

CITIZENS BANK GUYANA INC.

FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2005

TOGETHER WITH

REPORT OF THE AUDITORS

JACK A. ALLI, SONS & CO.

CITIZENS BANK GUYANA INC.

30 SEPTEMBER 2005

I N D E X

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CITIZENS BANK GUYANA INC.

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 SEPTEMBER 2005

Thousands of Guyana Dollars	Note	2005	2004
INTEREST INCOME	3	951,502	855,463
INTEREST EXPENSE	3	(338,339)	(259,069)
NET INTEREST INCOME		613,163	596,394
OTHER INCOME	4	243,084	189,038
TOTAL NET INCOME		856,247	785,432
OPERATING EXPENSES	5	(452,314)	(396,588)
LOAN LOSS PROVISION	7	3,955	(45,845)
PROFIT BEFORE TAXATION		407,888	342,999
TAXATION	8	(62,428)	(64,682)
NET PROFIT FOR THE YEAR		345,460	278,317
EARNINGS PER SHARE	9	\$5.81	\$4.68

The notes on pages 31 to 48 form an integral part of these financial statements.

CITIZENS BANK GUYANA INC.

BALANCE SHEET

30 SEPTEMBER 2005

Thousands of Guyana Dollars	Note	2005	2004
ASSETS			
Cash and balances with Bank of Guyana	10	2,114,361	1,376,366
Amounts due from other banks	11	1,173,753	617,800
Investment securities	12	5,553,956	4,109,432
Loans and advances	13	5,924,255	4,714,094
Acceptances, guarantees and letters of credit		518,912	448,281
Property and equipment	14	220,812	210,123
Deferred taxation	15	0	21,084
Taxation recoverable		45,624	64,153
Other assets	16	271,907	333,665
TOTAL ASSETS		15,823,580	11,894,998
LIABILITIES			
Customers' deposits	17	13,378,606	9,946,409
Deferred taxation	15	21,301	29,916
Acceptances, guarantees and letters of credit		518,912	448,281
Other liabilities	18	331,500	189,049
TOTAL LIABILITIES		14,250,319	10,613,655
SHAREHOLDERS' EQUITY			
Share capital	19	594,913	594,913
Statutory reserve	20	208,266	156,447
General banking risk reserve	20	50,636	48,405
Retained earnings		683,751	451,832
Proposed dividend	21	35,695	29,746
TOTAL SHAREHOLDERS' EQUITY		1,573,261	1,281,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,823,580	11,894,998

The notes on pages 31 to 48 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 21 November 2005.

C.B. REIS

T.A. PARRIS

CITIZENS BANK GUYANA INC.

STATEMENT OF CHANGES IN EQUITY

30 SEPTEMBER 2005

Thousands of Guyana Dollars	Note	Share Capital	Statutory Reserve	General Banking Risk Reserve	Retained Earnings	Proposed Dividend	Total
For the year ended 30 September 2004							
As at beginning of year		594,913	114,699	18,650	298,560	47,593	1,074,415
Net profit for the year		0	0	0	278,317	0	278,317
Transfer to statutory reserve	20	0	41,748	0	(41,748)	0	0
Transfer to general banking risk reserve	20	0	0	29,755	(29,755)	0	0
Dividend proposed	21	0	0	0	(53,542)	53,542	0
Dividend paid		0	0	0	0	(71,389)	(71,389)
As at end of year		594,913	156,447	48,405	451,832	29,746	1,281,343
For the year ended 30 September 2005							
As at beginning of year		594,913	156,447	48,405	451,832	29,746	1,281,343
Net profit for the year		0	0	0	345,460	0	345,460
Transfer to statutory reserve	20	0	51,819	0	(51,819)	0	0
Transfer to general banking risk reserve	20	0	0	2,231	(2,231)	0	0
Dividend proposed	21	0	0	0	(59,491)	59,491	0
Dividend paid		0	0	0	0	(53,542)	(53,542)
As at end of year		594,913	208,266	50,636	683,751	35,695	1,573,261

The notes on pages 31 to 48 form an integral part of these financial statements.

CITIZENS BANK GUYANA INC.**CASH FLOW STATEMENT****FOR THE YEAR ENDED 30 SEPTEMBER 2005**

Thousands of Guyana Dollars	2005	2004
OPERATING ACTIVITIES		
Profit before taxation	407,888	342,999
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortisation	64,234	55,750
Gain on disposal of property and equipment	(1,934)	0
Net movement in provision for loan losses	(20,025)	(2,064)
Loans and advances	(1,190,136)	(86,221)
Reserve requirement with Bank of Guyana	(356,964)	(149,710)
Customers' deposits	3,432,197	1,349,729
Other assets	61,758	(124,802)
Other liabilities	142,451	(24,084)
Taxes paid	(31,430)	(31,198)
NET CASH INFLOW - OPERATING ACTIVITIES	2,508,039	1,330,399
INVESTING ACTIVITIES		
Additions to investment securities	(4,686,180)	(5,555,820)
Maturities of investment securities	2,840,964	4,390,602
Purchase of property and equipment	(75,681)	(44,654)
Proceeds from sale of property and equipment	2,692	0
NET CASH OUTFLOW - INVESTING ACTIVITIES	(1,918,205)	(1,209,872)
FINANCING ACTIVITIES		
Dividend paid	(53,542)	(71,389)
NET CASH OUTFLOW - FINANCING ACTIVITIES	(53,542)	(71,389)

The notes on pages 31 to 48 form an integral part of these financial statements.

CITIZENS BANK GUYANA INC.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
NET INCREASE IN CASH AND CASH EQUIVALENTS	536,292	49,138
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	1,719,587	1,670,449
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	2,255,879	1,719,587
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and non-restricted balance with Bank of Guyana	599,957	218,926
Amounts due from other banks	1,173,753	617,800
Investment securities with original maturity of less than three months	482,169	882,861
	2,255,879	1,719,587

The notes on pages 31 to 48 form an integral part of these financial statements.

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

Citizens Bank Guyana Inc. was incorporated in Guyana on 02 November 1995. The Company is situated at 201 Camp and Charlotte Streets, Lacytown, Georgetown, Guyana. The Company, a company incorporated in Guyana, owns 51% of the Company's share capital.

The Company is licensed to carry on the business of banking and operates in accordance with the provisions of the Financial Institutions Act, 1995.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

The financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards.

2.2 Foreign Currency Transactions

Transactions involving foreign currencies are translated at the exchange rate prevailing at the date of these transactions. At the balance sheet date assets and liabilities denominated in foreign currencies are translated into Guyana dollars at the exchange rates ruling at that date. Gains and losses resulting from the settlement of transactions and from the translation of monetary items denominated in foreign currencies, are recognised in the statement of income and expense.

2.3 Investment Securities

The Company classifies its investment securities, except reverse repurchase agreements, into the following categories: held-to-maturity and originated loans. Management determines the classification at the time of purchase and re-evaluates such designation on a regular basis.

Investment securities with fixed maturity that management has the intent to hold to maturity are classified as held-to-maturity. Such securities are carried at amortised cost.

Investment securities which represent loans provided directly to a borrower in accordance with the terms of the loan are categorised as originated loans and are carried at amortised cost.

Securities purchased under agreements to resell (reverse repurchase agreements) are classified as financing transactions. The difference between the purchase and resale price is recognised as interest income accrued over the life of the agreements.

2.4 Loans and Advances

Loans and advances originated by the Company are provided by providing money directly to borrowers and are categorised as loans originated by the Company and are stated net of unearned income and applicable provisions for losses. All loans and advances are recognised when cash is received from borrowers.

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CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Loans and Advances (Cont'd)

A specific provision for losses on loans and advances is established when, in the opinion of management, credit risk or economic factors make recovery doubtful. The level of the specific provision is determined by the relevant requirements of Supervision Guideline 5, Financial Institutions Act, 1995.

For non-performing loans the accrual of interest is discontinued until the outstanding payments on principal and interest have been made or when full repayment has been assured.

Write-offs are made when all or part of a loan is deemed uncollectible. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to income.

Statutory and other loan loss provisions that exceed the specific loan loss provision are dealt with as an appropriation of retained earnings to a general banking risk reserve.

2.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Freehold land is not depreciated. Other fixed assets are depreciated on a straight-line method at rates estimated to write off the assets over their expected useful economic lives.

The current rates of depreciation are as follows:

Freehold buildings	2%
Furniture, fixtures and motor vehicles	20-33 1/3%
Leasehold improvements	10%

2.6 Acceptances, Guarantees and Letters of Credit

The Company's potential liability under acceptances, guarantees and letters of credit is reported as a liability. An equivalent asset is also reported to reflect the Company's recourse to the customer for this liability.

2.7 Interest Income and Expense

Interest income and expense are recognised in the statement of income and expenditure for all interest bearing instruments on an accrual basis except when collection is considered doubtful, or payment is outstanding for more than 90 days. In such cases interest income is accounted for on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Fee and Commission Income

Fee and commission income is recognised as earned.

2.9 Taxation

Provision for deferred corporation tax is computed using the liability method for all temporary differences arising between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred corporation tax.

The principal temporary differences arise from depreciation on property and equipment and from tax losses carried forward. The deferred tax asset relating to the carry forward of unused tax losses is recognised to the extent that it is possible that future taxable profits will be available against which the unused tax losses can be utilised.

2.10 Retirement Benefit Plan

The Company operates the Citizens Bank Guyana Inc. Pension Scheme which is a defined contribution scheme. The Company's contributions are charged to the statement of income and expenditure in the year to which they relate.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash-in-hand, balances held with other banks and the non-restricted balance with the Bank of Guyana, items in course of collection and investment securities with original maturity of less than three months.

2.12 Leases

(i) As a lessor

When assets are leased out under a finance lease, the present value of the lease payments are recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease to reflect a constant rate of return.

(ii) As a lessee

Leases entered into by the Company are operating leases. Payments made under operating leases are charged to the statement of income and expenditure on a straight line basis over the period of the lease.

2.13 Comparatives

Where necessary, comparatives have been adjusted to conform with changes in presentation in the current year.

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
3. NET INTEREST INCOME		
Interest Income:		
Loans and advances	593,049	555,464
Investment securities - earned in Guyana	181,182	154,520
Investment securities - earned out of Guyana	177,271	145,479
	951,502	855,463
Interest Expense:		
Demand deposits	14,257	14,178
Savings deposits	116,034	91,210
Term deposits	208,048	153,681
	338,339	259,069
4. OTHER INCOME		
Fees and commission income	115,370	80,703
Gains on foreign exchange trading	106,661	60,128
Foreign exchange gains	17,465	27,848
Sundry income	3,588	20,359
	243,084	189,038
5. OPERATING EXPENSES		
Staff costs (note 6)	152,549	139,627
Administrative expenses	144,012	123,729
Depreciation and amortisation	64,234	55,750
Operating lease rental	30,573	29,896
Auditors' remuneration	2,890	2,600
Other operating costs	58,056	44,986
	452,314	396,588
6. STAFF COSTS		
Wages and salaries	121,878	107,820
Social security costs	8,288	8,238
Pension costs	3,781	3,499
Other staff costs	18,602	20,070
	152,549	139,627

The average number of persons employed by the Company during the year was 70 (2004 - 65)

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
7. PROVISION FOR LOSSES ON LOANS AND ADVANCES		
Balance as at beginning of year	137,955	140,019
Amounts written off	(16,070)	(47,909)
Additional provision for the year	34,514	45,845
Reversal of provision in the year	(38,469)	0
	<hr/>	<hr/>
Balance as at end of year	117,930	137,955
8. TAXATION		
The provisional charge for taxation in the financial statements is made up as follows:		
Tax Payable		
Current tax:		
Corporation tax - on excess of 2% of turnover over tax on net chargeable income	0	15,956
- on net chargeable income	37,640	0
Property and capital gains taxes	11,433	9,554
Withholding tax	6,187	8,808
Prior year adjustment	(5,301)	0
Deferred tax:		
Corporation tax - current year	9,567	46,320
Corporation tax - prior year	2,902	0
Tax Recoverable		
Corporation tax - on excess of 2% of turnover over tax on net chargeable income	0	(15,956)
	<hr/>	<hr/>
	62,428	64,682
Reconciliation of the Company's profit before taxation to the theoretical amount that would arise using the basic rate of tax:		
Profit before taxation	407,888	342,999
	<hr/>	<hr/>
Corporation tax on profit at 45%	183,550	154,350
Income not subject to tax	(137,754)	(111,021)
Expenses not deductible for tax purposes	1,411	2,991
Property, capital gains and withholding taxes	17,620	18,362
Prior year adjustment	(2,399)	0
	<hr/>	<hr/>
	62,428	64,682
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CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars

8. TAXATION (CONT'D)

The Company's corporation tax liability is computed in the current year on the net chargeable income basis whereas in the prior year the liability was computed on the minimum tax basis in compliance with Section 10A of the Corporation Tax Act.

The minimum tax which was paid in prior years is recoverable against the corporation tax liability of the succeeding year or years to the extent such liability is in excess of the 2% of turnover minimum tax for the relevant year.

The Company has no tax losses (2004 - \$41,063) available for set-off against future pre-tax profits.

9. EARNINGS PER SHARE **2005** **2004**

Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Profit attributable to shareholders	345,460	278,317
Weighted average number of ordinary shares (thousands)	59,491	59,491
Basic earnings per share	\$5.81	\$4.68

10. CASH AND BALANCES WITH BANK OF GUYANA

Cash in hand	370,006	201,627
Balance with Bank of Guyana in excess of reserve requirement	229,951	17,299
Included in cash and cash equivalent:	599,957	218,926
Reserve requirement with Bank of Guyana	1,514,404	1,157,440
	2,114,361	1,376,366

The Company is required to maintain a monetary reserve with the Bank of Guyana which is based on customers' deposits and other specified liabilities.

11. AMOUNTS DUE FROM OTHER BANKS

Items in course of collection	92,618	51,193
Deposits held with foreign banks	1,081,135	566,607
	1,173,753	617,800

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
12. INVESTMENT SECURITIES		
Government of Guyana Bonds	1,763,088	1,416,341
Securities guaranteed by foreign governments	1,684,330	1,484,844
Reverse repurchase agreements issued out of Guyana	1,178,513	772,311
Other corporate securities issued in Guyana	470,300	350,000
Other corporate securities issued out of Guyana	457,725	85,936
	5,553,956	4,109,432
Reverse repurchase agreements provide securities guaranteed by foreign governments as collateral.		
13. LOANS AND ADVANCES		
Overdrafts	713,562	544,067
Term loans	2,744,599	2,199,095
Mortgages	1,884,440	1,583,902
Finance lease receivable:	410,150	241,945
Non-accrual loans and advances	289,434	283,040
	6,042,185	4,852,049
Less provision for losses on loans and advances (Note 7)	(117,930)	(137,955)
	5,924,255	4,714,094
The finance lease receivables included above are analysed as follows:		
Gross investment in finance lease receivable		
Not later than 1 year	225,219	140,499
Later than 1 year and not later than 5 years	232,948	125,895
	458,167	266,394
Unearned future income	(48,017)	(24,449)
Net investment in finance lease:	410,150	241,945
The net investment in finance leases are analysed as		
Not later than 1 year	195,770	124,162
Later than 1 year and not later than 5 years	214,380	117,783
	410,150	241,945

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars

14. PROPERTY AND EQUIPMENT

	Freehold Land and Buildings	Leasehold Improvements	Furniture and Fixtures	Motor Vehicles	2005 Total
Cost					
As at beginning of year	55,490	55,116	506,308	31,702	648,616
Additions	0	2,959	65,447	7,275	75,681
Disposals	0	0	(9,964)	(11,952)	(21,916)
As at end of year	55,490	58,075	561,791	27,025	702,381
Accumulated Depreciation					
As at beginning of year	5,316	54,677	365,947	12,553	438,493
Charges	818	850	57,403	5,163	64,234
Written back on disposals	0	0	(9,734)	(11,424)	(21,158)
As at end of year	6,134	55,527	413,616	6,292	481,569
Net Book Value					
As at end of year	49,356	2,548	148,175	20,733	220,812
As at beginning of year	50,174	439	140,361	19,149	210,123

15. DEFERRED TAXATION

2005

2004

The following amounts are shown in the balance sheet:

Deferred tax asset		
- Benefit of tax losses	0	18,479
- Other	0	2,605
	0	21,084
Deferred tax liability		
- Accelerated tax depreciation	21,301	29,916

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
16. OTHER ASSETS		
Accrued interest receivable	168,574	124,499
Advance payments on assets for leasing	24,217	104,893
Repossessed assets	8,800	24,800
Prepayments	35,068	53,830
Miscellaneous	35,248	25,643
	271,907	333,665
17. CUSTOMERS' DEPOSITS		
Demand deposits	2,262,685	2,117,641
Savings deposits	4,574,687	3,779,262
Term deposits	6,541,234	4,049,506
	13,378,606	9,946,409
Sectoral Analysis:		
Consumers	5,388,350	5,334,731
Private sector	2,899,940	3,540,470
State sector	4,924,710	924,168
Other	165,606	147,040
	13,378,606	9,946,409
18. OTHER LIABILITIES		
Accrued interest payable	126,328	77,622
Accrued expenses	20,568	11,783
Items in the course of collection	63,766	44,912
Miscellaneous	120,838	54,732
	331,500	189,049

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
19. SHARE CAPITAL		
Authorised		
83,000,000 ordinary shares of no par value		
Issued and Fully Paid		
59,491,300 ordinary shares of no par value	594,913	594,913
20. RESERVES		
(a) Statutory Reserve		
<p>The Financial Institutions Act 1995 requires registered institutions to transfer annually a minimum of 15% of profit after taxation to a reserve until the balance on this reserve is equal to the paid up capital of the institution.</p>		
(b) General Banking Risk Reserve		
<p>This reserve represents the statutory and other loss provisions that exceed the specific loan loss provision.</p>		
21. DIVIDENDS		
Interim declared and paid -\$0.40 per share (2004 - \$0.40)	23,796	23,796
Final proposed- \$0.60 per share (2004 - \$0.50)	35,695	29,746
	59,491	53,542
22. CAPITAL COMMITMENTS		
Authorised and contracted for	6,532	36,744
Authorised but not contracted for	44,744	23,985

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars

23. RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties during the course of the year. The related parties include major shareholders, directors, senior officers and other organisations served by the Company's Directors in the capacity of director, where significant influence is deemed to exist.

Parent Company:	2005	2004
(i) Loans and advances		
Balance as at end of year	24,538	62,427
Interest income	4,300	13,513
(ii) Customers' deposits		
Balance as at end of year	493,050	426,259
Interest expense	3,569	4,810
(iii) Acceptances, guarantees and letters of credit		
Balance as at end of year	40,683	30,963
Other Major Shareholders:		
(i) Loans and advances		
Balance as at end of year	232,723	103,323
Interest income	22,801	11,053
(ii) Customers' deposits		
Balance as at end of year	804,236	784,806
Interest expense	9,372	5,750
Directors, Senior Officers and Other Related Parties:		
(i) Loans and advances		
Balance as at end of year	293,826	102,622
Interest income	21,319	17,816
(ii) Customers' deposits		
Balance as at end of year	281,955	24,290
Interest expense	4,977	614

No provisions have been recognised in respect of loans and advances to related parties (2004 - nil).

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars	2005	2004
23. RELATED PARTY TRANSACTIONS (CONT'D)		
Directors' Emoluments		
Emoluments, including expenses, paid in respect of services of directors:		
Clifford B. Reis	800	763
Azam A. Khan	651	609
Joseph R. Vieira (resigned 01 February 2005)	217	609
Richard B. Fields	651	609
Paul A. Chan-A-Sue (resigned 31 December 2004)	163	609
Rakesh K.Puri	651	609
Wilfred A. Lee (appointed 04 April 2005)	326	0
Christopher J. Fernandes (appointed 28 June 2005)	163	0
	3,622	3,808

24. FINANCIAL RISK MANAGEMENT

(i) Foreign Exchange Risk

Foreign currency exposure arises from the Company's holding of foreign denominated assets and liabilities. Management of the Company reviews and manages the risk of unfavourable exchange rate movements by constant monitoring of market trends.

To further mitigate against foreign exchange risk, the Company maintains a large percentage of its foreign - denominated assets and liabilities in stable currencies. The aggregate amounts of assets and liabilities denominated in foreign currencies are:

	2005	2004
Assets		
United States Dollar	5,076,020	3,923,586
Trinidad & Tobago Dollar	403,257	414,614
Euro	255,373	26,508
Eastern Caribbean Dollar	223,867	100,838
Barbadian Dollar	189,212	197,138
British Pound Sterling	102,083	12,660
Jamaican Dollar	54,956	51,325
Canadian Dollar	3,694	6,311
Liabilities		
United States Dollar	712,595	752,560
British Pound Sterling	19,919	18,482
Canadian Dollar	862	542

CITIZENS BANK GUYANA INC.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

Thousands of Guyana Dollars

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Interest Rate Risk

The Company is exposed to certain risks associated with fluctuations in the prevailing levels of interest rates. Interest rate risk arises from movements in interest rates where the Company's assets and liabilities have varying repricing dates.

The Company's management continually manages this risk by constantly monitoring trends in the market and by implementing relevant strategies to hedge against any adverse movements.

The tables below set out the Company's exposure to interest rate risk by categorizing the Company's assets and liabilities, by the earlier contractual repricing or maturity dates.

Assets					2005
	Up to 1 year	Over 1 year but not over 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with Bank of Guyana	0	0	0	2,114,361	2,114,361
Amounts due from other banks	950,961	0	0	222,792	1,173,753
Investment securities	3,721,511	1,549,448	282,997	0	5,553,956
Loans and advances	1,592,536	1,655,938	2,675,781	0	5,924,255
Other assets	0	0	0	1,057,255	1,057,255
Total assets	6,265,008	3,205,386	2,958,778	3,394,408	15,823,580
Liabilities					
Customers' deposits	12,689,314	100,878	0	588,414	13,378,606
Other liabilities	0	0	0	871,713	871,713
Total liabilities	12,689,314	100,878	0	1,460,127	14,250,319
Interest sensitivity gap	(6,424,306)	3,104,508	2,958,778		

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24. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Interest Rate Risk (Cont'd)

Assets	Up to 1 year	Over 1 year but not over 5 years	Over 5 years	Non-interest bearing	2004 Total
Cash and balances with Bank of Guyana	0	0	0	1,376,366	1,376,366
Amounts due from other banks	523,555	0	0	94,245	617,800
Investment securities	936,005	2,952,468	220,959	0	4,109,432
Loans and advances	913,595	1,221,265	2,579,234	0	4,714,094
Other assets	0	0	0	1,077,306	1,077,306
Total assets	2,373,155	4,173,733	2,800,193	2,547,917	11,894,998
Liabilities					
Customers' deposits	9,523,771	1,408	0	421,230	9,946,409
Other liabilities	0	0	0	667,246	667,246
Total liabilities	9,523,771	1,408	0	1,088,476	10,613,655
Interest sensitivity gap	(7,150,616)	4,172,325	2,800,193		

The table below summarises the average effective interest rate for monetary financial instruments:

	2005 %	2004 %
Assets		
Investment securities	5.4	6.4
Loans and advances	10.9	11.6
Liabilities		
Customers' deposits	2.8	3.0

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24. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to honour cash outflow commitments as they fall due. These commitments are generally met through cash inflows, supplemented by assets readily convertible to cash or through the Company's capacity to borrow on the inter-bank market.

The Company has, for the financial year ended 30 September 2005, consistently exceeded the statutory requirements for liquid assets as set out by the Bank of Guyana.

The following tables summarise the liquidity risk of the Company by analysing the assets and liabilities into relevant maturity groupings, based on the remaining period from the balance sheet date to contractual maturity date.

Assets	Up to 1 year	Over 1 year	Over	2005
		but not over 5 years	5 years	Total
Cash and balances with Bank of Guyana:	2,114,361	0	0	2,114,361
Amounts due from other banks	1,173,753	0	0	1,173,753
Investment securities	3,721,511	1,549,448	282,997	5,553,956
Loans and advances	1,592,536	1,655,938	2,675,781	5,924,255
Other assets	836,443	0	220,812	1,057,255
Total assets	9,438,604	3,205,386	3,179,590	15,823,580
Liabilities				
Customers' deposits	13,277,728	100,878	0	13,378,606
Other liabilities:	850,412	21,301	0	871,713
Total liabilities:	14,128,140	122,179	0	14,250,319
Net liquidity gap	(4,689,536)	3,083,207	3,179,590	

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24. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Liquidity Risk (Cont'd)

Assets	Up to 1 year	Over 1 year but not over 5 years	Over 5 years	2004 Total
Cash and balances with Bank of Guyana	1,376,366	0	0	1,376,366
Amounts due from other banks	617,800	0	0	617,800
Investment securities	936,005	2,952,468	220,959	4,109,432
Loans and advances	913,595	1,221,265	2,579,234	4,714,094
Other assets	846,099	21,084	210,123	1,077,306
Total assets	4,689,865	4,194,817	3,010,316	11,894,998
Liabilities				
Customers' deposits	9,945,001	1,408	0	9,946,409
Other liabilities	637,330	29,916	0	667,246
Total liabilities	10,582,331	31,324	0	10,613,655
Net liquidity gap	(5,892,466)	4,163,493	3,010,316	

(iv) Credit Risk

The Company takes on exposure to credit risks which is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages the level of credit risk it undertakes by planning limits on the amount of risk accepted in relation to one borrower, or group of borrowers and to industry and geographic segments.

The ability of borrowers to meet interest and capital repayments is managed by review of each borrower's circumstances, as stipulated in the Financial Institutions Act, 1995. Credit risk is further restricted by securing adequate collateral.

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24. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Credit Risk (Cont'd)

The following tables summarise the credit exposure of the Company to industry sectors:

	Loans and Advances	Acceptances, Guarantees and Letters of Credit	2005 Total
Households	889,358	28,288	917,646
Services	1,553,820	72,703	1,626,523
Real estate mortgages	1,931,306	0	1,931,306
Manufacturing	551,549	234,904	786,453
Construction and engineering	323,637	126,197	449,834
Agriculture	133,933	0	133,933
Other	658,582	56,820	715,402
	6,042,185	518,912	6,561,097
Provision for losses	(117,930)	0	(117,930)
	5,924,255	518,912	6,443,167

	Loans and Advances	Acceptances, Guarantees and Letters of Credit	2004 Total
Households	783,611	33,273	816,884
Services	1,196,836	161,580	1,358,416
Real estate mortgages	1,784,930	0	1,784,930
Manufacturing	251,297	63,370	314,667
Construction and engineering	289,333	68,746	358,079
Agriculture	233,013	30,150	263,163
Other	313,029	91,162	404,191
	4,852,049	448,281	5,300,330
Provision for losses	(137,955)	0	(137,955)
	4,714,094	448,281	5,162,375

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25. FAIR VALUES

Cash and balances with Bank of Guyana and amounts due from other banks

The carrying values of these instruments approximate to fair value given immediate access or short maturity periods.

Investment securities

The fair values of investment securities are based on current market values, or discounted cash flows, where market values are not available. The fair value of the investment securities at the year end was \$5,689,286 (2004 - \$4,206,532).

Loans and advances

Loans and advances are net of specific and other provisions for impairment. The fair value of the portfolio approximates to carrying value since inherent rates of interest approximate to market conditions.

Customers' deposits

The fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand. The fair value of fixed term, interest bearing deposits approximates to carrying value given their short maturity periods.