Annual Report
2016

Republic Bank (Guyana) Limited

Deep connections…extending to a past nearly two centuries ago and evolving to a present filled with milestones and achievements. Broad network…stretching across seas through our subsidiaries and the sum of the parts of our Holding Company. Unshakeable links…indelibly connecting us to our stakeholders and to the lives of those in the communities we serve. Motivated by progress, our vision for moving forward has always been a united one; and as Republic Financial Holdings Limited, that vision is even clearer now than before. Empowered by growth, achievement and success, we continue our journey into the future.

Republic Bank (Guyana) Limited

CONNECT

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.

Our Values

- Customer Focus
- Integrity
- Respect for the Individual
- Professionalism
- Results Orientation

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CORPORATE INFORMATION

Linked to Growth

NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the thirty-second Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Wednesday, December 14, 2016 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, 2016.
2 To re-elect three Directors to fill offices vacated by those retiring from the Board by rotation in accordance with the By-Laws namely: Yolande M. Foo, Roy E. Cheong and Richard M. Lewis.
3 To elect Anna-María García-Brooks who was appointed to fill a casual vacancy as Director in accordance with the By-Laws.
4 To reappoint the Auditors, Messrs. Ram & McRae.

And the following special business namely:

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

By order of the Board

CHRISTINE A. McGOWAN
Corporate Secretary

October 24, 2016

REGISTERED OFFICE
155-156 New Market Street
North Cummingsburg
Georgetown, Guyana

NOTES:
- Only stockholders may attend.
- Any member entitled to attend and to vote is entitled to appoint a proxy to attend and vote instead of him/her.
- A proxy need not to be a member of the Company. The instrument appointing a proxy must bear a G$10 revenue stamp and be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
- Any Corporation which is a member of the Company may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at the meeting (By-Law 86).

CORPORATE INFORMATION

DIRECTORS

Chairman
President – Republic Financial Holdings Limited
Managing Director – Republic Bank Limited
Nigel M. Baptiste, *BSc (Econ.) (Hons.), MSc (Econ.), ACIB*

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

Non-Executive Directors
John G. Carpenter, *BSc (Food Sciences)*

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

Anna-Maria Garcia-Brooks, *Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), EMBA*

Yolande M. Foo, *AICB*

Shameer Hoosein, *FCCA*

Richard M. Lewis, *HBA*

Richard I. Vasconcellos

Corporate Secretary
Christine A. McGowan, *LLM (Merit), LLB (Dist.), LEC (Hons.), AMLCA, CPAML*

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.), MBA, ACIB*

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

MANAGEMENT

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

Manager, Branch Operations
Jadoonauth Persaud, *Dip. (Banking and Finance), MBA*

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

Credit Manager, Corporate and Commercial Credit
Leon McDonald, *Dip. Accounting (AAT), AICB, CAT, B. Comm., BBA*

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, Republic Bank (Guyana) Limited
Ndidi Jones, *Dip. (Sociology), LLB, LEC, LLM (Merit), CPAML*

Manager, Marketing and Communications
Michelle Johnson, *MCIPR, MACC (Dist), PG Dip CIPR, B Soc Sc, 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
Stanton Grant, *BSc (Economics), AICB*

Manager, Operational Risk
Michael Ram, *AICB*

MAIN BANKING OFFICE

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

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

OTHER BANKING OFFICES

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

Manager
Guitree Ramsamooj, *CAT*

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

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

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

Manager
Sherwyn Greaves, *AICB, MBA*

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

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

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

Manager
Doodmattee Bhollaram, *AICB*

D'EDWARD BRANCH
4-6 Section D, D'Edward Village, West Bank Berbice
Telephone: (592) 330-2219/ 2680/ 2683
Fax: (592) 330-2681
E-mail: Dedward.Branch@republicguyana.com

Manager
Imran Saccoor, *Dip. (Marketing), MBA*

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

Manager
Joel Singh, *AICB*

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

Manager
Shridath Patandin, *AICB*

BANK PROFILE

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

Officer-in-Charge
Allison Mc Lean-King, *AICB*

LETHEM BRANCH
Manari Road, Lethem, Rupununi
Telephone: (592) 772-2308-10
Fax: (592) 772-2311
E-mail: Lethem.Branch@republicguyana.com

Officer-in-Charge
Sasenarine Bindranath, *Dip. (Business Law) (ICM), AICB*

FINANCIAL SUMMARY

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

	2016	2015	2014	2013	2012
Cash resources	**30,963,960**	32,271,117	22,989,659	32,564,269	23,280,892
Investment securities	**7,882,243**	6,318,344	5,414,804	5,676,215	5,957,434
Loans and advances	**58,417,974**	52,362,418	50,496,947	46,573,714	38,631,805
Total assets	**151,574,139**	142,362,955	128,986,527	132,488,536	115,295,414
Total deposits	**131,186,957**	123,701,186	112,551,760	117,117,616	101,736,334
Stockholders' equity	**16,715,394**	15,223,604	13,563,521	12,249,893	10,893,967
Net profit after taxation	**2,703,041**	2,815,938	2,339,428	2,343,667	2,012,936
Total comprehensive income	**2,726,690**	2,690,083	2,343,628	2,255,926	2,013,966
Earnings per stock unit in dollars ($)	**9.01**	9.39	7.80	7.81	6.71
Return on average assets (%)	**1.82**	2.03	1.78	1.84	1.85
Return on average equity (%)	**16.88**	19.78	18.16	20.29	19.58

FINANCIAL HIGHLIGHTS

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

	2016	2015	Change	% Change
Statement of Income				
Interest and other income	**9,994,790**	9,839,886	154,904	1.6
Interest and non-interest expenses	**(5,733,881)**	(5,537,498)	(196,383)	(3.5)
Net Income before taxation	**4,260,909**	4,302,388	(41,479)	(1.0)
Taxation charge	**(1,557,868)**	(1,486,450)	(71,418)	(4.8)
Net Income after taxation	**2,703,041**	2,815,938	(112,897)	(4.0)
Statement of Financial Position				
Loans and advances	**58,417,974**	52,362,418	6,055,556	11.6
Total assets	**151,574,139**	142,362,955	9,211,184	6.5
Average assets	**148,473,328**	138,671,898	9,801,430	7.1
Deposits	**131,186,957**	123,701,186	7,485,771	6.1
Equity (capital and reserves)	**16,715,394**	15,223,604	1,491,790	9.8
Average outstanding equity	**16,017,429**	14,233,465	1,783,964	12.5
Common stock				
Earnings in dollars per Stock Unit	**9.01**	9.39	(0.38)	(4.0)
Dividend for the year (in thousands)	**1,234,900**	1,180,000	54,900	4.7
Stock Units (in thousands)	**300,000**	300,000	0	0.0
General				
Number of:				
Stockholders	**1,337**	1,303	34	2.6
Common stock outstanding (in thousands)	**300,000**	300,000	0	0.0
Active savings, chequing and deposit accounts	**159,490**	185,233	(25,743)	(13.9)
Employees	**662**	655	7	1.1
Banking offices	**11**	11	0	0.0

2 BOARD OF DIRECTORS & EXECUTIVES

On Course Together

BOARD OF DIRECTORS

NIGEL M. BAPTISTE
BSc (Econ.) (Hons.), MSc (Econ.), ACIB
President,
Republic Financial Holdings Limited
Chairman,
Republic Bank (Guyana) Limited

RICHARD S. SAMMY
BSc (Mgmt. Studies) (Hon.) MBA
Managing Director,
Republic Bank (Guyana)
Limited

JOHN G. CARPENTER
BSc (Food Sciences)
Chairman,
Board of Directors,
Hand in Hand Fire
and Life Insurance
Company Limited

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

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

Chairman, Republic Bank (Guyana) Limited

Mr. Nigel Baptiste, a Trinidad and Tobago National Scholar, has given outstanding service to the Board of Republic Bank (Guyana) Limited and continues to distinguish himself in the fields of Banking and Economics. He currently serves as the President of Republic Financial Holdings Limited and Managing Director of Republic Bank Limited. Mr. Baptiste holds a Master of Science Degree in Economics and has successfully completed the Harvard Business School's Advanced Management Program. He is an Associate of the Chartered Institute of Banking in England and a graduate of the Stonier Graduate School of Banking in the United States of America. Mr. Baptiste previously served as the Managing Director of Republic Bank (Guyana) Limited, then the National Bank of Industry and Commerce Limited. Mr. Baptiste has served as the Chairman of the Board of Directors of Republic Bank (Guyana) Limited since July 2013.

RICHARD S. SAMMY

BSc (Mgmt. Studies) (Hon.) MBA

Managing Director

Mr. Richard S. Sammy is an outstanding banker with significant regional experience in risk management, corporate and investment banking. He joined the Republic Bank Group in 2009 and previously served as the Regional Manager, Corporate Business Centre – South and Regional Manager, Investment Banking Division at Republic Bank Limited, Trinidad. Prior to joining Republic Bank Limited, he served as Senior Manager, Business Development at Sagicor Merchant Limited and Risk Manager, Deals Management at RBTT Merchant Bank Limited. Mr. Sammy holds an MBA from the Warwick Business School in the United Kingdom and a Bachelor of Science Degree (Hons.) in Management Studies from the University of the West Indies, St. Augustine.

He is well respected in the banking and business communities and continues to provide strong leadership to the Republic Bank (Guyana) Limited team, having assumed the position of Managing Director on July 1, 2015. Mr. Richard Sammy also serves as a Director of the Caribbean Association of Banks Incorporated.

JOHN G. CARPENTER

BSc (Food Sciences)

Chairman, Board of Directors, Hand in Hand Fire and Life Insurance Company Limited

Mr. John G. Carpenter is the Chairman of Hand in Hand Fire and Life Insurance Group of Companies. He is also the Director of a number of companies including Wieting and Richter Limited, Industrial Safety Equipment Inc., Republic Bank Suriname N.V. and Cellsmart Inc. Mr. Carpenter has management experience and extensive knowledge of the local and regional commercial industry. He has keen interest in the development of business in Guyana having been involved in the management and directorship of several successful businesses over the years. He holds a Bachelor of Science Degree in Food Sciences

ROY E. CHEONG

AA, FCII, FLMI, CLU

Chartered Insurer

Mr. Roy E. Cheong is a chartered insurer who worked for many years in the insurance industry before retiring as Managing Director of the GTM Group of Companies in Guyana. He has vast knowledge and experience in management and financial matters, is a Fellow of the Life Management Institute, and a Chartered Life Underwriter. He has served as President of the Insurance Association of the Caribbean and the Insurance Association of Guyana. He currently serves as a Director of the GTM Group of Companies, Banks DIH Limited and Massy (Guyana) Limited among others. Mr. Cheong is a recipient of the Golden Arrow of Achievement.

YOLANDE M. FOO

AICB

Retired Senior Banking Executive, Republic Bank (Guyana) Limited

Mrs. Yolande Foo is a retired career banker with forty five years experience in the banking industry. She has broad experience in banking, human resource management, training and governance, having held a number of senior positions in the Bank before retiring in 2007. Prior to her retirement, she held the position of Senior Manager- Corporate and Management Services, and Corporate Secretary. Mrs. Foo has been actively involved in a number of humanitarian efforts over the years and continues to be actively involved in charitable ventures. She is a former Director of the St Joseph Mercy Hospital and past president of the Rotary Club of Demerara, a 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.

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, General Manager, Group Human Resources, has been a member of the Republic Bank team for over 20 years. Prior to her current role, Mrs. García-Brooks held the position of General Manager, Group Marketing and Communications with a focus on building the Bank's brand and image and providing innovative financial products and services to the Bank's customers.

In her current role, she is responsible for setting and driving the strategic direction of the Bank's Human Resource function through talent management and development programmes that would enable the Bank to achieve its strategic goals. 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 a Master of Business Administration Degree 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 and Harvard Business School.

In 2014 Mrs. García-Brooks was named as one the UWI's Distinguished Alumni.

SHAMEER HOOSEIN

FCCA

Chief Executive Officer, Massy Gas Products (Guyana) Limited

Mr. Shameer Hoosein is an accomplished business leader with more than twenty years experience in management. He is the Chief Executive Officer of the 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 Ivey School of Business, having completed the Executive Development Program in 2005, and is a Fellow of the Association of Chartered Certified Accountants.

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

RICHARD M. LEWIS

HBA

General Manager/Director, Label House Group Limited

Richard Lewis is the General Manager/Director of Label House Group Limited which is the largest specialist label and packaging printer in the Caribbean. Mr. Lewis holds a Bachelor of Arts Degree with Honours from the University of Western Ontario Richard Ivey School of Business and is also a graduate of the Newcastle Institute of Technology.

Among other Directorships, he currently serves as the Chairman of the Trinidad and Tobago Government Advisory Council for Competitiveness and Innovation, Prestige Business Publications and Carreras Jamaica. Mr. Lewis is also a Director of Republic Finance and Merchant Bank Limited and Republic Securities Limited.

RICHARD I. VASCONCELLOS

Chairman, A.N.K. Enterprises Inc.

Mr. Richard Vasconcellos is the Chairman of A.N.K. Enterprises Incorporated in Miami, Florida. He is also a shareholder and Managing Partner of Carib Hibiscus Development (USA). Locally he also serves on the Board of Cellsmart Inc. and Santa Fe (Guyana) Ltd. Mr. Vasconcellos has great expertise in banking, having been involved in international banking for more than fifteen years; during which period he held many senior management positions including that of Senior Vice President of Commerce Bank NA. In addition, his passion for entrepreneurship, vast experience in business and strong management skills are recognised locally and internationally.

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2016.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

(in thousands of Guyana Dollars)

	2016	2015
Net income after taxation	**2,703,041**	2,815,938
Interim dividend paid	**384,900**	330,000
Retained earnings	**2,318,141**	2,485,938
Final dividend proposed	**850,000**	850,000

DIVIDENDS

An interim dividend of $1.283 per stock unit ($384.9 million) was paid during the year and a final dividend of $2.833 per stock unit ($850 million) for the year ended September 30, 2016 is recommended. This, if approved, will bring the total payout for the year to $1,234.9 million.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings totalled $3,445 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2016 is $13,270 million (2015 - $12,373 million) after a transfer of $527 million to the General Banking Risk Reserve, $1,234.9 million paid out as dividends (final 2015 - $850 million, interim 2016 - $384.9 million), and $2,703 million transferred from the Statement of Income for 2016.

DONATIONS

In addition to the Bank's Power To Make A Difference investment initiatives (see pages 44 to 46), general donations to charitable or public causes for the year were $6.5 million (2015 - $6.3 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 Chapter 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	
	2016	% held	2015	% held
Republic Bank Limited	**152,898,395**	50.97	152,898,395	50.97
Demerara Mutual Life Assurance Society Limited	**16,306,080**	5.44	16,306,080	5.44
Guyana and Trinidad Mutual Fire and Life Group of Companies	**15,798,760**	5.27	15,798,760	5.27
Trust Company (Guyana) Limited	**19,457,755**	6.49	19,106,198	6.37
Hand-in-Hand Mutual Fire & Life Group of Companies	**15,022,967**	5.01	–	–

DIRECTORS

In accordance with the Bank's By-Laws, Messrs. Roy E. Cheong, and Richard M. Lewis, and Mrs. Yolande M. Foo retire from the Board by rotation and, being eligible, offer themselves for re-election.

AUDITORS

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

CONTRIBUTION OF EACH ACTIVITY TO OPERATING PROFIT

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

GEOGRAPHIC ANALYSIS OF TURNOVER AND CONTRIBUTION TO RESULTS

The Bank operates only in Guyana, but several investments are held overseas for which income of $282 million (2015 - $246 million) was earned during the year. Please refer to note 22 of the financial statements for further information.

INTEREST OF DIRECTORS AND CHIEF EXECUTIVE AND THEIR ASSOCIATES

Of these categories, only the following persons held stocks in the company, all of which were held beneficially:

	Number of stock units	
	2016	2015
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)		

DIRECTORS' FEES ($)

	2016	2015
Nigel M. Baptiste	**2,550,000**	2,550,000
John G. Carpenter	**1,530,000**	1,380,000
Roy E. Cheong	**1,680,000**	1,620,000
Derwin M. Howell	**910,000**	1,470,000
Richard I. Vasconcellos	**1,350,000**	1,320,000
Richard Lewis	**1,350,000**	1,540,000
Yolande M. Foo	**1,560,000**	1,560,000
Shameer Hoosein	**1,500,000**	1,050,000
Anna-María García-Brooks	**620,000**	–

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.

DIRECTORS' REPORT

CONTRACTS WITH DIRECTORS

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

CONTRACT OF SIGNIFICANCE WITH STOCKHOLDERS

The Bank expended the sum of $106.96 million (2015 - $111.22 million) in fees (inclusive of directors' fees) and expenses under a Technical Services Agreement with Republic Bank Limited for the provision of management, credit analysis, internal audit, and other services. Technical Service fees are determined with reference to the Bank's net interest and other income.

CHAIRMAN'S REVIEW

NIGEL M. BAPTISTE

INTRODUCTION

Fellow Directors and Stockholders, it is again my pleasure to report on the annual performance of Republic Bank (Guyana) Limited for the year ended September 30, 2016. The Bank's performance during the fiscal was satisfactory, with continued focus on exceptional customer service, sound lending principles, operational efficiency, and corporate social responsibility.

FINANCIAL PERFORMANCE

For the financial year ended September 30, 2016, the Bank recorded a profit after tax of $2,703 million, a 4.0% decrease over the prior year's results, which resulted largely from an increase in provisioning expense, against an extraordinary gain realised from the sale of a fixed asset in 2015. We also note that this fiscal was characterised by challenges ranging from the underperformance of key sectors in an overall sluggish economy to a marked decline in business activity and investment opportunities.

Earnings per stock unit amounted to $9.01, a decline from $9.39 in 2015. As a result of this performance, your Board of Directors has recommended a final dividend of $2.833 per stock unit.

During the fiscal, Republic Bank (Guyana) Limited continued to provide quality and reliable banking services to its customers and maintained its reputation as a trustworthy and dependable financial institution with a respected record of corporate social responsibility.

ECONOMIC OVERVIEW

In 2015, the world economy grew by 3.1% compared with 3.3% achieved in the prior year. Inflation remained low for most developed countries due to continued depressed energy and food prices. Global commodity prices showed some recovery in the first half of 2016, compared to prices at the end of 2015, but forecasted slow global economic growth and uncertainty in the financial markets are expected to suppress demand for commodities. The IMF growth world economy projection was revised downwards from the initial 3.4% in January 2016 to 3.2% in April 2016 due to weak economic performances, and in July 2016 was further reduced to 3.1% due to the Brexit vote and its accompanying impact on global markets. Aside from the dampening effects of Brexit, growth in the global economy is expected to be adversely affected by modest growth in advanced economies, continued economic stress in large emerging economies, the change in China's economy from export-led to internal demand driven, and increasing financial turbulence.

CHAIRMAN'S REVIEW

Guyana's economy grew in 2015, albeit at a lower GDP growth rate of 3.0% when compared to growth of 3.8% in 2014. Higher gold declarations and improved output from the key sectors including rice, sugar, livestock, and manufacturing, as well as increased services activities, mainly transportation and storage, contributed to this growth performance. However, declines in the output of forestry, bauxite, and fishing, as well as reduced activities in construction and wholesale and retail trade adversely affected the overall economic performance.

Rice production continued to trend upwards in 2015; reaching a new record high of 687,784 tonnes and exceeding 2014 output by 8.27%. This production level was achieved as a result of increased acreage under cultivation, better yield per hectare, favourable weather conditions, investment in machinery and equipment, and appropriate fertiliser and insecticide usage. Sugar production also increased from 216,192 tonnes to 231,145 tonnes in 2015 due to improved weather conditions, better supply of quality canes, and investment in mechanical harvesting and greater operational efficiency. Gold production increased by 16.5% to 451,490 ounces in 2015, despite a decline in world market prices. Production in the forestry sector declined due to lower domestic and international markets and resulted in a 16% reduction in contribution to GDP. Construction activities and wholesale and retail trade declined by 10% and 0.6% respectively.

The balance of payments deficit continued to improve in 2015, closing the year at US$107.7 million, 7.5% less than the US$116.4 million deficit recorded in 2014. Exports earnings increased marginally by 0.2% while imports declined by 17.7% during the same year. The reduction in import payments resulted in a 7.2% decline in foreign exchange transactions to US$6.2 billion. The economy recorded a deflation of 1.8% in 2015 compared to an inflation rate of 1.2% in 2014.

Guyana's economy grew by 2.0% in the first six months of 2016 due to growth in the mining sector, particularly as a result of increased production of gold, as well as growth in some of the services sectors. However, growth in the economy was constrained by declines in some of the key sectors – sugar, rice, forestry, construction and wholesale and retail trade.

A higher growth path has been projected for the economy based on expectations that this will be a year of recovery. As such, a GDP growth rate of 4.4% is anticipated at the end of 2016; an increase over the 3.0% growth achieved in 2015 and marking the eleventh consecutive year of economic expansion. Achieving this target hinges on the mining and quarrying sector, which is forecast to grow by 16.6% as a result of significantly higher gold declarations. Growth in the services sector of 4.0% from construction, wholesale and retail trade, financial and insurance and other services, and expansion in the agriculture sector due to increased output of sugar, forestry and other crops are also projected for the year. The inflation rate is projected to be 2.0% from increases in food prices.

GROUP DEVELOPMENTS

The Group's total assets stood at TT$66.9 billion with core profits attributable to equity holders of TT$1.18 billion for the year ended September 30, 2016, an increase of TTS8.4 million or 0.7% over the core profits of the prior year. However, when the impact of one-off items totaling TT$236.9 million are accounted for, the Group achieved a profit after tax of TT$946.3 million, a decrease of TT$277.3 million or 22.7% from the 2015 performance.

The Group has grown significantly as a result of organic growth and acquisitions that have added critical capabilities in key strategic business areas and broadened geographical coverage. We expanded into new markets and delivered more sophisticated products and services to meet client demands. Given this regional outreach, and in order to align with international best practices, Republic Financial Holdings Limited was established as the registered owner of all of the Banks in the Republic Bank Group – Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Suriname) N.V., HFC Bank (Ghana) Limited, as well as Republic Securities Limited and other subsidiaries.

The Republic Bank Group recognises that there are benefits to be derived by effectively managing the various risks associated with its operations that can impede realising its business objectives, and over the past few years, has taken a number of steps to reduce the inherent risk in its business model. During fiscal 2016, a Group Enterprise Risk Management Unit was established, and an Enterprise Risk Management Policy for the Group implemented, in order to continuously review and recommend initiatives to further enhance risk management practices and policies.

Globally, concerns of economic depression, political unrest, money laundering, and financing of terrorism make for cautious support from the international financial community, while regionally, issues of withdrawal of correspondent banks from the region, increased regulation, high liquidity, narrowing spreads, and lower demand for credit are dominant. Despite these factors however, we are confident that the performance levels of all of subsidiaries will be sustained as we strive to provide stockholders with steady, consistent earnings growth.

FUTURE OUTLOOK

Guyana's economic growth is expected to continue into 2017 with the expectation that prices for its export commodities will increase, particularly gold and rice, and production levels will continue to rise. Favourable fuel prices are expected to continue and will benefit the economy in 2017 as well.

Gold output is expected to be boosted to 650,000 ounces at the close of 2016 as the two large foreign owned mining companies (Guyana Goldfields Inc. and Troy Resources Limited) reach full production capacity and international market price for gold improves. The loss of the lucrative Venezuelan market with the end of the Pertrocaribe Agreement has severely impacted the rice industry and access to new markets at favourable prices is critical to ensuring the viability of this sub-sector going forward. Restructuring of the sugar industry is planned for the end of 2016 and it is anticipated that this will be ongoing in 2017 as efforts continue to make the industry become economically viable. Based on the encouraging production level for the first half of 2016 and anticipated recovering prices, the bauxite production forecast for 2016 was revised upwards to 1,680,747 tonnes.

At this early stage in the development of an Oil and Gas Sector in Guyana, linkages are being established between local companies and the regional and international oil companies. Providing direct and ancillary services to this sector is expected to significantly boost Guyana's economy.

Republic Bank (Guyana) Limited remains committed to future development in Guyana, and our priorities in the new fiscal will be to enhance the overall experience we provide to our customers, continue to innovate products and services across our markets, further develop and leverage our network of branches, strengthen our electronic banking capabilities, simplify processes, and further improve productivity levels across the organisation.

Our success is underpinned by people and our competitive advantage, and I am extremely proud of our staff for their hard work over the past year. In 2017, we will remain steadfast in our commitment to make Republic Bank (Guyana) Limited the Bank of Choice.

CHANGES TO THE BOARD

Following the resignation of Mr. Derwin Howell, Executive Director – Republic Bank Limited during the fiscal to serve as Chairman of the Board of Republic Bank (Suriname) Limited, the Board was pleased to welcome Mrs. Anna-María García-Brooks, General Manager, Human Resources – Republic Bank Limited as a Director. She brings a Group perspective to the table that I have no doubt will benefit the organisation and its stockholders in the years ahead. On behalf of the Board of Directors, I thank Mr. Howell for his commendable service to Republic Bank (Guyana) Limited. The Group will continue to benefit from his contributions in his capacity as Executive Director.

ACKNOWLEDGEMENTS

I thank my fellow Directors for their support, and on behalf of the Board of Directors, I sincerely thank our Management and Staff for their tremendous commitment. I also thank our stockholders and customers for their continued confidence and loyalty to the organisation.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

RICHARD S. SAMMY

INTRODUCTION

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

Republic Bank (Guyana) Limited achieved a profit after tax of $2,703 million compared to $2,816 million in 2015. While we note the decrease of 4.0% below last year's performance (which included an extraordinary gain from the sale of a fixed asset), the Bank experienced a growth of 13.6% over last year from core banking operations. Active Asset/Liability management, close control of Operating Expenses and our ongoing efforts to increase Non-Interest income contributed to this outcome.

Return on Assets declined to 1.82% and Return on Equity to 16.88%. Earnings per Stock unit declined marginally from $9.39 to $9.01 due primarily to increased loan provisioning in keeping with the International Financial Reporting Standards (IFRS).

During the past year, the Bank concentrated on enhancing its lending portfolio by improving customer service, and anticipating and meeting customers' needs while employing prudent risk management principles. Against the background of a challenging external environment characterised by uncertainty, high liquidity, declining margins, and rising delinquency, the Bank also focused on operational excellence by re-engineering systems and procedures, improving cost management and ensuring successful execution of project initiatives.

CUSTOMER SERVICE

Building a better bank starts with building stronger and lasting relationships with customers. In 2016, we continued our focus on exceptional customer service and customer convenience across our network.

A recent Customer Service Survey by an independent market research firm highlighted Republic Bank (Guyana) Limited as a leader in customer service in the financial services industry; underpinned by elements of overall satisfaction, service delivery, service expectations, loyalty, and advocacy. We aim to deliver memorable experiences that inspire our customers to recommend us to their families and friends. We also strive to improve speed, reliability and convenience for our customers through streamlining our delivery channels and improving process efficiency.

Care for customers is not limited to offerings during the normal course of business. To this end, we again collaborated with the Arthur Lok Jack Graduate School of Business to convene another Commercial Customer Business Programme specifically targeted towards enhancing the skills and knowledge base of our Small and Medium Enterprises clients.

HUMAN RESOURCES

Our success at Republic Bank (Guyana) Limited is 100% due to the individual and collective efforts of our people; their passion, dedication, hard work and commitment to our customers and stakeholders. We believe that personal development is the catalyst for career advancement and employee engagement. A number of our employees are pursuing examinations with the Canadian Securities Institute and other institutions. In addition, staff continue to be enrolled in various internal and external training programs and exposed to various work environments via assignment/secondment to our fellow subsidiaries.

One of the Bank's key measures is Employee Engagement, which we are committed to improving on an ongoing basis. In support of this, the Bank continues to invest heavily in training, creating opportunities to challenge our employees, and team building activities while encouraging a healthy work/life balance.

The Bank's 2015/2016 Youth Link Apprenticeship Programme saw another batch of thirty-one students from various regions benefiting from seven months of exposure to various aspects of the Bank's operations. Feedback regarding this initiative continues to be highly positive, and graduates are actively pursued for employment given their acquired skill set and the Caribbean Vocational Qualification status of the programme.

Our extraordinary workforce will remain a true source of strength and a competitive advantage as we move forward; inspired by and giving true meaning to our Core Values of Integrity, Respect For The Individual, Customer Focus, Results Orientation and Professionalism.

INFORMATION TECHNOLOGY

We continue to direct resources towards improving the Bank's technology infrastructure in order to accommodate increased network activity and meeting customers' growing preferences for seamless electronic and online experiences. In this regard, our electronic banking platforms – RepublicOnline, Telebanker, Blue Machines and Points of Sale allow customers to check account balances, conduct bill payments, transfer funds between accounts and more. Further additions were made to our Automated Teller Machine (ATM) network bringing total machines to thirty-nine, with three hundred and forty-seven Point of Sale terminals throughout the regions.

During the fiscal, key components of the Bank's operating system were upgraded to facilitate the introduction of an Electronic Clearings System implemented by the Bank of Guyana in their efforts to enhance operations within the local banking sector. The Bank's technology platforms for Anti-Money Laundering and Countering the Financing of Terrorism, and Business Continuity Management were enhanced and its Human Resource Information System further upgraded.

In keeping with our ongoing thrust to improve the efficiency of our operations, in the new year, we will seek to deepen our Internet Banking and online presence and automate more processes with particular emphasis in the areas of on boarding and loan management.

PREMISES

The Bank is committed to ensuring convenience to our customers and, to this end, is poised to deliver on increasing its geographical footprint with the imminent opening of a new branch at Triumph Village, East Coast Demerara. This branch will bring to that community, the Bank's full suite of products and services along with the customary warm smiles and excellent service delivery.

While no major construction will be pursued in 2017, a few of our branches will be renovated and restructured to afford greater accommodation and privacy in the area of lending. These improvements will foster improved staff interactions and enable enhanced customer service experiences to nourish organic growth.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

EMPOWERING THE COMMUNITY

As a responsible corporate citizen, Republic Bank, through our Power to Make a Difference Programme, strives to make a difference in the communities we serve through our actions. We are committed to helping to alleviate the socioeconomic issues facing the country and during the fiscal, partnered with recognised charities working in the sphere of youth, the aged, differently able, and the quality of children's education. Significant contributions were also made in the areas of sport, the arts and culture.

The Bank's employees have also embraced this thrust and have gone above and beyond the simple act of donating funds, to also donating their personal time. Through our Staff Volunteerism Programme, Republic Bank has been able to support the community efforts of our employees with volunteer grants to the charities at which they generously gave their time.

I am also pleased to report that this year, Republic Bank (Guyana) Limited was again recognised for business excellence by the Guyana Business Coalition on Health Awareness having won their coveted awards for Workplace Programme, Workplace Peer Educator and Advocacy and Leadership. The Bank's Peer Education Health Awareness Workplace Programme was lauded for its work in relation to educating employees and by extension the wider community on the prevention, transmission, stigma and discrimination associated with HIV/AIDS and other related social issues. Receiving commendation as well was the Bank's hosting of the inaugural Light It Up Blue! Autism Awareness walk in collaboration with the Step by Step Foundation geared at increasing awareness about Autism and supporting persons impacted by this developmental disorder.

REGULATORY COMPLIANCE

The international regulatory climate has grown increasingly stringent in the aftermath of money laundering and terrorist activities, and legislation has increased the responsibilities associated with banking globally, regionally and locally.

Republic Bank (Guyana) Limited has responded to these developments by taking significant and robust measures to counter the possible use of its services to facilitate illicit movement of funds and the financing of terrorism. As earlier mentioned, there are ongoing efforts, including staff training and customer awareness initiatives, to ensure that the Bank is fully compliant with all local and international requirements and best practices associated with the prevention and detection of money laundering and terrorist financing.

Our efforts to ensure that the Bank is compliant with the US Foreign Account Taxation Complaince Act (FATCA) enacted by the United States Government in 2010 continue. To this end, we have been engaging customers with US Indicia to ensure that documentation is in order and we have been participating in national sessions to facilitate the advancement of this international requirement.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2016, to be read in conjunction with the Directors' report and audited financial statements presented on pages 18 to 20 and pages 48 to 112 respectively.

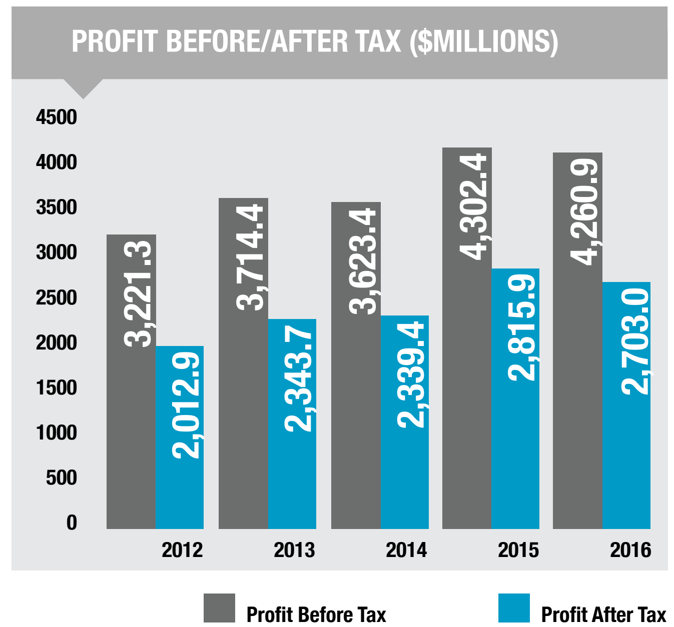
These statements are published in Guyana dollars. Foreign amounts have been converted to Guyana dollars at the prevailing mid-rate on September 30, for each financial year. The following are the mid-rates for the major currencies as at September 30, 2016:

	2016	2015
United States dollars	**205.5**	205.5
Pounds Sterling	**292.5**	312.5
Canadian dollars	**162.5**	165.0
Euro	**220.5**	223.0

STATEMENT OF INCOME REVIEW

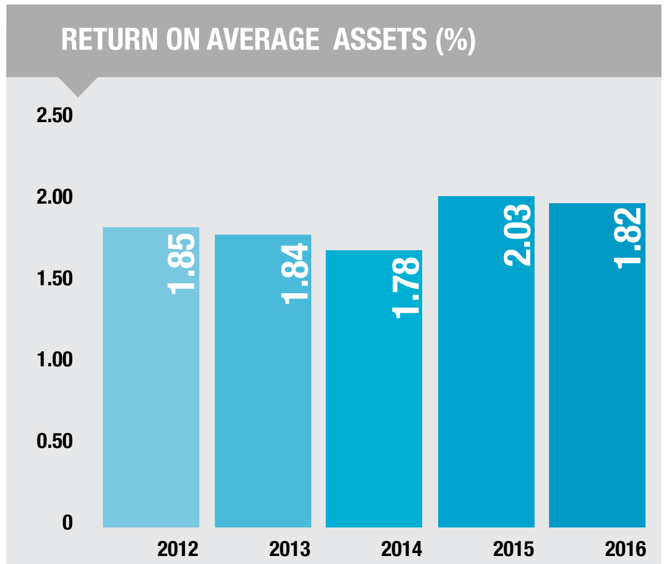
Financial Summary

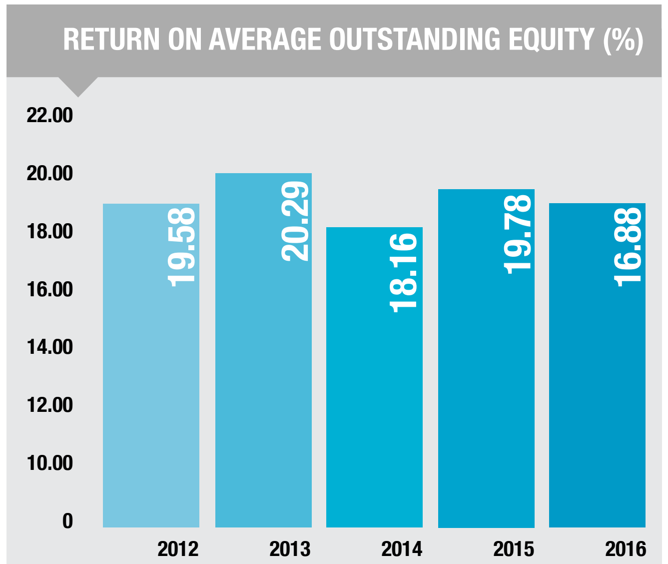
After tax profit of $2,703 million represents a decrease in profitability of $112.9 million or 4.0% compared with 2015. This decrease in profitability largely resulted from an increase in provisioning expense, against an extraordinary gain realised from the sale of a fixed asset in 2015. Focus on improving credit assessment, decision making and debt recovery will continue in the new fiscal. Corporation Tax paid amounted to $1,435 million compared with $1,191 million in 2015.



The Bank's return on average assets (1.82%) decreased year on year, as well as its return on average stockholders' equity (16.88%). Earnings per stock unit moved from $9.39 in 2015 to $9.01 in 2016, a marginal decline.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

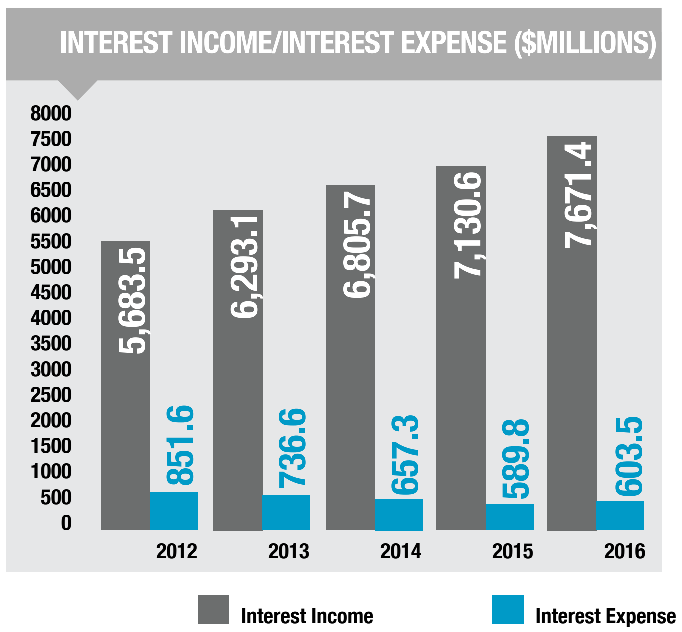




Net Interest and Other Income

Net interest and other income grew by $125.4 million or 1.4% to $9.4 billion in 2016 compared to the $9.3 billion generated in 2015, which is attributed mainly to the increase in the loan portfolio.

Net interest income at $7.1 billion exceeded the $6.5 billion earned in 2015 by $527.2 million or 8.1% and is attributed primarily to the increase in the loan portfolio.



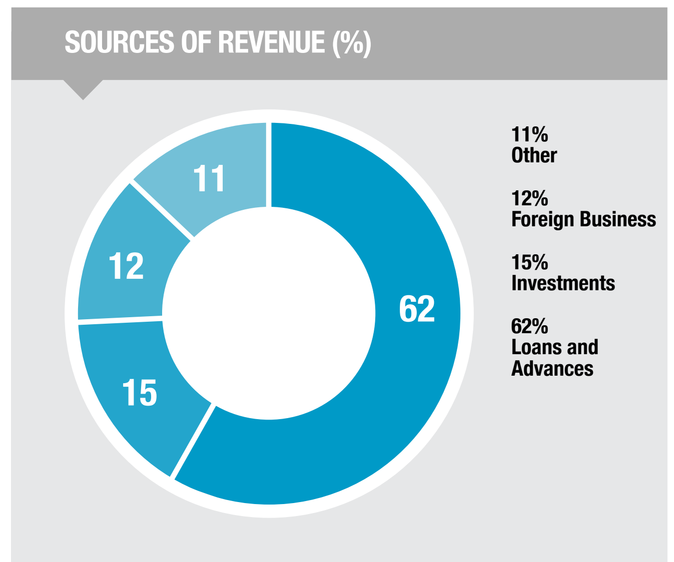
NET INTEREST MARGIN

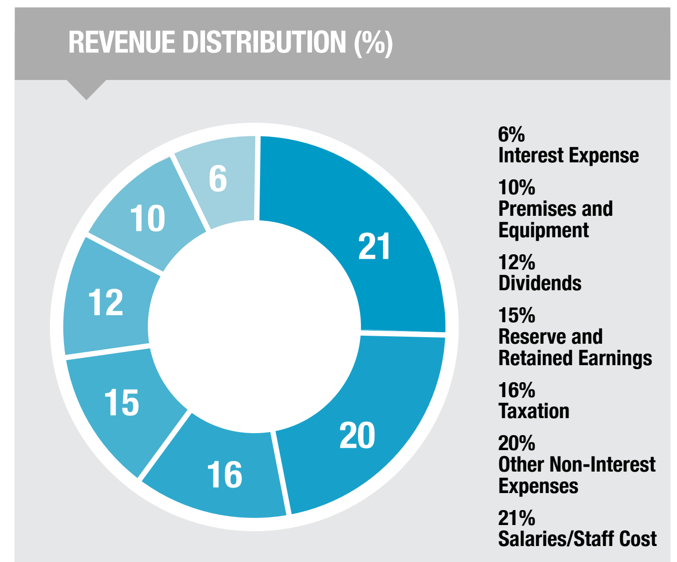
	2016	2015
Net interest income/Total average interest earning assets	**6.05%**	5.83%
Net interest income/Total average assets	**4.58%**	4.57%
Refer to Statement of financial position and note 16		

There were no unusual non-operational items.

The ratio of the Bank's average interest earning assets to average customer deposits decreased to 87.1% from 89.4% in 2015. 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, 2016, 38.1% of the Bank's interest earning assets consisted of Government of Guyana Treasury Bills.

Interest paid on deposits for 2016, at $603.5 million, was marginally higher than that of 2015 ($589.8 million) even 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 $2.3 billion and contributed 23.1% to total income, was below the 2015 amount by $401.8 million, or 14.8%, resulting mainly from the sale of a fixed asset in 2015. With continued emphasis, foreign exchange trading increased resulting in exchange gains for 2016 of $1,239 million, which represented a marginal increase of $20 million or 1.7% over 2015. Exchange earnings continue to be the main source of Other Income, contributing 53.7% (2015 - 45%) of the total.

Non-interest expense

Non-interest expenditure, which comprises operating expenses and provision for loan losses, increased by $166.9 million or 3.4% over 2015, as a result of provisions for loan losses, which increased to $786.6 million. There was a decrease in depreciation charges ($27.5 million), resulting from a reduction in capitalisation of assets. There was a significant increase in loan losses net of recoveries of $254.9 million, resulting from an increase in bad debts and a reduction in recoveries.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

The Bank's productivity/efficiency ratio, which is non-interest expenses to net interest income and other income, increased to 46.3% from 44.7% in 2015.

In accordance with IAS 39, and under the Financial Institutions Act, Chapter 85:03, the Bank conducts an annual review of its impaired loans. There are three levels at which the Bank provides for actual and potential loan impairment. These are a General Banking Risk Reserve and General and Specific Provisions for non-performing loans. After a $527.4 million transfer from income in 2016, the amount set aside for the General Banking Risk Reserve amounts at year end to $2,895.5 million. This Reserve, which is discussed in some length on page 84 of this report, is consistent with the Bank's policy of maintaining 100% provision for its non-performing loans and is in addition to the general provision.

The financial statements include general provision made on its performing portfolio under IAS 39 of $186.9 million at September 30, 2016; an increase of $69.6 million. This provision reflects the level of inherent risk in the loan portfolio for which there is no specific provision.

At September 30, 2016, specific provision on non-performing loans amounted to $667.9 million, an increase of $97.6 million over 2015. Overall in 2016, expenses related to loan-loss provisioning amounted to $786.6 million against a provision of $574.2 million in 2015. The Bank continues to strive to maintain a very prudent policy especially on its unsecured consumer lending portfolio. Recoveries on loans, that were previously written-off, amounted to $196.5 million in 2016 (2015 - $239 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2016 increased marginally to 6.4% from 5.9% in 2015. On the other hand, the ratio of specific provision for loan losses to non-performing loans moved marginally from 19.4% at September 30, 2015 to 20.7% at September 30, 2016.

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 decreased by $1.8 billion year on year. This decrease is due mainly to the increase in quality investments. The statutory deposit balance with Bank of Guyana grew by $292.3 million over the same period.

Available-for-sale investment securities

Available-for-sale investment securities, including Government of Guyana Treasury Bills, increased by 7.5% during the year ($3.7 billion). The increase arose mainly in the Bank's investment in Treasury Bills which increased from $43.1 billion in 2015 to $45.3 billion in 2016 or 5%. There was also an increase in foreign investments by $1.6 billion, or 24.8%. 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

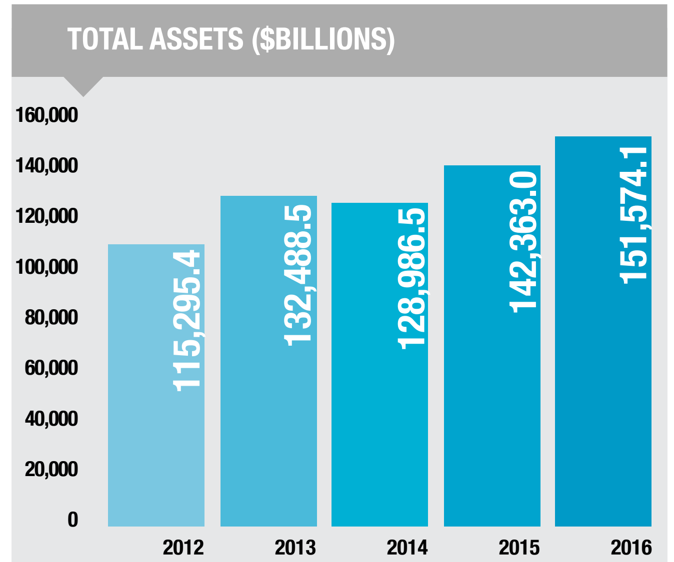
Advances grew by $6.1 billion to $58.4 billion, an increase of 11.6%. The concentration by sector in the loans and advances portfolio, a function of the Bank's Credit Risk Management process, remained fairly constant during the year. The Bank's investment in agriculture remained at a minimum as it continues to reassess the position as circumstances change.

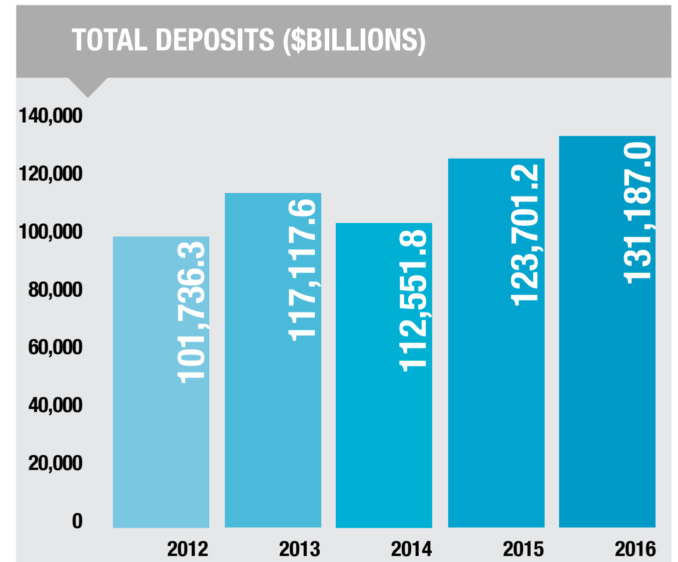
Significantly however, the Home Mortgages sub-sector recorded a 13.1% increase in value from $18.3 billion to $20.7 billion. The Bank continues to aggressively support the government's home ownership thrust.

As a percentage of total assets, loans and advances accounted for 38.5%, up from the 36.8% achieved in 2015.

Total assets

The Bank's total assets of $151.6 billion represent an increase of $9.2 billion or 6.5% above 2015. This increase is attributed to loans and advances which accounted for an increase of $6.1 billion and available-for-sale investment securities and Treasury Bills for $3.7 billion. Over the past three years, net investment in loans and advances grew by $3.9 billion, $1.9 billion, and $6.1 billion, respectively. In a challenging and competitive environment for sound economic projects, the Bank continues to seek and attract new and remunerative investments, even as it honours its obligation to protect depositors' funds.





Deposits

Asset growth resulted from an increase in deposits, which moved to $131.2 billion from $123.7 billion in 2015; an increase of $7.5 billion or 6.1%. This reflects depositors steadfast confidence in the Bank, as it continues to focus on providing quality products and services. Savings deposits, the most stable category of deposits at 63.7% of the deposit portfolio, decreased by $379.9 million or 0.5%. The Certificate of Deposit (Term) portfolio also declined by $292.2 million or 4.4% compared with $0.3 billion or 3.9% in 2015.

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 Chapter 85:03 restricts a single or group borrower loan to defined percentages of the Bank's capital base. From the after tax profits of $2,703 million, $1,234.9 million is being proposed as dividends and $1,468.1 million transferred from the Statement of Income to stockholders' equity. At September 30, 2016, the book value of stockholders' equity amounted to $16.7 billion.

Total dividends paid and proposed for fiscal 2016 amount to $1,234.9 million; an increase of 4.7% over the $1,180 million payout for 2015. This equates to a dividend payout ratio of 45.7% (2015 - 41.9%).

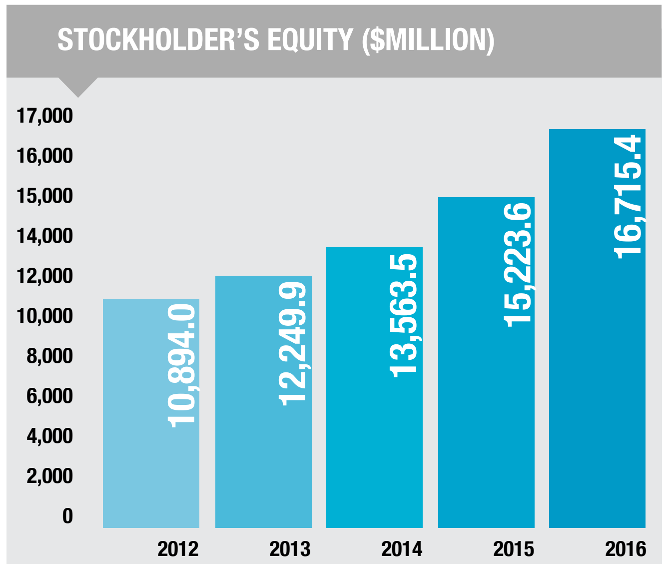
There was a decrease in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 22% between the highest price of $122 and lowest price of $100 with an average weighted price of $110.62 per stock unit. In terms of volume, most trades were done at a unit price of $110. Using the Market Weighted Average Price of $105 from the last trade date (September 5, 2016) for the Bank's stock, the price/earnings ratio declined to 11.65 from 12.25 in 2015. The net asset value of one unit is $55.7 (2015 - $50.7) which, with a price of $105, gives a price/book ratio of 1.88:1 (2015 - 2.27:1).

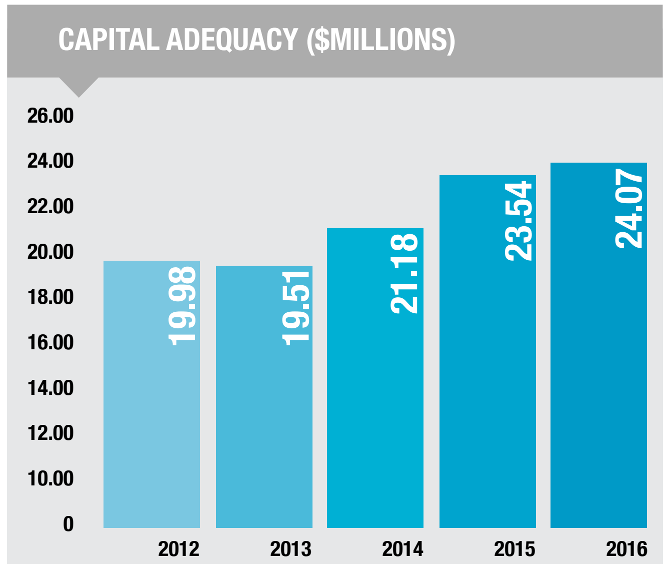
MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE AND RESOURCES

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 Chapter 85:03.





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 $15.2 billion to $16.7 billion year-on-year. The capital adequacy ratio increased marginally, moving to 24.07% at September 30, 2016 from 23.54% at September 30, 2015. 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 88 to 102 of this Annual Report.

The Bank manages these risks at all levels of its corporate structure, applying quantitative and qualitative criteria and strict levels of authority throughout the organisation. The Bank also benefits from continuous guidance and services of the Risk Management Unit and the Internal Audit Department of the Parent Company.

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

FUTURE OUTLOOK

In fiscal 2017, we will continue to build on our core business, strengthen and deepen our customer relationships, expand our product sophistication, and provide strategic and value added capabilities to all stakeholders.

In spite of the uncertainty and diminished business activity of the last fiscal, we are optimistic that economic development and projects in key sectors will serve as the catalyst for positive change in the coming year. We expect that businesses will be operating in challenging circumstances with continued softening of consumer demand, but expect to see improvement if the public and private sector can work together to improve the country's infrastructure, its sectors, and capitalise on the natural resources potential.

ACKNOWLEDGEMENTS

I acknowledge with gratitude the valuable contribution of former General Manager Credit, Mrs. Patricia Plummer, who retired effective October 30, 2015. Mrs. Plummer served the Bank with distinction for 43 years, and I wish her and family a healthy and happy future.

On behalf of the Bank's senior leadership team, I sincerely thank our Management and Staff for another year of dedication, passion and commitment. The continued success of Republic Bank (Guyana) Limited is attributed to the talent and achievements of a team of leaders. I also thank the Board of Directors for their guidance and our valued customers, stockholders and business partners for their continued support.

SENIOR MANAGEMENT

RICHARD S. SAMMY
Managing Director

DENISE HOBBS
General Manager,
Corporate and Management Services

PARBATIE KHAN
General Manager,
Credit

MANAGEMENT

DENYS BENJAMIN
Manager,
Corporate Operations

DOODMATTEE BHOLLARAM
Manager,
Corriverton Branch

CELINE DAVIS
Manager,
Water Street Operations

HARRY DASS GHANESS
Manager,
Rose Hall Branch

STANTON GRANT
Manager,
Internal Audit

MANAGEMENT

SHERWYN GREAVES
Manager,
Camp Street Branch

YONNETTE GREAVES
Manager,
Information Technology

SASENARAIN JAGNANAN
Senior Manager,
Corporate and Commercial Credit

ERICA JEFFREY
Manager,
Branch Support Services

MICHELLE JOHNSON
Manager,
Marketing and Communications

NDIDI JONES
Senior Manager,
Republic Bank (Guyana) Limited

LEON MCDONALD
Credit Manager,
Corporate and Commercial Credit

CHRISTINE MCGOWAN
Manager,
Legal Services

SHRIMANIE MENDONCA
Manager,
Human Resources

YUGISTHER MOHABIR
Assistant Manager,
Information Technology

MANAGEMENT

SHRIDATH PATANDIN
Manager,
Vreed-En-Hoop
Branch

JADOONAUTH PERSAUD
Manager,
Branch Operations

MICHAEL RAM
Manager,
Operational Risk

GUITREE RAMSAMOOJ
Manager,
Anna Regina Branch

CARLA ROBERTS
Corporate Manager,
Corporate and
Commercial Credit

IMRAN SACCOOR
Manager,
D'Edward Branch

RANDULPH SEARS
Manager,
New Amsterdam Branch

JOEL SINGH
Manager,
Linden Branch

VANESSA THOMPSON
Manager,
Finance and Planning

JOANN WILLIAMS
Assistant Manager,
Human Resources

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate Governance is described as "the system by which companies are directed and controlled" in pursuit of a greater sense of accountability, fairness and transparency. One of the objectives of implementing corporate governance principles is to ensure the balancing of stakeholder interests. The Board of Directors of Republic Bank (Guyana) Limited is committed to proper standards of Corporate Governance and maintaining these standards at the highest level. We continuously monitor the Bank's systems and procedures to ensure that our standards are in keeping with the best practice as determined by the principles of Corporate Governance. The Bank is also guided by the Recommendations for a Code of Corporate Governance issued by the Guyana Securities Council, and Supervision Guideline No. 8 on Corporate Governance issued by the Bank of Guyana under the authority of the Financial Institutions Act 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 both business and finance, and provide invaluable input at meetings through their personal values and standards arising from their varied and distinct backgrounds. Together, the Board members provide entrepreneurial leadership within a framework of prudent and effective controls. In keeping with the Bank's culture of broad disclosure, the Executive Director ensures that all pertinent information relevant to the Bank's operations is provided to members of the Board of Directors.

The Board is charged with the mandate to lead the Bank along a path of greater profitability without compromising the Bank's sound financial position while ensuring compliance with applicable laws. Of critical importance to the Board of Directors is the responsibility to approve and review the Bank's Strategic Plan and, within this context, to approve Annual Budgets, including capital expenditure. The Board retains the responsibility for reviewing and approving credit applications above a specified limit. Pursuant to the mandate to ensure that the interests of the various stakeholders are considered, the Board of Directors meets, at a minimum, on a quarterly basis, while the Executive Sub-Committee of the Board, comprising seven Board members, meets monthly for the remaining months.

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

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

AUDIT COMMITTEE

The members of the Audit Committee are:

Mr. Roy E. Cheong, **Chairman**

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.

COMPENSATION COMMITTEE

The members of the Compensation Committee are:

Mrs. Anna-María García-Brooks, **Chairperson**

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.

OTHER RISKS COMMITTEE

The members of the Other Risks Committee are:

Mr. John G. Carpenter, **Chairman**

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 the Bank is not exposed to unnecessary risks with respect to its operations. The Other Risks Committee is also responsible for overseeing the management of the Bank's Anti-Money Laundering and Countering the Financing of Terrorism Program, 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 responsibilities and authorities are documented and approved by the Board of Directors. Limits on credit dispensation, capital and operating expenditure are stated specifically in the Managing Director's authorities. In keeping with good corporate governance principles, the Managing Director is charged with the day to day management of the Bank's business and is ably assisted by a competent and experienced management team. The Bank's two General Managers report directly to the Managing Director. Senior Management which has combined banking experience of 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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

3 CORPORATE SOCIAL RESPONSIBILITY

A Flow of Support

Advocating for Autism awareness saw widespread support. The first Republic Bank Light It Up Blue! Autism Awareness Walk received support from the First Lady of the Cooperative Republic of Guyana, Government Ministries and Institutions, private sector, the media and scores of staff

Young Steel Band Arrangers demonstrate their arrangement and playing skills during the Graduation Ceremony of the Republic Bank RightStart Pan Minors Music Literacy Programme

Our Youth Link Apprentices interact with the children of the Ptolemy Reid Rehabilitation Centre as part of their Youth Link Care-A-Van, the community outreach component of the Youth Link Apprenticeship Programme, fostering greater social awareness, empathy, respect and care for the less fortunate

THE POWER TO MAKE A DIFFERENCE

It is widely accepted that understanding the past is critical to charting the future; building the kinds of relationships that will stand the test of time and truly make a difference in the lives of many. As part of the Caribbean for more than 178 years, Republic Bank has always been committed to a vision of local and regional sustainable development. In many ways, the story of the Power to Make A Difference is the story of the Republic Bank Group itself. As we have grown, forming strong bonds with diverse communities in the Caribbean and beyond, so too has our commitment to raising the bar of corporate social investment grown.

Guided by the belief in the Power to Make A Difference, we intend, as a financial institution of the people, to take our investment even further, under a new brand, Republic Financial Holdings Limited, as we chart the way forward in programmes that focus on youth empowerment through education, the arts, culture, and sport, advocate the rights of the differently able and socially marginalised, and foster a spirit of social activism through staff volunteerism.

Creating a Legacy of Teamwork and Caring

Through advocacy and collaboration, we have successfully expanded on the traditional model of sustainable investment beyond sponsorship, to help create a legacy of teamwork and caring; one that embraces the wider interests of the NGO and CBO communities, while inspiring us to pursue additional areas, previously unexplored, where we could provide even more meaningful assistance.

In fiscal 2016, Republic Bank (Guyana) Limited invested $24.5million as we carried the Power to Make a Difference forward in the communities; directing our resources toward sustainable development through investment and staff volunteerism as we build upon existing partnerships and support efforts for holistic social improvement.

Inspiring the Leaders of Tomorrow

The focus on youth empowerment through education, cultural development and sport starts with giving young achievers the encouragement and the avenues to succeed; viable options that they may not necessarily have an opportunity to make the most of. In 2015, as we sought new ways to reconnect and inspire younger minds, we kept the spotlight on maintaining existing programmes that have proven their worth through longevity and sheer impact on a diverse array of communities.

Our partnership with the University of Guyana saw the continuation of our scholarship programme for a degree in studies relevant to National Development, as well as our support of the purchase of business journals for the University's library. We maintained our support of the Power to Make A Difference Academic Achievement Awards that recognises and rewards the top performers at the annual National Grade Six Assessment, the Caribbean Secondary Education Certificate, the Caribbean Advanced Proficiency Examinations, and the Best Graduating Students in the Faculty of Social Sciences with a Diploma in Banking and Finance.

Sponsorship of the Republic Bank RightStart Music Literacy Programme, which in conjunction with the Ministry of Education, Department of Culture, Youth and Sport, continued to provide training for new and experienced steel pan players; encouraging and guiding them to learn more about the instrument, its history and value as a cultural and educational tool. Through these interactive workshops, we have successfully challenged more than 800 students across the country to not only pick up the instrument, but to experiment with different techniques as they discover ways to add their efforts in the ongoing mission to take steelpan and steel pan music to a higher level and on an international stage.

In that vein, Republic Bank continued to promote cultural literacy and preservation through extensive investment in the Republic Bank Mashramani Panorama Steel Band Competition – an annual competition during February where individuals and small and large bands compete in various categories. During the 2015 phase, the school band segment was expanded to nine competing bands as a direct result of the training provided to students at the Republic Bank RightStart Music Literacy Programme.

For the past eight years, the Republic Bank Youth Link Apprenticeship Programme continued to take hundreds of secondary school graduates under our wing; giving them the education, basic training and marketable skills that would best enable them to make the most of their career options as they navigate the world of work beyond the classroom. Certified by the Council for Technical and Vocational Education and Training (CTVET), this seven-month series has challenged more than 200 Apprentices to become leaders of tomorrow as they develop their personal, social, and professional abilities in a fun-filled, dynamic, and engaging environment. Upon completion of the programme, graduates receive a CTVET qualification that is accredited in Guyana and the Caribbean, thereby giving the opportunity to take their education even further and higher.

THE POWER TO MAKE A DIFFERENCE

Keeping the Promise to our Brothers and Sisters

The 2015 phase of the Power to Make a Difference saw an even deeper, more focused investment in the work of our partners, particularly those committed to championing the rights and standards of living for the social marginalised, the differently able; our brothers and sisters whom we have promised to protect.

With the spotlight on raising awareness of Autism Spectrum Disorder (ASD), we allied with the Step By Step Foundation School for Autistic Children to sponsor annual tuition for two students and the annual salary for two tutors. The Bank's sponsorship also covered the cost of services of a US medical practitioner, specialised in autism, to visit regularly to assess the children's progress and monitor tutors' performance. Building on that activism, we successfully collaborated on Light It Up Blue! Autism Awareness Walk; launched in April 2016 under the patronage of Her Excellency Sandra Granger, First Lady of the Cooperative Republic of Guyana. This awareness walk helped foster public understanding of the autism spectrum and advocate public support and funding for individuals and families dealing with Autism.

This year, we reaffirmed our partnership with the Women Across Differences' Working with Teen Mothers programme; specifically structured to encourage and motivate young women to better handle the challenges of pregnancy and motherhood. Through this development programme, teen mothers and pregnant adolescents from Region 4 and Georgetown were given the means to improve their lives.

Preserving Our Home

Our country is our home. As our home, we have a responsibility to provide not only for its well-being, and ultimately, its safety, we also have to provide so that future generations understand their role in keeping our country beautiful on all fronts – environmentally and culturally.

Through our ongoing partnership with Iwokrama International Centre for Rain Forest Conservation and Development, we have been able to consistently support a revolutionary environmental literacy programme in schools, promoting change mitigation and conservation, with the initial outreach benefitting the community of Fairview Village in Region 9.

This year also marked the 12th year of our collaboration with the Mayor and Councillors of the City of Georgetown on the Promenade Gardens project, whereby we continue to provide a place of comfort and beauty to the people of Guyana and to any and all visitors to our stately country.

Maintaining the beauty of our home extends beyond simply ensuring we have safe, clean, and comfortable spaces. It is as equally important to continue adding value to our people's cultural development. In 2015, our relationship with the cultural community picked up where it left off as, together with the Theatre Guild of Guyana, we continued to set the example of corporate and cultural synergy; seizing the opportunity to stay the course as we invested in the Theatre Guild's upkeep, and by extension, worked together to preserve our country's cultural heritage.

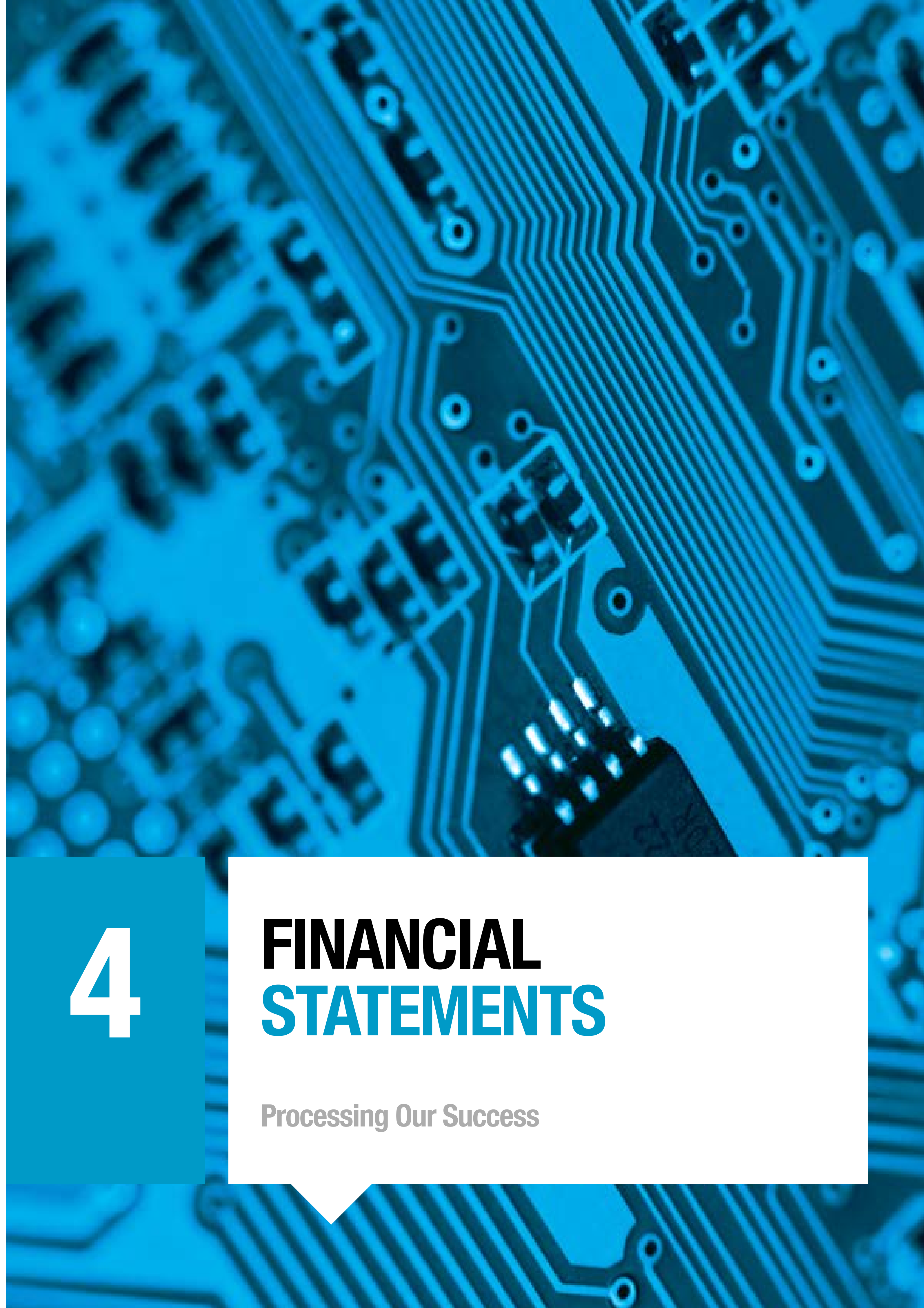
Working beyond the regular work day

As our sponsorship and social programmes continue to make inroads in raising the standard of living in various communities, so too has our staff volunteerism programme laid down a blueprint of how to let our actions outside of the bank speak just as loudly as those inside. Beyond the dollars and cents of financial investment, comes the investment of human capital, energy, and most all, the belief in all hands working together to achieve the future we seek.

This year, literacy and community development took the fore as Republic Bank staff travelled the length and breadth of our country to selflessly give of their energy and time at restorative efforts for orphanages, schools, homes for the elderly in collaboration with various organisations within the community.

The Future Beckons

As we begin a new era, we look forward to the future of the Power to Make A Difference serving the communities of Guyana. The promises we have made, and built upon, over the last decade will pave the way for new opportunities to enhance the well-being and future prospect of many, while providing the impetus to adopt novel approaches to sustainable investment. In this next phase of our evolution, the focus remains fixed on adding value to the ways we engage the community; building on existing programmes to further youth development, championing the rights of the socially marginalised, preserving our way of life for future generations, and leading by example to uplift a multitude of people and societies.



4 FINANCIAL STATEMENTS

Processing Our Success

FINANCIAL REPORTING REQUIREMENTS

The Directors of Republic Bank 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 Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors have always recognised the importance of the Group 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 Group. 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 Group.

The system of internal control is further supported by a professional staff of Internal Auditors who conduct periodic audits of all aspects of the Group'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 Group'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
Corporate Secretary

CONTENTS

INDEPENDENT AUDITORS' REPORT

TO THE STOCKHOLDERS OF REPUBLIC BANK (GUYANA) LIMITED

We have audited the financial statements of Republic Bank (Guyana) Limited which comprise the statement of financial position as at September 30, 2016, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Companies Act Chapter 89:01, the Financial Institutions Act Chapter 85:03, and the Securities Industry Act Chapter 73:04 and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies Act Chapter 89:01, the Financial Institutions Act Chapter 85:03, and the Securities Industry Act Chapter 73:04.

Ram & McRae

Ram & McRae
Chartered Accountants

157 'C' Waterloo Street,
North Cummingsburg,
Georgetown, Guyana

October 24, 2016

STATEMENT OF FINANCIAL POSITION

As at September 30, 2016. Expressed in thousands of Guyana dollars ($'000)

	Notes	2016	2015
ASSETS			
Cash		**2,292,157**	2,221,630
Statutory deposit with Bank of Guyana		**14,802,238**	14,274,130
Due from banks	4	**13,869,565**	15,775,357
Treasury Bills	6 (c)	**45,301,463**	43,141,497
Investment interest receivable		**114,438**	38,456
Advances	5	**58,417,974**	52,362,418
Investment securities	6	**7,882,243**	6,318,344
Premises and equipment	7 (a)	**6,743,694**	5,753,349
Intangible assets	7 (b)	**115,623**	108,546
Goodwill	8	**1,228,222**	1,228,222
Deferred tax assets	10	**218,934**	228,219
Other assets	11	**587,588**	912,787
TOTAL ASSETS		**151,574,139**	**142,362,955**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**143,202**	199,457
Customers' chequing, savings and deposit accounts	12	**131,186,957**	123,701,186
Pension liability	9	**172,400**	115,300
Taxation payable		**541,176**	505,962
Deferred tax liabilities	10	**324,183**	315,873
Accrued interest payable		**17,989**	18,476
Other liabilities	13	**2,472,838**	2,283,097
TOTAL LIABILITIES		**134,858,745**	**127,139,351**
EQUITY			
Stated capital	14	**300,000**	300,000
Statutory reserves	15	**300,000**	300,000
Net unrealised losses	15	**(50,098)**	(117,187)
General banking risk reserve	15	**2,895,525**	2,368,086
Retained earnings		**13,269,967**	12,372,705
TOTAL EQUITY		**16,715,394**	**15,223,604**
TOTAL LIABILITIES AND EQUITY		**151,574,139**	**142,362,955**

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

These financial statements were approved by the Board of Directors on October 24, 2016 and signed on its behalf by:

RICHARD S. SAMMY	**CHRISTINE MC GOWAN**	**ROY E. CHEONG**
Managing Director	Company Secretary	Director, Chairman of Audit Committee

STATEMENT OF INCOME

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000)

	Notes	2016	2015
Interest income	16 (a)	**7,671,444**	7,130,598
Interest expense	16 (b)	**(603,459)**	(589,820)
Net interest income		**7,067,985**	6,540,778
Other income	16 (c)	**2,323,346**	2,709,288
		9,391,331	**9,250,066**
Loan impairment expense net of recoveries	5 (c)	**(786,604)**	(574,232)
Operating expenses	16 (d)	**(4,343,818)**	(4,373,446)
Profit before taxation		**4,260,909**	**4,302,388**
Taxation - Current		**(1,556,040)**	(1,465,658)
Taxation - Deferred		**(1,828)**	(20,792)
Total taxation expense	17	**(1,557,868)**	**(1,486,450)**
Net profit after taxation		**2,703,041**	**2,815,938**
Earnings per stock unit ($)		**9.01**	9.39

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000)

	2016	2015
Net profit after taxation	**2,703,041**	2,815,938
Other comprehensive income:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain/(loss) on available-for-sale investments	**67,089**	(143,735)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:	**67,089**	**(143,735)**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Re-measurement (loss)/gain on defined benefit plans	**(43,440)**	17,880
Net other comprehensive (loss)/gain that will not be reclassified to profit or loss in subsequent periods:	**(43,440)**	**17,880**
Total other comprehensive income/(loss) for the year, net of tax	**23,649**	**(125,855)**
Total comprehensive income for the year, net of tax	**2,726,690**	**2,690,083**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000)

	Stated capital	Statutory reserves	Net unrealised gain/(loss)	General banking risk reserve	Retained earnings	Total equity
Balance at September 30, 2014	**300,000**	**300,000**	**26,548**	**2,575,926**	**10,361,047**	**13,563,521**
Profit for the year	–	–	–	–	2,815,938	2,815,938
Other comprehensive (loss)/income	–	–	(143,735)	–	17,880	(125,855)
Total comprehensive (loss)/income for the year	–	–	(143,735)	–	2,833,818	2,690,083
Transfer from general banking risk reserve	–	–	–	(207,840)	207,840	–
Dividends	–	–	–	–	(1,030,000)	(1,030,000)
Balance at September 30, 2015	**300,000**	**300,000**	**(117,187)**	**2,368,086**	**12,372,705**	**15,223,604**
Profit for the year	–	–	–	–	2,703,041	2,703,041
Other comprehensive income/(loss)	–	–	67,089	–	(43,440)	23,649
Total comprehensive income for the year	–	–	67,089	–	2,659,601	2,726,690
Transfer to general banking risk reserve	–	–	–	527,439	(527,439)	–
Dividends	–	–	–	–	(1,234,900)	(1,234,900)
Balance at September 30, 2016	**300,000**	**300,000**	**(50,098)**	**2,895,525**	**13,269,967**	**16,715,394**

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000)

	2016	2015
Operating activities		
Profit before taxation	**4,260,909**	4,302,388
Adjustments for:		
Depreciation and amortisation	**384,505**	412,028
Loan impairment expense	**786,604**	574,232
Loss/(gain) on sale of premises and equipment	**15,874**	(436,901)
Decrease in pension liability	**(15,300)**	(12,000)
Increase in advances	**(6,227,536)**	(2,037,454)
Increase in customers' deposits	**7,485,771**	11,149,426
Increase in statutory deposit with Bank of Guyana	**(528,108)**	(1,373,261)
Decrease in other assets and investment interest receivable	**249,217**	206,643
Increase in other liabilities and accrued interest payable	**189,254**	346,552
Net cash from operating activities before tax	**6,601,190**	13,131,653
Taxes paid	**(1,434,972)**	(1,191,120)
Cash provided by operating activities	**5,166,218**	**11,940,533**
Investing activities		
Purchase of investment securities	**(3,064,499)**	(1,622,914)
Redemption of investment securities	**941,473**	221,680
Purchase of Treasury Bills	**(61,244,100)**	(70,572,700)
Redemption of Treasury Bills	**59,052,250**	68,997,600
Additions to premises and equipment	**(1,422,310)**	(466,894)
Proceeds from sale of premises and equipment	**26,858**	455,927
Cash used in investing activities	**(5,710,328)**	**(2,987,301)**
Financing activities		
Decrease in balances due to other banks	**(56,255)**	(15,035)
Dividends paid	**(1,234,900)**	(1,030,000)
Cash used in financing activities	**(1,291,155)**	**(1,045,035)**
Net (decrease)/increase in cash and cash equivalents	**(1,835,265)**	7,908,197
Cash and cash equivalents at beginning of year	**17,996,987**	10,088,790
Cash and cash equivalents at end of year	**16,161,722**	**17,996,987**

STATEMENT OF CASH FLOWS *(continued)*

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000)

	2016	2015
Cash and cash equivalents at end of year are represented by:		
Cash on hand	**2,292,157**	2,221,630
Due from banks - Note 4	**13,869,565**	15,775,357
	16,161,722	**17,996,987**
Supplemental information:		
Interest received during the year	**7,610,497**	7,130,246
Interest paid during the year	**603,946**	590,572
Dividends received	**9,044**	9,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016. 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 Chapter 89:01 on May 16, 1997 and is licensed as Bankers under the Financial Institutions Act Chapter 85:03.

The Bank was registered as a reporting issuer under the Securities Industry Act Chapter 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 Chapter 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, 2016 the stockholdings of Republic Financial Holdings Limited in the Bank were 51.1%.

On December 16, 2015, by Legal Notice No. 215 of 2015, the business of Republic Bank Limited was transferred and vested into Republic Finance and Merchant Bank Limited (FINCOR) save for the shareholdings in several subsidiaries. FINCOR was renamed Republic Bank Limited and Republic Bank Limited was renamed Republic Financial Holdings Limited.

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), 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, 2015. There were no new standards or interpretations which became effective in the current year.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Bank's financial statements. 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.

IAS 1 Disclosure Initiative – Amendments to IAS 1 (effective January 1, 2016)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:

- The materiality requirements in IAS 1
- That specific line items in the Statement of Income and Other Comprehensive Income (OCI) and the Statement of Financial Position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of Other Comprehensive Income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the Statement of Income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the Statement of Financial Position and the Statement of Income and Other Comprehensive Income.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective January 1, 2016)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant, and equipment and may only be used in very limited circumstances to amortise intangible assets.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life. Revenue generated may be used to amortise an intangible asset only in very limited circumstances.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 (effective January 1, 2016)

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 (effective January 1, 2016) *(continued)*

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective January 1, 2016)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments will effectively eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective January 1, 2016)

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. Entities need to consider the definition carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

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

IFRS 14 Regulatory Deferral Accounts (effective January 1, 2016)

The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the Statement of Financial Position and present movements in these account balances as separate line items in the Statement of Income and Other Comprehensive Income.

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.

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 clarify that an entity needs to consider whether tax law restricts 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.

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in Other Comprehensive Income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

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

IFRS 9 Financial Instruments (effective January 1, 2018) *(continued)*

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL is always recognised.

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.

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.

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) *(continued)*

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.

(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, 2016.

IFRS		Subject of Amendment
IFRS 5	-	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	-	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	-	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	-	Employee Benefits - Discount rate: regional market issue
IAS 34	-	Interim Financial Reporting - Disclosure of information "elsewhere in the interim financial report"

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 Chapter 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

The Bank's financial assets and financial liabilities are recognised in the Statement of Financial Position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or where the Bank has transferred all the risks and rewards of ownership of the asset or control of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised at settlement date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments *(continued)*

For purposes of subsequent measurement financial assets are classified in the following categories:

i) Advances

Advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading" designated as "Financial investment - available-for-sale" or "Financial assets designated at fair value through profit or loss" After initial measurement, advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "Interest income" in the Statement of Income. The losses arising from impairment are recognised in the Statement of Income in "loan impairment expense."

ii) Investment securities

- At fair value through profit or loss

Financial assets are classified in this category if they are either acquired for the purpose of selling in the short term or if so designated by management. Securities held as financial assets at fair value through profit or loss are initially recognised at fair value plus transaction costs and are continuously measured at fair value based on quoted market prices where available, or discounted cash flow models. All gains and losses realised and unrealised from trading securities and those designated at fair value through profit or loss are reported in other income whilst losses are reported in operating expenses. Interest and dividends earned whilst holding trading securities and those designated at fair value through profit or loss are reported in interest income.

- Available-for-sale

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

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

- Held to maturity

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

iii) Debt securities and other fund raising instruments

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Impairment of financial assets

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

i) Advances

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

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

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

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

ii) Investment securities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Leases

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

h) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying 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.

i) Intangible assets

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

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

Amortisation is calculated using the reducing balance method over their estimated useful 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.

j) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Goodwill *(continued)*

As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, this gain is recognised immediately in the Statement of Income as a credit to other income.

k) Employee benefits

i) Pension obligations

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

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. Re-measurements 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 sharing scheme

The Bank operates an employee profit share scheme in accordance with terms outlined in the Human Resource Policy Guidelines. The profit share to be distributed to employees each year is based on a specific formula outlined in these guidelines. Employees are paid profit share in cash. The Bank accounts for the profit share as an expense through the Statement of Income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Taxation

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

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

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

m) Statutory reserves

In accordance with the Financial Institutions Act Chapter 85:03, a minimum of 15% of the current year's net profit must be transferred to the Reserve Fund until the amount in the Fund is equal to the paid up Capital of the Bank. This reserve is non-distributable.

n) Earnings per stock unit

Data on earnings per stock unit has been computed by dividing the net profit attributable to ordinary stockholders, by the weighted average number of ordinary stocks in issue during the year. The Bank has no dilutive ordinary stocks.

o) Foreign currency translation

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

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

p) Interest income and expense

Interest income and expense are recognised in the Statement of Income for all interest-bearing instruments on an accrual basis using the effective interest yield method. Interest income includes coupons earned on fixed income investment and trading securities, accrued discount and premium on Treasury Bills and other discounted instruments.

q) Dividends

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

r) Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction.

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Managing Director as its chief operating decision-maker.

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

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

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

u) Assets classified as held-for-sale

A non-current asset is classified as held-for-sale when: its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset is available for immediate sale in its present condition, and its sale is highly probable. Assets classified as held-for-sale are not depreciated or amortised, and are carried at the lower of the carrying amount and fair value less cost to sell.

v) Comparatives

Certain changes in presentation have been made in these financial statements. These changes had no effect on the operating results, profit after tax or earnings per stock unit of the Bank for the previous year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE BANK'S ACCOUNTING POLICIES

Management has made the following judgements in its application of the Bank's accounting policies which have the most significant effect on the amounts reported in the financial statements:

Impairment of financial assets

Management makes judgements at each reporting date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Inherent provisions on advances (note 5b)

Inherent provisions on advances are calculated on an estimate of impairment incurred but not reported, existing in assets as at the reporting date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates, and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

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

Valuation of investments (note 6)

The Bank has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

Net pension asset/ liability (note 9)

In conducting valuation exercises to measure the effect of the employee benefit plan, the Bank's independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases, and the rate of return on the assets of the Plan. These are detailed in Note 9 – Employee benefits.

Goodwill (note 8)

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2016, using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

Deferred taxes (note 10)

In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Premises and equipment and Intangible Assets (note 7)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

4 DUE FROM BANKS

	2016	2015
Bank of Guyana	**8,787,555**	8,495,275
Other banks	**5,082,010**	7,280,082
	13,869,565	**15,775,357**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

5 ADVANCES

a) Advances

	2016			
	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
Performing advances	8,111,840	29,118,341	19,752,265	56,982,446
Non-performing advances	27,486	2,552,049	983,851	3,563,386
	8,139,326	31,670,390	20,736,116	60,545,832
Unearned interest	(1,505,210)	–	–	(1,505,210)
Accrued interest	–	178,493	53,661	232,154
	6,634,116	31,848,883	20,789,777	59,272,776
Allowance for impairment losses - Note 5 (c)	(33,069)	(665,905)	(155,828)	(854,802)
Net Advances	**6,601,047**	**31,182,978**	**20,633,949**	**58,417,974**

	2015			
	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
Performing advances	7,348,043	26,240,244	17,621,582	51,209,869
Non-performing advances	20,934	2,211,267	706,154	2,938,355
	7,368,977	28,451,511	18,327,736	54,148,224
Unearned interest	(1,345,433)	–	–	(1,345,433)
Accrued interest	–	200,276	46,913	247,189
	6,023,544	28,651,787	18,374,649	53,049,980
Allowance for impairment losses - Note 5 (c)	(23,563)	(510,099)	(153,900)	(687,562)
Net Advances	**5,999,981**	**28,141,688**	**18,220,749**	**52,362,418**

5 ADVANCES *(continued)*

b) Loans by remaining term to maturity

	2016	2015
Within three months	**162,964**	138,406
Between three and six months	**520,331**	732,528
Between six months and one year	**7,476,331**	5,631,539
Between one to five years	**11,460,874**	11,016,763
More than five years	**38,797,474**	34,843,182
	58,417,974	**52,362,418**

c) Allowance for impairment losses

i) Impairment assessment

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

Individually assessed allowances

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

Collectively assessed allowances

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

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

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

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

5 **ADVANCES** *(continued)*

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

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

2016	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
Balance brought forward	(23,563)	(510,099)	(153,900)	(687,562)
Charge-offs and write-offs	218,045	401,319	–	619,364
Loan impairment expense	(467,961)	(2,337,194)	(297,427)	(3,102,582)
Loan impairment recoveries	240,410	1,780,069	295,499	2,315,978
Balance carried forward	**(33,069)**	**(665,905)**	**(155,828)**	**(854,802)**
Individual impairment	(7,270)	(523,293)	(137,296)	(667,859)
Collective impairment	(25,799)	(142,612)	(18,532)	(186,943)
	(33,069)	(665,905)	(155,828)	(854,802)
Gross amount of loans individually determined to be impaired, before deducting any allowance	**27,486**	**2,552,049**	**983,851**	**3,563,386**

2015	Retail Lending	Commercial and Corporate Lending	Mortgages	Total
Balance brought forward	(39,132)	(390,637)	(99,488)	(529,257)
Charge-offs and write-offs	228,563	187,364	–	415,927
Loan impairment expense	(997,830)	(3,567,950)	(533,301)	(5,099,081)
Loan impairment recoveries	784,836	3,261,124	478,889	4,524,849
Balance carried forward	**(23,563)**	**(510,099)**	**(153,900)**	**(687,562)**
Individual impairment	(7,803)	(419,898)	(142,567)	(570,268)
Collective impairment	(15,760)	(90,201)	(11,333)	(117,294)
	(23,563)	(510,099)	(153,900)	(687,562)
Gross amount of loans individually determined to be impaired, before deducting any allowance	**20,934**	**2,211,267**	**706,154**	**2,938,355**

5 **ADVANCES** *(continued)*

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

(iii) Provision for loan losses by economic sectors

	Gross Amount	Non-Performing	Specific Provision	General Provision	Net Advances
2016					
Government and government bodies	152,013	–	–	–	152,013
Financial sector	199,213	–	–	(966)	198,247
Energy and mining	295,234	71,501	(12,692)	(1,432)	352,611
Agriculture	3,410,971	1,199,415	(267,892)	(16,542)	4,325,952
Electricity and water	5,105	–	–	(25)	5,080
Transport, storage and communication	1,380,151	151,578	–	(6,693)	1,525,036
Distribution	7,046,194	534,182	(100,176)	(34,171)	7,446,029
Real estate mortgages	19,805,926	983,851	(137,296)	(18,532)	20,633,949
Manufacturing	3,466,440	143,711	(36,350)	(16,811)	3,556,990
Construction	1,228,319	135,088	–	(5,957)	1,357,450
Hotel and restaurant	73,122	36,770	–	(355)	109,537
Personal	6,344,249	27,486	(7,270)	(25,799)	6,338,666
Non-residents	262,382	–	–	(1,272)	261,110
Other services	12,040,071	279,804	(106,183)	(58,388)	12,155,304
	55,709,390	**3,563,386**	**(667,859)**	**(186,943)**	**58,417,974**

	Gross Amount	Non-Performing	Specific Provision	General Provision	Net Advances
2015					
Government and government bodies	1,856	–	–	–	1,856
Financial sector	86,296	–	–	(289)	86,007
Energy and mining	277,252	11,225	(2,061)	(929)	285,487
Agriculture	3,558,620	1,386,004	(263,963)	(11,922)	4,668,739
Electricity and water	6,923	–	–	(23)	6,900
Transport, storage and communication	1,372,142	22,675	–	(4,597)	1,390,220
Distribution	6,323,477	156,720	(52,482)	(21,186)	6,406,529
Real estate mortgages	17,668,495	706,154	(142,567)	(11,333)	18,220,749
Manufacturing	3,505,358	209,006	(48,317)	(11,744)	3,654,303
Construction	1,311,980	41,755	–	(4,396)	1,349,339
Hotel and restaurant	84,007	39,147	–	(281)	122,873
Personal	5,518,043	20,934	(7,803)	(15,760)	5,515,414
Non-residents	484,567	–	–	(1,623)	482,944
Other services	9,912,609	344,735	(53,075)	(33,211)	10,171,058
	50,111,625	**2,938,355**	**(570,268)**	**(117,294)**	**52,362,418**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

5 ADVANCES *(continued)*

d) The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2016 amounts to $3,946 million (2015: $3,004 million). The collateral consists of cash, securities and properties.

e) **Collateral realised**
During the year, the Bank realised collateral amounting to $12.9 million (2015: $39.4 million).

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

	2016	2015
Distribution	**1,445,000**	1,700,000
Other services	**4,115,092**	4,085,222
	5,560,092	**5,785,222**

6 INVESTMENT SECURITIES

a) **Available-for-sale**

	2016	2015
Government securities	**1,159,348**	141,388
State-owned company securities	**1,115,634**	1,111,102
Corporate bonds	**5,587,261**	5,045,854
Others	**20,000**	20,000
Total investment securities	**7,882,243**	**6,318,344**

b) **Investment securities by remaining term to maturity**

	2016	2015
Within three months	**10,166**	–
Between three and six months	**–**	1,239,165
Between six months and one year	**1,027,500**	507,500
Between one and five years	**4,379,697**	4,551,679
More than five years	**2,464,880**	20,000
	7,882,243	**6,318,344**

6 INVESTMENT SECURITIES *(continued)*

c) **Treasury Bills by remaining term to maturity**

	2016	2015
Within three months	**15,167,388**	15,784,974
Between three and six months	**13,339,456**	13,574,186
Between six months and one year	**16,794,619**	13,782,337
	45,301,463	**43,141,497**

7 PREMISES AND EQUIPMENT

a) **Premises and equipment**

2016

	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	225,948	4,848,553	3,502,043	8,576,544
Additions at cost	1,143,997	19,391	212,809	1,376,197
Disposal of assets	–	–	(417,705)	(417,705)
Transfer of assets	(116,363)	6,095	110,268	–
	1,253,582	**4,874,039**	**3,407,415**	**9,535,036**
Accumulated depreciation				
At beginning of year	–	626,147	2,197,048	2,823,195
Charge for the year	–	76,431	266,712	343,143
Disposal of assets	–	–	(374,996)	(374,996)
	–	**702,578**	**2,088,764**	**2,791,342**
Net book value	**1,253,582**	**4,171,461**	**1,318,651**	**6,743,694**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

7 PREMISES AND EQUIPMENT *(continued)*

a) Premises and equipment *(continued)*

2015

	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	466,739	4,452,547	3,337,264	8,256,550
Additions at cost	211,287	16,485	219,461	447,233
Disposal of assets	–	(11,229)	(114,214)	(125,443)
Transfer of assets	(452,078)	390,750	61,328	–
	225,948	**4,848,553**	**3,503,839**	**8,578,340**
Accumulated depreciation				
At beginning of year	–	556,904	2,022,619	2,579,523
Charge for the year	–	69,243	282,642	351,885
Disposal of assets	–	–	(106,417)	(106,417)
	–	**626,147**	**2,198,844**	**2,824,991**
Net book value	**225,948**	**4,222,406**	**1,304,995**	**5,753,349**

b) Intangible assets

	2016	2015
Cost		
At beginning of year	**600,066**	578,609
Additions at cost	**46,113**	21,457
Disposal	**(28,080)**	–
	618,099	**600,066**
Accumulated depreciation		
At beginning of year	**491,520**	431,377
Charge for the year	**39,018**	60,143
Disposal	**(28,062)**	–
	502,476	**491,520**
Net book value	**115,623**	**108,546**

7 PREMISES AND EQUIPMENT *(continued)*

c) Capital commitments

	2016	2015
Contracts for outstanding capital expenditure not provided for in the financial statements	**963,975**	**826,598**

8 GOODWILL

	2016	2015
Total unimpaired goodwill on acquisition	**1,228,222**	1,228,222

Impairment testing of goodwill

The residual balance of goodwill arising from business combinations was generated from the acquisition of certain assets and liabilities of the Guyana National Cooperative Bank. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at September 30, 2016 using the "value in use" method. Based on the results of this review, no impairment expense was required.

The following table highlights the goodwill and impairment assumptions:

	2016	2015
Discount rate	**8%**	8%
Cash flow projection term	**5 years**	5 years
Growth rate (extrapolation period)	**6%**	6%

In each case, the cash flow projections are based on financial budgets approved by senior management. In addition, the values assigned to key assumptions reflect past performance.

9 EMPLOYEE BENEFITS

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

	2016	2015
Present value of defined benefit obligation	**1,591,100**	1,432,300
Fair value of plan assets	**(1,418,700)**	(1,317,000)
Net liability recognised in the Statement of Financial Position	**172,400**	**115,300**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

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

	2016	2015
Opening defined benefit obligation	**1,432,300**	1,401,800
Current service cost	**62,900**	59,700
Interest cost	**77,300**	75,300
Members' contributions	**30,300**	28,300
Re-measurements		
- Experience adjustments	**42,600**	(68,100)
Benefits paid	**(54,300)**	(64,700)
Closing defined benefit obligation	**1,591,100**	**1,432,300**

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

	2016	2015
Opening fair value of plan assets	**1,317,000**	1,244,700
Interest income	**74,000**	69,600
Return on plan assets, excluding interest income	**(29,800)**	(38,300)
Bank contributions	**85,900**	81,600
Members' contributions	**30,300**	28,300
Benefits paid	**(54,300)**	(64,700)
Expense allowance	**(4,400)**	(4,200)
Closing fair value of plan assets	**1,418,700**	**1,317,000**
Actual return on plan assets	**44,200**	**31,300**

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

	2016	2015
Current service cost	**62,900**	59,700
Net interest on net defined benefit liability	**3,300**	5,700
Administration expenses	**4,400**	4,200
Net pension cost	**70,600**	**69,600**

9 EMPLOYEE BENEFITS *(continued)*

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

	2016	2015
Defined benefit obligation at prior year end	**115,300**	157,100
Unrecognised gain/(loss) charged to retained earnings	**–**	–
Opening defined benefit obligation	**115,300**	**157,100**
Net pension cost	**70,600**	69,600
Re-measurements recognised in Other Comprehensive Income	**72,400**	(29,800)
Premiums paid by the Bank	**(85,900)**	(81,600)
Closing defined benefit obligation	**172,400**	**115,300**

f) Liability profile

	2016	2015
The defined benefit obligation is allocated between the Plan's members as follows:		
- Active members	**83%**	80%
- Deferred members	**4%**	3%
- Pensioners	**13%**	13%
The weighted duration of the defined benefit obligation at the year end	**19.8 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

	2016	2015
Experience loss/(gain)	**72,400**	(29,800)
Total included in Other Comprehensive Income	**72,400**	**(29,800)**

For the year ended September 30, 2016. 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, 2016 would have changed as a result of a change in the assumptions used.

	1% p.a. decrease $'000	1% p.a. increase $'000
- Discount rate	**344,000**	(263,000)
- Future salary increases	**(177,000)**	218,000

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2016 by $30 million.

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

i) Summary of principal actuarial assumptions as at September 30

	2016 %	2015 %
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 are as follows:

	2016	2015
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

9 EMPLOYEE BENEFITS *(continued)*

j) Plan asset allocation as at September 30

	2016	2015
Local equities	**132,300**	131,000
Overseas equities	**122,000**	125,800
Local bonds	**91,000**	91,000
Overseas bonds	**–**	3,100
Cash and cash equivalents	**866,100**	789,000
Mortgages	**207,300**	177,100
Fair value of scheme assets at end of year	**1,418,700**	**1,317,000**

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 $98 million to the Pension Scheme during 2016/2017.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

		(Charge)/Credit		
	Opening Balance 2015	Statement of Income	Other Comprehensive Income	Closing balance 2016
Pension liability	46,120	(6,120)	28,960	**68,960**
Fee and commission income	103,951	12,601	–	**116,552**
Unrealised reserves	78,148	–	(44,726)	**33,422**
	228,219	**6,481**	**(15,766)**	**218,934**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

10 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

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

b) Deferred tax liabilities

		Credit/(charge)		
	Opening Balance 2015	Statement of Income	Other Comprehensive Income	Closing balance 2016
Premises and equipment	315,873	8,310	–	**324,183**
	315,873	**8,310**	**–**	**324,183**

11 OTHER ASSETS

	2016	2015
Accounts receivable and prepayments	**265,453**	285,733
Items in transit	**157,395**	282,582
Other assets	**164,740**	344,472
	587,588	**912,787**

12 CUSTOMERS' CHEQUING, SAVINGS AND DEPOSIT ACCOUNTS

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

	Demand	Savings	Time	Total
2016				
State	26,740,023	3,346,807	323,868	30,410,698
Corporate and commercial	10,950,781	2,723,150	276,129	13,950,060
Personal	5,543,143	70,968,328	5,225,156	81,736,627
Other financial institutions	903,699	1,087,274	242,775	2,233,748
Other	2,276,972	273,480	305,372	2,855,824
	46,414,618	**78,399,039**	**6,373,300**	**131,186,957**

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

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

	Demand	Savings	Time	Total
2015				
State	18,676,866	3,406,747	321,722	22,405,335
Corporate and commercial	10,545,868	2,415,109	297,462	13,258,439
Personal	5,423,308	70,856,423	5,475,988	81,755,719
Other financial institutions	1,388,288	1,679,866	240,260	3,308,414
Other	2,222,505	420,750	330,024	2,973,279
	38,256,835	**78,778,895**	**6,665,456**	**123,701,186**

b) Time deposits by remaining term to maturity

	2016	2015
Within three months	**2,547,736**	2,604,871
Between three and six months	**1,162,357**	1,309,102
Between six months and one year	**2,663,207**	2,751,483
	6,373,300	**6,665,456**

13 OTHER LIABILITIES

	2016	2015
Drafts and settlements	**1,389,820**	1,151,964
Accrued expenses	**145,204**	188,249
Statutory liabilities	**176,255**	171,556
Deferred income	**11,333**	12,284
Unearned loan origination fees	**291,380**	259,876
Dividends payable	**94,544**	84,660
Other	**364,302**	414,508
	2,472,838	**2,283,097**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

NOTES TO THE FINANCIAL STATEMENTS

14 STATED CAPITAL

	2016	2015
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 Chapter 85:03, a minimum of 15% of the current year's net profit must be transferred to the Reserve Fund until the amount in the Fund is equal to the paid up Capital of the Bank. This reserve is non-distributable.

b) **Net unrealised losses**

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

c) **General banking risk reserve**

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

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

16 OPERATING PROFIT

	2016	2015
a) Interest income		
Advances	**6,223,327**	5,734,599
Investment securities	**434,831**	418,150
Liquid assets	**1,013,286**	977,849
	7,671,444	**7,130,598**

16 OPERATING PROFIT *(continued)*

	2016	2015
b) Interest expense		
Customers' chequing, savings and deposit accounts	**603,459**	589,820
	603,459	**589,820**
c) Other income		
Credit and related fees	**110,438**	103,530
Net exchange trading income	**1,238,556**	1,218,208
Loan recoveries	**196,512**	239,047
Dividends	**9,044**	9,000
Deposit and related fees	**554,475**	513,324
Payments and transfers	**208,765**	186,870
Gains from sale of premises and equipment	**–**	436,901
Other operating income	**5,556**	2,408
	2,323,346	**2,709,288**
d) Operating expenses		
Staff costs	**1,886,366**	1,786,920
Staff profit share	**236,186**	302,345
General administrative expenses	**735,652**	757,141
Lease rental expenses	**18,220**	18,220
Property related expenses	**615,116**	647,162
Property tax	**140,434**	136,600
Losses on sale of premises and equipment	**15,874**	–
Depreciation expense	**384,505**	412,028
Communication	**100,009**	86,538
Advertising and public relations expenses	**177,663**	192,660
Directors' fees	**15,210**	15,010
Auditors' fees	**18,583**	18,822
	4,343,818	**4,373,446**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

17 TAXATION EXPENSE

Reconciliation

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

	2016	2015
Accounting profit	**4,260,534**	4,302,388
Tax at applicable statutory tax rate (40%)	**1,704,214**	1,720,955
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(254,176)**	(232,703)
Depreciation	**152,864**	164,811
Donations	**1,413**	2,099
Property tax	**56,324**	54,640
Wear and tear allowance	**(146,052)**	(167,015)
Inherent risk (general) provisions	**27,860**	(19,234)
Loss/(Gain) on sale of premises and equipment	**7,111**	(64,429)
Defined benefit obligation	**(6,120)**	(4,800)
Deferred fee income	**12,602**	11,334
Current tax	**1,556,040**	1,465,658
Deferred tax credit	**1,828**	20,792
Total taxation	**1,557,868**	**1,486,450**

18 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates.

	2016	2015
Outstanding balances		
Loans, investments and other assets		
Republic Financial Holdings Limited (Parent)	**–**	–
Republic Bank Limited	**–**	3,235
Fellow subsidiaries	**2,232**	1,043
Directors and key management personnel	**68,536**	58,735
Other related parties	**481,884**	415,302
	552,652	**478,315**

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

18 RELATED PARTIES *(continued)*

	2016	2015
Deposits and other liabilities		
Republic Financial Holdings Limited (Parent)	**–**	–
Republic Bank Limited	**–**	746,654
Fellow subsidiaries	**80,433**	16,009
Directors and key management personnel	**122,319**	100,696
Other related parties	**2,181,993**	1,972,910
	2,384,745	**2,836,269**
Interest and other income		
Directors and key management personnel	**1,987**	1,760
Other related parties	**15,162**	11,742
	17,149	**13,502**
Interest and other expense (excluding key management compensation)		
Republic Financial Holdings Limited (Parent)	**–**	–
Republic Bank Limited	**–**	103,247
Fellow subsidiaries	**95,128**	–
Directors and key management personnel	**7,199**	7,980
Other related parties	**16,592**	10,427
	118,919	**121,654**
Proportion of related parties exposure to total customer exposure	**0.51%**	**0.43%**

Amounts due from the five parties with the highest exposures totalled $277 million (2015: $204 million) and represents 2.09% (2015: 1.65%) of the Bank's capital base.

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

Key management compensation

	2016	2015
Short-term benefits	**80,496**	**85,831**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

18 RELATED PARTIES *(continued)*

Loans

	Balance at the beginning of year	Loans during the year	Repayments	Balance at the end of year
2016				
Directors	358	–	(358)	–
Other related parties	64,876	23,050	(19,021)	68,905
	65,234	**23,050**	**(19,379)**	**68,905**
2015				
Directors	2,650	–	(2,292)	358
Other related parties	102,186	18,500	(55,810)	64,876
	104,836	**18,500**	**(58,102)**	**65,234**

19 RISK MANAGEMENT

19.1 Introduction

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

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

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

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

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.

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.

19 RISK MANAGEMENT *(continued)*

19.1 Introduction *(continued)*

The Bank's activities are primarily related to the use of financial instruments. The Bank accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The main risks arising from the Bank's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk, operational risk and country risk. The Bank reviews and agrees policies for managing each of these risks as follows:

19.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maximise the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Bank.

The Bank's credit risk management process operates on the basis of a hierarchy of discretionary authorities. The Board has the final authority on all risk management decisions.

The Risk Management Unit is accountable for the general management and administration of the Bank's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice, and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from, and independent, of the business development aspect of the operations.

The Bank uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, loans are individually assessed at all our branches. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The Bank's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and, where it is considered that recovery of the outstanding liability may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

Loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed quarterly and action taken in accordance with prescribed guidelines. To this end, there are separate units established to monitor these loans and recommend necessary action to Management.

The Bank avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client, and geography are approved by the Board of Directors.

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the Bank's maximum exposure to credit risk:

	Gross maximum exposure 2016	Gross maximum exposure 2015
Statutory deposit with Bank of Guyana	**14,802,238**	14,274,130
Due from banks	**13,869,565**	15,775,357
Treasury Bills	**45,301,463**	43,141,497
Investment interest receivable	**114,438**	38,456
Investment securities	**7,862,243**	6,298,344
Loans and advances to customers	**58,417,974**	52,362,418
Total	**140,367,921**	**131,890,202**
Undrawn commitments	**7,061,367**	5,267,265
Guarantees and indemnities	**1,972,828**	1,902,454
Letters of credit	**181,175**	181,175
Total	**9,215,370**	**7,350,894**
Total credit risk exposure	**149,583,291**	**139,241,096**

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.

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

Collateral and other credit enhancements *(continued)*

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. As at September 30, 2016, $35.6 million (2015: $16.4 million) in repossessed properties are still in the process of being disposed of.

19.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region, and by industry sector as detailed in the following tables:

a) Geographical sectors

The Bank's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of our counterparties:

	2016	2015
Guyana	**137,826,717**	127,297,099
Trinidad and Tobago	**6,987,293**	4,247,468
Barbados	**141,567**	168,414
Eastern Caribbean	**132,966**	1,553,746
Suriname	**89,739**	825
United States	**3,406,979**	5,706,764
Other countries	**998,030**	266,780
	149,583,291	**139,241,096**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

b) Industry sectors

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

	2016	2015
Government and government bodies	**62,294,156**	58,413,406
Financial sector	**15,989,020**	17,115,906
Energy and mining	**487,472**	274,767
Agriculture	**3,097,640**	3,387,441
Electricity and water	**41,140**	209,653
Transport, storage and communication	**1,708,964**	1,657,949
Distribution	**9,124,148**	8,042,649
Real estate mortgages	**20,789,777**	18,374,649
Other real estate	**159,538**	482,420
Manufacturing	**4,528,848**	3,588,829
Construction	**2,346,963**	1,699,036
Hotel and restaurant	**1,856,221**	1,693,509
Personal	**16,669,883**	13,368,679
Non-residents	**262,382**	484,567
Other services	**10,227,139**	10,447,636
	149,583,291	**139,241,096**

Included above is $397 million (2015: $1million) representing Public Non-Financial Institutions.

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

	2016	2015
Government	**341.39%**	348.68%
Central Bank	**177.77%**	184.03%
Counterparty 3	**17.98%**	19.90%
Counterparty 4	**14.54%**	13.74%
Counterparty 5	**10.89%**	13.12%

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.3 Credit quality per category of financial assets

The Bank has determined that credit risk exposure arises from the following Statement of Financial Position lines:

- Treasury Bills and Statutory deposit with Bank of Guyana
- Due from banks
- Advances
- Financial investments

Treasury Bills and Statutory deposit with Bank of Guyana

These funds are held with Bank of Guyana and Management therefore considers the risk of default to be very low. These financial assets have therefore been rated as 'Superior'.

Balances due from banks

The credit quality of balances due from other banks is assessed by the Bank according to the level of creditworthiness of the institution in relation to other institutions in the region. The credit quality of these balances has been analysed into the following categories:

Superior: These institutions have been accorded the highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extremely strong.

Desirable: These institutions have been accorded the second highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is very strong.

Acceptable: These institutions have been accorded the third highest rating, indicating that the institution's capacity to meet its financial commitment is adequate.

The table below illustrates the credit quality for balances due from banks as at September 30:

	Superior	Desirable	Acceptable	Total
2016	**8,962,036**	**3,400,943**	**1,506,586**	**13,869,565**
2015	13,473,988	686,182	1,615,187	15,775,357

Loans and advances - Commercial and Corporate

The credit quality of commercial and corporate advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of Management, the track record and level of supervision required for existing facilities of the company, the financial and leverage position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates, and the competitive advantage held by that company in the market. The overall level of risk thus assessed is assigned a credit score which indicates the overall quality of the Commercial/Corporate borrowing account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

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For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

Loans and advances - Commercial and Corporate *(continued)*

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

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

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

Sub-standard: Past due or individually impaired.

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

	Neither past due nor impaired				
	Superior	Desirable	Acceptable	Sub-standard	Total
2016	**176,978**	**3,411,081**	**24,164,690**	**3,430,229**	**31,182,978**
2015	34,831	2,775,193	22,420,615	2,911,049	28,141,688

The following is an ageing of facilities classed as sub-standard:

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Impaired	Total
2016	**556,418**	**516,962**	**328,094**	**–**	**2,028,756**	**3,430,230**
2015	462,663	452,681	204,336	–	1,791,369	2,911,049

Loans and advances - Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the assets for which these loans were granted to fund. The following is an ageing analysis of these facilities:

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Impaired	Total
2016	**22,182,930**	**3,124,724**	**768,043**	**292,528**	**–**	**866,771**	**27,234,996**
2015	20,047,591	2,702,064	564,347	330,009	–	576,719	24,220,730

Investment securities

The debt securities within the Bank's investment security portfolio are exposed to credit risk. The credit quality of each individual security is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt. The level of credit risk thus assessed and associated with the security is assigned a risk premium. These premiums are defined as follows:

Superior: Government and Government Guaranteed securities and securities secured by a Letter of Comfort from the Government. These securities are considered risk free.

Desirable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.

Acceptable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: These securities are either more than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.

The table below illustrates the credit quality of debt security investments as at September 30:

	Superior	Desirable	Acceptable	Sub-standard	Total
Financial Investments–Available-for-sale					
2016	**1,115,634**	**4,890,418**	**1,856,191**	**–**	**7,862,243**
2015	2,350,267	3,673,010	275,067	–	6,298,344

19.2.4 Carrying amount of financial assets renegotiated that would otherwise have been impaired.

The table below shows the carrying amount for renegotiated financial assets by class as at September 30:

	2016	2015
Loans and advances to customers		
- Mortgages	**77,713**	49,866
- Commercial and Corporate lending	**961,271**	902,032
Total renegotiated financial assets	**1,038,984**	**951,898**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

19.2.5 Carrying amount of financial assets renegotiated during the year.

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

	2016	2015
Loans and advances to customers		
- Mortgages	**23,295**	6,709
- Commercial and Corporate lending	**316,815**	797,465
Total renegotiated financial assets	**340,110**	**804,174**

19.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

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

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

Two primary sources of funds are used to provide liquidity; retail deposits and the inter-bank market. A substantial portion of the Bank is funded with "core deposits". The Bank maintains a core base of retail funds, which can be drawn on to meet ongoing liquidity needs. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

The Asset/Liability Committee of the Bank (ALCO) sets targets for daily float, allowable liquid assets, and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury Bill, the Bank also holds significant investments in other Government securities, which can be used for liquidity support. The Bank continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

19.3.1 Analysis of financial liabilities by remaining contractual maturities

The following table 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.

19 RISK MANAGEMENT *(continued)*

19.3 Liquidity risk *(continued)*

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

Financial liabilities - on Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
As at September 30, 2016					
Customers' chequing, savings and deposit accounts	124,813,657	6,373,300	–	–	131,186,957
Due to banks	143,202	–	–	–	143,202
Other liabilities	2,472,838	–	–	–	2,472,838
Total undiscounted financial liabilities 2016	**127,429,697**	**6,373,300**	**–**	**–**	**133,802,997**

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, 2015					
Customers' chequing, savings and deposit accounts	117,035,730	6,665,456	–	–	123,701,186
Due to banks	199,457	–	–	–	199,457
Other liabilities	2,283,097	–	–	–	2,283,097
Total undiscounted financial liabilities 2015	**119,518,284**	**6,665,456**	**–**	**–**	**126,183,740**

Financial liabilities - off Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2016					
Guarantees and indemnities	–	448,228	851,449	673,151	1,972,828
Letters of credit	–	181,175	–	–	181,175
Total	**–**	**629,403**	**851,449**	**673,151**	**2,154,003**

Financial liabilities - off Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Guarantees and indemnities	–	471,533	910,771	520,151	1,902,455
Letters of credit	–	181,175	–	–	181,175
Total	**–**	**652,708**	**910,771**	**520,151**	**2,083,630**

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

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

19.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate risk management is primarily designed by the Board and Management to ensure competitiveness and maximise returns.

The primary tools currently in use are gap analysis, interest rate sensitivity analysis, and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor, and country. The Bank is committed to refining and defining these tools to be in line with international best practice.

The table below summarises the interest-rate exposure of the Bank's Statement of Financial Position. Interest on financial instruments classified as floating is repriced at intervals of less than one year, while interest on financial instruments classified as "fixed" is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at September 30, 2016, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table.

	Increase/decrease in basis points	Impact on net profit			
		2016		2015	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	**-/+ 391,995**		**-/+ 393,894**	
US$ Instruments	+/- 50	**-/+ 60,857**		**-/+ 63,567**	
Other currency Instruments	+/- 50	**-/+ 1,366**		**-/+ 494**	

	Increase/decrease in basis points	Impact on net unrealised gains			
		2016		2015	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	**(3,437)**	**3,334**	(3,855)	3,713
US$ Instruments	+/- 50	**(58,498)**	**59,465**	(45,530)	44,826

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments. The Bank's policy is to match the initial net foreign currency investment with funding in the same currency. The Asset/Liability Committee and Foreign Services Unit also monitor the Bank's foreign currency position for both overnight and intra-day transactions based on limits set by the Board.

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

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

The following tables indicate the currencies to which the Bank had significant exposure at September 30, 2016, 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.

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk *(continued)*

2016	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	2,179,352	218	102,833	4,483	5,271	2,292,157
Statutory deposit with Bank of Guyana	14,802,238	–	–	–	–	14,802,238
Due from banks	8,849,700	659	4,736,823	24,747	257,636	13,869,565
Treasury Bills	45,301,463	–	–	–	–	45,301,463
Advances	57,502,880	–	915,094	–	–	58,417,974
Investment securities	1,841,393	–	6,040,850	–	–	7,882,243
Interest receivable	14,006	–	100,432	–	–	114,438
TOTAL FINANCIAL ASSETS	**130,491,032**	**877**	**11,896,032**	**29,230**	**262,907**	**142,680,078**
FINANCIAL LIABILITIES						
Due to banks	–	350	110,268	4,174	28,410	143,202
Customers' chequing, savings and deposit accounts	118,999,260	–	12,171,312	16,385	–	131,186,957
Interest payable	17,989	–	–	–	–	17,989
TOTAL FINANCIAL LIABILITIES	**119,017,249**	**350**	**12,281,580**	**20,559**	**28,410**	**131,348,148**
NET CURRENCY RISK EXPOSURE	**11,473,783**	**527**	**(385,548)**	**8,671**	**234,497**	**11,331,930**
Reasonably possible change in currency rate (%)	**–**	**1%**	**1%**	**1%**	**1%**	**–**
Effect on profit before tax	**–**	**5**	**(3,855)**	**87**	**2,345**	**(1,418)**

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk *(continued)*

2015	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	2,068,180	208	146,733	1,747	4,762	2,221,630
Statutory deposit with Bank of Guyana	14,274,130	–	–	–	–	14,274,130
Due from banks	8,639,099	3,235	6,986,963	21,678	124,382	15,775,357
Treasury Bills	43,141,497	–	–	–	–	43,141,497
Advances	51,663,962	–	698,456	–	–	52,362,418
Investment securities	2,027,251	–	4,291,093	–	–	6,318,344
Interest receivable	16,334	–	22,122	–	–	38,456
TOTAL FINANCIAL ASSETS	**121,830,453**	**3,443**	**12,145,367**	**23,425**	**129,144**	**134,131,832**
FINANCIAL LIABILITIES						
Due to banks	59,321	361	130,814	4,855	4,106	199,457
Customers' chequing, savings and deposit accounts	110,972,703	–	12,713,338	15,145	–	123,701,186
Interest payable	18,476	–	–	–	–	18,476
TOTAL FINANCIAL LIABILITIES	**111,050,500**	**361**	**12,844,152**	**20,000**	**4,106**	**123,919,119**
NET CURRENCY RISK EXPOSURE	**10,779,953**	**3,082**	**(698,785)**	**3,425**	**125,038**	**10,212,713**
Reasonably possible change in currency rate (%)	–	1%	1%	1%	1%	–
Effect on profit before tax	–	31	(6,988)	34	1,250	(5,673)

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.5 Operational Risk

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent to all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters, and deliberate acts such as fraud.

The Bank recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's Operational Risk department oversees the operation of, conducts training on, and makes recommendations for the enhancement of internal controls. Where appropriate, risk is transferred by the placement of adequate insurance coverage.

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

19.6 Country Risk

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

20 CAPITAL MANAGEMENT

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently, and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $1,491 million to $16,715 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 2016 of $1,234.9 million represents 45.7% 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, 2016 is 23.18% (2015 - 22.97%) and its capital adequacy ratio (Tier 1 and Tier 2) is 24.07% (2015 - 23.54%). At September 30, 2016, the Bank exceeded the minimum levels required.

20 CAPITAL MANAGEMENT *(continued)*

The Bank's Regulatory Capital is as follows:

	2016	2015
Tier 1		
Stated capital	**300,000**	300,000
Reserve fund	**300,000**	300,000
General banking risk reserves in excess of statutory requirement	**2,305,166**	1,929,022
Retained earnings	**12,419,967**	11,522,705
Goodwill	**(1,228,222)**	(1,228,222)
Total	**14,096,911**	**12,823,505**
Tier 2		
Securities revaluation reserves	**(50,098)**	(117,187)
General banking risk reserves - statutory requirement	**590,360**	439,066
Total	**540,262**	**321,879**

21 FAIR VALUE

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

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

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

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

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

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

21 FAIR VALUE *(continued)*

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

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

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

		2016	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	61,463,185	61,463,185	–
Statutory deposit with Bank of Guyana	14,802,238	14,802,238	–
Investment securities	7,882,243	7,882,243	–
Advances	58,417,974	58,774,401	356,427
Investment interest receivable	114,438	114,438	–
Financial liabilities			
Due to banks	143,202	143,202	–
Customers' chequing, savings and deposit accounts	131,186,957	131,090,181	(96,776)
Accrued interest payable	17,989	17,989	–
Total unrecognised change in unrealised fair value			**259,651**

21 FAIR VALUE *(continued)*

		2015	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	61,138,484	61,138,484	–
Statutory deposit with Bank of Guyana	14,274,130	14,274,130	–
Investment securities	6,318,344	6,318,344	–
Advances	52,362,418	52,955,375	592,957
Investment interest receivable	38,456	38,456	–
Financial liabilities			
Due to banks	199,457	199,457	–
Customers' chequing, savings and deposit accounts	123,701,186	123,555,039	(146,147)
Accrued interest payable	18,476	18,476	–
Total unrecognised change in unrealised fair value			**446,810**

21.1 Fair value and fair value hierarchies

21.1.1 Determination of fair value and fair value hierarchies

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

Level 1

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

Level 2

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

Level 3

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

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

21 FAIR VALUE *(continued)*

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

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

The following table shows the fair value measurement hierarchy of the Bank's assets and liabilities as at September 30, 2016.

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities				
2016	**1,115,634**	**6,766,609**	**–**	**7,882,243**
2015	2,350,267	3,968,077	–	6,318,344
Financial assets for which fair value is disclosed				
Advances				
2016	**–**	**–**	**58,417,974**	**58,417,974**
2015	–	–	52,362,418	52,362,418
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts				
2016	**–**	**–**	**131,186,957**	**131,186,957**
2015	–	–	123,701,186	123,701,186

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

	Level 1	Level 2	Level 3	Total
Financial investments -available-for-sale				
2016	**1,115,634**	**6,766,609**	**–**	**7,882,243**
2015	2,350,267	3,968,077	–	6,318,344

21 FAIR VALUE *(continued)*

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

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

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, 2016 are as shown below:

	Valuation technique	Significant unobservable inputs	2016 Range (weighted average)	2015 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%)

21.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2016, no assets valued were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2016, there were no Level 3 financial instruments measured at fair value.

22 SEGMENTAL INFORMATION

22.1 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of the entity. The Bank has determined the Managing Director as its chief operating decision-maker.

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

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

22 SEGMENTAL INFORMATION *(continued)*

22.2 Geographical Information

The Bank operates only in Guyana but conducts investment and other correspondent banking business in other countries. The following tables show the distribution of the Bank's revenues, interest expenses, total assets and total liabilities allocated based on the location of the customers and assets respectively:

	Guyana	Trinidad and Tobago	Other countries	Total
2016				
Interest income	7,389,692	235,790	45,962	7,671,444
Interest expense	(603,459)	–	–	(603,459)
Net interest income	6,786,233	235,790	45,962	7,067,985
Other income	2,323,346	–	–	2,323,346
Net interest and other income	**9,109,579**	**235,790**	**45,962**	**9,391,331**
Total assets	140,326,597	6,900,607	4,346,935	151,574,139
Total liabilities	134,550,428	68,135	240,182	134,858,745
Cash flow from operating activities	5,166,218	–	–	5,166,218
Cash flow from investing activities	(3,960,571)	(2,663,608)	913,851	(5,710,328)
Cash flow from financing activities	(586,515)	(671,092)	(33,548)	(1,291,155)

	Guyana	Trinidad and Tobago	Other countries	Total
2015				
Interest income	6,884,395	162,913	83,290	7,130,598
Interest expense	(589,820)	–	–	(589,820)
Net interest income	6,294,575	162,913	83,290	6,540,778
Other income	2,709,288	–	–	2,709,288
Net interest and other income	9,003,863	162,913	83,290	9,250,066
Total assets	130,940,484	4,238,596	7,183,875	142,362,955
Total liabilities	126,257,206	747,015	135,130	127,139,351
Cash flow from operating activities	11,940,533	–	–	11,940,533
Cash flow from investing activities	(1,789,323)	(1,387,025)	189,047	(2,987,301)
Cash flow from financing activities	(974,766)	6,916	(77,185)	(1,045,035)

22.3 Major Customers

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

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the assets and liabilities of the Bank based on the remaining period at September 30, 2016, to the contractual maturity date. See Note 19.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Within 12 months	After 12 months	Total
2016			
ASSETS			
Cash	2,292,157	–	2,292,157
Statutory deposit with Bank of Guyana	14,802,238	–	14,802,238
Due from banks	13,869,565	–	13,869,565
Treasury Bills	45,301,463	–	45,301,463
Investment interest receivable	114,438	–	114,438
Advances	8,159,626	50,258,348	58,417,974
Investment securities	1,037,665	6,844,578	7,882,243
Premises and equipment	–	6,743,694	6,743,694
Intangible assets	–	115,623	115,623
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	218,934	218,934
Other assets	587,588	–	587,588
	86,164,740	**65,409,399**	**151,574,139**
LIABILITIES			
Due to banks	143,202	–	143,202
Customers' chequing, savings and deposit accounts	131,186,957	–	131,186,957
Net pension liability	–	172,400	172,400
Taxation payable	541,176	–	541,176
Deferred tax liabilities	–	324,183	324,183
Accrued interest payable	17,989	–	17,989
Other liabilities	2,472,838	–	2,472,838
	134,362,162	**496,583**	**134,858,745**

For the year ended September 30, 2016. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

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

	Within 12 months	After 12 months	Total
2015			
ASSETS			
Cash	2,221,630	–	2,221,630
Statutory deposit with Bank of Guyana	14,274,130	–	14,274,130
Due from banks	15,775,357	–	15,775,357
Treasury Bills	43,141,497	–	43,141,497
Investment interest receivable	38,456	–	38,456
Advances	6,502,473	45,859,945	52,362,418
Investment securities	1,746,665	4,571,679	6,318,344
Premises and equipment	–	5,753,349	5,753,349
Intangible assets	–	108,546	108,546
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	228,219	228,219
Other assets	912,787	–	912,787
	84,612,995	**57,749,960**	**142,362,955**
LIABILITIES			
Due to banks	199,457	–	199,457
Customers' chequing, savings and deposit accounts	123,701,186	–	123,701,186
Net pension liability	–	115,300	115,300
Taxation payable	505,962	–	505,962
Deferred tax liabilities	–	315,873	315,873
Accrued interest payable	18,476	–	18,476
Other liabilities	2,283,097	–	2,283,097
	126,708,178	**431,173**	**127,139,351**

24 DIVIDENDS PAID AND PROPOSED

	2016	2015
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2015: $2.833 (2014: $2.333)	**850,000**	700,000
First dividend for 2016: $1.283 (2015: $1.10)	**384,900**	330,000
Total dividends paid	**1,234,900**	**1,030,000**
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 2016: $2.833 (2015: $2.833)	**850,000**	**850,000**

25 CONTINGENT LIABILITIES

a) Litigation

As at September 30, 2016 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.

	2016	2015
b) Customers' liability under acceptances, guarantees, indemnities and letters of credit		
Guarantees and indemnities	**1,972,828**	1,902,454
Letters of credit	**181,175**	181,175
	2,154,003	**2,083,629**
c) Sectoral information		
State	**858,467**	858,138
Corporate and commercial	**1,239,822**	1,215,389
Personal	**55,714**	10,102
	2,154,003	**2,083,629**

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25 CONTINGENT LIABILITIES *(continued)*

d) Pledged assets

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

	Carrying Amount		Related Liability	
	2016	2015	2016	2015
Statutory deposit	**14,802,238**	**14,274,130**	**131,186,957**	**123,701,186**

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

e) Non-cancellable operating lease commitments

	2016	2015
Less than one year	**18,220**	18,220
Between one to five years	**26,432**	44,572
More than five years	**3,027**	3,107
	47,679	**65,899**

26 EXTERNAL PAYMENT DEPOSIT SCHEME

	2016	2015
	47,400	**47,619**

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

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