Interest rate risk management is primarily designed by the Board and management to ensure competitiveness and maximise returns.

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.

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

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.1 Interest rate risk *(continued)*

	Increase/ decrease in basis points	Impact on net profit 2013 Increase in basis points	Impact on net profit 2013 Decrease in basis points	Impact on net profit 2012 Increase in basis points	Impact on net profit 2012 Decrease in basis points
G$ Instruments	+/- 50	**-/+ 394,996**		-/+ 364,349	
US$ Instruments	+/- 50	**-/+ 53,899**		-/+ 29,710	
Other currency Instruments	+/- 50	**-/+ 226**		-/+ 257	

	Increase/ decrease in basis points	Impact on net unrealised gains 2013 Increase in basis points	Impact on net unrealised gains 2013 Decrease in basis points	Impact on net unrealised gains 2012 Increase in basis points	Impact on net unrealised gains 2012 Decrease in basis points
G$ Instruments	+/- 50	**(17,844)**	**(4,648)**	(7,737)	7,077
US$ Instruments	+/- 50	**(48,849)**	**49,996**	(22,004)	22,422

19.4.2 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 Asset/Liability Committee and Foreign Services Unit also monitor the Bank's foreign currency position for both overnight and intra-day transactions based on limits set by the Board.

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

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

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

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

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk *(continued)*

	GYD	TTD	USD	UK	OTHER	Total
2013						
FINANCIAL ASSETS						
Cash	1,076,601	242	284,499	493	3,487	1,365,322
Statutory deposit with Bank of Guyana	13,675,027	–	–	–	–	13,675,027
Due from banks	10,910,162	2,384	6,535,657	55,023	20,694	17,523,920
Treasury Bills	39,719,239	–	–	–	–	39,719,239
Advances	45,926,469	–	647,245	–	–	46,573,714
Investment securities	2,362,946	–	3,313,269	–	–	5,676,215
Interest receivable	20,304	–	27,408	–	–	47,712
TOTAL FINANCIAL ASSETS	**113,690,748**	**2,626**	**10,808,078**	**55,516**	**24,181**	**124,581,149**
FINANCIAL LIABILITIES						
Due to banks	–	2,173	75,217	34,639	77,407	189,436
Customers' chequing, savings and deposit accounts	106,332,561	–	10,779,836	5,219	–	117,117,616
Interest payable	41,860	–	–	–	–	41,860
TOTAL FINANCIAL LIABILITIES	**106,374,421**	**2,173**	**10,855,053**	**39,858**	**77,407**	**117,348,912**
NET CURRENCY RISK EXPOSURE	**7,316,327**	**453**	**(46,975)**	**15,658**	**(53,226)**	**7,232,237**
Reasonably possible change in currency rate (%)	_	1%	1%	1%	1%	_
Effect on profit before tax	_	**5**	**(470)**	**157**	**(532)**	**(840)**

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

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk *(continued)*

	GYD	TTD	USD	UK	OTHER	Total
2012						
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' chequing, 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 change in currency rate (%)	–	1%	1%	1%	1%	–
Effect on profit before tax	–	3	1,253	22	(399)	879

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

19 RISK MANAGEMENT *(continued)*

19.5 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 the operation of, conducts training on and makes recommendations for the enhancement of internal controls. Where appropriate, risk is transferred by the placement of adequate insurance coverage.

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

19.6 Country Risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank directly by impairing the value through an obligor's ability to meet its obligation to the Bank. The parent's risk management unit monitors this risk by using the measures of risk rating and the Board set limits by country for investments.

20 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 $1,376 million to $12,179 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 2013 of $1 billion represents 42.5% 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 stockholders' equity.

The Bank's Tier 1 capital at September 30, 2013 is 18.86% (2012 - 19.11%) and its capital adequacy ratio (Tier 1 and Tier 2) is 19.51% (2012 - 19.98%). At September 30, 2013 the Bank exceeded the minimum levels required.

The Bank's Regulatory Capital is as follows:

	2013	2012
Tier 1		
Share capital	**300,000**	300,000
Reserve fund	**300,000**	300,000
General banking risk reserves in excess of statutory requirement	**893,080**	968,655
Retained earnings	**9,648,062**	8,245,466
Goodwill	**(1,228,222)**	(1,228,222)
Total	**9,912,920**	8,585,899

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

20 CAPITAL MANAGEMENT *(continued)*

	2013	2012
Tier 2		
Securities revaluation reserves	**(2,913)**	75,707
General banking risk reserves statutory requirement	**341,214**	313,948
Total	**338,301**	389,655

21 FAIR VALUE

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

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

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

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

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

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

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

21 FAIR VALUE *(continued)*

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

2013	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	58,608,481	58,608,481	–
Statutory deposit with Bank of Guyana	13,675,027	13,675,027	–
Investment securities	5,676,215	5,676,215	–
Advances	46,573,714	46,927,346	353,632
Investment interest receivable	47,712	47,712	–
Financial liabilities			
Due to Banks	189,436	189,436	–
Customers' chequing, savings and deposit accounts	117,117,616	117,219,141	(101,525)
Accrued interest payable	41,860	41,860	–
Total unrecognised change in unrealised fair value			**252,107**

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	–
Financial liabilities			
Due to Banks	253,897	253,897	–
Customers' chequing, savings and deposit accounts	101,736,334	101,859,272	(122,938)
Accrued interest payable	33,407	33,407	–
Total unrecognised change in unrealised fair value			**302,258**

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

21 FAIR VALUE *(continued)*

21.1 Fair value and fair value hierarchies

21.1.1 Determination of fair value and fair value hierarchies

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

Level 1

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

Level 2

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

Level 3

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

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

	Level 1	Level 2	Level 3	Total
Financial investments -available-for-sale				
2013	**2,691,576**	**2,984,639**	**–**	**5,676,215**
2012	1,496,239	4,461,195	–	5,957,434

21.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2013, no assets were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2013, there were no Level 3 financial instruments.

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

22 SEGMENTAL INFORMATION

22.1 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.

22.2 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:

	Guyana	Trinidad and Tobago	Other countries	Total
2013				
Interest income	6,138,698	48,054	106,325	6,293,077
Interest expense	(736,572)	–	–	(736,572)
Net interest income	5,402,126	48,054	106,325	5,556,505
Other income	2,141,132	–	–	2,141,132
Net interest and other income	7,543,258	48,054	106,325	7,697,637
Total assets	129,202,228	1,456,976	1,876,292	132,535,496
Total liabilities	120,166,607	2,173	187,263	120,356,043
2012				
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

22.3 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.

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

23 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 19.3 – "Liquidity risk" – for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Within 12 months	After 12 months	Total
2013			
ASSETS			
Cash	1,365,322	–	1,365,322
Statutory deposit with Bank of Guyana	13,674,814	213	13,675,027
Due from banks	17,523,920	–	17,523,920
Treasury Bills	39,719,239	–	39,719,239
Investment interest receivable	1,069	46,643	47,712
Advances	8,888,903	37,684,811	46,573,714
Investment securities	496,750	5,179,465	5,676,215
Premises and equipment	–	5,236,090	5,236,090
Intangible assets	–	195,473	195,473
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	178,959	178,959
Other assets	1,115,603	–	1,115,603
	82,785,833	**49,749,663**	**132,535,496**
LIABILITIES			
Due to banks	189,436	–	189,436
Customers' chequing, savings and deposit accounts	117,115,853	1,763	117,117,616
Net pension liability	–	247,200	247,200
Taxation payable	409,891	–	409,891
Deferred tax liabilities	–	213,349	213,349
Accrued interest payable	41,855	5	41,860
Other liabilities	2,136,691	–	2,136,691
	119,893,726	**462,317**	**120,356,043**

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

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

	Within 12 months	After 12 months	Total
2012			
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	–	5,221,403	5,221,403
Intangible assets	–	209,384	209,384
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' chequing, 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**

24 DIVIDENDS PAID AND PROPOSED

	2013	2012
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2012: $2.00 (2011: $1.92)	**600,000**	575,000
First dividend for 2013: $1.00 (2012: $0.917)	**300,000**	275,000
Total dividends paid	**900,000**	850,000

24 DIVIDENDS PAID AND PROPOSED *(continued)*

	2013	2012
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 2013: $2.33 (2012: $2.00)	**700,000**	600,000

25 CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2013 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

	2013	2012
Acceptances	**–**	–
Guarantees and indemnities	**1,690,833**	1,540,787
Letters of credit	**242,401**	382,634
	1,933,234	1,923,421

c) Sectoral information

	2013	2012
State	**698,399**	688,474
Corporate and commercial	**1,195,645**	1,228,963
Personal	**39,190**	5,984
	1,933,234	1,923,421

d) Pledged assets

Below illustrates the distribution of pledged assets in the Bank's Statement of Financial Position:

	Carrying Amount		Related Liability	
	2013	2012	2013	2012
Statutory deposit	**13,675,027**	11,856,323	**117,117,616**	101,736,334

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

25 CONTINGENT LIABILITIES *(continued)*

e) Non-cancellable operating lease commitments

	2013	2012
Less than one year	**6,180**	14,416
Between one to five years	**1,200**	6,740
More than five years	**3,507**	400
	10,887	21,556

26 EXTERNAL PAYMENT DEPOSIT SCHEME

	2013	2012
	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.

Directors for Re-election

In accordance with the Bank's By Laws three of the existing Directors of Republic Bank (Guyana) Limited will retire by rotation this year. These Directors are all eligible for re-election and as a consequence we are pleased to provide brief biographies of those who will retire this year but who have made themselves available for re-election.

RICHARD I. VASCONCELLOS

Richard I. Vasconcellos is the Chairman of A.N.K. Enterprises incorporated in Miami, Florida and Homesetead Christian Academy, Florida. He is also a shareholder and Managing Partner of Carib Hibiscus Development (USA). Locally he serves on the Board of Cellsmart Inc. and Santa Fe (Guyana) Limited. His vast experience in business and strong management skills are recognised locally and internationally.

NIGEL M. BAPTISTE

Nigel M. Baptiste, a Trinidad and Tobago National Scholar, has given outstanding service to the Board of Republic Bank (Guyana) Limited for several years, and continues to distinguish himself in the fields of Banking and Economics. Among other qualifications he holds a Master of Science Degree in Economics and has successfully completed the Harvard Business School's Advanced Management Program. Mr Baptiste previously served as the Managing Director of Republic Bank (Guyana) Limited, then the National Bank of Industry and Commerce Limited. He is an Executive Director of Republic Bank Limited. In July 2013, Mr Baptiste was appointed Chairman of the Board of Directors of Republic Bank (Guyana) Limited following the resignation of David Dulal-Whiteway.

DERWIN M. HOWELL

Derwin M. Howell is a graduate of the University of the West Indies with a first class honours degree in Electrical Engineering. He also holds an Executive Masters in Business Administration from the University of the West Indies. Having joined the Republic Bank Group in 1997, he has held a number of positions, including General Manager, Commercial and Retail Banking and General Manager, Republic Bank (Barbados) Limited. He is an Executive Director at Republic Bank Limited, and provides oversight for a number of areas including Information Technology, Commercial and Retail Banking, Group Marketing and Regional Operations.

In accordance with the Bank's By-Laws, Farid Antar who was appointed to fill a casual vacancy is available to be elected as a Director. We are pleased to provide a brief biography of Farid Antar.

FARID ANTAR

Farid Antar currently serves as the General Manager, Corporate Operations and Process Improvement, and among his other duties, is responsible for the Regional Operations of Republic Bank Limited. He has in excess of 34 years of experience in banking and finance, having served Republic Bank Limited and its subsidiaries in a number of capacities. Over the last several years he has held the positions of Senior Manager, Regional Operations, and Senior Manager – Retail Delivery and Marketing at Barbados National Bank now rebranded Republic Bank (Barbados) Limited. Farid is an associate of the Chartered Institute of Bankers of the UK (its School of Finance) and an associate of the Institute of Chartered Secretaries and Administrators, UK. He attained a Diploma from the School of Bank Marketing and Management from the American Bankers Association and the FIBA's AMLCA certification in Anti-Money Laundering. Mr Antar is currently the Chairman of Infolink Services Limited (Linx), Deputy Chairman of the Caribbean Association of Banks Inc. and a Director of G4S Holdings (Trinidad) Limited.