Republic Bank (Guyana) Limited

2018
Annual Report

2018
Annual Report

Making a difference

To provide hope for those in need and empowerment for those who are disenfranchised. To stay human and personal in our day to day service so that customers feel safe in our hands. To drive business with leading-edge technology. To stay the course and to thrive, no matter the economic climate. To change a life for the better. These are privileges we have earned on our journey of over 181 years and we will continue to do all that we can to make a positive difference in the lives of those we serve.

The Bank at a Glance

About Us

Established in 1836, Republic Bank (Guyana) Limited is one of Guyana's longest-serving institutions and is a recognised leader in the provision of financial services. Over the past year, the Bank has concentrated on growing its lending portfolio, with particular emphasis on Small and Medium Enterprises. The Bank remains committed to providing customised, efficient and competitively priced financial services, and to maintaining a philosophy of social investment in Guyana. Over the past year, in a challenging economy, the Bank has managed to grow its market share in loans and deposits. Republic Bank (Guyana) Limited remains the largest commercial bank in the country with an asset base at $168.2 billion.

Our 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.

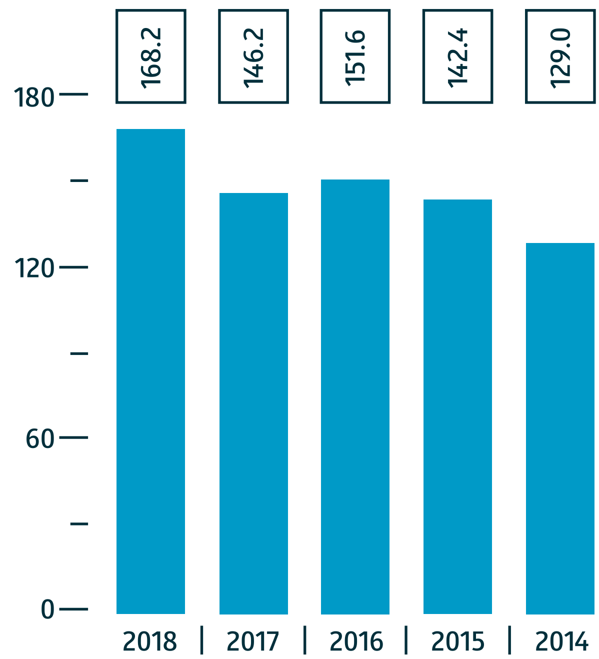
Our Mission

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.

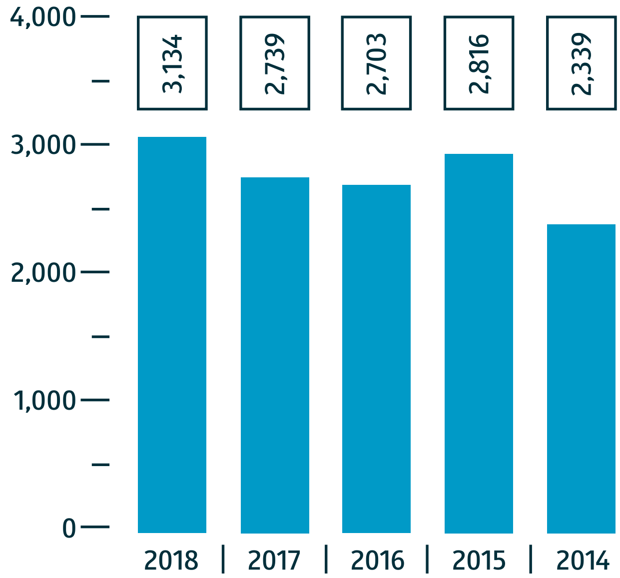
Core Values

Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

Total Assets ($Billions)



Profit After Tax ($Million)



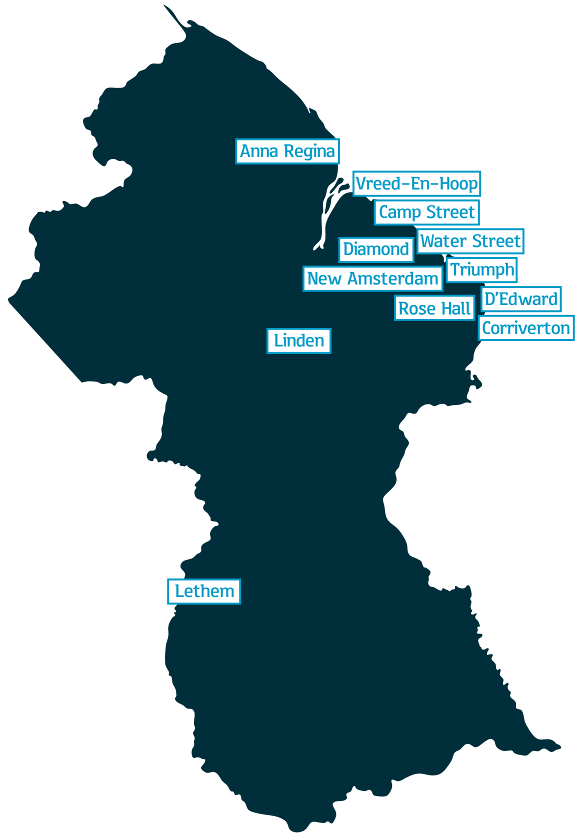
The Bank at a Glance

Network

Branches	12
ATMs	47
Employees	681

32	Financial Products & Services

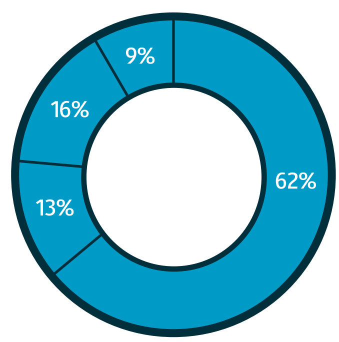
Operating Branches



Shares 2017 – 2018

	2017	2018
Share Price	$115	$208
Earnings per Share	$9.13	$10.45
Dividend Yield	3.58%	2.06%
PE Ratio	12.6	19.9

Sources of Revenue



Loans & Advances 62%

Foreign Business 13%

Investments 9%

Other 16%

Corporate Social Responsibility

Through our social investment initiative, the Power to Make a Difference, we have formed powerful connections across Guyana within the communities we serve with the aim of safeguarding the welfare and ensuring the sustainable success of this beautiful nation.

For more than a decade, through relationships with Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs), we have worked together to; support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education, culture and the arts; and raise the bar for community investment through a wide-reaching, comprehensive staff volunteerism programme.

Republic Bank

THE POWER TO MAKE A DIFFERENCE

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Corporate Information

Making the difference through Culture

Across the Group, keeping tradition alive has stood paramount in working with diverse communities to preserve, protect, and promote various cultural aspects, with their development therefore positioned as yet another dimension through which young minds are challenged and awakened.

Notice of Meeting

ANNUAL MEETING

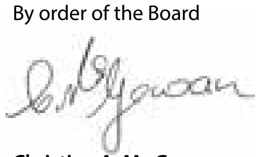
NOTICE is hereby given that the Thirty-fourth Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Monday, December 10, 2018 at 15:00 hours (3:00 p.m.) for the following purposes:

1 To receive the Report of the Directors and the Auditors and to approve the Audited Accounts for the year ended September 30, 2018.
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; Anna-María García-Brooks, John G. Carpenter and Nigel M. Baptiste.
3 To reappoint the Auditors, Messrs Ram & McRae.

And the following special business namely:

4 To consider and, if thought fit, pass resolutions relating to:
   a Dividends;
   b Directors' service agreements providing for their remuneration; and
   c Remuneration of the auditors.
5 To consider any other business that may be conducted at an Annual General Meeting.

By order of the Board



Christine A. Mc Gowan
Corporate Secretary

October 22, 2018

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 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

President, Republic Financial Holdings Limited

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

Managing Director

Richard S. Sammy, *BSc Mgmt. Studies (Hons.) MBA*

Corporate Secretary

Christine A. Mc Gowan, *LLM (Merit), LLB (Dist.), LEC (Hons.), AMLCA, CPAML*

Non-Executive Directors

John G. Carpenter, *AA, BSc (Food Sciences)*
Roy E. Cheong, *AA, FCII, FLMI, CLU*
Yolande M. Foo, *AICB*
Anna-María García-Brooks, *Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), EMBA*
Shameer Hoosein, *FCCA*
Richard M. Lewis, *HBA*
Richard I. Vasconcellos

REGISTERED OFFICE

Promenade Court
155-156 New Market Street
North Cummingsburg
Georgetown, Guyana
South America
Email: 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

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

SENIOR MANAGEMENT

Managing Director
Richard S. Sammy, *BSc Mgmt. Studies (Hons.) MBA*

General Manager, Credit
Parbatie Khan, *Dip. (Business Mgmt.), ACIB, MBA*

General Manager, Operations
Denise Hobbs, *Dip. (Business Mgmt.)*

MANAGERS

Senior Manager, Corporate and Commercial Credit
Sasenarain Jagnanan, *AICB, Dip. (Bkg. and Fin.)*

Manager, Branch Operations
Jadoonauth Persaud, *Dip. (Bkg. and Fin.), MBA*

Assistant Manager, Branch Operations
Gail Harding, *AICB*

Corporate Manager, Corporate and Commercial Credit
Carla Roberts, *BSc (Accountancy)*

Credit Manager, Corporate and Commercial Credit
Diane Yhun

Manager, Finance and Planning
Vanessa Thompson, *BSocSc (Mgmt.), FCCA, MBA*

Manager, Human Resources
Shrimanie Mendonca, *BSc (Biology), PG Dip. (Education), MEd*

Assistant Manager, Human Resources
Joann Williams, *BA (English)*

Manager, Corporate Operations
Denys Benjamin, *AICB*

Manager, Legal Services
Christine McGowan, *LLM (Merit), LLB (Dist.), LEC (Hons.), AMLCA, CPAML*

Senior Manager, Head Office
Ndidi Jones, *Dip. (Sociology), LLB, LEC, LLM (Merit), CPAML*

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

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

Manager, Information Technology
Yonnette Greaves, *Dip. (Mgmt. Info. Systems) LIMIS*

Assistant Manager, Information Technology
Yugisther Mohabir, *MCSA*

Manager, Internal Audit,
Seconded to Republic Bank (Suriname) N.V.
Stanton Grant, *BSc (Econ.), AICB*

Manager, Internal Audit
Oral Rose, *Dip. (Marketing), BSocSc (Mgmt.) (Dist.), AMLCA*

Manager, Enterprise Risk Management
Michael Ram, *AICB*

Manager, Special Unit
Karen Assanah, *AAT, AICB, BSocSc (Mgmt.) (Dist.), MSc. (Fin. Mgmt.)*

BANKING OFFICES

ANNA REGINA BRANCH
Manager
Guitree Ramsamooj, *CAT, Certified Credit Professional*

CAMP STREET BRANCH
Manager
Harry Dass Ghaness, *ICB - Letter of Accomplishment, Certified Credit Professional*

CORRIVERTON BRANCH
Manager
Doodmattee Bhollaram, *AICB, Certified Credit Professional*

D'EDWARD BRANCH
Manager
Imran Saccoor, *Dip. (Marketing), MBA*

DIAMOND BRANCH
Officer-in-Charge
Allison Mc Lean-King, *AICB, Certified Credit Professional*

Bank Profile

LETHEM BRANCH

Officer-in-Charge

Sasenarine Bindranath, *Dip. (Business Law) (ICM), AICB*

LINDEN BRANCH

Manager

Joel Singh, *AICB*

NEW AMSTERDAM BRANCH

Manager

Randulph Sears, *Business Group Cert. (ICM), Dip. (Marketing), Certified Credit Professional, Wharton Leadership Programme Certificate, ABA Stonier Graduate School of Banking Diploma, MCIM, MBA*

ROSE HALL BRANCH

Manager

Eon Grant, *BComm., AICB*

TRIUMPH BRANCH

Officer-in-Charge

Bibi Shaliza Seepersaud, *AICB, Certified Credit Professional, MBA*

VREED-EN-HOOP BRANCH

Manager

Shridath Patandin, *AICB, Certified Credit Professional*

WATER STREET BRANCH

Manager

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

Financial Summary

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

	2018	2017	2016	2015	2014
Cash resources	**40,078,184**	27,829,221	30,963,960	32,271,117	22,989,659
Investment securities	**15,694,193**	7,440,987	7,882,243	6,318,344	5,414,804
Loans and advances	**69,747,950**	60,791,257	58,417,974	52,362,418	50,496,947
Total assets	**168,183,290**	146,229,495	151,574,139	142,362,955	128,986,527
Total deposits	**144,654,913**	124,879,378	131,186,957	123,701,186	112,551,760
Stockholders' equity	**20,164,281**	18,300,481	16,715,394	15,223,604	13,563,521
Net profit after taxation	**3,134,004**	2,738,939	2,703,041	2,815,938	2,339,428
Total comprehensive income	**3,206,844**	2,820,087	2,726,690	2,690,083	2,343,628
Earnings per stock unit in dollars ($)	**10.45**	9.13	9.01	9.39	7.80
Return on average assets (%)	**2.02**	1.83	1.82	2.03	1.78
Return on average equity (%)	**16.48**	15.69	16.88	19.78	18.16

Financial Highlights

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

	2018	2017	Change	% Change
Statement of Income				
Interest and other income	**11,127,806**	10,227,640	900,166	8.8
Interest and non-interest expenses	**(6,463,209)**	(5,998,836)	(464,373)	(7.7)
Net Income before taxation	**4,664,597**	4,228,804	435,793	10.3
Taxation charge	**(1,530,593)**	(1,489,865)	(40,728)	(2.7)
Net Income after taxation	**3,134,004**	2,738,939	395,065	14.4
Statement of Financial Position				
Loans and advances	**69,747,950**	60,791,257	8,956,693	14.7
Total assets	**168,183,290**	146,229,495	21,953,795	15.0
Average assets	**155,412,880**	149,660,022	5,752,858	3.8
Deposits	**144,654,913**	124,879,378	19,775,535	15.8
Equity (capital and reserves)	**20,164,281**	18,300,481	1,863,800	10.2
Average outstanding equity	**19,019,725**	17,454,245	1,565,479	9.0
Common stock				
Earnings in dollars per Stock Unit	**10.45**	9.13	1.32	14.4
Dividend for the year (in thousands)	**1,285,000**	1,235,000	50,000	4.0
Stock Units (in thousands)	**300,000**	300,000	–	–
General				
Number of:				
Stockholders	**1,371**	1,362	9	0.7
Common stock outstanding (in thousands)	**300,000**	300,000	–	–
Active savings, chequing and deposit accounts	**153,826**	162,240	(8,414)	(5.2)
Employees	**681**	708	(27)	(3.8)
Banking offices	**12**	12	–	–

Making the difference to the Environment

The pursuit of protecting our environment continues to bring us closer with a diverse array of communities throughout the nation, joining forces as, together, we champion an ongoing drive of conservation, inclusion, and responsibility in the hearts and minds of many. In spreading greater awareness of the world around us and the roles we each play in its survival, we continue to focus on creativity and expression as the best means of laying the right foundation and setting a good example for future generations to aspire toward and emulate in safeguarding our fragile natural resources and moving closer to true sustainable development.

02
Board of Directors and Management

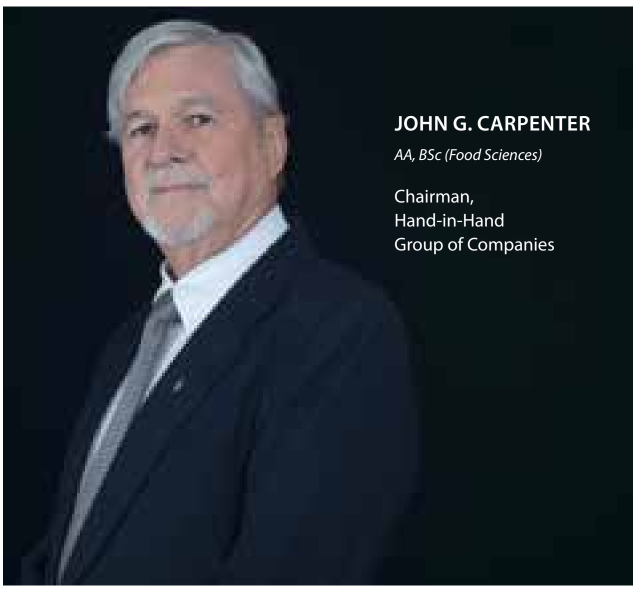
Board of Directors

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

President,
Republic Financial Holdings Limited
Managing Director,
Republic Bank Limited
Chairman,
Republic Bank (Guyana) Limited

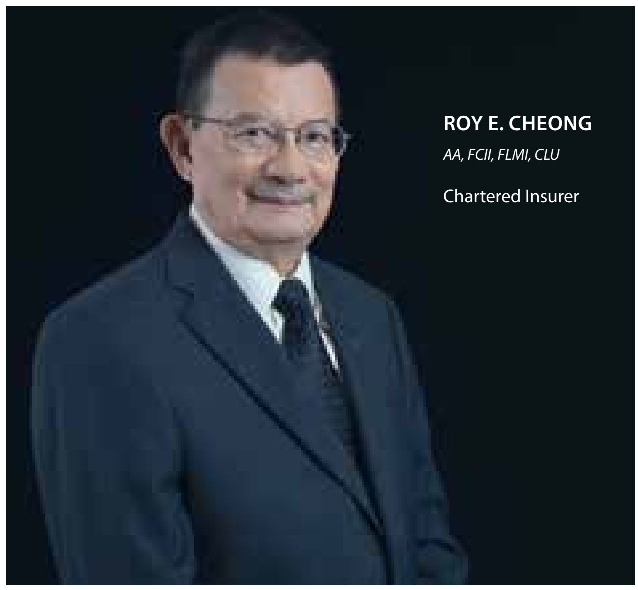
RICHARD S. SAMMY
BSc (Mgmt. Studies) (Hons.) MBA

Managing Director,
Republic Bank (Guyana) Limited



JOHN G. CARPENTER
AA, BSc (Food Sciences)

Chairman,
Hand-in-Hand
Group of Companies



ROY E. CHEONG
AA, FCII, FLMI, CLU

Chartered Insurer

YOLANDE M. FOO
AICB

Retired
Senior Banking Executive,
Republic Bank (Guyana) Limited

ANNA-MARÍA GARCÍA-BROOKS
Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), EMBA

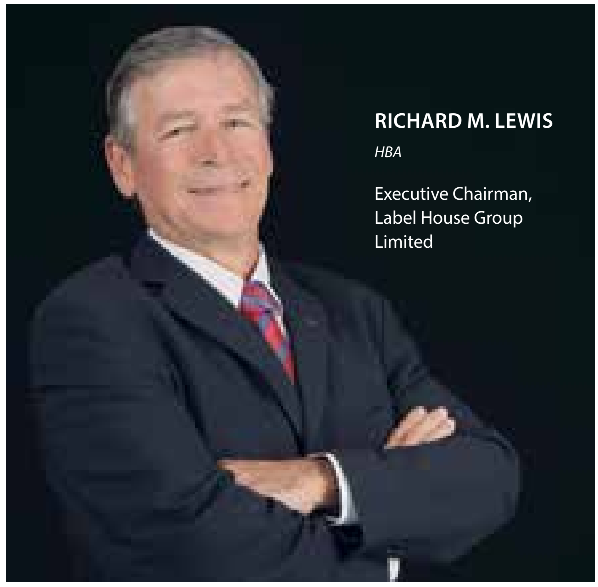
General Manager,
Group Human Resources,
Republic Bank Limited

Board of Directors

SHAMEER HOOSEIN

FCCA

Chief Executive Officer,
Massy Gas Products
(Guyana) Limited



RICHARD M. LEWIS

HBA

Executive Chairman,
Label House Group
Limited

RICHARD I. VASCONCELLOS

Chairman,
A.N.K. Enterprises Inc.

Board of Directors

NIGEL M. BAPTISTE

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

President, Republic Financial Holdings Limited

Managing Director, Republic Bank Limited

Chairman, Republic Bank (Guyana) Limited

Nigel M. Baptiste was appointed Chairman of Republic Bank (Guyana) Limited in 2013. He is the President of Republic Financial Holdings Limited and Managing Director of Republic Bank Limited. Mr. Baptiste previously served as Managing Director of Republic Bank (Guyana) Limited. He holds an MSc in Economics and has successfully completed the Harvard Business School's Advanced Management Programme. He is a graduate of the Stonier Graduate School of Banking and an Associate of the Chartered Institute of Banking in England.

External Appointments

Mr. Baptiste is also Chairman of the Board of Republic Bank (Barbados) Limited and a Director of HFC Bank, Ghana.

RICHARD S. SAMMY

BSc (Mgmt. Studies) (Hons.) MBA

Managing Director, Republic Bank (Guyana) Limited

Richard S. Sammy was appointed Managing Director, Republic Bank (Guyana) Limited in 2015. A distinguished banker with significant regional experience in risk management, corporate and investment banking, Mr. Sammy previously served as the Regional Manager, Corporate Business Centre-South, and as Regional Manager, Investment Banking Division at Republic Bank Limited, Trinidad. Mr. Sammy holds an MBA from the Warwick Business School in the United Kingdom and a BSc (Hons.) in Management Studies from the University of the West Indies, St. Augustine.

External Appointments

Mr. Sammy is a Director of the Caribbean Association of Banks Inc., the American Chamber of Commerce – Guyana and is the current Chairman of the Guyana Association of Bankers.

JOHN G. CARPENTER

AA, BSc (Food Sciences)

Chairman, Hand-in-Hand Group of Companies

John G. Carpenter was appointed to the Board of Republic Bank (Guyana) Limited in 2005. He has extensive leadership experience and knowledge of the local and regional commercial industry having been involved in the management and directorship of several successful businesses. He holds a BSc in Food Sciences from Cornell University and has a keen interest in the sustainable development of business in Guyana. Mr. Carpenter is a recipient of the Golden Arrow of Achievement.

External Appointments

Mr. Carpenter is the Chairman of Hand-in-Hand Fire and Life Insurance Group of Companies and a Director of Republic Bank (Suriname) N.V., Wieting and Richter Limited, Industrial Safety Equipment Inc., and Cellsmart Inc.

ROY E. CHEONG

AA, FCII, FLMI, CLU

Chartered Insurer

Roy E. Cheong is a Chartered Insurer with vast management and financial matters expertise. Mr. Cheong has worked for many years in the Insurance Industry, serving as President of the Insurance Association of the Caribbean and the Insurance Association of Guyana before retiring as Managing Director of the GTM Group of Companies in Guyana. He is a Fellow of the Life Management Institute, a Chartered Life Underwriter, and a recipient of the Golden Arrow of Achievement.

External Appointments

Mr. Cheong serves on a number of boards, including the GTM Group of Companies and Banks DIH Limited.

YOLANDE FOO

AICB

Retired Senior Banking Executive,

Republic Bank (Guyana) Limited

Yolande Foo was appointed to the Board of Republic Bank (Guyana) Limited as a non-Executive Director in 2008. Mrs. Foo is a retired career banker with 45 years' experience in the fields of banking, human resource management, training, and governance. She is a former Director of the St. Joseph Mercy Hospital, a past President of the Rotary Club of Demerara, former member of the National Tripartite Committee's sub-committee on HIV/AIDS – Workplace Education Programme, and a former Trustee of the Guyana Girl Guides Association. Mrs. Foo served as a councillor of the Consultative Association of Guyanese Industry. She continues to be actively involved in a number of humanitarian efforts and charitable ventures.

Board of Directors

ANNA-MARÍA GARCÍA-BROOKS

Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), EMBA

General Manager, Group Human Resources,
Republic Bank Limited

Anna-María García-Brooks was appointed to the Board of Republic Bank (Guyana) Limited in 2016 and is the General Manager, Group Human Resources, Republic Bank Limited. Mrs. García-Brooks is a graduate of the University of the West Indies (UWI) (Mass Communications) and winner of the Pro Vice Chancellor's Prize for General Proficiency, First Place. She holds an MBA from the Arthur Lok Jack Graduate School of Business (UWI), a post-graduate Diploma in Business Management from the UWI, and has completed executive management programmes at the University of Michigan Business School, the Wharton Business School at the University of Pennsylvania, Harvard Business School and Stanford University. In 2014, Mrs. García-Brooks was named as one of the UWI's Distinguished Alumni.

External Appointments
Mrs. García-Brooks serves as Chairman of the Board of Catholic Media Services Limited.

SHAMEER HOOSEIN

FCCA

Chief Executive Officer,
Massy Gas Products (Guyana) Limited

Shameer Hoosein was appointed to the Board of Republic Bank (Guyana) Limited in 2015 and is an accomplished business leader with more than 20 years' experience in management. Mr. Hoosein is the Chief Executive Officer of Massy Gas Products (Guyana) Ltd (formerly Demerara Oxygen Company Limited), a position he has held since 1995 having previously served as the Finance Director of Associated Industries Limited. He is a graduate of the Richard Ivey School of Business, completing the Executive Development Program in 2005, and a Fellow of the Association of Chartered Certified Accountants.

External Appointments
Mr. Hoosein is the Chairman of Massy Security (Guyana) Incorporated and the Chairman of the Management Committee of Massy Pension Fund Plan for Guyana. He also holds several directorships in the Massy Group of Companies in Guyana and Jamaica.

RICHARD M. LEWIS

HBA

General Manager/Director, Label House Group Limited

Richard M. Lewis was appointed to the Board of Republic Bank (Guyana) Limited in 2014 and is the Executive Chairman of Label House Group Limited, the largest specialist label and packaging printer in the Caribbean. Mr. Lewis holds a BA with Honours from the University of Western Ontario Richard Ivey School of Business and is a graduate of the Newcastle Institute of Technology. He is also a Director of Republic Bank (Grenada) Limited and Republic Securities Limited.

External Appointments
Mr. Lewis is the Chairman for Prestige Business Publications, Ceramic Trinidad Limited and The Beacon Insurance Company Limited.

RICHARD I. VASCONCELLOS

Chairman, A.N.K. Enterprises Inc.

Richard Vasconcellos has significant expertise in banking, having been involved in international banking for more than 15 years, during which he held many senior management positions including that of Senior Vice President of Commerce Bank NA.

External Appointments
Mr. Vasconcellos is the President of A.N.K. Enterprises, incorporated in Miami, Florida, and a shareholder and Managing Partner of Carib Hibiscus Development (USA). Locally, he serves on the Board of Cellsmart Inc. and Santa Fe (Guyana) Limited.

Directors' Report

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2018.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

(in thousands of Guyana Dollars)

	2018	2017
Net income after taxation	**3,134,004**	2,738,939
Interim dividend paid	**385,000**	385,000
Retained earnings	**2,749,004**	2,353,939
Final dividend proposed	**900,000**	850,000

DIVIDENDS

An interim dividend of $1.28 per stock unit ($385 million) was paid during the year and a final dividend of $3.00 per stock unit ($900 million) for the year ended September 30, 2018 is recommended. This, if approved, will bring the total payout for the year to $1,285 million.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings totalled $1,395.4 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2018 is $18,768.9 million (2017 - $14,170.2 million) after a transfer of $2,717.1 million from the General Banking Risk Reserve, $1,285 million paid out as dividends (final 2018 - $900 million, interim 2018 - $385 million), and $3,134 million transferred from the Statement of Income for 2018.

DONATIONS

In addition to the Bank's Power to Make a Difference investment initiatives (see pages 43 to 48), general donations to charitable or public causes for the year were $7.2 million (2017 - $7.6 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 Cap. 73:04 is one who controls five percent or more of the voting power at a General Meeting. The following are the substantial stockholders of the Bank:

	Number of Stock Units		Number of Stock Units	
	2018	% held	2017	% held
Republic Financial Holdings Limited	**152,898,395**	50.97	152,898,395	50.97
Demerara Mutual Life Assurance Society Limited	**16,306,080**	5.43	16,306,080	5.44
Guyana and Trinidad Mutual Fire and Life Group of Companies	**15,798,760**	5.27	15,798,760	5.27
Trust Company (Guyana) Limited	**19,617,755**	6.54	19,617,755	6.54
Hand-in-Hand Mutual Fire & Life Group of Companies	**16,524,875**	5.50	15,022,967	5.01

DIRECTORS

In accordance with the Bank's By-Laws, Anna-María García-Brooks, John G. Carpenter and Nigel M. Baptiste retire from the Board by rotation and being eligible, offer themselves for re-election.

Directors' Report

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

GEOGRAPHIC ANALYSIS OF TURNOVER AND CONTRIBUTION TO RESULTS

The Bank operates only in Guyana but several investments are held overseas for which income of $134.8 million (2017 - $280.6 million) was earned during the year. Please refer to note 23 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	
	2018	2017
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)		
Yolande M. Foo	**315,000**	315,000
(held jointly with associates)		
Richard I. Vasconcellos	**15,000**	15,000
Richard M. Lewis	**17,850**	_

DIRECTORS' FEES ($)

	2018	2017
Nigel M. Baptiste	**2,550,000**	2,520,000
John G. Carpenter	**1,530,000**	1,440,000
Roy E. Cheong	**1,710,000**	1,680,000
Shameer Hoosein	**1,470,000**	1,410,000
Richard I. Vasconcellos	**1,350,000**	1,350,000
Richard M. Lewis	**1,380,000**	1,320,000
Yolande M. Foo	**1,560,000**	1,560,000
Anna-María García-Brooks	**1,500,000**	1,530,000

DIRECTORS' SERVICE CONTRACTS

There are no service contracts with the directors proposed for election at the forthcoming Annual General Meeting, or with any other directors, which are not determinable within one year without payment of compensation.

CONTRACTS WITH DIRECTORS

Other than normal banking and employment contracts, there were no contracts between the Bank and its directors or in which the directors were materially interested.

Directors' Report

CONTRACT OF SIGNIFICANCE WITH STOCKHOLDER OR ITS SUBSIDIARY

The Bank expended the sum of $106.9 million (2017 - $96.5 million) in 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

Chairman's Review

FINANCIAL PERFORMANCE

Stockholders and fellow Directors, I am pleased to advise that for the year ended September 30, 2018, the Bank recorded another satisfactory performance, achieving profit after tax of $3,134 million, representing a 14.4% increase over the previous year's results.

As a result, your Directors have recommended a final dividend of $3.00 ($900 million) per stock unit, which, if approved at the Annual General Meeting, will bring the total dividend for the year to $1,285 million (2017 - $1,235 million).

ECONOMIC REVIEW

Increases in global demands, supported by accommodative fiscal and monetary policies, propelled advanced economies to record growth of 3.8% in 2017, up from 3.2% in 2016. In Emerging and Developing Economies, growth also improved as a result of increased trade relationships and domestic demand. There were unpredictable changes in commodity prices and international financial market disruptions that resulted in higher inflation rates, though unemployment rates were unchanged in most world economies. For 2017, growth in Latin America and the Caribbean was 0.8%, driven largely by private domestic demand.

In Guyana, by the end of 2017, the Gross Domestic Product recorded 2.1% growth, below the revised growth target of 3.1% and below the 3.4% registered in 2016. Consumer Price Index (CPI) increased incrementally by 1.5%. The domestic economy was characterised by several challenges including adverse weather conditions, increased operational costs and economic uncertainty which impacted key sectors. The trend, which commenced in 2016, continued in 2017, with declines in sugar, gold, bauxite and diamond output, and weakened performances in financial and insurance activities. Growth in the local economy was therefore driven by increases in rice, forestry, fishing production and manufactured products, as well as increased activities in construction, transportation and storage and wholesale and retail trade.

The banking system's net domestic credit increased by 9.9% due to increased borrowing in both the public and private sectors. There was growth of 2.3% in credit to the private sector when compared to December, 2016. Notably, there were increases in all sectors of the economy with the exception of manufacturing, construction and engineering.

For 2017, the total public debt-to-GDP ratio rose marginally by 0.9% to 46.1% from the projected 2017 figure of 45.2%. External public debt accounted for 74.3% of the total public debt stock as at December 31, 2017. Total volume of foreign exchange transactions increased by 3.2% while there was also an increase of 47.9% above the 2016 level of money transfer transactions.

During the first six months of 2018, the Guyanese economy grew by 4.5%; a commendable increase above the revised growth rate of 2.9%. This was fuelled by favourable performances in agriculture, fishing and forestry (3.4% growth), services (8.2%), and construction (13.4%). There was also an increased pace in the execution of the Government's Public Sector Investment Programme (PSIP), increased importation of building imports (by 24.7%) and real estate mortgages (5.0%). The Consumer Price Index (CPI) continued to increase (1.3% as at June 2018) due to rising food prices, transportation, and communication costs.

Overall, the net domestic credit of the banking system grew by 24.5%, June on June, because of increases in loans and advances to the private and public sectors. Loans and advances to the private sector expanded by 4.1%. Of concern, however, is the increasing proportion of non-performing loans within the financial institutions' total loan portfolio.

As a share of total public debt, external debt increased by 3.4% while domestic debt decreased by 23.3% as at June 2018 relative to the position at June, 2017.

GROUP DEVELOPMENTS

The Group's profitability is contingent upon the performance of the respective territories. While each market experiences unique challenges, the combined business and growth opportunities across our footprint is what will enable our success and strengthen our financial performance.

Over the past year, Republic Financial Holdings Limited (RFHL) commissioned a fully secure Group Data Centre in Trinidad, which is poised to become the Information Technology hub of our global operations, enhancing our capabilities and operational efficiencies. This Data Centre was the first step towards the consolidation of IT activities across the Group. A major exercise is currently underway between teams in Guyana and Trinidad and Tobago to harmonise the IT platforms. This project is expected to be completed in Fiscal 2019 and will generate improved efficiencies, wider client offerings, including more advanced mobile products, seamless and consistent client experiences and the opportunities for skills transfers throughout the Group.

FUTURE OUTLOOK

The economic indicators for the first half of 2018 reflect generally positive developments in critical growth areas.

We anticipate continuation of this trend for the realisation of the 3.7% growth rate projected for 2018 through the implementation of the Government-led Public Sector Investment Programme (PSIP), supplemented by infrastructural development in readiness for the emerging Oil and Gas sector.

Chairman's Review

As Guyana prepares for first oil in 2020, Republic Bank is committed to supporting this emerging sector as well as Government-led initiatives to diversify some of the traditional sectors of the economy. International Oil and Gas companies are committed to further exploration which will require mobilisation of both foreign and local resources. This is expected to bolster positive relationships with Small and Medium Enterprises and further enhance prospects and perspectives of Guyana's natural resource potential.

Republic Bank remains committed to the long term sustainable development of the financial sector through enabling greater access to affordable financing options across all segments, improved deployment of technological solutions and meeting the market at the point of need, while at the same time supporting opportunities for economic growth. A related ongoing focus is the reorganisation of the Credit and Sales functions and the development of the teams to understand, anticipate and meet emerging needs for a much improved customer experience.

Notwithstanding the challenges faced by the economy, Republic Bank (Guyana) Limited stands well positioned to play a key supporting role in the Nation's continuing development.

ACKNOWLEDGEMENTS

I wish to express my sincere thanks to the management and staff for their diligence and steadfast contribution over the past fiscal year. I am also grateful to our customers, business partners, stockholders and my fellow Directors for their confidence and support throughout the year.

Managing Director's Discussion and Analysis

Managing Director's Discussion and Analysis

INTRODUCTION

In this my fourth year as Managing Director, I am pleased to report that Republic Bank (Guyana) Limited enjoyed another year of satisfactory performance.

The Bank achieved a profit after tax of $3,134 million, compared to $2,738.9 million in 2017. Apart from the normal banking operations which accounted for $2,951.4 million, the increase was due to an extraordinary gain realised from the sale of a fixed asset.

Return on Assets increased to 2.02% and Return on Equity to 16.48%. Earnings per Stock unit increased from $9.13 to $10.45.

Against a challenging external environment, the Bank focussed on improving its operational efficiency by aggressively managing costs, restructuring workflow processes, and reviewing systems and procedures. A key project, which commenced in 2018 and will be completed in 2019, is the Information Technology Consolidation Initiative that will harmonise the Bank's IT platforms with other members within the Republic Group, ultimately advancing our technology and improving our product and service offerings to our customers.

CUSTOMER SERVICE

What matters ultimately to our customers is how we make them feel. Experience is everything and remains the distinguishing factor that sets us apart, fosters loyalty and promotes advocacy. Customer-obsession is a key strategic pillar at Republic Bank, and we are passionate about delivering high quality customer service and experience.

In addition to our suite of convenience offers, we are constantly engaging our customers in person, and via traditional and digital media to enable insight-driven relationships and service delivery that align with our vision and customers' expectations.

Internally, we have maintained the development of our teams as a key strategy for strengthening this core competency. Training, guidance, engagement, and nurturing are among our non-traditional offers to existing and prospective customers across our communities aimed at building capacity and knowledge. Through our Group Innovate initiative, there is deepened employee focus on identifying unique approaches to improve the customer experience.

In a 2018 independent Customer Service satisfaction survey of the banking sector, Republic Bank (Guyana) Limited received confirmation of our strong standing in a highly competitive environment. Our outlook for 2019 is one of positive anticipation of even stronger and more rewarding relationships across all customer segments.

HUMAN RESOURCES

The Bank recognises that our most valuable asset is our human resource. In this regard, we continue to focus on enhancing working relationships across all levels by fostering a climate of open communication, respect, and trust.

Efforts are ongoing to ensure that employees have a connection with their work and colleagues. To this end, the Bank's emphasis on employee engagement has intensified with several human resource initiatives implemented during the fiscal year including setting the stage for a Mentorship Programme and the phased introduction of a new Performance Management System which incorporates a 360-Degree Feedback component.

Training and development of our staff remain a major priority, with emphasis on Credit Training as we continually seek to enhance knowledge and capacity in our lending activities. We have also conducted staff sensitisation sessions relevant to the emerging Oil and Gas Sector and have a customised approach to this industry as the Bank positions itself for business opportunities. Training specific to the Group's Information Technology Consolidation Initiative also commenced and will continue into the new fiscal year.

Fourteen students from several regions benefited from seven months of exposure to various aspects of the Bank's operations under our 2017/2018 Youth Link Apprenticeship Programme. These graduates remain appreciative of the opportunity, especially given the Caribbean Vocational Qualification status of the Programme.

Managing Director's Discussion and Analysis

INFORMATION TECHNOLOGY

Our electronic banking platforms afford customers transaction convenience, whether they are on the go or in the comfort of their homes or offices conducting daily business.

The use of the Republic Visa OneCard expanded over the past year as an increasing number of this card base transitioned to less cash-based transactions. In our customer education efforts to support this thrust, social media communication has been an effective means of engagement and encouragement.

As the face of banking continues to evolve, our commitment is to improve the Bank's technological capabilities via upgrades to our primary computing systems, network infrastructure, and ancillary systems.

As previously stated, during the year, we commenced work in preparation for significant new Information Technology improvements in core functionality and deployment of new emerging technologies for leading edge IT efficiencies. Among the anticipated benefits are improved digital services and an overall seamless digital customer experience.

PREMISES

The Bank remained steadfast in its focus on customer convenience. Reorganisation and expansion of our Linden and New Amsterdam branches were completed, resulting in a significantly positive impact on customer service and efficiency. Similar upgrades are planned for our Vreed-en-Hoop Branch in the new fiscal, with infrastructure plans in train to accommodate Personal and Private Banking at specific locations.

EMPOWERING COMMUNITIES

Nation building through social investment has been a legacy of Republic Bank for more than 180 years, and remains a key cornerstone of the Bank's mission.

Over the past year, several important milestones were celebrated and stories shared about the life-changing, community-altering, nation-building impact of our signature Power to Make A Difference initiative.

Republic Bank's intervention and contribution to Steel Pan over of the past decade has created an upsurge and a revival of the art form that have positively touched lives in central and remote communities. Through empowerment and meaningful strategic partnerships with the Department of Culture and the National School of Music, skilled, energetic, and enthusiastic youths now dominate the art form, enlivening the now much anticipated Republic Bank Mashramani Panorama Steel Band competition, and providing entertainment and year-round displays both at home and abroad. Several beneficiaries have spoken of skills learnt and discipline honed during their journey in Pan that will benefit them for a lifetime.

The Bank's Youth Link Apprenticeship programme has also seen a decade of growth and is viewed as a life changing opportunity to which many of Guyana's youth now aspire.

Our Staff Volunteerism Programme is another success story that is largely focussed on improving literacy and wellbeing among youth in the communities we serve.

Republic Bank's vision and effort to increase Autism awareness have attracted wider support and ongoing advocacy. Notable strides were also made in improving capabilities among the students of the Step by Step Foundation.

Through continuing partnership with Women Across Differences (WAD), we have seen wider support for the causal and impacting issues affecting teen mothers. We celebrate an emerging empowered cadre of beneficiaries who volunteer to assist those experiencing similar issues. This, combined with support and favourable Government intervention, has strengthened and motivated the affected; giving them a voice, purpose, hope, and the will to rise above their circumstances.

An ongoing highpoint of our social investment is our flagship environmental project: Maintenance of the Promenade Gardens – a heritage site and venue for a variety of cultural and national events.

Managing Director's Discussion and Analysis

The upcoming five-year phase of the Power to Make A Difference will seek to expand on the successes achieved in previous years with a pronounced emphasis on building and developing entrepreneurs, empowering SMEs and promoting a greener Guyana through conservation awareness.

REGULATORY COMPLIANCE

Guyana continues to implement and improve its regulatory framework in order to establish robust enforcement units to counter the growing threats of money laundering and terrorist financing. Consistent with this, local regulatory bodies with oversight of financial institutions provide the necessary guidance to ensure compliance by all relevant persons and entities with legislative requirements.

Republic Bank (Guyana) Limited, through its various systems and procedures, is committed to the ongoing fight against money laundering and terrorist financing and, in this regard, has continued to embrace local and international best practices. Among a host of other initiatives, the Bank has continued with its staff awareness and customer engagement initiatives and plans to implement AML/CFT software within Fiscal 2019 to further strengthen its compliance.

The Bank is fully compliant with the US Foreign Account Taxation Compliance Act (FATCA) enacted by the United States Government in 2010 and is committed to ensuring timely submission of information.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2018 to be read in conjunction with the Directors' report and audited financial statements presented on pages 18 to 20 and pages 50 to 131 respectively.

These statements are published in Guyana dollars. Foreign amounts have been converted to Guyana dollars at the prevailing mid-rate on September 30, for each financial year. The following are the mid-rates for the major currencies as at September 30, 2018:

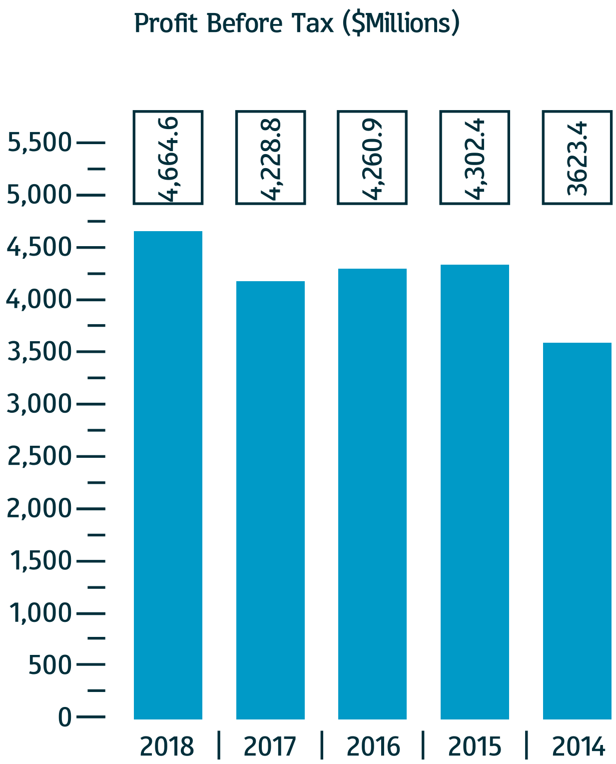
	2018	2017
United States dollars	**210.00**	209.25
Pounds Sterling	**261.50**	250.75
Canadian dollars	**156.50**	150.75
Euro	**234.50**	215.75

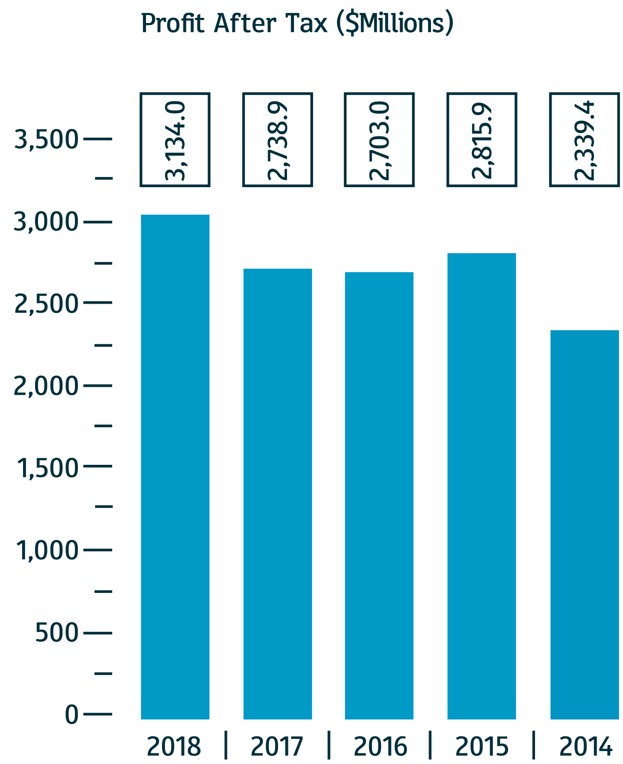
STATEMENT OF INCOME REVIEW

Financial Summary

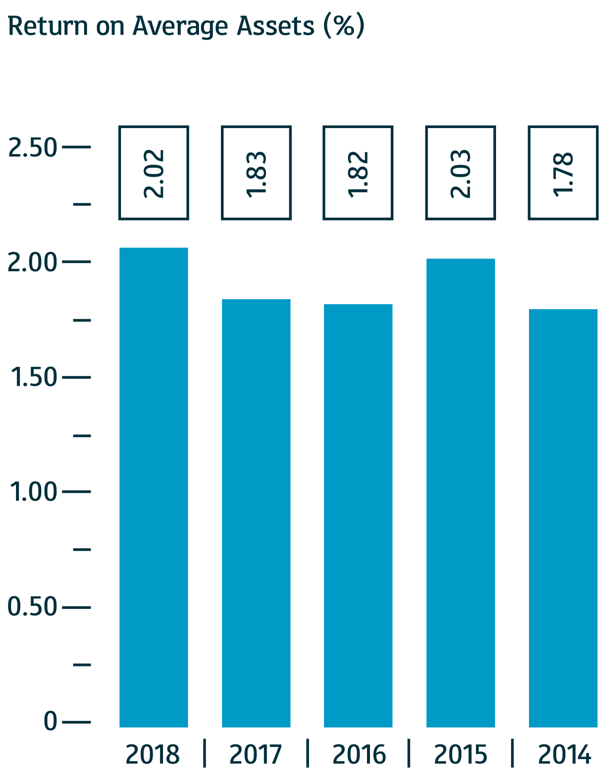
After tax profit of $3,134 million represents an increase in profitability of $395.1 million or 14.42% compared with 2017. This increase in profitability resulted largely from the sale of a fixed asset. Focus on improving credit assessment, lendings and debt recovery will continue in the new fiscal. Corporation Tax paid amounted to $1,423.7 million compared with $1,705.8 million in 2017.

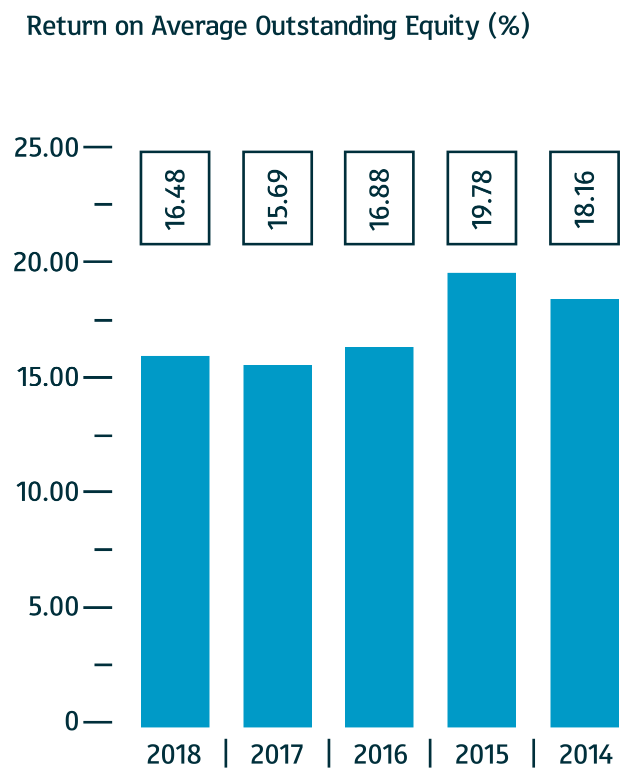
Managing Director's Discussion and Analysis





The Bank's return on average assets (2.02%) increased year-on-year, and its return on average stockholders' equity also increased (16.48%). Earnings per stock unit moved from $9.13 in 2017 to $10.45 in 2018.

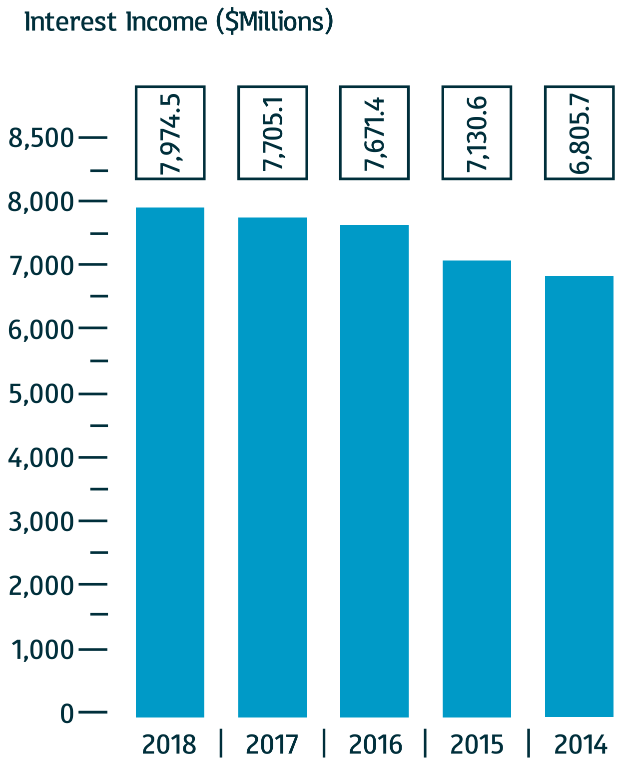


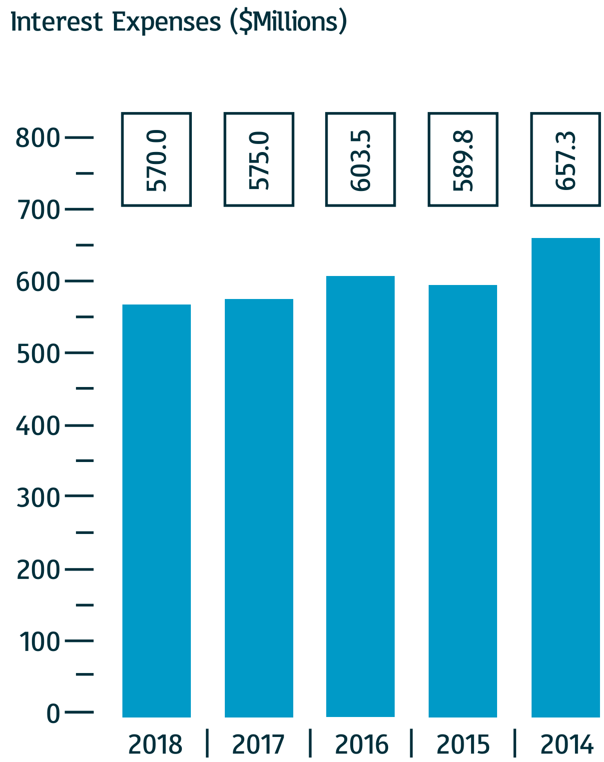


Managing Director's Discussion and Analysis

NET INTEREST AND OTHER INCOME

Net interest and other income grew by $905.1 million or 9.38% to $10,557.8 million in 2018 compared to the $9,652.7 million generated in 2017, which is attributed mainly to the increase in the loan portfolio and sale of a fixed asset.





Net interest income increased by $274.4 million or 3.85% to $7,404.5 million and is attributed primarily to the increase in the loan portfolio.

Net Interest Margin

	2018	2017
Net interest income/Total average interest earning assets	**6.08%**	6.11%
Net interest income/Total average assets	**4.55%**	4.58%

Refer to Statement of Financial Position and note 16

There were no unusual non-operational items.

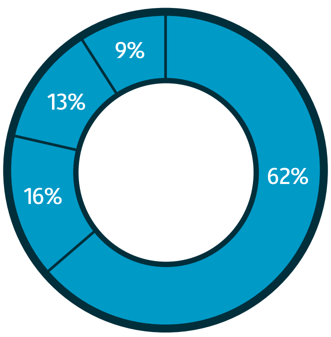
The ratio of the Bank's *average interest earning assets to average customer deposits* remained stable at 87.39%. This reflects the Bank's policy of managing customers' deposits in a challenging environment where investments and lending opportunities are relatively scarce. At September 30, 2018, 31.80% of the Bank's *interest earning assets* consisted of Government of Guyana Treasury Bills.

Managing Director's Discussion and Analysis

Interest paid on deposits for 2018 at $570 million was below that of 2017 ($575 million) as the Bank continued to manage its assets and liabilities in an environment of inadequate investment opportunities. It is recognised, however, that customers simultaneously use a range of products and the Bank strives to ensure that rates (deposit and lending) are competitive with the rest of the industry and attractive to existing and potential customers.

Other Income, which amounted to $3,153.3 million and contributed 28.34% to total income, was above the 2017 amount by $630.7 million, or 25%. With continued emphasis, foreign exchange trading increased, resulting in exchange gains for 2018 of $1,399.4 million, representing an increase of $204.8 million or 17.15% over 2017. Exchange earnings continue to be the major source of Other Income, contributing 44.38% (2017 - 47.36%) of the total.

Sources of Revenue (%)



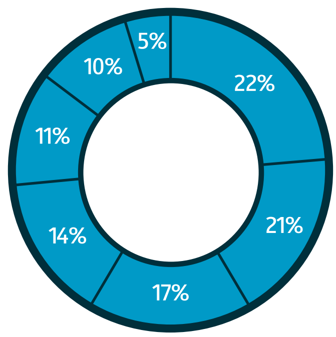
Loans & Advances 62%

Other 16%

Foreign Business 13%

Investments 9%

Revenue Distribution (%)



Salaries/Staff Cost 22%

Other Non-Interest Expenses 21%

Reserve and Retained Earnings 17%

Taxation 14%

Dividends 11%

Premises and Equipment 10%

Interest Expense 5%

Non-interest Expenses

Non-interest expenditure, which comprises operating expenses and provision for expected credit losses, increased by $469.3 million or 8.65% over 2017, mainly as a result of staff cost, which increased to $2,415.2 million. There was an increase in depreciation charges ($61.7 million), resulting from the capitalisation of new assets. There was a significant increase in expected credit losses net of recoveries of $234.6 million, resulting from an increase in expected credit losses, as the Bank early adopted IFRS 9: Financial Instruments and now makes provision for all expected credit losses.

The Bank's productivity/efficiency ratio, which is non-interest expenses to net interest income and other income, decreased to 47.43% from 49.19% in 2017.

As permitted, the Bank early adopted IFRS 9 - Financial Instruments, which replaces IAS 39. The adoption of IFRS 9 has fundamentally changed the Bank's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The financial statements include expected credit loss provision made on its performing portfolio of $319.5 million at September 30, 2018.

Managing Director's Discussion and Analysis

At September 30, 2018, specific provision on non-performing loans amounted to $482.7 million, a decrease of $106.7 million over 2017. Overall in 2018, expenses related to expected credit loss provisioning amounted to $885.4 million against a provision of $675.7 million in 2017. The Bank continues to strive to maintain a prudent policy especially on its unsecured consumer lending portfolio. Recoveries on loans that were previously written-off amounted to $206.9 million in 2018 (2017 - $231.8 million).

The Bank's ratio of non-performing to performing loans, as at September 30, 2018, declined to 5.77% from 6.96% in 2017, and its ratio of specific provision for loan losses to non-performing loans, from 14.37% at September 30, 2017, to 12.26% at September 30, 2018.

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 $10 billion year-on-year. This increase was mainly in the Bank's statutory deposit balance with the Bank of Guyana, which grew by $9.5 billion over the same period, resulting from the inability to fully re-invest in Treasury Bills upon maturity.

Investment Securities

Investment securities, including Government of Guyana Treasury Bills, increased by 2.76% during the year ($1.3 billion). The increase arose mainly in the Bank's investment in other investments which moved from $7.4 billion in 2017 to $15.7 billion in 2018 or 110.92%. There was a decrease in Treasury Bills by $6.9 million, or 17.34%, to $33.1 billion. The Bank aggressively competes for the limited investment opportunities even as there is continuous growth in the liquidity of the country's financial houses relative to those investments.

Advances

Advances grew by $8.9 billion to $69.7 billion, an increase of 14.73%. 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 remained at a minimum as it continues to reassess the position as circumstances change.

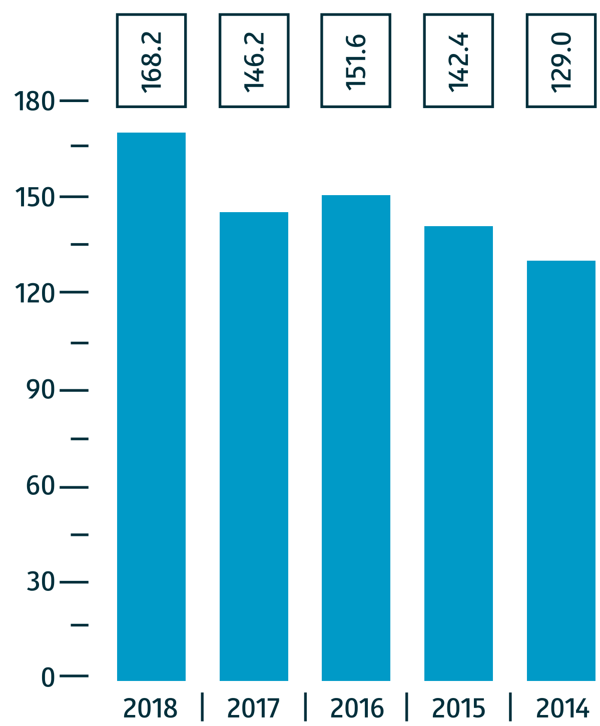
Significantly, however, the Demand Loans sub-sector recorded a 20.53% increase in value from $31.2 billion to $37.6 billion. The Mortgages sub-sector recorded a 9.53% increase from $23.2 billion to $25.4 billion; the Bank continues to aggressively support the government's home ownership thrust.

As a percentage of total assets, loans and advances accounted for 41.47%.

Total Assets

The Bank's total assets of $168.2 billion represent an increase of $21.9 billion or 15.01% above 2017. This increase is attributed mainly to cash resources, investment securities, and loans and advances, which accounted for an increase of $8.9 billion. Over the past three years, net investment in loans and advances grew by $6.1 billion, $2.7 billion and $8.9 billion year-on-year. In a challenging and competitive environment for sound economic projects, the Bank continues to seek and attract new and remunerative investments, even as it honours its obligation to protect depositors' funds.

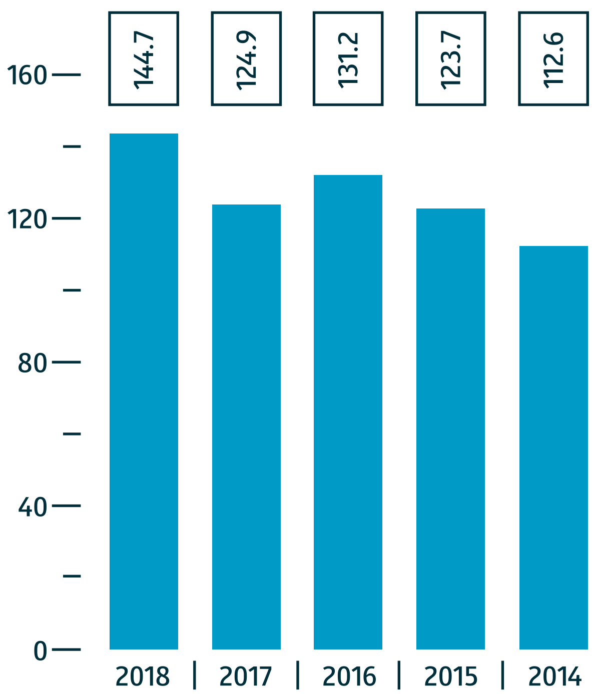
Total Assets ($Billion)

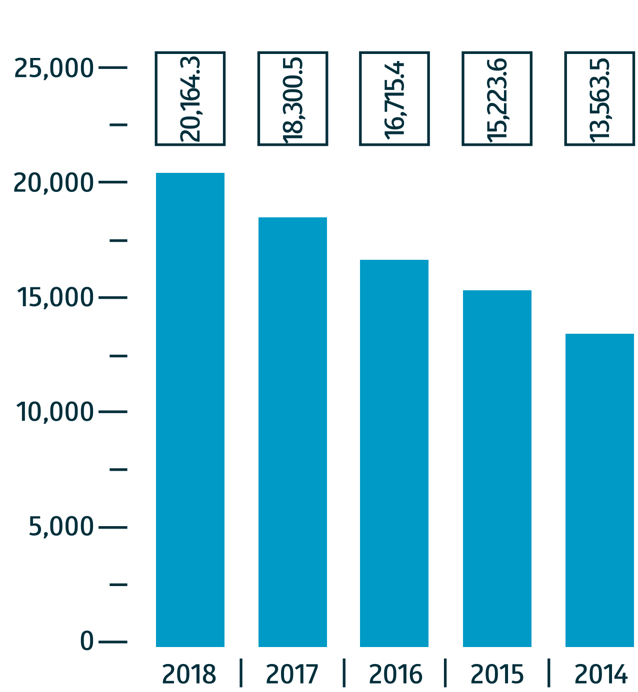


Managing Director's Discussion and Analysis

Deposits

The increase in assets resulted from an increase in deposits, which moved to $144.7 billion from $124.9 billion in 2017; an increase of $19.8 billion or 15.84%. Our depositors remain confident in the Bank as it continues to focus on providing quality products and services. Savings deposits, the most stable category of deposits at 70.88% of the deposit portfolio, increased by $19.5 billion or 23.47%. The Certificates of Deposit portfolio increased marginally by $114.5 million or 1.88%.





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 Cap. 85:03 restricts a single or group borrower loan to defined percentages of the Bank's capital base. From the after tax profits of $3,134 million, $1,285 million is being proposed as dividends and $1,849 million transferred from the Statement of Income to stockholders' equity. At September 30, 2018, the book value of stockholders' equity amounted to $20.2 billion.

Total dividends paid and proposed for fiscal 2018 amount to $1,285 million and equates to a dividend payout ratio of 42.92% (2017 - 45.18%).

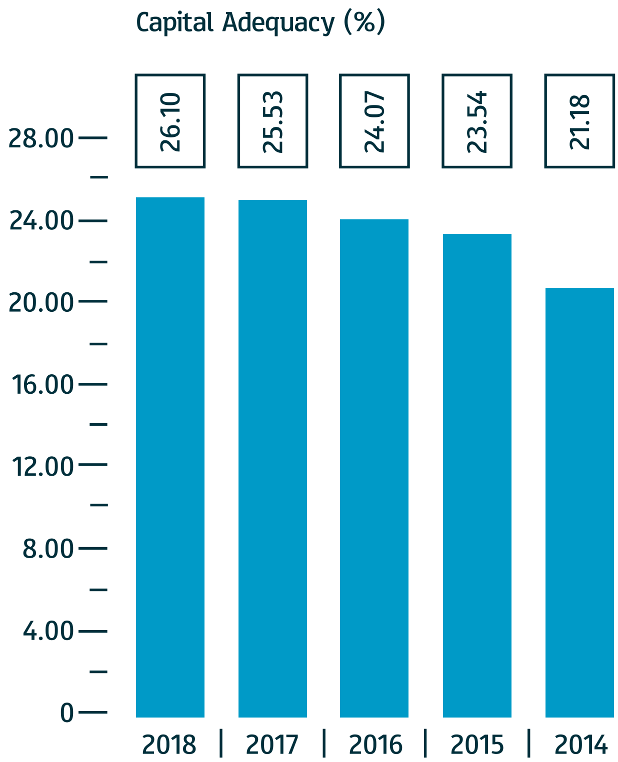
There was an increase in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 144.7% between the highest price of $208 and lowest price of $85 with an average weighted price of $137.5 per stock unit. In terms of volume, most trades were done at a unit price of $137.5. Using the Market Weighted Average Price of $137.5 from the last trade date (September 17, 2017) for the Bank's stock, the price/earnings ratio increased to 19.9 from 12.6 in 2017. The net asset value of one unit is $67.2 (2017 - $61) which, with a price of $208, gives a price/book ratio of 3.09:1 (2017 - 1.89:1).

Regulatory Capital

Capital adequacy is monitored by the Bank on a monthly basis and computed based on guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Bank of Guyana under the Financial Institutions Act Cap. 85:03.

Managing Director's Discussion and Analysis

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 $18.3 billion to $20.2 billion year-on-year. The capital adequacy ratio increased, moving to 26.10% at September 30, 2018, from 25.53% at September 30, 2017. This increase is attributable to an increase in total risk-weighted assets.



RISK MANAGEMENT

Overview

Banking is about risks and their management. These are discussed extensively on pages 107 to 122 of this Annual Report.

Having established an Enterprise Risk Management Unit in fiscal 2017, the Bank remains focussed on continuously monitoring its operating environment and practices to ensure requisite identification, mitigation, and management of risks. The Bank also benefits from the continuous guidance and services of the Group's Enterprise Risk Unit and, during the year, implemented several measures to reduce the inherent risks in its business model.

The Bank's Internal Audit Department is also integrally involved in reviewing and implementing systems and procedures aimed at mitigating 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.

FUTURE OUTLOOK

Notwithstanding the ongoing challenges in certain key sectors of the economy, we are confident in the plans and possibilities for Guyana's accelerated economic, infrastructural and social development. The demonstrated growth in investor confidence augurs well for the nation's future outlook and Republic Bank's integral support and contribution are assured.

Republic Bank (Guyana) Limited remains cognizant of the critical importance of stability and compliance and we welcome advances that enable and foster integrity of systems, uniform standards and internationally accepted controls. The Bank will continue to implement policies and strategies in support of this thrust.

Managing Director's Discussion and Analysis

Over the coming year, we shall deepen our focus on delighting key segments, offering a seamless and consistently satisfactory customer experience supported by enhanced information technology, making employee engagement our culture, maximising efficiency, and investing socially for greatest impact.

Our stakeholders can therefore look forward to stronger partnerships, quality service and impactful initiatives for long-term national benefit.

ACKNOWLEDGEMENTS

On behalf of the Bank's Senior Management, I am pleased to extend my sincerest gratitude to all of the Bank's valued stakeholders. We also extend gratitude to our Management and Staff for yet another year of strong commitment.

We especially wish to thank the Chairman and Board of Directors for their guidance, our stockholders for the confidence reposed in us, and loyal customers – our reasons for being here.

To all of you, your continued support is sincerely appreciated.

Senior Management

Management

KAREN ASSANAH

Manager,
Special Unit

DENYS BENJAMIN

Manager,
Corporate Operations

DOODMATEE BHOLLARAM

Manager,
Corriverton Branch

CELINE DAVIS

Manager,
Water Street Operations

HARRY DASS GHANESS

Manager,
Camp Street Branch

STANTON GRANT

Manager,
Internal Audit

Management

EON GRANT

Manager,
Rose Hall Branch

YONNETTE GREAVES

Manager,
Information Technology

GAIL HARDING

Assistant Manager,
Branch Operations

SASENARAIN JAGNANAN

Senior Manager,
Corporate and Commercial
Credit

ERICA JEFFREY

Manager,
Branch Support Services

MICHELLE JOHNSON

Manager,
Marketing and
Communications

Management

NDIDI JONES

Senior Manager,
Head Office

CHRISTINE MC GOWAN

Manager,
Legal Services

SHRIMANIE MENDONCA

Manager,
Human Resources

YUGISTHER MOHABIR

Assistant Manager,
Information Technology

SHRIDATH PATANDIN

Manager,
Vreed-En-Hoop Branch

JADOONAUTH PERSAUD

Manager,
Branch Operations

Management

MICHAEL RAM

Manager,
Enterprise Risk Management

GUITREE RAMSAMOOJ

Manager,
Anna Regina Branch

CARLA ROBERTS

Corporate Manager,
Corporate and
Commercial Credit

ORAL ROSE

Manager,
Internal Audit

IMRAN SACCOOR

Manager,
D'Edward Branch

RANDULPH SEARS

Manager,
New Amsterdam Branch

Management

JOEL SINGH

Manager,
Linden Branch

VANESSA THOMPSON

Manager,
Finance and Planning

JOANN WILLIAMS

Assistant Manager,
Human Resources

DIANE YHUN

Credit Manager,
Corporate and
Commercial Credit

Statement of Corporate Governance Practices

The rules and systems by which companies are directed and controlled are referred to as corporate governance. In recent times, corporate governance has become of greater significance especially since it usually has a direct effect on the strength of an entity and its ability to withstand the challenges of doing business. For this reason, shareholders and stakeholders of companies pay greater attention to whether companies have good corporate governance principles. From the perspective of a company, the adoption and practice of good corporate governance can assist in balancing conflicting stakeholder interests.

Republic Bank (Guyana) Limited recognises the importance of good corporate governance and its Board of Directors is committed to consistently maintaining corporate governance at the highest standards. In keeping with this commitment, Republic Bank continuously monitors its systems and procedures to ensure that all standards are in keeping with the best practices 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 Cap. 85:03. 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, six of whom are independent, comprise persons with extensive experience in business, management 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. This allows the Board of Directors to make informed decisions and provide the necessary leadership to promote and protect the interests of all stakeholders.

In keeping with its mandate to lead the Bank, the Board directs the Bank along a path of greater profitability while taking appropriate steps to ensure that the Bank's sound financial position is not compromised and all applicable laws adhered to. The Board is guided by a philosophy based on good governance, transparency, accountability and responsibility. 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, chaired by Mr. Roy E. Cheong, 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

Mr. Roy E. Cheong

Members

Mr. Shameer Hoosein

Mr. Richard M. Lewis

Mr. Richard I. Vasconcellos

Mrs. Yolande M. Foo

Alternate Member

Mr. 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.

Statement of Corporate Governance Practices

COMPENSATION COMMITTEE

The members of the Compensation Committee are:

Chairperson

Mrs. Anna-María García-Brooks

Members

Mr. Shameer Hoosein

Mr. Roy E. Cheong

Alternate Member

Mrs. Yolande M. Foo

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

ENTERPRISE RISK COMMITTEE

The members of the Enterprise Risk Committee are:

Chairman

Mr. John G. Carpenter

Members

Mr. Roy E. Cheong

Mrs. Anna-María García-Brooks

Alternate Member

Mr. Richard M. Lewis

This committee, which meets quarterly, is responsible for reviewing policies and procedures and ensuring that all risks arising across the wide spectrum of the Bank's activities are identified and adequate systems have been implemented in order to mitigate those risks. The Enterprise Risk Committee is also responsible for overseeing the management of the Bank's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Programme, and ensuring that adequate systems and procedures are implemented to prevent and detect attempts to launder money and/or finance terrorism.

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 duties 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 a combined banking experience of more than ninety years, has general oversight of the Bank's credit portfolio, branch network and general operations. Two members of Senior Management have a Masters Degree in Business Administration, 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.

Cognizant of the need to monitor transactions with related parties, the Bank has approved a Related Party Policy which is consistent with the requirements of the Financial Institutions Act Cap. 85:03.

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

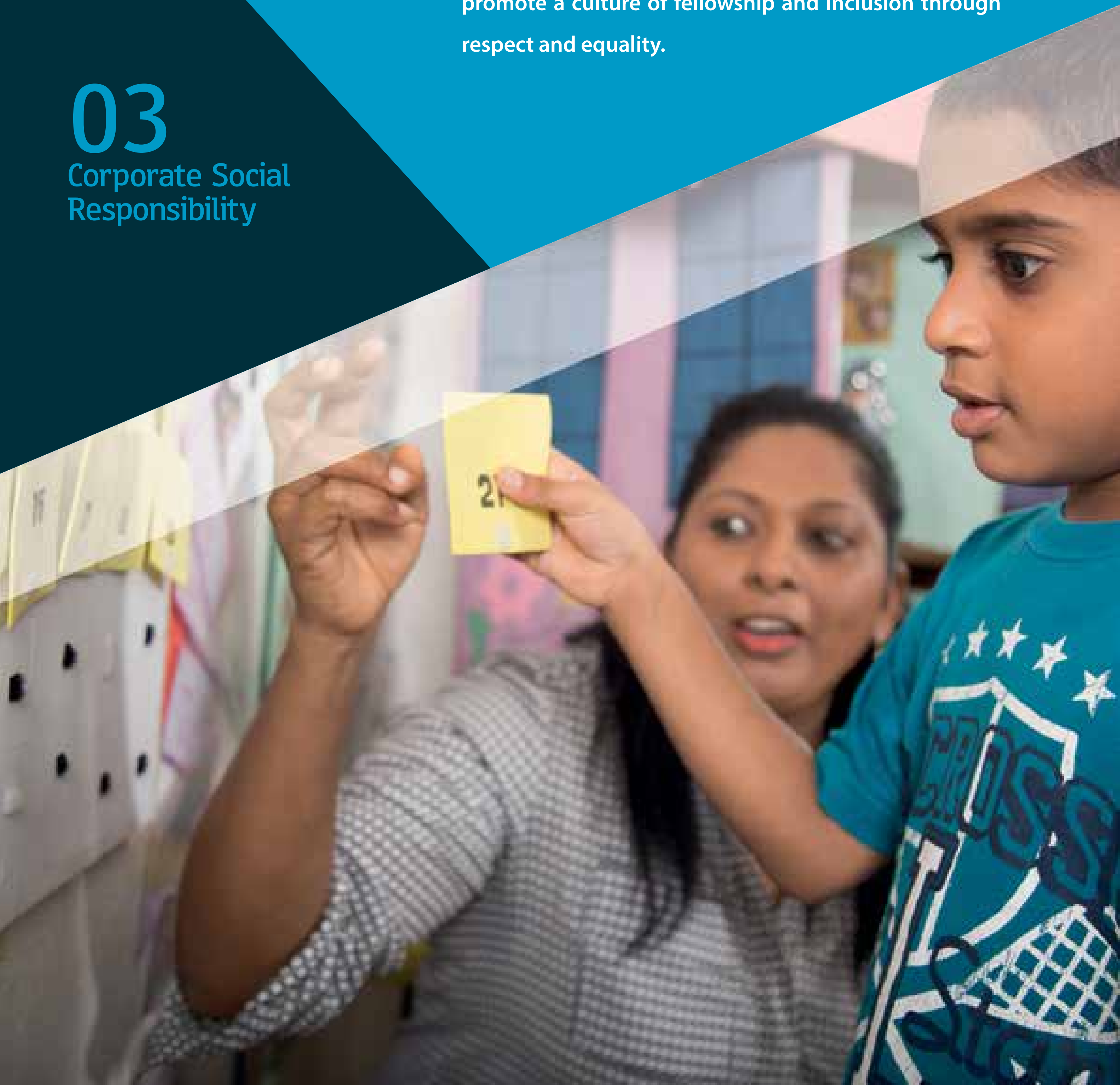
Nigel M. Baptiste

Chairman

Making the difference to the Differently Able

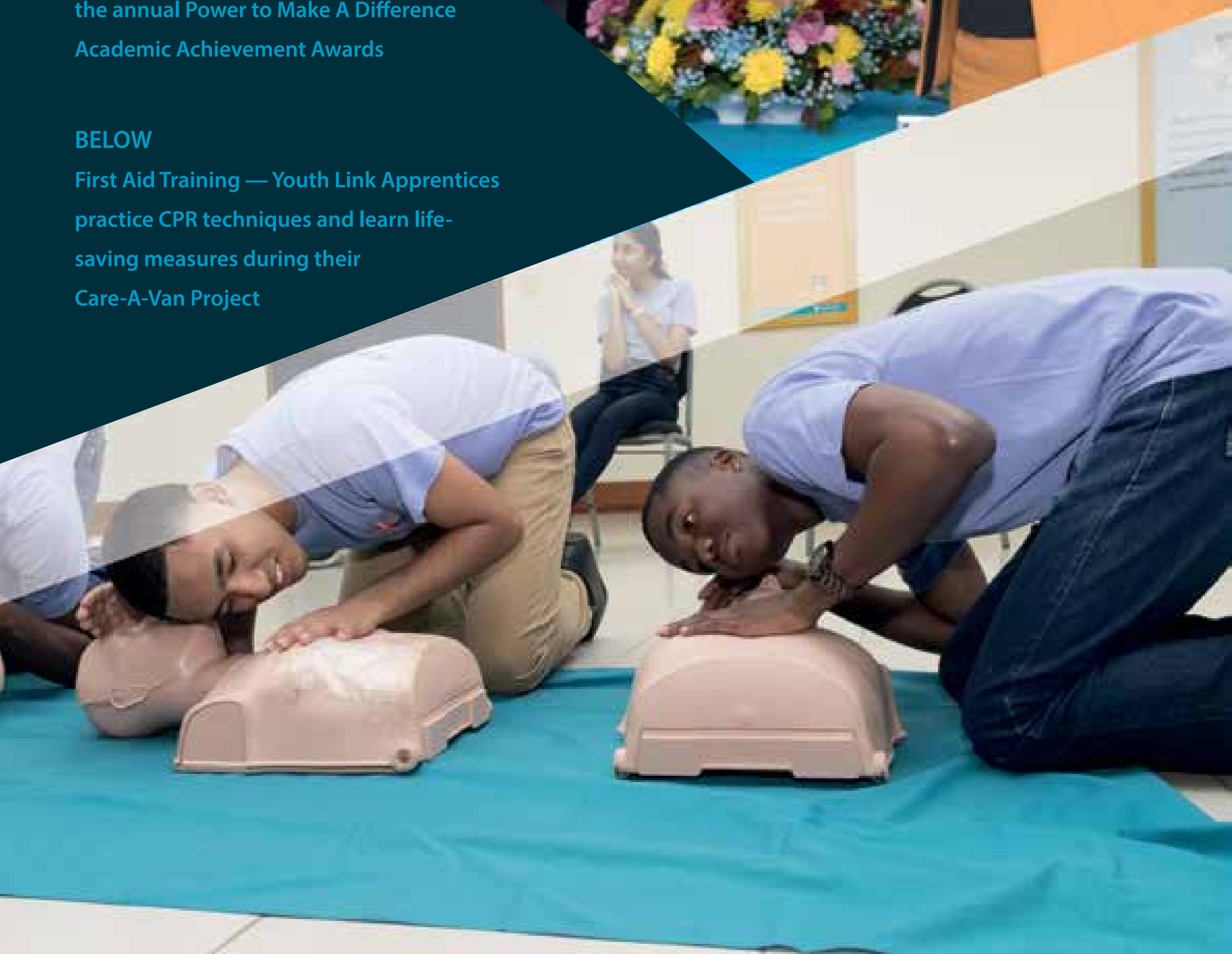
Far too often, people with physical and learning disabilities have less access to education, personal and professional development, and a better quality of life. Any effort to empower those with special needs must have at its heart the commitment to draw closer in solidarity, as well as the drive to work together to promote a culture of fellowship and inclusion through respect and equality.

03
Corporate Social Responsibility



RIGHT
Excellence in education! The University of Guyana Best Graduating Student with a Diploma in Banking and Finance being rewarded at the annual Power to Make A Difference Academic Achievement Awards

BELOW
First Aid Training — Youth Link Apprentices practice CPR techniques and learn life-saving measures during their Care-A-Van Project



The Power to Make A Difference

TEAMWORK IN BUILDING STRONGER COMMUNITIES

The promise of the Power to Make A Difference is its ability to unite many people across boundaries of space and culture in the pursuit of building stronger, more sustainable communities.

Since its inception in 2003, that promise has consistently gained momentum as a growing corporate social responsibility movement, taking the shape of a significant investment of financial and human resources in programmes that challenge young minds and bodies, give hope to and empower thousands with special needs, preserve and promote cultural traditions, protect the environment, and embolden hundreds of staff volunteers.

This has been the narrative of the Power to Make A Difference – an ongoing journey to unlock the potential of the people we serve. It stands today as an extension of the Bank's commitment to do good by doing better – doing good by pledging support to noble causes; doing better in the service of others.

As we look back on that journey, working with diverse communities through the years, the way forward is as clear as the path taken. It has been a path full of unforgettable experiences, challenges, and triumphs; one that serves well as a reminder of what worked well in the past and encouragement to search for new avenues in the future.

Through one partnership, one commitment, and one goal at a time, the Power to Make A Difference has grown stronger. It has evolved through the years to represent the Group's longstanding promise to help build communities in the Caribbean, South America, and Ghana. In entering this new phase, the Power to Make A Difference remains driven by a renewed sense of purpose and greater acceptance of the multinational responsibility that comes with strategic social investment and the pursuit of sustainable development.

THE FOUNDATION (Phase I)

"The Republic Group believes that all of our Caribbean citizens deserve a better quality of life and we owe it to them to harness the power that we possess to make a positive difference in their lives. The voiceless should not be silenced behind statistics. The helpless must not be bogged down by apathy and an unwillingness to assist. The destitute cannot be swept to the wayside because of greed and selfishness. These are our people and we must do something to alleviate their condition."

– Ronald F. deC. Harford

The special needs child able to experience more of the world around them, the dyslexic student learning alongside peers, the young footballer pursuing a future through scholarship, the senior citizen who now has a comfortable place to sleep – their well-being, their successes, their smiles – these are the reasons the Power to Make A Difference exists.

Starting out from the Make a Difference Fund, founded in 1998 in Trinidad and Tobago, the Power to Make A Difference programme took its first steps in 2007 with sights set on supporting initiatives based on poverty alleviation, social development, and youth development through education, sport, culture and the arts.

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 would quickly add to the Bank's history of successful partnership with advocacy groups, welcoming new and long-time allies to the fold.

During this first phase, several partnerships were formed with a diverse array of NGOs and CBOs whose projects and initiatives showed the most promise in building successful societies and empowering individuals.

The Bank charted forward on the Republic RightStart Under-15 Cricket Series, which, in helping develop the national cricket programme, also created an invaluable opportunity for young achievers to hone their cricketing skills, and learn more about integrity, discipline, team spirit, dedication and perseverance; skills that would serve them not only in the game of cricket, but in the game of life.

A new partnership with the University of Guyana Scholarship paved the way for the Bank to focus further on youth development through education, giving many students the tools to succeed through training and scholarship programmes, and thereby sowing the seeds for future leaders to blossom.

Through funding a scholarship programme as well as awards for the best graduating students in Social Sciences and Banking and Finance and the sponsorship of the Ministry of Education's Academic Achievement Awards, the Bank celebrated academic excellence as a way of motivating young achievers to aspire to more.

Community outreach programmes like the much-needed refurbishment and maintenance of the Promenade Gardens helped preserve a unique and historical space for the benefit of thousands within the nation and visitors alike. Collaboration on the Theatre Guild Rehabilitation project to build a new theatre to allow local talent to blossom and grow, as well as sponsorship of a room at the St. Joseph Mercy Hospital for patients in dire need of care furthered the programme's ongoing history of strategic community investment as a major aspect in driving sustainable development.

The achievements of this first phase in turn set the proper backdrop as the Bank entered into Deeds of Covenant with a variety of advocate agencies dedicated to the aged, orphaned, and differently able.

The Power to Make A Difference

The foundation having been firmly set, the focus then turned outward as the Republic Group continued its evolution as a truly Caribbean organisation; one intent on making good on the promise of building successful, sustainable societies, not just locally but across borders.

BUILDING A FOLLOWING (Phase II)

"The Power to Make A Difference celebrates that which sets us apart and that which holds us together. Diversity and inclusion. It celebrates that fact that we each possess and have an obligation to use the power to make a real difference in our own lives and in the lives of others." –
Michael Archibald

Across the region, the Group had already been doing its part in the pursuit of sustainable development. Not surprisingly, as the Group's footprint grew, so too did its outreach to even more members of society and the Power to Make A Difference quickly took root locally and across the region.

With a focus on youth empowerment, flagship programmes the Republic RightStart Under-15 Cricket Series Scholarship Programme continued to be well received; giving hundreds of young achievers alternative means for self-development and the impetus to realise the tremendous potential that abounds within.

Additionally, the ongoing partnership with the University of Guyana and Ministry of Education continued to grow stronger through the extension of the University of Guyana Scholarship Programme, maintenance of the University Library Business Journal Subscription, and sponsorship of the University of Guyana and Ministry of Education Academic Achievement Awards.

During this phase, the Republic Bank Pan Minors Music Literacy Programme achieved significant success as it came into its own in successfully challenging hundreds of young minds across the nation to discover more about the steel pan's history while developing skills and techniques in a fun-filled and safe learning environment.

Similarly, the Republic Bank Mashramani Steel Band Competition quickly rose to the fore as a unique way of actively promoting steel pan's popularity within the nation, leveraging the Bank's resources to encourage greater community involvement and interest.

The Republic Bank Youth Link Apprenticeship Programme, already a staple in Trinidad and Tobago for many decades, took its first steps too, training scores of driven young adults in the spirit of developing personal, social, and professional skills.

However, the thrust was always on doing more, on finding ways in which to leverage local knowledge with regional reach.

In the second phase of the Power to Make A Difference, the momentum built up over the first phase led to a broader focus on social development issues, including finding innovative ways of engaging more diverse communities and empowering the socially marginalised and more vulnerable, specifically, the at-risk, and the differently able.

In seeking to provide more access to education, personal and professional development and a better quality of life to those with special needs, the emphasis remained on close collaboration with their biggest advocates as the most effective way of achieving shared goals.

There was a strong focus on providing physical facilities for differently able persons, as well as training opportunities for them to assist in their adaptation and in raising general education and awareness of their special needs. Some of the projects under this phase included a successful partnership to maintain a 15-seater reconditioned minibus with the Guyana Community Based Rehabilitation Programme – a much-needed initiative that provides transportation facilities for differently able persons to learning workshops.

Bit by bit, each partnership during this phase signalled the Group's resolve to engage diverse communities in the pursuit of sustainable development through inclusion across various levels; further adding to the narrative of responsible social investment through a dynamic mix of investment, advocacy and teamwork.

A FOUNDATION OF ENTERPRISE (Phase III)

"Our programme continues to evolve; not as an ad hoc dispensation of sponsorships but rather as the building of bridges. These are bridges between Republic Bank and the wider community; ones that pave the way forward as examples of powerful partnerships and must be continually sustained as an example of how our organisation can continue to do the people's work for the benefit of many."
– Edwin Gooding

The journey that started more than a decade ago continued to define the Group as a socially responsible corporate citizen and the Power to Make A Difference as the kind of investment initiative that is welcomed in homes and hearts within the Caribbean region.

At the time of the programme's third phase, the Group's footprint had extended to comprise neighbours in South America and Ghana in addition to those already existing in the Caribbean and the Power to Make a Difference was now a household name across many borders.

In this new phase, the Bank more than doubled the previous social investment outlay; a clear signal of a deepened focus on existing issues of youth empowerment, environmental preservation, cultural

The Power to Make A Difference

literacy awareness, advocacy of the rights of the differently able, and broadening the shape and scope of staff volunteerism programmes.

It was also during this critical phase that the Bank stepped up its ongoing drive to give many a greater sense of agency in shaping their destinies as a way of further creating unique opportunities to encourage many within society to become more self-reliant and community-focussed; setting in play the opportunity for them to pass this knowledge to others.

Guided by the belief in drawing closer in solidarity, using the Power to Make A Difference to make these connections fostered a Group-wide drive to promote a culture of fellowship and inclusion that quickly led to finding new allies and new pursuits. Key to that belief was the commitment to promote a message of respect and equality and to become more vocal in adding the Group's part to the discourse of raising awareness, understanding, tolerance and acceptance, not just within society but also within our Republic family.

This would provide the bedrock for the staff volunteerism programme whereby staff avail themselves to help enrich the lives of residents of senior citizen homes, orphanages and disability centres around the country.

The relationships forged along this leg of the journey continued in the same vein through successful collaborations with disability advocacy groups like the Step-By-Step School for Autistic Children and the Step-by-Step Foundation; safe havens for many young achievers along the Autism spectrum. These partnerships simultaneously helped empower these special children and brought the Bank even closer to understanding their needs.

Youth empowerment continued to be one of the main areas of focus; occupying Group-wide attention as one of the most sustainable means of building successful societies. With literacy and education at the forefront of youth empowerment, the Bank maintained the course of its existing partnerships with the University of Guyana and sponsorships of the Youth Link programme, the Mashramani Steel Band Competition, and the Pan Minors Music Literacy programme as ways of continuing to present opportunities to challenge future leaders to succeed.

Building on the drive for empowerment through culture and the arts, sponsorships of the Biennial National Drawing Competition and the Theatre Guild Playhouse created additional opportunities for participants to develop their skills and showcase their creativity and talent.

Extending even further into the community, collaboration with Women Across Differences (WAD), a dynamic NGO focused on the empowerment of women and girls, on a comprehensive empowerment programme for adolescent mothers, helped build momentum in advocating sexual reproductive health and family planning education, self-development training and vocational skills building while promoting positive lifestyle choices.

Community development and environmental preservation were maintained through ongoing maintenance of the beloved Promenade Gardens as well as through sponsorship of the internationally-recognised Iwokrama programme to raise awareness of the local rainforest, promote greater literacy among thousands, and further the national conversation on the protection and preservation of our country's natural resources.

LENDING A HAND, GIVING HOPE

***"We recognise that the social needs of our people are many. More importantly, we also recognise that our ability as a people to fulfil these needs is far greater. As we work together to create solutions for the future, the Power to Make A Difference continues to be an example of our commitment to unearthing Guyana's great potential to succeed."* – John Alves**

Staff volunteerism, a hallmark of the Group's sustained social investment drive, continued to play a pivotal role in ensuring the ongoing success of the Power to Make A Difference from the programme's inception.

Staying the course of earnest social partnership, underscored by a basic commitment to serve, throughout the entire Group, staff members turned out in their numbers, answering the call to become involved with a signature style that can only be described as the "True Blue Spirit".

Encouraged to give of their time and energy to assist individuals and groups in need, staff volunteers added invaluable sweat equity to causes like the St. Ann's Orphanage and the Diamond Special School.

Across the nation, volunteers also routinely support their communities through reading programmes, library visits, renovations and book donations along with bringing cheer to orphans and the differently able at Christmas time.

THE POWER OF ONE SERVING MANY; THE POWER OF MANY SERVING OTHERS

"Social Investment is founded on the philosophy that working together with partners across various sectors would make a difference in the lives of many. Through the Power to Make A Difference, we will continue to

The Power to Make A Difference

awaken and challenge young minds to aspire for higher, to reach out to and support programmes and people that provide that crucial hope to others, and challenge ourselves, as a corporate citizen, to invest more than just money. Through our actions, we aim to become even more holistically invested in the direction and speed with which our beautiful nation develops." **– Richard S. Sammy**

In celebrating the Power to Make A Difference, we are grateful for being part of a remarkable journey of sacrifice, accomplishment, and discovery. As we look back, we look ahead; humbled by the successes, yet encouraged by opportunities to achieve even more. Above all, we are continually inspired by the alliances we have made and the stories of the people whose lives have been changed for the better. Without question, the next phase promises even greater chances to build on the foundation we have set together.

Our path forward, much like the path behind, has been met with challenges and victories, each making us stronger in its own way. In looking toward the future, we stand fast and true to our belief that each individual has the ability to make a lasting contribution to the overall good of the nation.

Guided by this belief, we recommit to the Power to Make A Difference, even more focussed on those we serve locally and regionally, and excited by the possibilities that abound whereby we can demonstrate the Power of One serving Many and the Power of Many serving Others.

04
Financial Statements

Making the difference through Volunteerism

The pursuit of Strength, Stability, Success, and Self-Reliance revealed invaluable opportunities to do even more with new allies and go even further with existing ones. The relationships forged along this journey and the rare experiences undergone tell the tale of staying the course of responsible social investment through a dynamic mix of investment, advocacy and teamwork.

Financial Reporting Requirements

The Directors of Republic Bank (Guyana) Limited are responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards and present a true and fair view of the financial affairs of the company. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors.

General responsibilities include:

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank.

The Directors have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Bank. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Bank.

The system of internal control is further supported by a professional staff of Internal Auditors who conduct periodic audits of all aspects of the Bank's operations. External Auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and findings as to the integrity of the Bank's accounting and financial reporting and the adequacy of the system of internal controls.

Signed on behalf of the Board

Richard S. Sammy
Managing Director

Christine Mc Gowan
Company Secretary

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Independent Auditors' Report

OPINION

We have audited the financial statements of Republic Bank (Guyana) Limited ("the Bank"), which comprise the statement of financial position as at September 30, 2018, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 September 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), the Financial Institutions Act Cap. 85:03 and guidelines issued thereunder, the Companies Act Cap. 89:01 and the Securities Industry Act Cap. 73:04.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended September 30, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

Early adoption of IFRS 9

Effective for the fiscal year ended September 30, 2018 the Bank early adopted International Financial Reporting Standard (IFRS) 9 – "Financial Instruments" issued in July 2014 partially replacing "IAS 39 – Financial Instruments". IFRS 9 which came into mandatory effect from January 1, 2018 was issued in three phases of which only Phases 1 and 2 apply to the Bank as follows:

Phase 1 – classification and measurement of financial assets and financial liabilities;

Phase 2 – impairment methodology.

The key changes arising from early adoption of IFRS 9 are that the Bank's credit losses are now based on expected losses rather than an incurred loss model, and the new classification and measurement of the Bank's financial assets and liabilities, which are detailed in note 2 to the financial statements.

Differences between previously reported carrying amounts and revised carrying amounts under IFRS 9 as of September 30, 2017 and October 1, 2017 amounting to $108 million have been recognised in opening retained earnings. As permitted by IFRS 9, the requirements of the Standard have been applied retrospectively without restating comparatives.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS

Early adoption of IFRS 9

In order to address this new and complex accounting standard:
We read the Bank's IFRS 9 based classification and measurement of financial assets and financial liabilities policy and compared it with the requirements of IFRS 9;

We assessed and tested the design and effectiveness of the key controls that management has established in relation to meeting the classification and measurement requirements under IFRS 9;

We independently assessed the assumptions used, business model documentation and tested a sample of advances and investments to assess if those pass the solely payment of principal and interest criteria;
For expected credit loss (ECL) calculations, we also assessed and tested the design and operating effectiveness of the key controls that management has established. This includes testing the key controls over governance and model development;

For a sample of exposures, we checked the appropriateness of the Bank's staging;

We checked the appropriateness of the opening balance adjustments and the completeness of advances and investments included in the ECL calculations as of October 1, 2017 and September 30, 2018; and

Independent Auditors' Report

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
	Assessed the financial statement disclosures arising on early adoption of IFRS 9 to determine if they were in accordance with the requirements of the Standard. Please refer to the accounting policies, critical accounting estimates and judgements, disclosures of advances, investment and credit risk management in notes 2, 5, 6 and 20 to the financial statements.
Credit loss provisions	
Advances, net of credit loss provisions, comprise 42% of the Bank's total assets – refer to note 5; while Investment securities, net of credit loss provisions, comprise 9% of the Bank's total assets – refer to note 6. The appropriateness of credit loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of credit loss provisions. The disclosures relating to these assets and related credit loss provisions are considered important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Bank's process and documented policy for credit loss provisioning. For credit loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default; We performed an independent assessment of a sample of commercial loan files to assess accurate and timely assignment of risk ratings and compliance with management's rating policy; and We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment. For credit loss provisions calculated on a collective basis, we performed the following: The model used to compute Stages 1 and 2 provisions were reviewed for inconsistencies in data and formulas checked for accuracy; Customers' risk ratings were reviewed to ensure accuracy of ratings; The models prepared were reviewed to ensure compliance with the Manual governing the models and IFRS 9; Information in the model loads and portfolio loads (worksheet in the ECL models) were compared for consistency; Total loans and investment securities as per the models were compared to the management accounts to ensure accuracy; and Finally, we focused on the adequacy of the Bank's financial statement disclosures regarding advances and investment securities and the related credit loss provisions.

Independent Auditors' Report

KEY AUDIT MATTERS

Fair value disclosures for investments securities

Investment securities, related interest receivable and Government treasury bills comprise 29% of the Bank's total assets - refer to note 6.

Investment securities are carried at historical cost while fair values have been disclosed in note 22. Of these assets, $14,026 million relates to investments for which no published prices in active markets are available and which have been classified as Level 2 in the IFRS fair value hierarchy.

Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of focus includes the determination of fair value where valuation techniques are applied in which unobservable inputs are used.

For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS

We independently tested the pricing on quoted securities, and used valuation specialists to assess the appropriateness of pricing models used by the Bank. This included:

An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines;

Testing of the inputs used, including cash flows and other market based data;

An evaluation of the reasonableness of other assumptions applied such as credit spreads;

The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation;

An assessment of management's impairment analysis; and

Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Bank's exposure to financial instrument valuation risk.

Regulatory environment

The Bank operates in a highly regulated environment and non-compliance with laws and regulations, particularly the Anti-Money

Laundering and Countering the Financing of Terrorism (AML/CFT) Act Cap. 10:11, could result in serious monetary or other penalties.

The Bank has assigned the responsibility of AML/CFT to officers throughout its network and established various controls to ensure AML/CFT compliance.

The Bank's Internal Audit Department also reviews compliance with the Bank's established policies.

Regulatory environment

We evaluated and tested the Bank's internal controls with a specific emphasis on compliance with AML/CFT policies. This included:

A review of the policies and procedures in place including approval of those policies by those charged with governance;

A review of training completed by Bank personnel including those charged with governance;

Testing of customer documentation and transactions; and

Review of the Bank's compliance with reporting requirements.

Finally, we reviewed compliance with relevant provisions of other legislation including the Financial Institutions Act Cap. 85:03 and the Securities Industry Act Cap. 73:04.

Independent Auditors' Report

OTHER INFORMATION IN THE ANNUAL REPORT

Management is responsible for the other information. The other information comprises all the information disclosed in the annual report but does not include the financial statements including the notes thereon and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Independent Auditors' Report

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statement of the year ended 30 September 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this auditors' report is Christopher Ram.

Ram & McRae

Ram & McRae
Chartered Accountants
Professional Services Firm
157 'C' Waterloo Street,
Georgetown

October 22, 2018

Statement of Financial Position

As at September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	Notes	2018	2017
ASSETS			
Cash		**2,661,598**	2,408,902
Statutory deposit with Bank of Guyana		**16,178,382**	13,967,485
Due from banks	4	**21,238,204**	11,452,834
Treasury Bills	6 (c)	**33,096,297**	40,039,152
Investment interest receivable		**225,236**	67,034
Advances	5	**69,747,950**	60,791,257
Investment securities	6 (a)	**15,694,193**	7,440,987
Premises and equipment	7 (a)	**7,070,772**	7,246,831
Intangible assets	7 (b)	**94,770**	130,207
Goodwill	8	**1,228,222**	1,228,222
Pension assets	9 (a)	**13,700**	–
Deferred tax assets	10 (a)	**428,118**	186,362
Other assets	11	**505,848**	1,270,222
TOTAL ASSETS		**168,183,290**	**146,229,495**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**117,037**	127,988
Customers' chequing, savings and deposit accounts	12 (a)	**144,654,913**	124,879,378
Pension liability	9 (a)	**–**	135,200
Taxation payable		**651,621**	313,841
Deferred tax liabilities	10 (b)	**378,906**	355,590
Accrued interest payable		**18,850**	17,772
Other liabilities	13	**2,197,682**	2,099,245
TOTAL LIABILITIES		**148,019,009**	**127,929,014**

The accompanying notes on pages 65 to 131 form an integral part of these financial statements.

Statement of Financial Position

As at September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	Notes	2018	2017
EQUITY			
Stated capital	14	**300,000**	300,000
Statutory reserves	15 (a)	**300,000**	300,000
Net unrealised gains	15 (b)	**–**	17,730
General banking risk reserve	15 (c)	**795,389**	3,512,532
Retained earnings		**18,768,892**	14,170,219
TOTAL EQUITY		**20,164,281**	**18,300,481**
TOTAL LIABILITIES AND EQUITY		**168,183,290**	**146,229,495**

The accompanying notes on pages 65 to 131 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on October 22, 2018, and signed on its behalf by:

RICHARD S. SAMMY
Managing Director

CHRISTINE MC GOWAN
Corporate Secretary

ROY E. CHEONG
Director, Chairman of Audit Committee

Statement of Income

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	Notes	2018	2017
Interest income	16 (a)	**7,974,508**	7,705,055
Interest expense	16 (b)	**(570,015)**	(574,961)
Net interest income		**7,404,493**	7,130,094
Other income	16 (c)	**3,153,298**	2,522,585
		10,557,791	9,652,679
Credit loss expense on financial assets	17	**(885,398)**	(675,749)
Operating expenses	16 (d)	**(5,007,796)**	(4,748,126)
Profit before taxation		**4,664,597**	4,228,804
Taxation - Current		**(1,585,314)**	(1,480,299)
Taxation - Deferred		**54,721**	(9,566)
Total taxation expense	18	**(1,530,593)**	(1,489,865)
Net profit after taxation		**3,134,004**	**2,738,939**
Earnings per stock unit ($)		**10.45**	9.13

The accompanying notes on pages 65 to 131 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	2018	2017
Net profit after taxation	**3,134,004**	2,738,939
Other comprehensive income:		
Items of other comprehensive income that will be reclassified to the statement of income in subsequent periods (net of tax):		
Gains on available-for-sale investments	–	113,047
Income tax related to above	–	(45,219)
Total items that will be reclassified to the income statement in subsequent periods:	–	67,828
Items of other comprehensive income that will not be reclassified to the statement of income in subsequent periods (net of tax):		
Re-measurement gain on defined benefit plans	**121,400**	22,200
Income tax related to above	**(48,560)**	(8,880)
Total items that will not be reclassified to the income statement in subsequent periods:	**72,840**	13,320
Other comprehensive income for the year, net of tax	**72,840**	**81,148**
Total comprehensive income for the year, net of tax	**3,206,844**	**2,820,087**

The accompanying notes on pages 65 to 131 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	Stated capital	Statutory reserve	Net unrealised gains/ (losses)	General banking risk reserve	Retained earnings	Total equity
Balance at September 30, 2016	**300,000**	**300,000**	**(50,098)**	**2,895,525**	**13,269,967**	**16,715,394**
Profit for the year	–	–	–	–	2,738,939	2,738,939
Other comprehensive income	–	–	67,828	–	13,320	81,148
Total comprehensive income for the year	–	–	67,828	–	2,752,259	2,820,087
Transfer to general banking risk reserve	–	–	–	617,007	(617,007)	–
Dividends	–	–	–	–	(1,235,000)	(1,235,000)
Balance at September 30, 2017	**300,000**	**300,000**	**17,730**	**3,512,532**	**14,170,219**	**18,300,481**
Net impact of adopting IFRS 9 (Note 2b)	–	–	(17,730)	–	(90,314)	(108,044)
Restated opening balance under IFRS 9	**300,000**	**300,000**	**–**	**3,512,532**	**14,079,905**	**18,192,437**
Profit for the year	–	–	–	–	3,134,004	3,134,004
Other comprehensive income	–	–	–	–	72,840	72,840
Total comprehensive income for the year	–	–	–	–	3,206,844	3,206,844
Transfer from general banking risk reserve (Note 2b)	–	–	–	(2,717,143)	2,717,143	–
Dividends	–	–	–	–	(1,235,000)	(1,235,000)
Balance at September 30, 2018	**300,000**	**300,000**	**–**	**795,389**	**18,768,892**	**20,164,281**

Statement of Cash Flows

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	Notes	2018	2017
Operating activities			
Profit before taxation		**4,664,597**	4,228,804
Adjustments for:			
Depreciation and amortisation		**511,487**	449,772
Loan impairment expense		**885,398**	675,749
(Gain)/Loss on sale of premises and equipment		**(194,013)**	10,661
Decrease in pension liability		**(27,500)**	(15,000)
Increase in advances		**(9,024,400)**	(2,703,987)
Increase/(decrease) in customers' deposits		**19,775,535**	(6,307,579)
(Increase)/decrease in statutory deposit with Bank of Guyana		**(2,210,897)**	834,753
Decrease/(increase) in other assets and investment interest receivable		**609,053**	(633,376)
Increase/(Decrease) in other liabilities and accrued interest payable		**99,514**	(43,106)
Net cash provided by/(used in) operating activities before tax		**15,088,774**	(3,503,309)
Taxes paid		**(1,423,746)**	(1,705,780)
Cash provided by/(used in) operating activities		**13,665,028**	**(5,209,089)**
Investing activities			
Purchase of investment securities		**(10,395,000)**	(2,993,732)
Redemption of investment securities		**1,094,215**	2,682,766
Purchase of Treasury Bills		**(38,382,700)**	(43,126,450)
Redemption of Treasury Bills		**45,408,200**	48,585,100
Additions to premises and equipment		**(325,129)**	(996,225)
Proceeds from sale of premises and equipment		**219,403**	7,858
Cash (used in)/provided by investing activities		**(2,381,011)**	**4,159,317**
Financing activities			
Decrease in balances due to other banks		**(10,951)**	(15,214)
Dividends paid		**(1,235,000)**	(1,235,000)
Cash used in financing activities		**(1,245,951)**	**(1,250,214)**
Net increase/(decrease) in cash and cash equivalents		**10,038,066**	**(2,299,986)**
Cash and cash equivalents at beginning of year		**13,861,736**	**16,161,722**
Cash and cash equivalents at end of the year		**23,899,802**	**13,861,736**

The accompanying notes on pages 65 to 131 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000)

	Notes	2018	2017
Cash and cash equivalents at September 30 are represented by:			
Cash on hand		**2,661,598**	2,408,902
Due from banks	4	**21,238,204**	11,452,834
		23,899,802	**13,861,736**
Supplemental information:			
Interest received during the year		**7,810,406**	7,611,980
Interest paid during the year		**568,937**	575,178
Dividends received		**9,704**	9,424

The accompanying notes on pages 65 to 131 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

1 CORPORATE INFORMATION

The Bank was incorporated in the Co-operative Republic of Guyana on November 20, 1984, as a limited liability company and continued under the Companies Act Cap. 89:01 on May 16, 1997, and is licensed as Bankers under the Financial Institutions Act Cap. 85:03.

The Bank was registered as a reporting issuer under the Securities Industry Act Cap. 73:04 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 Cap. 81:01.

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, now Republic Financial Holdings Limited and subsequently changed its name to Republic Bank (Guyana) Limited on June 5, 2006. As at September 30, 2018, the stockholdings of Republic Financial Holdings Limited in the Bank were 50.97%.

Republic Financial Holdings Limited, the financial holding company for the Republic Group, is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain. Republic Financial Holdings Limited is listed on the Trinidad and Tobago Stock Exchange.

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities in the CARICOM region and Ghana.

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), the Financial Institutions Act Cap. 85:03 and guidelines issued thereunder, the Companies Act Cap. 89:01 and the Securities Industry Act Cap. 73:04. 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 standards/improvements 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, 2017, except for the adoption of new standards and interpretations below.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption and amendment to this Standard had no impact on the Bank.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting standards/improvements adopted *(continued)*

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments require an entity to consider whether the applicable tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The adoption and amendment to this Standard had no impact on the Bank.

IFRS 12 Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from January 1, 2017, and must be applied retrospectively. The adoption and amendment to this standard had no impact on the Bank.

As permitted, the Bank early adopted IFRS 9 - Financial Instruments and IFRS 7R - Financial instruments: Disclosures Revised in the third quarter of 2018 with effect from October 1, 2017, in advance of the effective mandatory date required by the International Accounting Standards Board (IASB). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for annual periods on or after January 1, 2018. The Bank was not required to and has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017, is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of October 1, 2017, and are disclosed in the transition disclosures on pages 67 to 70 and policy Note 2 (ac).

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39.

The Bank's classification of its financial assets and liabilities is explained in Notes 2 (e) (iii) and 2 (f). The quantitative impact of applying IFRS 9, as at October 1, 2017, is disclosed in the transition disclosures on pages 67 to 70.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting standards/improvements adopted *(continued)*

Changes to impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Bank's impairment methodology are disclosed in Note 2 (i). The quantitative impact of applying IFRS 9 as at October 1, 2017, is disclosed in the transition disclosures below.

IFRS 7R Financial Instruments: Disclosures Revised

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning October 1, 2017. Changes include transition disclosures as shown below.

Reconciliations from opening to closing ECL allowances are presented in Notes 5 (c) and 6 (d).

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting standards/improvements adopted *(continued)*

Transition disclosures *(continued)*

	IAS 39 measurement		Reclassification	Remeasurement		IFRS 9	
	Category 4	Amount		ECL	Other	Amount	Category 4
Financial assets							
Cash and cash equivalents	L&R	2,408,902	–	–	–	2,408,902	AC
Statutory deposits with Central Banks	L&R	13,967,485	–	–	–	13,967,485	AC
Due from banks	L&R	11,452,834	–	–	–	11,452,834	AC
Treasury Bills	L&R	40,039,152	–	–	–	40,039,152	AC
Investment interest receivable	L&R	67,034	–	–	–	67,034	AC
Advances	L&R	60,791,257	–	(67,708)	–	60,723,549	AC
		128,726,664	**–**	**(67,708)**	**–**	**128,658,956**	
Debt instruments – amortised cost							
From investment securities – AFS 1		–	7,420,987	(222,776)	(17,730)	7,180,481	
		–	**7,420,987**	**(222,776)**	**(17,730)**	**7,180,481**	**AC**
Investment securities – AFS		7,440,987	–	–	–	–	
To debt instruments - amortised cost 1		–	(7,420,987)	–	–	–	
To equity instruments FVPL 3		–	(20,000)	–	–	–	
		7,440,987	(7,440,987)	–	–	–	
Financial Assets at FVPL	FVPL	–	–	–	–	-	
From investment securities – AFS 3		–	20,000	–	–	20,000	
		–	20,000	–	–	20,000	FVPL
Total Financial Assets		**136,167,651**	**–**	**(290,484)**	**(17,730)**	**135,859,437**	
Non-financial assets							
Deferred tax assets		**186,362**	**–**	**–**	**200,170**	**386,532**	
Total Assets		**136,354,013**	**-**	**(290,484)**	**182,440**	**136,245,969**	

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting standards/improvements adopted *(continued)*

Transition disclosures *(continued)*

	IAS 39 measurement		Reclassification	Remeasurement		IFRS 9	
	Category [4]	Amount		ECL	Other	Amount	Category [4]
Financial liabilities							
Due to banks	AC	127,988	–	–	–	127,988	AC
Customers' current, savings and deposit accounts	AC	124,879,378	–	–	–	124,879,378	AC
Accrued interest payable	AC	17,772	–	–	–	17,772	AC
Total Financial Liabilities		**125,025,138**	**–**	**–**	**–**	**125,025,138**	
Non-financial liabilities							
Deferred tax liabilities		355,590	–	–	(12,111)	343,479	
Total Liabilities		**125,380,728**	**–**	**–**	**(12,111)**	**125,368,617**	

1

As of October 1, 2017, the Bank has reclassified a portion of its previous AFS portfolio as debt instruments at amortised cost. These instruments met the Solely Payments of Principal and Interest (SPPI) criterion, were not actively traded, and were held with the intention to collect cash flows and without the intention to sell. The fair value of these instruments that the Bank still held at September 30, 2018, was $19,933 million. Their change in fair value over 2018, which would have been recorded in OCI had these instruments continued to be revalued through OCI, would have been $84.6 million.

2

As of October 1, 2017, the Bank did not have any debt instruments that did not meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

3

The Bank has elected the option to irrevocably designate some of its previous AFS equity instruments as equity instruments at FVPL since the portfolio is small and there would be minimal differences when accounting for these at FVOCI.

4

IAS 39 categories include Loans and receivables (L&R), Available for sale (AFS), Held to maturity (HTM) and Fair Value through P&L (FVPL). IFRS 9 categories include Amortised cost (AC) and Fair Value through P&L (FVPL).

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i ***New accounting standards/improvements adopted*** *(continued)*

Transition disclosures *(continued)*

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

	Stated Capital and Statutory Reserve	Other Reserves (Note 15)	Retained Earnings	Total
Closing balance under IAS 39 (September 30, 2017)	**600,000**	**3,530,262**	**14,170,219**	**18,300,481**
Reclassification of investment securities from				
available-for-sale to amortised cost	–	(17,730)	–	(17,730)
Initial recognition of IFRS 9 ECLs	–	–	(290,484)	(290,484)
Deferred tax in relation to the above	–	–	200,170	200,170
Opening balance under IFRS 9 (October 1, 2017)	**600,000**	**3,512,532**	**14,079,905**	**18,192,437**

The following table reconciles the aggregate opening financial asset impairments under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances for financial assets under IFRS 9. Further details are disclosed in Notes 5 (c) and 6 (d).

	Financial asset impairment under IAS 39 at September 30, 2017	Remeasure-ment	ECLs under IFRS 9 at October 1, 2017
Impairment allowance for			
Loans and receivables per IAS 39/ financial assets at			
amortised cost under IFRS 9	799,343	67,708	867,051
Available-for-sale debt investment securities per IAS 39/			
Debt instruments at amortised cost under IFRS 9:	–	222,776	222,776
	799,343	**290,484**	**1,089,827**

ii ***Standards in issue not yet effective***

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Bank's financial statements. These standards and interpretations will be applicable to the Bank at a future date and will be adopted when they become effective. The Bank is currently assessing the impact of adopting these standards and interpretations.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

ii Standards in issue not yet effective *(continued)*

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances, when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

IAS 40 Investment Property: Transfers of Investment Properties - Amendments to IAS 40 (effective January 1, 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

i The beginning of the reporting period in which the entity first applies the interpretation
OR

ii The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

ii Standards in issue not yet effective *(continued)*

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective January 1, 2019)

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

IAS 19 Employee Benefits - Amendments to IAS 19 (effective January 1, 2019)

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

ii Standards in issue not yet effective *(continued)*

IAS 19 Employee Benefits - Amendments to IAS 19 (effective January 1, 2019) *(continued)*

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

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, 2018.

IFRS	**Subject of Amendment**
IFRS 1	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)
IFRS 3	Business Combinations - Previously held Interests in a joint operation (effective January 1, 2019)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation (effective January 1, 2019)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity (effective January 1, 2019)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation (effective January 1, 2019)

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 on hand and at bank, Treasury Bills, bills discounted, and bankers' acceptances with original maturities of three months or less.

d Statutory deposit with Bank of Guyana

Pursuant to the Financial Institutions Act Cap. 85:03, 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 – initial recognition

i Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e Financial instruments – initial recognition *(continued)*

ii Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2 (f) (i). Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

iii Measurement categories of financial assets and liabilities

From October 1, 2017, the Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in Note 2 (f) (i)
- FVPL, as explained in Note 2 (f) (ii)

Before October 1, 2017, the Bank classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost), as explained in Notes 2 (f) (i), 2 (f) (v) and 2 (f) (vi).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost.

f Financial assets and liabilities

Under IFRS 9 (Policy applicable from October 1, 2017)

i Due from banks, Treasury Bills, Advances and Investment securities

Before October 1, 2017, Due from banks, Treasury Bills, Advances to customers and Investment securities included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Bank intended to sell immediately or in the near term
- That the Bank, upon initial recognition, designated as at FVPL or as available-for-sale
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From October 1, 2017, the Bank only measures Due from banks, Treasury Bills, Advances to customers and Investment securities at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

The SPPI test

For the first step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f Financial assets and liabilities *(continued)*

Under IFRS 9 (Policy applicable from October 1, 2017) *(continued)*

i Due from banks, Treasury Bills, Advances and Investment securities *(continued)*

The SPPI test (continued)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors, such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or FVOCI without recycling.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis, or
- The assets (until September 30, 2017 under IAS 39) are part of a group of financial assets under IAS 39, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income using the Effective Interest Rate (EIR), taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f Financial assets and liabilities *(continued)*

Under IFRS 9 (Policy applicable from October 1, 2017) *(continued)*

iii Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements but no ECL was determined based on historical observation of defaults.

iv Debt securities and other fund raising instruments

Financial liabilities issued by the Bank that are designated at FVPL, are classified as liabilities under Debt securities in issue and Other fund raising instruments, where the substance of the contractual arrangement results in the Bank having an obligation to deliver cash to satisfy the obligation. These are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Under IAS 39 (Policy applicable before October 1, 2017)

v Available-for-sale financial investments

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. Securities held as available-for-sale are initially recognised at fair value plus transaction costs and are continuously remeasured at fair value based on quoted market prices where available or discounted cash flow models. Unquoted equity instruments are recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income 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.

g Reclassification of financial assets and liabilities

From October 1, 2017, the Bank ceased reclassifying its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2018, except on the initial adoption of IFRS 9 as required. On adoption, the Bank classified its financial assets and liabilities in accordance with its existing business models.

h Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, to facilitate changes to the original loan agreement or arrangement due to weaknesses in the borrower's financial position and/or non-repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new loan, with the difference recognised as an impairment loss. The newly recognised loans are classified as Stage 2 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h Derecognition of financial assets and liabilities *(continued)*

Derecognition due to substantial modification of terms and conditions *(continued)*

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Bank records a modification gain or loss to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets (Policy applicable from October 1, 2017)

i Overview of the ECL principles

As described in Note 2 (b) (i) New accounting policies/improvements adopted, the adoption of IFRS 9 has fundamentally changed the Bank's financial asset impairment methodologies by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From October 1, 2017, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Bank uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 20.2.7). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 20.2

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 20.2.7.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank classifies its loans and investments into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1

When loans and investments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans and investments also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2

When a loan or investment has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans and investments also include facilities where the credit risk has improved and the loan or investment has been reclassified from Stage 3.

Stage 3

Loans and investments considered credit-impaired (as outlined in Note 20.2). The Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets (Policy applicable from October 1, 2017) *(continued)*

ii The calculation of ECLs

The Bank calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 20.2.5.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 2

When a loan or investment has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived, as explained under Stage 3, for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets (Policy applicable from October 1, 2017) *(continued)*

ii The calculation of ECLs *(continued)*

The mechanics of the ECL method are summarised below: *(continued)*

Stage 3

For loans and investments considered credit-impaired (as defined in Note 20.2.8), the Bank recognises the lifetime expected credit losses for these loans and investments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Bank, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

iii Revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft facilities, in which the Bank has the right to cancel and/or reduce the facilities. The Bank limits its exposure to credit losses on overdraft facilities to the outstanding balance.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 20.2.5, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

iv Treasury Bills, Statutory deposits with Central Banks and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from banks are short-term funds placed with Central Banks in the countries where the Bank is engaged in the full range of banking and financial activities and correspondent banks and the Bank therefore considers the risk of default to be very low. The ECL on these instruments was determined to be zero, with the exception of the Bank's exposure to the Government of Barbados.

v Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. As a result, the Bank considers the risk of default to be very low and the ECLs on these instruments were determined to be zero.

vi Forward looking information

In its ECL models, the Bank considers a broad range of forward looking information as economic inputs, such as:

- Currency rates
- GDP growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

Within the countries in which the Bank operates, there was little correlation between the overall performance of the economies and historic loss trends. It was therefore not possible to directly correlate macroeconomic expectations to adjustments within the ECL models.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets (Policy applicable from October 1, 2017) *(continued)*

vi Forward looking information *(continued)*

The Bank, however, recognised that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the financial statements. To reflect this, management adjustments or overlays are occasionally made based on judgements as temporary adjustments when such differences are significantly material.

j Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets, which do not have readily determinable market values, are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations and other data provided by third parties.

k Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is for a repossessed asset to be sold. Assets to be sold are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy.

In its normal course of business, should the Bank repossess properties or other assets in its retail portfolio, it sometimes engages external agents to assist in the sale of these assets to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

l Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

m Impairment of financial assets (policy applicable before October 1, 2017)

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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m Impairment of financial assets (policy applicable before October 1, 2017) *(continued)*

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 than 30%, and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than one year. This policy is applied at the individual security level.

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

Any subsequent increases in value of previously impaired securities are taken to OCI.

n Leases

The leases entered into by the Bank as 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o 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 amounts. 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	6 to 15 years
Computer equipment	4 to 10 years
Furniture, fixtures and other equipment	4 to 15 years

Land and work-in-progress are not depreciated.

p Intangible assets

The Bank's intangible assets comprise 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 lives of three to five years.

Subsequent expenditure on intangible 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.

q 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r Employee benefits

i Pension obligations

The Bank operates a defined benefit pension plan for qualifying employees. The Plan is funded and the Bank's contribution is determined by the independent actuaries. Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of the employee benefit plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

The defined benefit obligation is calculated annually by the independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to the Statement of Income so as to spread regular costs over the service lives of employees in accordance with the advice of the actuaries.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding interest), are recognised immediately through Other Comprehensive Income.

The defined benefit plans mainly expose the Bank to risks such as investment risk, interest rate risk, and longevity risk.

The above accounting requirement in no way affects the pension plan which continues to be governed by the approved Trust Deed and Rules and remains 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 share 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.

s 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t Statutory reserves

In accordance with the Financial Institutions Act Cap. 85:03, a minimum of 15.00% 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.

u 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.

v Foreign currency translation

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

Monetary assets and liabilities, which are denominated in foreign currencies, are expressed in Guyana dollars at rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the Statement of Income.

w Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income and expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income and expense

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets.

When a financial asset becomes credit-impaired (as set out in Note 2 (i) (i)) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

w Revenue recognition *(continued)*

Dividends

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

x 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.

y 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.

z 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 26 (b) of these financial statements.

aa 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.

ab 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.

ac Equity reserves

The reserves recorded in equity on the Bank's statement of financial position include:

Stated Capital – Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Bank at the date received.

General contingency reserves / Other reserves - prior to October 1, 2017, the General Contingency reserve was used as an appropriation of retained earnings for the difference between specific provisions and the non-performing advances. From October 1, 2017, the balance on this reserve represents the difference between IFRS 9 provision and regulatory requirement.

Net unrealised gains – prior to October 1, 2017, net unrealised gains comprised changes in fair value of available-for-sale investments.

Other statutory reserves that qualify for treatment as equity are discussed in Note 2 t.

Notes to the Financial Statements

For the year ended September 30, 2018. 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 losses on financial assets (Policy applicable under IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Bank's internal credit grading model, which assigns PDs to the individual grades for corporate facilities
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of the existence of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- The inclusion of overlay adjustments based on judgement and future expectations

Impairment losses and investment valuation (Policy applicable under IAS 39)

Under IAS 39, financial assets are determined 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.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Inherent provisions on advances (note 5c) (Policy applicable under IAS 39)

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) (Policy applicable under IAS 39)

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.

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, 2018, using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

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

Deferred taxes (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

	2018	2017
Bank of Guyana – excess of statutory deposit	**19,490,715**	9,995,975
Other banks	**1,747,489**	1,456,859
	21,238,204	**11,452,834**

5 ADVANCES

a Advances

2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Performing advances	8,535,703	27,783,480	24,367,138	7,569,118	68,255,439
Non-performing advances	21,156	2,434,573	1,301,723	180,768	3,938,220
	8,556,859	30,218,053	25,668,861	7,749,886	72,193,659
Unearned interest	(1,614,317)	–	–	–	(1,614,317)
Accrued interest	–	282,546	95,987	–	378,533
	6,942,542	30,500,599	25,764,848	7,749,886	70,957,875
Allowance for ECLs - Note 5 (c)	(63,793)	(419,252)	(255,129)	(63,995)	(802,169)
	6,878,749	30,081,347	25,509,719	7,685,891	70,155,706
Unearned loan origination fees	(208,890)	(126,887)	(71,979)	–	(407,756)
Net Advances	**6,669,859**	**29,954,460**	**25,437,740**	**7,685,891**	**69,747,950**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

a Advances *(continued)*

October 1, 2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Performing advances	7,939,282	23,629,804	22,180,416	5,150,071	58,899,573
Non-performing advances	10,943	2,615,317	1,261,197	214,479	4,101,936
	7,950,225	26,245,121	23,441,613	5,364,550	63,001,509
Unearned interest	(1,452,838)	–	–	–	(1,452,838)
Accrued interest	–	286,051	86,582	–	372,633
	6,497,387	26,531,172	23,528,195	5,364,550	61,921,304
Allowance for ECLs - Note 5 (c)	(56,167)	(515,251)	(257,467)	(38,166)	(867,051)
	6,441,220	26,015,921	23,270,728	5,326,384	61,054,253
Unearned loan origination fees	(171,750)	(113,017)	(45,937)	–	(330,704)
Net Advances	**6,269,470**	**25,902,904**	**23,224,791**	**5,326,384**	**60,723,549**

b Loans by remaining term to maturity

	2018	2017
Within three months	**526,407**	235,405
Between three and six months	**649,481**	632,341
Between six months and one year	**8,293,798**	5,698,374
Between one and five years	**12,414,072**	11,118,809
More than five years	**48,271,948**	43,437,032
	70,155,706	**61,121,961**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

c Impairment allowance for advances to customers

The table below shows the staging of advances and the related ECLs based on the Bank's criteria as explained in Note 20.2.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 20.2.6.

2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Gross Loans	6,942,542	30,500,599	25,764,848	7,749,886	70,957,875
Stage 1: 12 Month ECL	(55,678)	(141,951)	(59,116)	(40,071)	(296,816)
Stage 2: Lifetime ECL	(1,869)	(9,129)	(10,594)	(1,109)	(22,701)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(6,246)	(268,172)	(185,419)	(22,815)	(482,652)
	6,878,749	**30,081,347**	**25,509,719**	**7,685,891**	**70,155,706**

2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Gross Loans	6,497,387	26,531,172	23,528,195	5,364,550	61,921,304
Stage 1: 12 Month ECL	(42,438)	(113,554)	(53,725)	(36,056)	(245,773)
Stage 2: Lifetime ECL	(2,586)	(11,277)	(16,576)	(1,438)	(31,877)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(11,143)	(390,420)	(187,166)	(672)	(589,401)
	6,441,220	**26,015,921**	**23,270,728**	**5,326,384**	**61,054,253**
Stage 1: 12 Month ECL					
ECL allowance as at October 1, 2017 under IFRS 9	42,438	113,554	53,725	36,056	245,773
ECL on new instruments issued during the year	32,343	82,231	504	–	115,078
Other Credit Loss movements, repayments etc.	(19,103)	(53,834)	4,887	4,015	(64,035)
At September 30, 2018	**55,678**	**141,951**	**59,116**	**40,071**	**296,816**
Stage 2: Lifetime ECL					
ECL allowance as at October 1, 2017 under IFRS 9	2,586	11,277	16,576	1,438	31,877
ECL on new instruments issued during the year	668	5,491	640	–	6,799
Other Credit Loss movements, repayments etc.	(1,385)	(7,639)	(6,622)	(329)	(15,975)
At September 30, 2018	**1,869**	**9,129**	**10,594**	**1,109**	**22,701**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

c Impairment allowance for advances to customers *(continued)*

	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage 3: Credit Impaired Financial Assets - Lifetime ECL					
ECL allowance as at October 1, 2017 under IFRS 9	11,143	390,420	187,166	672	589,401
Charge-offs and write-offs	(189,497)	(59,885)	(531,505)	(49,145)	(830,032)
Credit Loss Expense	41,932	(126,577)	529,758	71,288	516,401
Recoveries	142,668	64,214	–	–	206,882
At September 30, 2018	**6,246**	**268,172**	**185,419**	**22,815**	**482,652**
Total	**63,793**	**419,252**	**255,129**	**63,995**	**802,169**

Of the Total ECL of $802.2 million, 39.8 % was on a collective basis and 60.2% was on an individual basis.

d Provision for loan losses by economic sectors

2018	Gross Amount	Non–Performing	Specific Provision	Expected Credit Loss	Net Advances
Government and government bodies	109,382	–	–	–	109,382
Financial sector	72,489	–	–	(390)	72,099
Energy and mining	215,839	108,998	(35,163)	(1,162)	288,512
Agriculture	3,131,837	437,089	(35,223)	(16,867)	3,516,836
Electricity and water	565	–	–	(3)	562
Transport, storage and communication	1,345,720	153,845	–	(7,247)	1,492,318
Distribution	10,103,591	1,326,335	(57,461)	(54,414)	11,318,051
Real estate mortgages	24,463,125	1,301,723	(185,419)	(69,711)	25,509,718
Manufacturing	4,050,273	178,669	(98,992)	(21,812)	4,108,138
Construction	1,131,404	156,744	–	(6,093)	1,282,055
Hotel and restaurant	47,507	–	–	(256)	47,251
Personal	6,747,893	21,156	(6,247)	(57,547)	6,705,255
Non-residents	173,493	–	-	(934)	172,559
Other services	15,426,537	253,661	(64,147)	(83,081)	15,532,970
	67,019,655	**3,938,220**	**(482,652)**	**(319,517)**	**70,155,706**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

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

2017	Gross Amount	Non-Performing	Specific Provision	Expected Credit Loss	Net Advances
Government and government bodies	95,277	–	–	–	95,277
Financial sector	85,252	–	–	(476)	84,776
Energy and mining	276,324	139,590	(40,720)	(1,542)	373,652
Agriculture	3,002,996	871,708	(153,679)	(16,763)	3,704,262
Electricity and water	2,702	–	–	(15)	2,687
Transport, storage and communication	1,408,378	147,425	–	(7,862)	1,547,941
Distribution	6,874,900	979,995	(22,740)	(38,376)	7,793,779
Real estate mortgages	22,266,998	1,261,197	(187,166)	(70,301)	23,270,728
Manufacturing	2,837,625	210,328	(66,405)	(15,840)	2,965,708
Construction	1,202,995	191,130	–	(6,715)	1,387,410
Hotel and restaurant	62,250	47,511	–	(347)	109,414
Personal	6,377,086	10,943	(11,143)	(45,024)	6,331,862
Non-residents	109,358	–	–	(610)	108,748
Other services	13,217,227	242,109	(107,548)	(73,779)	13,278,009
	57,819,368	**4,101,936**	**(589,401)**	**(277,650)**	**61,054,253**

e Advances to customers as at September 30, 2017

Advances as per IAS 39

	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	7,939,282	28,779,875	22,180,416	58,899,573
Non-performing advances	10,943	2,829,796	1,261,197	4,101,936
	7,950,225	**31,609,671**	**23,441,613**	**63,001,509**
Unearned interest	(1,452,838)	–	–	(1,452,838)
Accrued interest	–	286,051	86,582	372,633
	6,497,387	31,895,722	23,528,195	61,921,304
Allowance for impairment losses - Note 5 (c)	(48,544)	(537,240)	(213,559)	(799,343)
Unearned loan origination fees	(171,750)	(113,017)	(45,937)	(330,704)
Net Advances	**6,277,093**	**31,245,465**	**23,268,699**	**60,791,257**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

e Advances to customers as at September 30, 2017 *(continued)*

Impairment allowance as at September 30, 2017

An analysis of the allowance for impairment losses under IAS 39 for loans and advances, by class, for the year to September 30, 2017 is, as follows:

	Retail lending	Commercial and Corporate lending	Mortgages	Total
Balance brought forward	(33,069)	(665,905)	(155,828)	(854,802)
Charge-offs and write-offs	213,442	517,766	–	731,208
Loan impairment expense	(427,790)	(2,238,686)	(328,113)	(2,994,589)
Loan impairment recoveries	198,873	1,849,585	270,382	2,318,840
Balance carried forward	(48,544)	(537,240)	(213,559)	(799,343)
Individual impairment	(11,143)	(391,092)	(187,166)	(589,401)
Collective impairment	(37,401)	(146,148)	(26,393)	(209,942)
	(48,544)	**(537,240)**	**(213,559)**	**(799,343)**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**10,943**	**2,829,796**	**1,261,197**	**4,101,936**

f Restructured / Modified Loans

Within the retail portfolio, management will, in the normal course of business, modify the terms and conditions of facilities in the case of difficulties by the borrower. These modifications rarely result in an impairment loss, and if they do, they are not material.

The Bank occasionally makes modifications to the original terms of large commercial and corporate loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. These modifications are made only when the Bank believes the borrower is likely to meet the modified terms and conditions. Indicators of financial difficulties include defaults on covenants, overdue payments or significant concerns raised by the Credit Risk Department. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $205.1 million, as at September 30, 2018, with a corresponding ECL of $2.3 million.

g The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired, at September 30, 2018, amounts to $4,801.6 million (2017: $3,773.7 million). The collateral consists of cash, securities and properties.

h Collateral realised

During the year, the Bank realised collateral amounting to $28.4 million (2017: $24.2 million).

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

i Credit concentration by economic sector (facilities totalling 10% and above of Capital base for any one customer or group of closely related customers).

	2018	2017
Government	**12,618,390**	2,566,002
Distribution	**2,683,053**	–
Manufacturing	**2,561,303**	–
Other services	**4,593,327**	4,291,510
	22,456,073	**6,857,512**

6 INVESTMENT SECURITIES

a Debt instruments at amortised cost

	2018	2017
Government securities	**12,911,496**	3,591,972
State-owned company securities	**1,245,245**	1,004,850
Corporate bonds	**1,517,452**	2,824,165
	15,674,193	7,420,987
Designated at fair value through profit or loss		
Equity	**20,000**	20,000
Total investment securities	**15,694,193**	**7,440,987**

b Investment securities by remaining term to maturity

	2018	2017
Within three months	**154,578**	27,245
Between three and six months	**–**	488,256
Between six months and one year	**2,294,022**	741,138
Between one and five years	**9,775,786**	2,648,122
More than five years	**3,469,807**	3,536,226
	15,694,193	**7,440,987**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

6 INVESTMENT SECURITIES *(continued)*

c Treasury Bills by remaining term to maturity

	2018	2017
Within three months	**14,194,574**	14,659,358
Between three and six months	**3,785,742**	9,842,407
Between six months and one year	**15,115,981**	15,537,387
	33,096,297	**40,039,152**

d Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit rating system, aging and year-end stage classification.

2018	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired Financial Assets –Lifetime ECL	Total
Gross exposure	–	16,017,217	–	16,017,217
ECL	–	(343,024)	–	(343,024)
Net Exposure	–	15,674,193	–	15,674,193

2017	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired Financial Assets –Lifetime ECL	Total
Gross exposure	1,390,000	6,001,146	–	7,391,146
ECL	(2,033)	(220,743)	–	(222,776)
Net Exposure	1,387,967	5,780,403	–	7,168,370
ECL allowance as at October 1, 2017 under IFRS 9	2,033	220,743	–	222,776
ECL on new instruments issued during the year	–	227,346	–	227,346
Other Credit Loss movements, repayments and maturities	(2,033)	(105,065)	–	(107,098)
At September 30, 2018	**–**	**343,024**	**–**	**343,024**

e Designated at fair value through profit or loss

For equity securities, cost is determined by the appropriate estimate of fair value since insufficient recent information is available to measure fair value. Mutual fund securities are quoted and fair value is determined to be the quoted price at the reporting date.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

7 a Premises and equipment

2018	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	116,970	6,217,980	3,980,642	10,315,592
Additions at cost	15,001	80,091	223,657	318,749
Disposal of assets	–	(20,307)	(105,460)	(125,767)
Transfer of assets	(116,387)	2,161	114,226	–
	15,584	**6,279,925**	**4,213,065**	**10,508,574**
Accumulated depreciation				
At beginning of year	–	785,087	2,283,674	3,068,761
Charge for the year	–	100,636	369,042	469,678
Disposal of assets	–	7,583	(108,220)	(100,637)
	–	**893,306**	**2,544,496**	**3,437,802**
Net book value	**15,584**	**5,386,619**	**1,668,569**	**7,070,772**

2017	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	1,253,582	4,874,039	3,407,415	9,535,036
Additions at cost	104,663	230,738	602,974	938,375
Disposal of assets	–	(12,798)	(145,021)	(157,819)
Transfer of assets	(1,241,275)	1,126,001	115,274	–
	116,970	**6,217,980**	**3,980,642**	**10,315,592**
Accumulated depreciation				
At beginning of year	–	702,578	2,088,764	2,791,342
Charge for the year	–	82,509	324,007	406,516
Disposal of assets	–	–	(129,097)	(129,097)
	–	**785,087**	**2,283,674**	**3,068,761**
Net book value	**116,970**	**5,432,893**	**1,696,968**	**7,246,831**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

7 Premises and equipment *(continued)*

b Intangible assets

	2018	2017
Cost		
At beginning of year	**671,830**	618,099
Additions at cost	**6,380**	57,850
Disposal	**(9,804)**	(4,119)
	668,406	**671,830**
Accumulated depreciation		
At beginning of year	**541,623**	502,476
Charge for the year	**41,809**	43,256
Disposal	**(9,796)**	(4,109)
	573,636	541,623
Net book value	**94,770**	**130,207**

c Capital commitments

	2018	2017
Contracts for outstanding capital expenditure not provided for in the financial statements	**450,715**	**375,556**

8 GOODWILL

	2018	2017
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, as at September 30, 2018, using the 'value in use' method. Based on the results of this review, no impairment expense was required.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS

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

	2018	2017
Present value of defined benefit obligation	**1,943,300**	1,731,300
Fair value of plan assets	**(1,957,000)**	(1,596,100)
Net (asset)/liability recognised in the Statement of Financial Position	**(13,700)**	**135,200**

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

	2018	2017
Opening defined benefit obligation	**1,731,300**	1,591,100
Current service cost	**71,400**	66,900
Interest cost	**94,000**	86,400
Members' contributions	**36,200**	33,600
Re-measurements		
- Experience adjustments	**55,800**	(6,900)
Benefits paid	**(45,400)**	(39,800)
Closing defined benefit obligation	**1,943,300**	**1,731,300**

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

	2018	2017
Opening fair value of plan assets	**1,596,100**	1,418,700
Interest income	**90,300**	80,300
Return on plan assets, excluding interest income	**177,200**	15,300
Bank Contributions	**107,700**	92,800
Members' contributions	**36,200**	33,600
Benefits paid	**(45,400)**	(39,800)
Expense allowance	**(5,100)**	(4,800)
Closing fair value of plan assets	**1,957,000**	**1,596,100**
Actual return on plan assets	**267,500**	**95,600**

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

	2018	2017
Current service cost	**71,400**	66,900
Net interest on net defined benefit liability	**3,700**	6,100
Administration expenses	**5,100**	4,800
Net pension cost	**80,200**	**77,800**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

e Reconciliation of opening and closing Statement of Financial Position entries:

	2018	2017
Defined benefit obligation at prior year end	**135,200**	172,400
Unrecognised gain/(loss) charged to retained earnings	**–**	–
Opening defined benefit obligation	**135,200**	172,400
Net pension cost	**80,200**	77,800
Re-measurements recognised in other comprehensive income	**(121,400)**	(22,200)
Premiums paid by the Bank	**(107,700)**	(92,800)
Closing defined benefit (asset)/obligation	**(13,700)**	**135,200**

f Liability profile

	2018	2017
The defined benefit obligation is allocated between the Plan's members as follows:		
- Active members	**76%**	83%
- Deferred members	**2%**	4%
- Pensioners	**22%**	13%
The weighted duration of the defined benefit obligation at the year end	**20.0 years**	19.8 years
46% of the defined benefit obligation for active members is conditional on future salary increases		
63% of the benefits for active members are vested		

g Re-measurements recognised in Other Comprehensive Income

Experience gain	**(121,400)**	(22,200)
Total included in Other Comprehensive Income	**(121,400)**	**(22,200)**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

h Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at September 30, 2018 would have changed as a result of a change in the assumptions used.

	1% per annum decrease $'000	1% per annum increase $'000
- Discount rate	**423,000**	(323,000)
- Future salary increases	**(223,000)**	283,000

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2018, by $50.0 million.

These sensitivities were calculated by recalculating the defined benefit obligations using the revised assumptions.

i Summary of principal actuarial assumptions as at September 30

	2018 %	2017 %
Discount rate	**5.50**	5.50
Rate of salary increase	**5.50**	5.50
NIS ceiling rates	**5.00**	5.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation, as at September 30, 2018, are as follows:

	2018	2017
Life expectancy at age 65 for current pensioner in years:		
- Male	**14.6**	14.6
- Female	**18.4**	18.4
Life expectancy at age 65 for current members age 40 in years:		
- Male	**14.6**	14.6
- Female	**18.4**	18.4

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

j Plan asset allocation as at September 30

	2018	2017
Local equities	**378,500**	173,600
Overseas equities	**168,600**	139,700
Local bonds	**–**	90,900
Cash and cash equivalents	**1,228,700**	1,000,400
Mortgages	**181,200**	191,500
Fair value of scheme assets at end of year	**1,957,000**	**1,596,100**

k Funding

The Bank meets the balance of the cost of funding the defined benefit Pension Scheme and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Scheme and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $111.0 million to the Pension Scheme during 2018/2019.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

		(Charge) / Credit			
	Opening Balance 2017	Impact of IFRS 9	Statement of Income	Other Comprehensive Income	Closing Balance 2018
Pension liability	54,080	–	(5,520)	(48,560)	–
Fee and commission income	132,282	–	30,820	–	163,102
ECL on loans and investments	–	200,170	64,846	–	265,016
	186,362	**200,170**	**90,146**	**(48,560)**	**428,118**

b Deferred tax liabilities

		Credit			
	Opening Balance 2017	Impact of IFRS 9	Statement of Income	Other Comprehensive Income	Closing Balance 2018
Pension asset	–	–	5,480	–	5,480
Premises and equipment	343,479	–	29,947	–	373,426
Unrealised reserves	12,111	(12,111)	–	–	–
	355,590	**(12,111)**	**35,427**	**–**	**378,906**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

11 OTHER ASSETS

	2018	2017
Accounts receivable and prepayments	**260,748**	256,916
Items in transit	**208,569**	204,720
Other assets	**36,531**	808,586
	505,848	**1,270,222**

12 CUSTOMERS' CHEQUING, SAVINGS AND DEPOSIT ACCOUNTS

a Concentration of customers' chequing, savings and deposit accounts

2018	Demand	Savings	Time	Total
State	10,828,333	21,232,940	293,675	32,354,948
Corporate and commercial	13,053,098	3,263,375	274,355	16,590,828
Personal	6,156,546	75,235,351	4,987,084	86,378,981
Other financial institutions	1,085,383	2,295,737	415,812	3,796,932
Other	4,791,619	498,155	243,450	5,533,224
	35,914,979	**102,525,558**	**6,214,376**	**144,654,913**

2017	Demand	Savings	Time	Total
State	11,725,210	6,096,142	291,878	18,113,230
Corporate and commercial	11,769,160	3,187,710	273,552	15,230,422
Personal	7,018,646	71,766,427	5,031,644	83,816,717
Other financial institutions	1,381,640	1,793,007	244,698	3,419,345
Other	3,846,631	194,927	258,106	4,299,664
	35,741,287	**83,038,213**	**6,099,878**	**124,879,378**

b Time deposits by remaining term to maturity

	2018	2017
Within three months	**2,278,936**	2,326,234
Between three and six months	**1,186,364**	1,132,418
Between six months and one year	**2,749,076**	2,641,226
	6,214,376	**6,099,878**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

13 OTHER LIABILITIES

	2018	2017
Drafts and settlements	**1,470,792**	1,163,237
Accrued expenses	**116,259**	163,132
Statutory liabilities	**212,554**	193,432
Deferred income	**12,370**	11,566
Dividends payable	**107,422**	111,819
Other	**278,285**	456,059
	2,197,682	**2,099,245**

14 STATED CAPITAL

	2018	2017
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 Cap. 85:03, a minimum of 15.00% 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/(losses)

This represents the losses arising from remeasurement 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/ Other reserves

Prior to the adoption of IFRS 9, a General Contingency Reserve was created as a voluntary appropriation of retained earnings, for the difference between the specific provision and non-performing advances. With the adoption of IFRS 9 and the enhanced provisioning levels, the Bank has opted to reduce the level of General Contingency Reserves held, and has included the transfer of a portion of these reserves to retained earnings in the Statement of Change of Equity under "Net Impact of Adopting IFRS 9". The remaining balance represents the difference between IFRS 9 provision and regulatory reserve requirement.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

16 OPERATING PROFIT

a Interest income

	2018	2017
Advances	**6,931,329**	6,404,803
Investment securities	**545,563**	443,020
Liquid assets	**497,616**	857,232
	7,974,508	**7,705,055**

b Interest expense

	2018	2017
Customers' chequing, savings and deposit accounts	**570,015**	**574,961**

c Other income

	2018	2017
Credit and related fees	**112,813**	114,079
Net exchange trading income	**1,399,435**	1,194,586
Loan recoveries	**206,882**	231,799
Dividends	**9,704**	9,424
Deposit and related fees	**974,673**	723,388
Payments and transfers	**252,995**	246,352
Gains from sale of premises and equipment	**194,013**	–
Other operating income	**2,783**	2,957
	3,153,298	**2,522,585**

d Operating expenses

	2018	2017
Staff costs	**2,113,314**	2,057,745
Staff profit share	**301,881**	258,442
General administrative expenses	**845,417**	791,090
Lease rental expenses	**17,910**	17,910
Property related expenses	**658,755**	653,180
Property tax	**176,393**	159,706
Loss on sale of premises and equipment	**–**	10,661
Depreciation expense	**511,487**	449,772
Communication	**119,538**	102,429
Advertising and public relations expenses	**228,046**	212,954
Directors' fees	**15,210**	14,970
Auditors' fees	**19,845**	19,267
	5,007,796	**4,748,126**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

17 CREDIT LOSS EXPENSE

	2018	2017
Advances	**765,150**	743,457
Debt instruments measured at amortised cost	**120,248**	222,776
	885,398	**966,233**

18 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:

	2018	2017
Accounting profit	**4,664,597**	4,228,804
Tax at applicable statutory tax rates (40%)	**1,865,839**	1,691,522
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(365,754)**	(299,037)
Depreciation	**204,595**	179,907
Donations	**1,300**	1,531
Property tax	**70,557**	63,882
Wear and tear allowance	**(198,836)**	(172,003)
Inherent risk (general) provisions	**64,847**	9,199
(Gain)/Loss on sale of premises and equipment	**(77,055)**	4,448
Defined benefit obligation	**(11,000)**	(14,880)
Deferred fee income	**30,821**	15,730
Current tax	**1,585,314**	1,480,299
Deferred tax	**(54,721)**	9,566
Total taxation	**1,530,593**	**1,489,865**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

19 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.

	2018	2017
Loans, investments and other assets		
Fellow subsidiaries	**132,410**	20,801
Directors and key management personnel	**76,552**	63,993
Other related parties	**289,828**	419,786
	498,790	**504,580**

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

Amounts due from the five parties with the highest exposures totalled $465.0 million (2017: $461.8 million) and represents 2.33% (2017: 2.52%) of the Bank's capital base.

	2018	2017
Deposits and other liabilities		
Fellow subsidiaries	**217,485**	256,692
Directors and key management personnel	**163,715**	143,076
Other related parties	**2,979,660**	2,833,114
	3,360,860	**3,232,882**
Interest and other income		
Directors and key management personnel	**2,870**	2,099
Other related parties	**3,286**	37,054
	6,156	**39,153**
Interest and other expense (excluding key management compensation)		
Fellow subsidiaries	**106,510**	96,937
Directors and key management personnel	**7,818**	7,418
Other related parties	**7,770**	7,585
	122,098	**111,940**
Proportion of related parties exposure to total customer exposure	**0.75%**	0.86%

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

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

19 RELATED PARTIES *(continued)*

Key management compensation

	2018	2017
Short-term benefits	**89,752**	**78,166**

Loans

2018	Balance at the beginning of year	Loans during the year	Repayments	Balance at the end of year
Other related parties	73,313	19,562	(14,429)	78,446
	73,313	**19,562**	**(14,429)**	**78,446**

2017	Balance at the beginning of year	Loans during the year	Repayments	Balance at the end of year
Other related parties	78,263	10,600	(15,550)	73,313
	78,263	**10,600**	**(15,550)**	**73,313**

20 RISK MANAGEMENT

20.1 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 throughout 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 Enterprise Risk Committees, review specific risk areas.

The Asset/Liability Committee of the Bank reviews on a 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.1 Introduction *(continued)*

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:

20.2 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 and overdrafts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. Retail lending, mortgages and retail overdrafts are managed by product type. Pre-set risk management criteria is in place at all branches to facilitate decision-making for all categories of loans including credit cards. 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 debt securities within the Bank's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with pre-set exposure limits as approved by the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

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.

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 balance may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.1 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:

	2018	2017
	Gross maximum exposure	
Statutory deposit with Bank of Guyana	**16,178,382**	13,967,485
Due from banks	**21,238,204**	11,452,834
Treasury Bills	**33,096,297**	40,039,152
Investment interest receivable	**225,236**	67,034
Investment securities	**15,674,193**	7,420,987
Loans and advances to customers	**69,747,950**	60,791,257
Total	**156,160,262**	**133,738,749**
Undrawn commitments	**10,540,301**	7,546,009
Guarantees and indemnities	**1,908,611**	1,933,788
Letters of credit	**195,625**	181,175
Total	**12,644,537**	**9,660,972**
Total credit risk exposure	**168,804,799**	**143,399,721**

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.

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, 2018, $39.5 million (2017: $29.3 million) in repossessed properties are still in the process of being disposed.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.2 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:

	2018	2017
Guyana	**163,657,824**	138,674,996
Trinidad and Tobago	**2,718,539**	2,409,050
Barbados	**109,503**	102,732
Eastern Caribbean	**2,952**	28,980
Suriname	**1,334**	1,080
United States	**635,764**	940,041
Other countries	**1,678,883**	1,242,842
	168,804,799	**143,399,721**

b Industry sectors

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

	2018	2017
Government and government bodies	**66,136,583**	55,669,080
Financial sector	**21,329,308**	12,700,740
Energy and mining	**349,130**	221,099
Agriculture	**3,600,246**	2,855,070
Electricity and water	**565**	104,912
Transport, storage and communication	**1,773,294**	1,895,260
Distribution	**12,408,877**	11,978,504
Real estate mortgages	**25,734,599**	23,528,195
Other real estate	–	276,816
Manufacturing	**6,528,347**	2,771,160
Construction	**1,301,942**	1,527,027
Hotel and restaurant	**14,500**	3,208,183
Personal	**18,297,779**	15,766,841
Non-residents	**173,493**	109,358
Other services	**11,156,136**	10,787,476
	168,804,799	**143,399,721**

Included above is $4.9 million (2017: $2.9 million) representing Public Non-Financial Institutions.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

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

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

	2018	2017
Government	**164.13%**	282.56%
Central Bank	**176.89%**	169.11%
Counterparty 3	**62.58%**	18.11%
Counterparty 4	**13.31%**	16.40%
Counterparty 5	**12.70%**	13.89%

20.2.3 Impairment Assessment (Policy applicable from October 1, 2017)

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines. The Bank's impairment assessment and measurement approach is set out below.

20.2.4 Default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases where the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a borrower is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the borrower as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

20.2.5 The Bank's internal rating and PD estimation process

Commercial and corporate lending

The Bank has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A retrospective approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends and historical default rates, management applied judgmental overlays based on expectations. As previously mentioned, LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on an individual level including estimating the present value of future cash flows. EAD equals the loan balance outstanding plus accrued interest.

Retail lending and mortgages

Product types were selected as cohort for PD analyses for retail lending and retail mortgages. A vintage approach was applied looking at the number of defaults by segment over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends, management applied judgmental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.5 The Bank's internal rating and PD estimation process *(continued)*

Overdrafts

PDs were developed for the Corporate portfolio and were applied to corporate customers to whom overdraft facilities were extended. LGDs for the Corporate portfolio were also utilised for overdrafts. EADs were developed based on historical trends in utilisation of overdraft limits. ECL percentages for the Retail portfolio were utilised for retail overdrafts.

Management judgmentally applied overlays as required as there was no noted correlation between macroeconomic trends and historical default rates.

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instrument. PDs and LGDs for non traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied judgemental overlays based local debt instruments. EAD equals the amortised security balance plus accrued interest.

Internal rating

The Bank's internal credit ratings are correlated to stages as follows:

Rating	Stage
Superior/Desirable < 30 days	1
Watch list 31 to 90 days	2
Credit Impaired/Non-performing loans > 90 days	3

A description of the internal credit ratings are noted below:

Superior/Desirable:	These counterparties have a good financial position. Facilities are well secured or reasonably well secured and underlying business is performing well.
Watch list:	These counterparties are of average risk with a fair financial position. Business or industry may be subject to more volatility and facilities typically have lower levels of security.
Credit Impaired/Non-performing loans:	Past due or individually impaired.

20.2.6 Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a bank with similar assets (as set out in Note 20.2.7), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.7 Grouping financial assets measured on a collective basis

As explained in Note 2 (i) (i) dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Commercial and Corporate lending and overdraft portfolios
- The Mortgage portfolio
- The Retail lending portfolio

Asset classes where the Bank calculates ECL on a collective basis include:

- The Retail overdraft portfolio
- Subsidiaries with small, homogeneous retail portfolios
- Past due not yet relegated credit facilities

20.2.8 Analysis of Gross Carrying Amount and corresponding ECLs are as follows:

Advances

	2018 %	2017 %
Stage 1	**5.07**	4.67
Stage 2	**89.38**	88.70
Stage 3	**5.55**	6.63

2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage 1					
Gross Loans	302,380	1,076,969	1,989,587	228,837	3,597,773
ECL	(55,678)	(141,951)	(59,116)	(40,071)	(296,816)
	246,702	**935,018**	**1,930,471**	**188,766**	**3,300,957**
Percentage of ECL/Gross Loans	18.4%	13.2%	3.0%	17.5%	8.2%

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross Carrying Amount and corresponding ECLs are as follows: *(continued)*

Advances *(continued)*

2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage1					
Gross Loans	519,158	630,450	1,470,457	274,025	2,894,090
ECL	(42,438)	(113,554)	(53,725)	(36,056)	(245,773)
	476,720	**516,896**	**1,416,732**	**237,969**	**2,648,317**
Percentage of ECL/Gross Loans	8.2%	18.0%	3.7%	13.2%	8.5%

The increase in ECLs of Stage 1 portfolios was driven by a 24.3% increase in the gross size of the portfolio, and movements between stages as a result of increases in credit risk.

2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage 2					
Gross Loans	6,619,006	26,989,057	22,473,538	7,340,281	63,421,882
ECL	(1,869)	(9,129)	(10,594)	(1,109)	(22,701)
	6,617,137	**26,979,928**	**22,462,944**	**7,339,172**	**63,399,181**
Percentage of ECL/Gross Loans	0.03%	0.03%	0.05%	0.02%	0.04%

2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage 2					
Gross Loans	5,967,286	23,285,406	20,796,541	4,876,046	54,925,279
ECL	(2,586)	(11,277)	(16,576)	(1,438)	(31,877)
	5,964,700	**23,274,129**	**20,779,965**	**4,874,608**	**54,893,402**
Percentage of ECL/Gross Loans	0.04%	0.05%	0.08%	0.03%	0.06%

The decrease in ECLs of Stage 2 portfolios was driven by movements between stages as a result of increases in credit risk.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross Carrying Amount and corresponding ECLs are as follows: *(continued)*

Advances *(continued)*

2018	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage 3					
Gross Loans	21,156	2,434,573	1,301,723	180,768	3,938,220
ECL	(6,246)	(268,844)	(185,419)	(22,143)	(482,652)
	14,910	**2,165,729**	**1,116,304**	**158,625**	**3,455,568**
Percentage of ECL/Gross Loans	29.5%	11.0%	14.2%	12.2%	12.3%

2017	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Stage 3					
Gross Loans	10,943	2,615,317	1,261,197	214,479	4,101,936
ECL	(11,143)	(390,420)	(187,166)	(672)	(589,401)
	(200)	**2,224,897**	**1,074,031**	**213,807**	**3,512,535**
Percentage of ECL/Gross Loans	101.8%	14.9%	14.8%	0.3%	14.4%

The decrease in ECLs of Stage 3 portfolios was driven by a 4.0% decrease in the gross size of the portfolio and movements between stages as a result of increases in write-offs.

Investment Securities

	2018 %	2017 %
Stage 1	**0.00**	19.00
Stage 2	**100.00**	81.00
Stage 3	**0.00**	0.00

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross Carrying Amount and corresponding ECLs are as follows: *(continued)*

Investment Securities *(continued)*

2018	Stage 1	Stage 2	Stage 3	Total
Gross Balance	–	16,017,218	–	16,017,218
ECL	–	(343,025)	–	(343,025)
	–	**15,674,193**	**–**	**15,674,193**
Percentage of ECL/Gross Balance	–	2.14%	–	2.14%

2017	Stage 1	Stage 2	Stage 3	Total
Gross Balance	1,390,000	6,001,146	–	7,391,146
ECL	(2,033)	(220,743)	–	(222,776)
	1,387,967	**5,780,403**	**–**	**7,168,370**
Percentage of ECL/Gross Balance	0.15%	3.68%	–	3.01%

The increase in ECLs was driven by a 116.1% increase in the gross size of the portfolio - new investments.

20.3 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 excess at central bank. 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.3 Liquidity risk *(continued)*

20.3.1 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, 2018					
Customers' chequing, savings and deposit accounts	138,440,537	6,214,376	–	–	144,654,913
Due to banks	117,037	–	–	–	117,037
Other liabilities	2,197,682	–	–	–	2,197,682
Total undiscounted financial liabilities	**140,755,256**	**6,214,376**	**–**	**–**	**146,969,632**

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, 2017					
Customers' chequing, savings and deposit accounts	118,779,500	6,099,878	–	–	124,879,378
Due to banks	127,988	–	–	–	127,988
Other liabilities	2,099,245	–	–	–	2,099,245
Total undiscounted financial liabilities	**121,006,733**	**6,099,878**	**–**	**–**	**127,106,611**

Financial liabilities - off Statement of Financial Position

2018	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Guarantees and indemnities	–	684,359	259,124	965,128	1,908,611
Letters of credit	–	195,625	–	–	195,625
Total	**–**	**879,984**	**259,124**	**965,128**	**2,104,236**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.3 Liquidity risk *(continued)*

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

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

2017	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Guarantees and indemnities	–	758,224	269,641	905,923	1,933,788
Letters of credit	–	181,175	–	–	181,175
Total	**–**	**939,399**	**269,641**	**905,923**	**2,114,963**

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

20.4 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.

20.4.1 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 by the Bank 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 following table 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, 2018, 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 in the table.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.4 Market risk *(continued)*

20.4.1 Interest rate risk *(continued)*

		Impact on net profit			
	Increase/ decrease in in basis points	2018 Increase in basis points	2018 Decrease in basis points	2017 Increase in basis points	2017 Decrease in basis points
G$ Instruments	+/- 50	-/+ 512,628		-/+ 415,191	
US$ Instruments	+/- 50	-/+ 36,347		-/+ 30,378	
Other currency Instruments	+/- 50	-/+ 4,332		-/+ 2,480	

20.4.2 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 United States and Guyana dollars.

The following tables indicate the currencies to which the Bank had significant exposure at September 30, 2018, 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.4 Market risk *(continued)*

20.4.2 Currency risk *(continued)*

2018	GYD	TTD	USD	STG	OTHER	Total
FINANCIAL ASSETS						
Cash	2,563,858	331	88,451	3,631	5,327	2,661,598
Statutory deposit with Bank of Guyana	16,178,382	–	–	–	–	16,178,382
Due from banks	19,928,783	1,436	424,032	59,443	824,510	21,238,204
Treasury Bills	33,096,297	–	–	–	–	33,096,297
Advances	68,656,549	–	1,091,401	–	–	69,747,950
Investment securities	10,187,179	–	5,507,014	–	–	15,694,193
Interest receivable	168,309	–	56,927	–	–	225,236
TOTAL FINANCIAL ASSETS	**150,779,357**	**1,767**	**7,167,825**	**63,074**	**829,837**	**158,841,860**
FINANCIAL LIABILITIES						
Due to banks	31,963	149	74,422	2,302	8,201	117,037
Customers' chequing, savings and deposit accounts	137,328,678	–	7,269,334	56,901	–	144,654,913
Interest payable	18,850	–	–	–	–	18,850
TOTAL FINANCIAL LIABILITIES	**137,379,491**	**149**	**7,343,756**	**59,203**	**8,201**	**144,790,800**
NET CURRENCY RISK EXPOSURE	**13,399,866**	**1,618**	**(175,931)**	**3,871**	**821,636**	**14,051,060**
Reasonably possible change in currency rate (%)	–	1%	1%	1%	1%	–
Effect on profit before tax	**–**	**16**	**(1,759)**	**39**	**8,216**	**6,512**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.4 Market risk *(continued)*

20.4.2 Currency risk *(continued)*

2017	GYD	TTD	USD	STG	OTHER	Total
FINANCIAL ASSETS						
Cash	2,239,050	138	165,200	942	3,572	2,408,902
Statutory deposit with Bank of Guyana	13,967,485	–	–	–	–	13,967,485
Due from banks	10,108,144	3,386	825,043	28,434	487,827	11,452,834
Treasury Bills	40,039,152	–	–	–	–	40,039,152
Advances	60,401,560	–	389,697	–	–	60,791,257
Investment securities	1,756,294	–	5,684,693	–	–	7,440,987
Interest receivable	22,565	–	44,469	–	–	67,034
TOTAL FINANCIAL ASSETS	**128,534,250**	**3,524**	**7,109,102**	**29,376**	**491,399**	**136,167,651**
FINANCIAL LIABILITIES						
Due to banks	–	163	69,317	2,279	56,229	127,988
Customers' chequing, savings and deposit accounts	117,384,766	–	7,475,568	19,044	–	124,879,378
Interest payable	17,772	–	–	–	–	17,772
TOTAL FINANCIAL LIABILITIES	**117,402,538**	**163**	**7,544,885**	**21,323**	**56,229**	**125,025,138**
NET CURRENCY RISK EXPOSURE	**11,131,712**	**3,361**	**(435,783)**	**8,053**	**435,170**	**11,142,513**
Reasonably possible change in currency rate (%)	–	1%	1%	1%	1%	–
Effect on profit before tax	**–**	**34**	**(4,358)**	**81**	**4,352**	**109**

20.5 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 Enterprise 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.6 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 sets limits by country for investments.

21 CAPITAL MANAGEMENT

The Bank's policy is to diversify its sources of capital, allocate capital within the Bank efficiently and maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $1,863.8 million to $20,164.3 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 2018 of $1,285.0 million represents 42.92% of core operating profit.

Capital adequacy is monitored by the Bank, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Bank of Guyana for supervisory purposes. The Basel 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, 2018 is 25.17% (2017 - 24.53%) and its capital adequacy ratio (Tier 1 and Tier 2) is 26.10% (2017 - 25.53%). At September 30, 2018 the Bank exceeded the minimum levels required.

The Bank's Regulatory Capital is as follows:

	2018	2017
Tier 1		
Stated capital	**300,000**	300,000
Reserve fund	**300,000**	300,000
General banking risk reserves in excess of statutory requirement	**157,527**	2,883,245
Retained earnings	**17,868,892**	13,310,352
Goodwill	**(1,228,222)**	(1,228,222)
Total	**17,398,197**	**15,565,375**
Tier 2		
Securities revaluation reserves	–	17,730
General banking risk reserves - statutory requirement	**637,862**	629,289
Total	**637,862**	**647,019**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

22 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: owing 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.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

22 FAIR VALUE *(continued)*

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

	2018 Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	**56,996,099**	56,996,099	–
Statutory deposit with Bank of Guyana	**16,178,382**	16,178,382	–
Investment securities	**15,694,193**	15,747,803	53,610
Advances	**69,747,950**	70,246,400	498,450
Investment interest receivable	**225,236**	225,236	–
Financial liabilities			
Due to Banks	**117,037**	117,037	–
Customers' chequing, savings and deposit accounts	**144,654,913**	144,610,259	(44,654)
Accrued interest payable	**18,850**	18,850	–
Total unrecognised change in unrealised fair value			**507,406**

	2017 Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	53,900,888	53,900,888	–
Statutory deposit with Bank of Guyana	13,967,485	13,967,485	–
Investment securities	7,440,987	7,440,987	–
Advances	60,791,257	61,255,095	463,838
Investment interest receivable	67,034	67,034	–
Financial liabilities			
Due to Banks	127,988	127,988	–
Customers' chequing, savings and deposit accounts	124,879,378	124,838,140	(41,238)
Accrued interest payable	17,772	17,772	–
Total unrecognised change in unrealised fair value			**422,600**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

22 FAIR VALUE *(continued)*

22.1 Fair value and fair value hierarchies

22.1.1 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 the fair value measurement hierarchy of the Bank's assets and liabilities as at September 30, 2018.

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities				
2018	**1,721,328**	**14,026,475**	**–**	**15,747,803**
2017	1,664,886	5,776,101	–	7,440,987
Financial assets for which fair value is disclosed				
Advances				
2018	**–**	**–**	**69,747,950**	**69,747,950**
2017	–	–	60,791,257	60,791,257
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts				
2018	**–**	**–**	**144,654,913**	**144,654,913**
2017	–	–	124,879,378	124,879,378

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

22 FAIR VALUE *(continued)*

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

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

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

	Level 1	Level 2	Level 3	Total
2018				
Financial assets designated at				
fair value through profit or loss	–	20,000	–	20,000
Debt instruments at amortised cost	1,721,328	14,026,475	–	15,747,803
	1,721,328	**14,046,475**	**–**	**15,767,803**
2017				
Financial investments -available-for-sale	**1,664,886**	**5,776,101**	**–**	**7,440,987**

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2018 are as shown below:

	Valuation technique	Significant unobservable inputs	2018 Range (weighted average)	2017 Range (weighted average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	**10% - 14.5% (12.1%)**	10% - 14.5% (12.1%)
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	**0.6% - 2.36% (0.86%)**	0.6% - 2.36% (0.86%)

22.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2018, no assets valued were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2018, there were no Level 3 financial instruments measured at fair value.

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

23 SEGMENTAL INFORMATION

23.1 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.

23.2 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:

2018	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	7,839,667	111,590	23,251	7,974,508
Interest expense	(570,015)	–	–	(570,015)
Net interest income	7,269,652	111,590	23,251	7,404,493
Other income	3,153,298	–	–	3,153,298
Net interest and other income	10,422,950	111,590	23,251	10,557,791
Total assets	163,930,466	2,627,177	1,625,647	168,183,290
Total liabilities	147,692,973	209,179	116,857	148,019,009
Cash flow from operating activities	13,665,028	–	–	13,665,028
Cash flow from investing activities	(2,286,110)	(170,620)	75,719	(2,381,011)
Cash flow from financing activities	(1,212,392)	(25,309)	(8,250)	(1,245,951)

2017	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	7,423,462	268,447	13,146	7,705,055
Interest expense	(574,961)	–	–	(574,961)
Net interest income	6,848,501	268,447	13,146	7,130,094
Other income	2,522,585	–	–	2,522,585
Net interest and other income	9,371,086	268,447	13,146	9,652,679
Total assets	142,036,302	2,347,010	1,846,183	146,229,495
Total liabilities	127,566,687	234,502	127,825	127,929,014
Cash flow from operating activities	(5,209,089)	–	–	(5,209,089)
Cash flow from investing activities	946,970	3,133,457	78,890	4,159,317
Cash flow from financing activities	(1,432,156)	158,417	23,525	(1,250,214)

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

23 SEGMENTAL INFORMATION *(continued)*

23.3 Major Customers

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

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the assets and liabilities of the Bank based on the remaining period as at September 30 to the contractual maturity date. See Note 20.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2018	Within 12 months	After 12 months	Total
ASSETS			
Cash	2,661,598	–	2,661,598
Statutory deposit with Bank of Guyana	16,178,382	–	16,178,382
Due from banks	21,238,204	–	21,238,204
Treasury Bills	33,096,297	–	33,096,297
Investment interest receivable	225,236	–	225,236
Advances	9,469,686	60,278,264	69,747,950
Investment securities	2,448,600	13,245,593	15,694,193
Premises and equipment	–	7,070,772	7,070,772
Intangible assets	–	94,770	94,770
Net pension asset	–	13,700	13,700
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	428,118	428,118
Other assets	505,848	–	505,848
	85,823,851	**82,359,439**	**168,183,290**
LIABILITIES			
Due to banks	117,037	–	117,037
Customers' chequing, savings and deposit accounts	144,654,913	–	144,654,913
Taxation payable	651,621	–	651,621
Deferred tax liabilities	–	378,906	378,906
Accrued interest payable	18,850	–	18,850
Other liabilities	2,197,682	–	2,197,682
	147,640,103	**378,906**	**148,019,009**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

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

2017	Within 12 months	After 12 months	Total
ASSETS			
Cash	2,408,902	–	2,408,902
Statutory deposit with Bank of Guyana	13,967,485	–	13,967,485
Due from banks	11,452,834	–	11,452,834
Treasury Bills	40,039,152	–	40,039,152
Investment interest receivable	67,034	–	67,034
Advances	6,566,120	54,225,137	60,791,257
Investment securities	1,256,639	6,184,348	7,440,987
Premises and equipment	–	7,246,831	7,246,831
Intangible assets	–	130,207	130,207
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	186,362	186,362
Other assets	1,270,222	–	1,270,222
	77,028,388	**69,201,107**	**146,229,495**
LIABILITIES			
Due to banks	127,988	–	127,988
Customers' chequing, savings and deposit accounts	124,879,378	–	124,879,378
Net pension liability	–	135,200	135,200
Taxation payable	313,841	–	313,841
Deferred tax liabilities	–	355,590	355,590
Accrued interest payable	17,772	–	17,772
Other liabilities	2,099,245	–	2,099,245
	127,438,224	**490,790**	**127,929,014**

25 DIVIDENDS PAID AND PROPOSED

	2018	2017
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2017: $2.833 (2016: $2.833)	**850,000**	850,000
First dividend for 2018: $1.283 (2017: $1.283)	**385,000**	385,000
Total dividends paid	**1,235,000**	**1,235,000**
Proposed for approval at Annual General Meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary stock units:		
Final dividend for 2018: $3.00 (2017: $2.833)	**900,000**	**850,000**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

26 CONTINGENT LIABILITIES

a Litigation

As at September 30, 2018, 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

	2018	2017
Guarantees and indemnities	**1,908,611**	1,933,788
Letters of credit	**195,625**	181,175
	2,104,236	**2,114,963**

c Sectoral information

	2018	2017
State	**831,461**	820,013
Corporate and commercial	**1,272,775**	1,294,950
	2,104,236	**2,114,963**

d Pledged assets

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

	Carrying Amount		Related Liability	
	2018	2017	2018	2017
Statutory deposit	**16,178,382**	**13,967,485**	**144,654,913**	**124,879,378**

The statutory deposit is provided to the Bank of Guyana as a percentage of deposit liabilities under the Financial Institutions Act, Cap. 85:03.

e Non-cancellable operating lease commitments

	2018	2017
Less than one year	**7,603**	17,910
Between one to five years	**640**	8,163
More than five years	**2,867**	2,947
	11,110	**29,020**

Notes to the Financial Statements

For the year ended September 30, 2018. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

27 EXTERNAL PAYMENT DEPOSIT SCHEME

	2018	2017
	47,400	**47,400**

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

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