Republic Bank (Guyana) Limited

2017

Annual Report

Republic Bank (Guyana) Limited

still soaring

Our history began with a duty... a duty to our customers and our nation. Nearly two centuries later, through local, regional and global economic storms, and evolving governments and societies, that duty still calls to us and we hold to our promise to answer it. As our customers' needs have changed, we have tailored our products and services to suit, ever ensuring that we stay in touch with the minds and hopes of those who continue to help us achieve our success - our stakeholders and our staff. As a financial services provider, we reaffirm our commitment to live by the values that turn the wheels of our organisation.

The Bank at a Glance

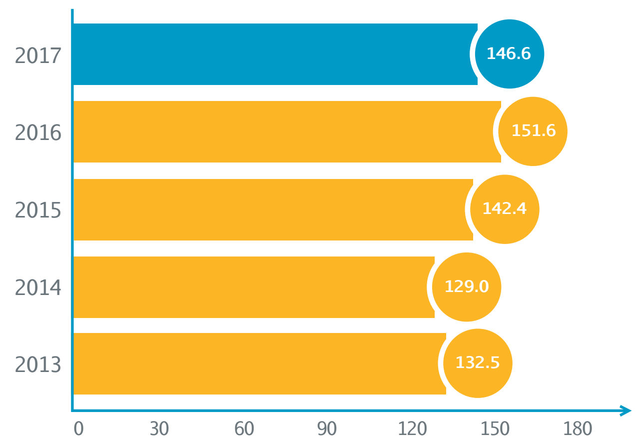
About Us

Established in 1836, Republic Bank (Guyana) Limited is the first commercial bank to serve Guyana and a recognised leader in the provision of financial services. The Bank remains committed to providing customised, efficient and competitively-priced financial services, and maintaining a philosophy of social investment in Guyana. Over the past year, in a challenging economy, the Bank has managed to grow its market share in loans. Republic Bank (Guyana) Limited remains the largest commercial bank in the country with an asset base at $146.6 billion.

Our Vision

Republic Bank,
the Caribbean Financial
Institution of Choice
for our Staff, Customers
and Shareholders.
We set the Standard of Excellence
in Customer Satisfaction,
Employee Engagement,
Social Responsibility and Shareholder
Value, while building successful societies.

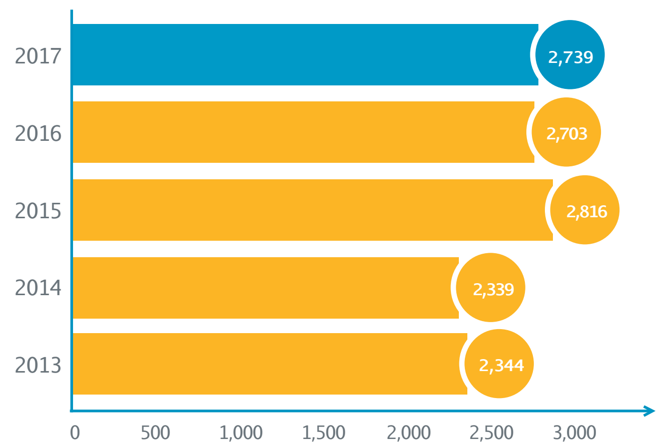
Total Assets ($Billions)



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.

Profit After Tax ($Millions)



Core Values

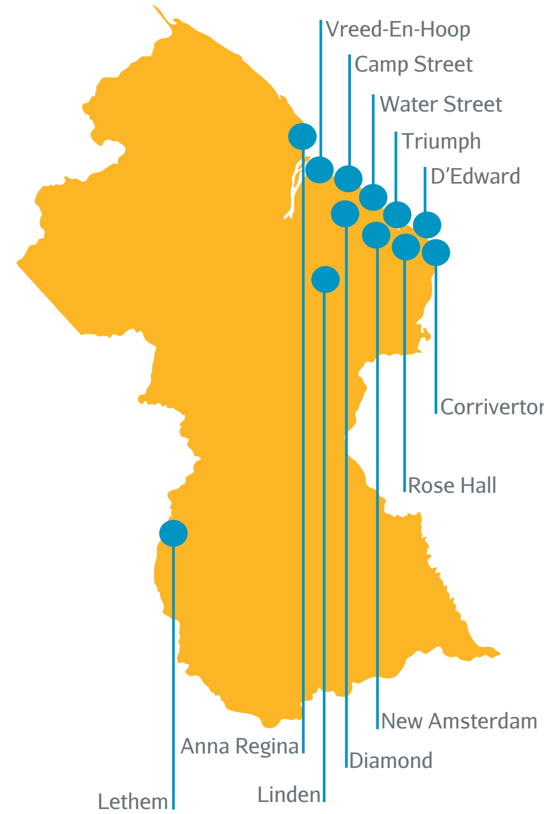
- Customer Focus
- Integrity
- Respect for the Individual
- Professionalism
- Results Orientation

Network

Branches	12
ATMs	46
Employees	708

32 Financial Products & Services

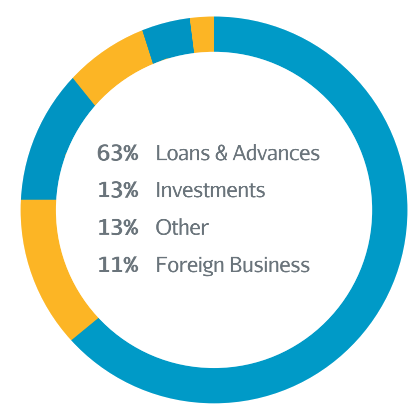
Operating Branches



Shares 2016 - 2017

		2016	2017
↑ 10%	Share Price	$105	$115
↑ 1%	Earnings per Share	$9.01	$9.13
↓ 9%	Dividend Yield	3.92%	3.58%
↑ 8%	PE Ratio	11.7	12.6

Sources of Revenue



Corporate Social Responsibility

Republic Bank

THE POWER TO MAKE A DIFFERENCE

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

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

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Corporate Information

facebook

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progressing through technology

Notice of Meeting

Annual Meeting

NOTICE is hereby given that the thirty-third Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Monday, December 11, 2017 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, 2017.
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; Shameer Hoosein, Richard S. Sammy and Richard I. Vasconcellos.
3 To reappoint the Auditors, Messrs Ram & McRae.

And the following special business namely:

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

By order of the Board

Christine A. McGowan
Corporate Secretary

October 23, 2017

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 $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 (Hons.) (Econ.), MSc (Econ.), ACIB*

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

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

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

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

Attorneys-at-Law
Messrs. Cameron & Shepherd
2 Avenue of the Republic
Robbstown
Georgetown, Guyana
South America

Auditors
Messrs. Ram & McRae
Chartered Accountants
157 'C' Waterloo Street
North Cummingsburg
Georgetown, Guyana
South America

Bank Profile

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

Senior Management

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

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

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

Management

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

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

Assistant Manager, Branch Operations
Gail Harding, *AICB*

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

Credit Manager, Corporate and Commercial Credit
Diane Yhun

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

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

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

Manager, Corporate Operations
Denys Benjamin, *AICB*

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

Senior Manager, 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, BSocSc, Mgmt. (Credit)*

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

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

Assistant Manager, Information Technology
Yugisther Mohabir, *MCSA*

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

Manager, Enterprise Risk Management
Michael Ram, *AICB*

Banking Offices

Anna Regina Branch
Manager
Guitree Ramsamooj, *CAT, Certified Credit Professional*

Camp Street Branch
Manager
Sherwyn Greaves, *AICB,MBA*

Corriverton Branch
Manager
Doodmattee Bhollaram, *AICB*

D'Edward Branch
Manager
Imran Saccoor, *Dip. (Marketing), MBA*

Linden Branch
Manager
Joel Singh, *AICB*

New Amsterdam Branch
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*

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

Vreed-En-Hoop Branch
Manager
Shridath Patandin, *AICB, Certified Credit Professional*

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

Diamond Branch
Officer-in-Charge
Allison Mc Lean-King, *AICB, Certified Credit Professional*

Triumph Branch
Officer-in-Charge
Bibi Shaliza Seepersaud, *AICB, Certified Credit Professional, MBA*

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

Financial Summary

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

	2017	2016	2015	2014	2013
Cash resources	**27,829,221**	30,963,960	32,271,117	22,989,659	32,564,269
Investment securities	**7,440,987**	7,882,243	6,318,344	5,414,804	5,676,215
Loans and advances	**61,121,961**	58,417,974	52,362,418	50,496,947	46,573,714
Total assets	**146,560,199**	151,574,139	142,362,955	128,986,527	132,488,536
Total deposits	**124,879,378**	131,186,957	123,701,186	112,551,760	117,117,616
Stockholders' equity	**18,300,481**	16,715,394	15,223,604	13,563,521	12,249,893
Net profit after taxation	**2,738,939**	2,703,041	2,815,938	2,339,428	2,343,667
Total comprehensive income	**2,820,087**	2,726,690	2,690,083	2,343,628	2,255,926
Earnings per stock unit in dollars ($)	**9.13**	9.01	9.39	7.80	7.81
Return on average assets (%)	**1.83**	1.82	2.03	1.78	1.84
Return on average equity (%)	**15.69**	16.88	19.78	18.16	20.29

Financial Highlights

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

	2017	2016	Change	% Change
Statement of Income				
Interest and other income	**10,227,640**	9,994,790	232,850	2.3
Interest and non-interest expenses	**(5,998,836)**	(5,733,881)	(264,955)	(4.6)
Net Income before taxation	**4,228,804**	4,260,909	(32,105)	(0.8)
Taxation charge	**(1,489,865)**	(1,557,868)	68,003	4.4
Net Income after taxation	**2,738,939**	2,703,041	35,898	1.3
Statement of Financial Position				
Loans and advances	**61,121,961**	58,417,974	2,703,987	4.6
Total assets	**146,560,199**	151,574,139	(5,013,940)	(3.3)
Average assets	**149,660,022**	148,473,328	1,186,694	0.8
Deposits	**124,879,378**	131,186,957	(6,307,579)	(4.8)
Equity (capital and reserves)	**18,300,481**	16,715,394	1,585,087	9.5
Average outstanding equity	**17,454,245**	16,017,429	1,436,816	9.0
Common stock				
Earnings in dollars per Stock Unit	**9.13**	9.01	0.12	1.3
Dividend for the year (in thousands)	**1,235,000**	1,235,000	–	–
Stock Units (in thousands)	**300,000**	300,000	–	–
General				
Number of:				
Stockholders	**1,362**	1,337	25	1.9
Common stock outstanding (in thousands)	**300,000**	300,000	–	–
Active savings, chequing and deposit accounts	**162,240**	159,490	2,750	1.7
Employees	**708**	662	46	6.9
Banking offices	**12**	11	1	9.1

Board of Directors and Management

atm

point
of sale

online
banking

telebanker

banking solutions

Board of Directors

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

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

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

Managing Director,
Republic Bank (Guyana) Limited

John G. Carpenter
BSc (Food Sciences)

Chairman,
Hand-in-Hand Group of Companies

Roy E. Cheong
AA, FCII, FLMI, CLU

Chartered Insurer

Yolande M. Foo
AICB

Retired
Senior Banking Executive,
Republic Bank (Guyana) Limited

Anna-María García-Brooks
Dip. (Mass Media and Comm.), Dip. (Business Mgmt.), EMBA

General Manager,
Group Human Resources,
Republic Bank Limited

Shameer Hoosein
FCCA

Chief Executive Officer,
Massy Gas Products (Guyana) Limited

Richard M. Lewis
HBA

General Manager/Director,
Label House Group Limited

Richard I. Vasconcellos

Chairman,
A.N.K. Enterprises Inc.

Board of Directors

Nigel M. Baptiste

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

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

Nigel 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. He has served as the Chairman of the Board of Directors of Republic Bank (Guyana) Limited since July 2013.

Richard S. Sammy

BSc (Mgmt. Studies) (Hons.) MBA

Managing Director,
Republic Bank (Guyana) Limited

Richard S. Sammy is a distinguished banker with significant regional experience in risk management, corporate and investment banking. He joined the Republic Group in 2009 and previously served as the Regional Manager, Corporate Business Centre-South and as 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 S. Sammy also serves as a Director of the Caribbean Association of Banks Incorporated and Chairman of the Guyana Association of Bankers.

John G. Carpenter

Bsc (Food Sciences)

Chairman,
Hand-in-Hand Group of Companies

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 extensive management experience and vast 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

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. Mr. Cheong 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 Foo

AICB

Retired Senior Banking Executive,
Republic Bank (Guyana) Limited

Yolande Foo is a retired career banker with 45 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, 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 of UWI's Distinguished Alumni.

Shameer Hoosein

FCCA

Chief Executive Officer,
Massy Gas Products (Guyana) Ltd.

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 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 Bank (Grenada) Limited and a Director of Republic Securities Limited.

Richard I. Vasconcellos

Chairman,
A.N.K. Enterprises Inc.

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 serves on the Board of Cellsmart Inc. and Santa Fe (Guyana) Limited. 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, 2017.

Principal Activities

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

Financial Results

(in thousands of Guyana Dollars)

	2017	2016
Net income after taxation	**2,738,939**	2,703,041
Interim dividend paid	**385,000**	385,000
Retained earnings	**2,353,939**	2,318,041
Final dividend proposed	**850,000**	850,000

Dividends

An interim dividend of $1.28 per stock unit ($385 million) was paid during the year and a final dividend of $2.83 per stock unit ($850 million) for the year ended September 30, 2017 is recommended. This, if approved, will bring the total payout for the year to $1,235 million.

Capital and Reserves

Capital and reserves other than retained earnings total $4,130.3 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2017 is $14,170.2 million (2016 - $13,270 million) after a transfer of $617 million to the General Banking Risk Reserve, $1,235 million paid out as dividends (final 2016 - $850 million, interim 2017 - $385 million), and $2,738.9 million transferred from the Statement of Income for 2017.

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 $5.8 million (2016 - $6.5 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	
	2017	% held	2016	% held
Republic Financial Holdings Limited	**152,898,395**	50.97	152,898,395	50.97
Trust Company (Guyana) Limited	**19,617,755**	6.54	19,457,755	6.49
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
Hand-in-Hand Group of Companies	**15,022,967**	5.01	15,022,967	5.01

Directors

In accordance with the Bank's By-Laws, Messrs. Shameer Hoosein, Richard S. Sammy and Richard I. Vasconcellos retire from the Board by 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 $280.6 million (2016 - $281.8 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	
	2017	2016
John G. Carpenter	**150,000**	150,000
Roy E. Cheong	**87,000**	87,000
(75,000 held jointly with an associate, and 12,000 held by an associate)		
Yolande M. Foo	**315,000**	315,000
(held jointly with associates)		
Richard I. Vasconcellos	**15,000**	–

Directors' Fees ($)

	2017	2016
Nigel M. Baptiste	**2,520,000**	2,550,000
John G. Carpenter	**1,440,000**	1,530,000
Roy E. Cheong	**1,680,000**	1,680,000
Shameer Hoosein	**1,410,000**	1,500,000
Richard I. Vasconcellos	**1,350,000**	1,350,000
Richard M. Lewis	**1,320,000**	1,350,000
Yolande M. Foo	**1,560,000**	1,560,000
Anna-María García-Brooks	**1,530,000**	620,000

Directors' Report

Directors' Service Contracts

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

Contracts with Directors

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

Contract of Significance with Stockholder or its Subsidiary

The Bank expended the sum of $109.1 million (2016 - $106.9 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

"Republic Bank remains confident in, and committed to, the future development of Guyana. To this end, the Bank will make a number of bold moves in 2018 which we believe will help us to grow and remain competitive in the coming years."

Nigel M. Baptiste
Chairman

Chairman's Review

Financial Performance

Fellow Directors and Stockholders, I am pleased to report that for the year ended September 30, 2017, the Bank recorded a satisfactory performance in the context of a testing operating environment, with profit after tax of $2,739 million, representing a 1.34% increase over the previous year's results.

As a result, your Directors have recommended a final dividend of $2.83 ($850,000) per stock unit, which, if approved at the Annual General Meeting, will bring the total dividend for the year to $1,235 million (2016 - $1,235 million).

Economic Review

During the fiscal, the world economy grew by 3.1% (marginally down from the 3.3% achieved in 2015) and continued to experience significant geo-economic change. The rapidly expanding economies of China and India are changing the face of world trade in products and services which have fuelled world economic growth and placed upward pressure on commodity prices. There have been a myriad of challenges ranging from political turmoil to climate change and environmental disasters such as the monsoon rains in South Asia, an earthquake in Mexico and hurricanes in the United States.

For Latin America and the Caribbean, the outlook has deteriorated and there is much uncertainty in relation to these economies. Some of the related risks include unfavourable commodity price movements, severely damaging weather systems, internal financial distress in major industries, and de-risking in the banking sector. Additionally, there has been the growing concern of foreign currency shortages in the Caribbean region.

More specifically, the Guyanese economy was initially projected to grow by 4.4% and was subsequently revised downwards to 4.0%. At the end of 2016, the economic growth was 3.3% relative to 3.2% registered in 2015. While the growth was buoyed by increased gold production and output of some service activities, there were a number of negative spillovers from the core industries including industrial unrest in the sugar industry, downsizing of large-scale logging companies, slow execution of the public sector investment programme, volatile commodity prices, and lower private investment and consumption expenditure.

Notably, in 2016, there was also a decline in sugar and forestry output and weak performance in wholesale and retail trade and manufacturing industries. In December 2016, the inflation rate (Consumer Price Index) stood at 1.4% due to moderate increases in food and fuel prices.

Overall balance of payments improved due to a 25.1% increase in export earnings despite a capital account deficit. Consequently, gross reserves of the Bank of Guyana were equal to four months of import, above the three month minimum benchmark for reserve adequacy.

Credit to the private sector increased by 2.1% while net deposits of the public sector fell considerably. Non-performing loans represented 11.5% of total loans, representing a 1.4% increase over December 2015.

In 2017, the Guyanese economy grew by 2.2% in the first six (6) months. Growth was driven by increases in production of rice, fishing, other crops, manufactured goods, construction and other services. Output from the mining sector, sugar and forestry industries, as well as financial and insurance activities, contracted due to adverse weather, lower productive capacity and fewer private investments. As at June 2017, the inflation measure by the Consumer Price Index was 1.1% due to moderate increases in food and fuel prices.

Group Developments

Republic Financial Holdings Limited (RFHL) continues to build the necessary technological and human capabilities for transformation of the Republic Group into a more dynamic and customer-focused regional entity.

The future of the Group is dependent on a strong balance sheet, capable of withstanding any shocks, and generating attractive returns. To this end, we continue to focus on our core competencies in asset/liability management, risk management, and cost control.

Of significance among our business plans, is our Group-wide IT Consolidation Initiative and construction of a state-of-the-art Data Centre in Trinidad. This investment in improving our infrastructure will serve as the catalyst for significant strides in technological advancement throughout the Group and afford increased capability, operational efficiency, cross-border harmonisation, and the ability to rationalise/streamline other areas of operation.

Future Outlook

As a result of the overall performance in the first half of 2017, and the anticipated impact of a declining sugar industry, growth for the year was revised from 3.8% to 3.1%.

Growth is expected to be fuelled by increases in rice production, manufactured goods, construction and other services. However, underperformance in key industries remains a concern as it relates to solid export earnings and foreign reserves. Cognizant of these risks, policymakers are seeking to address structural constraints to enhance productivity/diversification in the rice and sugar sub-sectors which will provide for increased output, income, and exports. Inflation is expected to be below 2.5% on the basis of moderate increases in food prices, fuel, and semi-durables attributed to seasonality.

ExxonMobil's initial discovery with the Liza-1 in its Stabroek block and subsequent large finds have signalled a new era for the country's energy sector and economy. It presents an opportunity to put in place the structures and capacity needed to oversee the sector's long-term development, effectively manage revenue streams, and ensure proper stewardship of what are finite hydrocarbon resources for future generations of Guyanese citizens.

Notwithstanding the economic constraints, Republic Bank remains confident in, and committed to, the future development of Guyana. To this end, the Bank will make a number of bold moves in 2018 which we believe will help us to grow and remain competitive in the coming years. Our priorities in the new fiscal will be to enhance the overall experience we provide 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 invest further in our people, culture and brand promise.

Acknowledgements

I take this opportunity to thank management and staff for their dedication and hard work during the fiscal year. I also extend sincere gratitude to our customers, business partners and stockholders, and acknowledge my fellow Directors for their continued support.

> "During the year, the Bank reviewed its credit operations, focussing on quality customer care and helping customers to realise their dreams, while employing prudent risk management principles."
>
> **Richard S. Sammy**
> **Managing Director**

Managing Director's Discussion and Analysis

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

The Bank achieved a profit after tax of $2,738.9 million, compared to $2,703 million in 2016. We note the increase of 1.34% above last year's performance as the Bank experienced growth of 0.88% from core banking operations. This performance is the result of careful planning, effective implementation, and singular focus on key strategic initiatives.

Return on Assets increased marginally to 1.83% and Return on Equity declined to 15.69%. Earnings per Stock unit increased from $9.01 to $9.13.

A notable challenge, during the first and second quarters of the fiscal, was the limited availability of US currency to meet customer demand and the pressure on the Guyanese dollar market rates. However, timely introduction of specific measures and closer monitoring by the Bank of Guyana, along with co-operation by sector players, assisted in addressing potential long-term currency and exchange rate movement.

During the year, the Bank reviewed its credit operations, focussing on quality customer care and helping customers to realise their dreams, while employing prudent risk management principles. Against the background of a challenging external environment characterised by uncertainty, high liquidity, dampened credit demand, lower margins, and increasing loan delinquency, the Bank also focussed on cost management and project rationalisation.

Customer Service

In an ever increasing commoditised banking sector, one of the material differences among banks is the quality of service offered. At Republic Bank, we are committed to a superior service experience and continue to seek ways to foster a genuine and mutually rewarding relationship with our valued customers.

Customer engagement and relationships, exceptional service and customer convenience remain our focus. An independent 2017 Customer Service Survey affirmed Republic Bank's strong service ranking in the financial services industry, meeting customers' expectations and engendering advocacy.

We are eager to embrace new ideas, processes and technologies that will be the standard for excellence in customer satisfaction. To this end, the Bank established a Business Systems and Process Improvement (BSPI) Unit during the fiscal aimed at further enhancing operational efficiency while ensuring optimum use of available resources. Stimulating innovation and creativity among our employees is also high on our agenda supported by the Bank's Group Innovate Initiative.

Customer care extends beyond providing financial services to the communities we serve. We seek to empower and ready our customers for personal and business growth through numerous initiatives, including our social media interactions, customer education outreaches at several forums nationwide and collaboration with the Arthur Lok Jack Graduate School of Business for entrepreneurs of small and medium sized businesses. Through our partnership with Empretec, developmental sessions, titled Venture Out for Women, are also provided for female entrepreneurs across Guyana.

In November 2016, the Bank also connected with customers and prospects across the region with the hosting of the inaugural Republic Bank Trade Mission to Guyana. Under the theme, 'Building Strong and Sustainable Relationships Across Borders', the Trade Mission attracted over 200 delegates – Business Executives and Leaders – from Trinidad and Tobago, Suriname, Barbados, and Guyana. Presentations focussed on accessing information on the legal, banking and other requirements for doing business in Guyana, exploring new opportunities regionally, and meeting and networking with regional business counterparts. A number of participating companies also showcased their products and services.

As we look to 2018, future customer service plans will include a centralised Private Banking service to efficiently serve the needs of the professional segment of the market.

Managing Director's Discussion and Analysis

Human Resources

Our ability to recruit and retain the best talent continues to be an area of focus – understanding staff needs so as to address these in a structured manner that redounds to their benefit and to the benefit of our customers. In 2017, we employed a multi-dimensional approach to training which encompassed broad areas such as banking procedures, sales and service, computer literacy, and supervision.

We believe that personal development is the catalyst for career advancement and employee engagement, and professionals from Guyana and the region were engaged to deliver training in critical areas of banking. Key specialist officers participated in overseas training programmes by international agencies, while others were enrolled in the Canadian Securities Institute (CSI) and other institutions. Additionally, staff continue to benefit from various internal training programmes and exposure to diverse work environments via assignment/secondment to our parent company and fellow subsidiaries.

Effective leadership remains among the cornerstones for the Bank's success. The Bank's future leaders are among us, hence the need to collectively embrace a common purpose and vision. During the year, the Bank embarked on a Leadership Development Roadmap, aimed at staff development and empowerment across Management, Supervisory, and all staff levels. The Bank introduced several 'Leadership Attributes' which were underpinned by our Core Values of Integrity, Respect for the Individual, Customer Focus, Professionalism and Results Orientation. Our leadership drive culminated in a very well-attended, energetic, and successful Staff Rally.

The Bank's 2016/2017 Youth Link Apprenticeship Programme saw another batch of 29 students from the various regions benefiting from seven months of exposure to various aspects of the Bank's operations. Feedback regarding this initiative remains positive given the personal and life skills garnered, and more particularly, the added benefit of the Caribbean Vocational Qualification (CVQ) status of the programme. Our support in this direction will continue given our commitment to empowering Guyana's youth and helping to advance their pursuits.

Information Technology

We continue to direct resources towards improving the Bank's technology via significant upgrades to our primary computing system, network infrastructure and ancillary systems in order to enhance security and service efficiency. In the new fiscal, we will also seek to expand our Internet Banking, Social Media and Online presence, as well as automate more processes with particular emphasis in the area of on-boarding.

Our electronic banking platforms allow customers to conduct business at their convenience at numerous locations. Further, our fleet of ATMs continues to increase with deployment to date totaling 46, while there are 397 Point of Sale terminals throughout our network.

Our aim is to derive maximum benefit from the Bank's investment in technology and its effective application in order to serve our customers more effectively.

Premises

In keeping with our commitment to providing the highest level of service to our customers, the Bank expanded its network; opening a state-of-the-art branch at Triumph Village, East Coast Demerara, bringing to that community the Bank's full suite of products and services along with an enthusiastic team of professionals providing the high quality service for which we are known.

Routine maintenance was also conducted throughout the fiscal. In fiscal 2018, the lending sections of our Linden and New Amsterdam Branches will be reorganised for greater customer convenience and efficiency.

Empowering the Community

Republic Bank is especially passionate about its responsibility for creating better, more successful societies as demonstrated by our social investment initiative programme, the Power to Make a Difference.

The year saw us expanding our efforts in a number of spheres. These included strengthening Guyana's cultural heritage; empowering youth, including vulnerable teen mothers, through education, academic and workplace excellence, and developmental opportunities; growing awareness and advocacy for people with disabilities; and protecting our environment.

Through our Staff Volunteerism Programme, the Bank also supported community efforts with volunteer grants to charities at which our employees generously gave of their time.

Republic Bank (Guyana) Limited was again recognised for business excellence by the Guyana Business Coalition on Health Awareness having won three of their four prestigious annual awards namely (i) Leadership and Advocacy for the Light it up Blue Autism Awareness activity, hosted in collaboration with the Step by Step Foundation to grow awareness for Autism Spectrum Disorder in Guyana (ii) Community Programme in recognition of the Bank's Power to Make a Difference Programme and (iii) the Bank's Peer Education Health Awareness Workplace Programme for success in educating and empowering employees and the wider community on the prevention, transmission, stigma, and discrimination associated with HIV/ AIDS and other related social issues.

Regulatory Compliance

The international regulatory climate has grown increasingly stringent in the aftermath of money laundering and terrorist activities, and legislation has increased the risk and 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 mentioned earlier, 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 Compliance Act (FATCA) enacted by the United States Government in 2010 continue and we have been participating in national sessions to facilitate the advancement of this international requirement and engaging customers with US Indicia to ensure that documentation is in order.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2017, to be read in conjunction with the Directors' report and audited financial statements presented on pages 18 to 20 and pages 48 to 117 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, 2017:

	2017	2016
United States dollars	**209.25**	205.5
Pounds Sterling	**250.75**	292.5
Canadian dollars	**150.75**	162.5
Euro	**215.75**	220.5

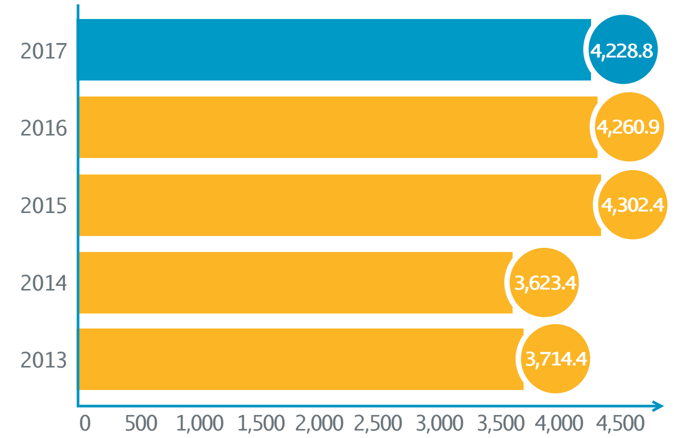
Statement of Income Review

Financial Summary

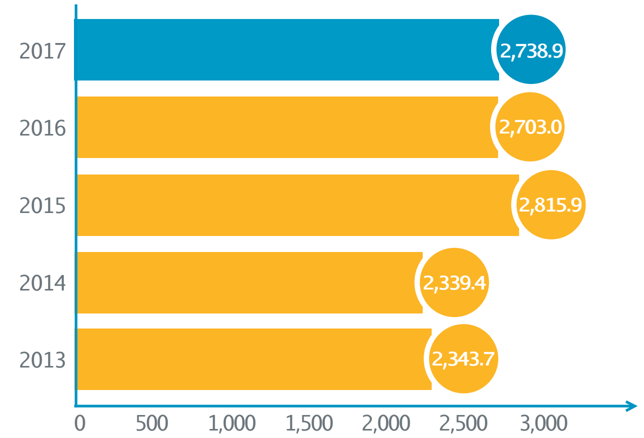
After tax profit of $2,738.9 million represents an increase in profitability of $35.9 million or 1.34% compared with 2016. This increase in profitability largely resulted from an increase in Loans and Advances and a reduction in provisioning expense. Focus on improving credit assessment, decision making and debt recovery will continue in the new fiscal. Corporation Tax paid amounted to $1,705.8 million compared with $1,435 million in 2016.

Managing Director's Discussion and Analysis

Profit Before Tax ($Millions)

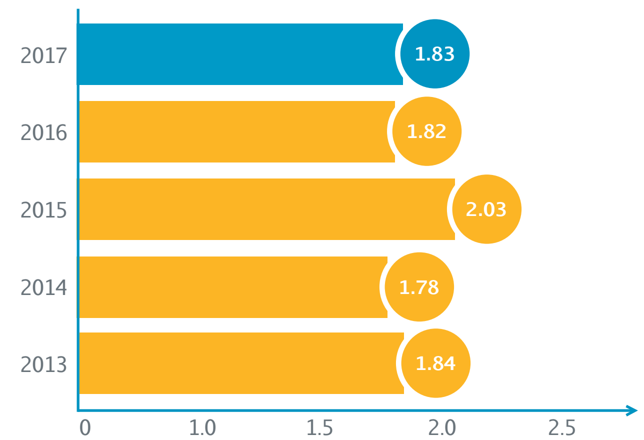


Profit After Tax ($Millions)

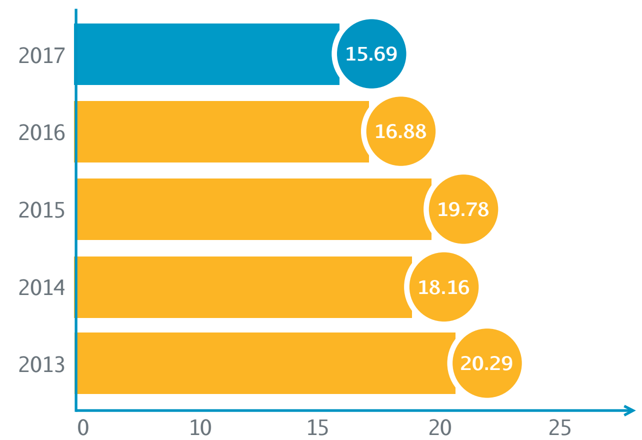


The Bank's return on average assets (1.83%) increased marginally year on year; however, there was a decline in its return on average stockholders' equity (15.69%). Earnings per stock unit moved from $9.01 in 2016 to $9.13 in 2017.

Return on Average Assets (%)



Return on Average Outstanding Equity (%)



Net Interest and Other Income

Net interest and other income grew by $261.3 million or 2.78% to $9,652.7 million in 2017 compared to the $9,391.3 million generated in 2016, which is attributed mainly to the increase in the loan portfolio.

Net interest income increased by $62.1 million or 0.88% to $7,130.1 million and is attributed primarily to the increase in the loan portfolio.

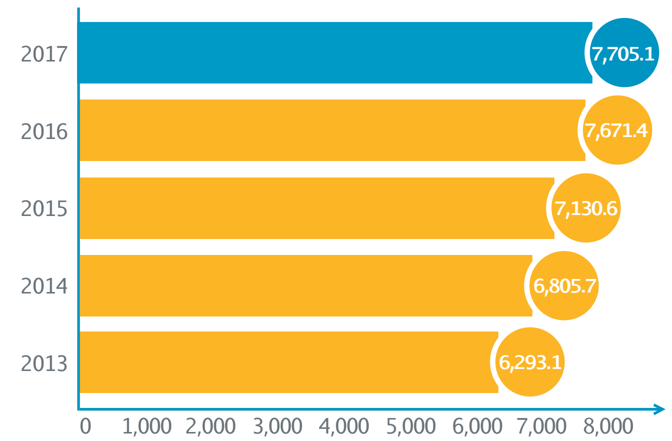
Net Interest Margin

	2017	2016
Net interest income/Total average interest earning assets	**6.11%**	6.05%
Net interest income/Total average assets	**4.58%**	4.58%

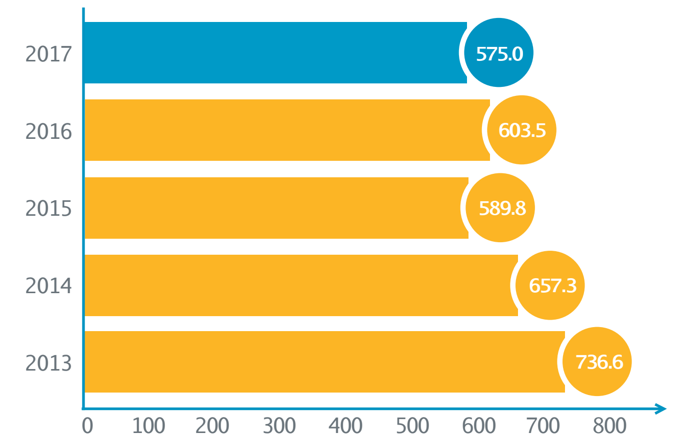
Refer to Statement of Financial Position and note 16

There were no unusual non-operational items.

Interest Income ($Millions)



Interest Expenses ($Millions)



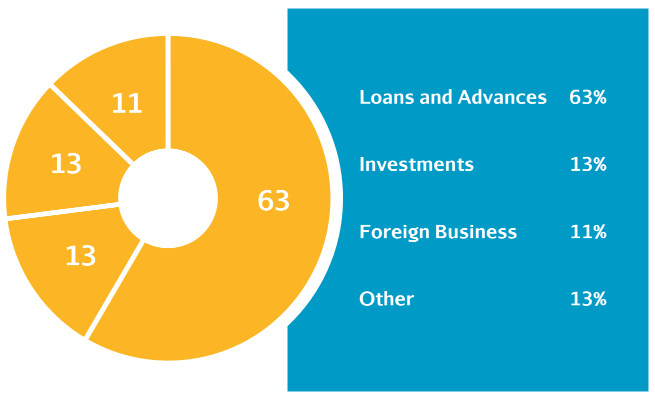
The ratio of the Bank's average interest earning assets to average customer deposits remained stable at 87.05%. This reflects the Bank's policy of managing customers' deposits in a challenging environment where investments and lending opportunities are relatively scarce. At September 30, 2017, 36.55% of the Bank's interest earning assets consisted of Government of Guyana Treasury Bills.

Interest paid on deposits for 2017 at $575 million was below that of 2016 ($603.5 million) as the Bank continued to manage its assets and liabilities in an environment of inadequate investment opportunities. It is recognised, however, that customers simultaneously use a range of products and the Bank strives to ensure that rates (deposit and lending) are competitive with the rest of the industry and attractive to existing and potential customers.

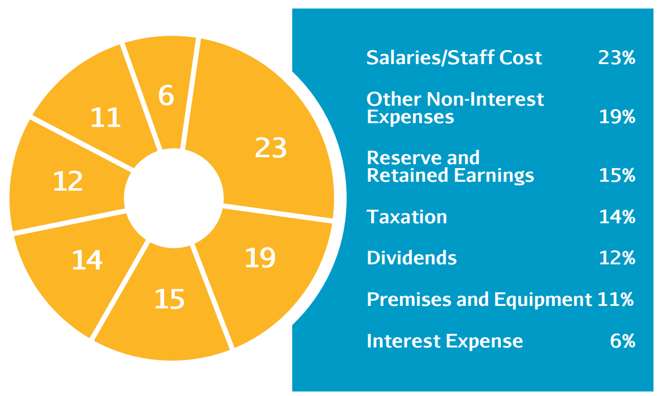
Other Income, which amounted to $2,522.6 million and contributed 24.66% to total income, was above the 2016 amount by $199.2 million, or 8.58%. Despite continued emphasis, foreign exchange trading declined, resulting in exchange gains for 2017 of $1,194.6 million, which represented a decrease of $44 million or 3.55% over 2016. Exchange earnings continue to be the major source of Other Income, contributing 47.36% (2016 -53.31%) of the total.

Managing Director's Discussion and Analysis

Source of Revenue (%)



Revenue Distribution (%)



Non-interest expense

Non-interest expenditure, which comprises operating expenses and provision for loan losses, increased by $293.1 million or 5.71% over 2016, mainly as a result of staff cost, which increased to $2,316.2 million. There was an increase in depreciation charges ($65.3 million) resulting from the capitalisation of new assets. There was a significant decrease in loan losses net of recoveries of $146.1 million resulting from a decrease in bad debts and an increase in recoveries.

The Bank's productivity/efficiency ratio, which is non-interest expenses to net interest income and other income, increased to 49.19% from 46.25% in 2016.

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 General Banking Risk Reserve, and General and Specific Provisions for non-performing loans. After a $617 million transfer from income in 2017, the amount set aside for the General Banking Risk Reserve amounts at year-end to $3,512.5 million. This Reserve, which is discussed in some length on page 88 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 $209.9 million at September 30, 2017; an increase of $23 million. This provision reflects the level of inherent risk in the loan portfolio for which there is no specific provision.

At September 30, 2017, specific provision on non-performing loans amounted to $589.4 million, a decrease of $78.5 million over 2016. Overall in 2017, expenses related to loan-loss provisioning amounted to $675.7 million against a provision of $786.6 million in 2016. The Bank continues to strive to maintain a very prudent policy especially on its unsecured consumer lending portfolio. Recoveries on loans which were previously written-off amounted to $231.8 million in 2017 (2016 - $196.5 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2017 increased to 6.96% from 6.25% in 2016. On the other hand, the ratio of specific provision for loan losses to non-performing loans moved from 18.74% at September 30, 2016 to 14.37% at September 30, 2017.

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 $2.3 billion year-on-year. This decrease is due mainly to the take up of quality investments. The statutory deposit balance with Bank of Guyana grew by $1.2 billion over the same period.

Available-for-sale investment securities

Available-for-sale investment securities, including Government of Guyana Treasury Bills, decreased by 10.72% during the year ($5.7 billion). The decrease arose mainly in the Bank's investment in Treasury Bills, which moved from $45.3 billion in 2016 to $40 billion in 2017 or 11.62%. There was also a decrease in other investments, by $441.3 million, or 5.60%, to $7.4 billion. The Bank aggressively competes for the limited investment opportunities even as there is continuous growth in the liquidity of the country's financial houses relative to those investments.

Advances

Advances grew by $2.7 billion to $61.1 billion, an increase of 4.63%. 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 13.05% increase in value from $20.7 billion to $23.4 billion. The Bank continues to aggressively support the Government's home ownership thrust.

As a percentage of total assets, loans and advances accounted for 41.70%, up from the 38.54% achieved in 2016.

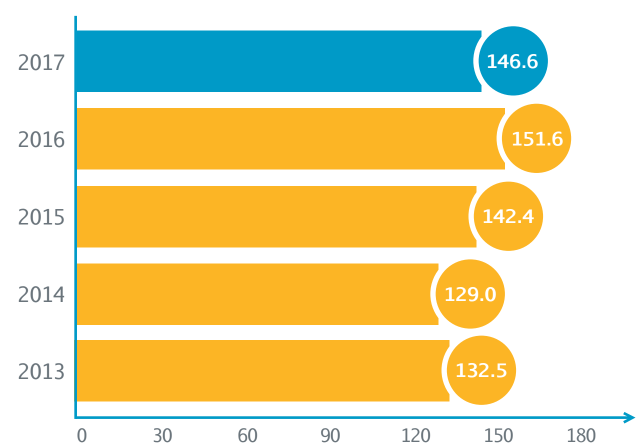
Total assets

The Bank's total assets of $146.6 billion represent a decrease of $5 billion or 3.31% below 2016. This decrease is attributed mainly to cash resources, available-for-sale investment securities, and Treasury Bills, which accounted for a decrease of $8.8 billion notwithstanding an increase in loans and advances of $2.7 billion. Over the past three years, net investment in loans and advances grew by $1.9 billion, $6.1 billion and $2.7 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.

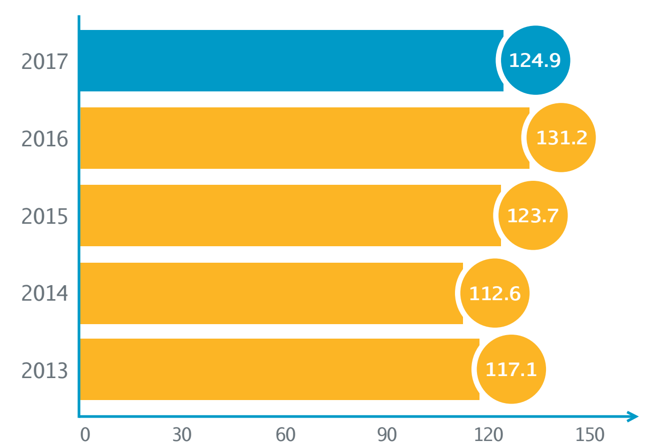
Deposits

Our asset decline resulted from a decrease in deposits, which moved to $124.9 billion from $131.2 billion in 2016; a decrease of $6.3 billion or 4.81%. Notwithstanding, depositors remain confident in the Bank as it continues to focus on providing quality products and services. Savings deposits, the most stable category of deposits at 66.49% of the deposit portfolio, increased by $4.6 billion or 5.92%. The Demand deposits portfolio declined significantly by $10.7 billion or 23%.

Total Assets ($Billions)

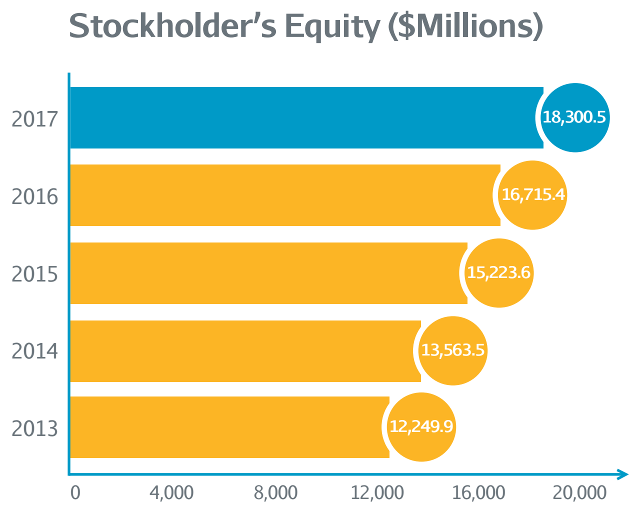


Total Deposits ($Billions)



Capital Structure and Resources

The Bank's policy is to maintain capital adequacy, ensure capital growth and minimise capital impairment. The governing Financial Institutions Act 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 $2,738.9 million, $1,235 million is being proposed as dividends and $1,503.9 million transferred from the Statement of Income to stockholders' equity. At September 30, 2017, the book value of stockholders' equity amounted to $18.3 billion.



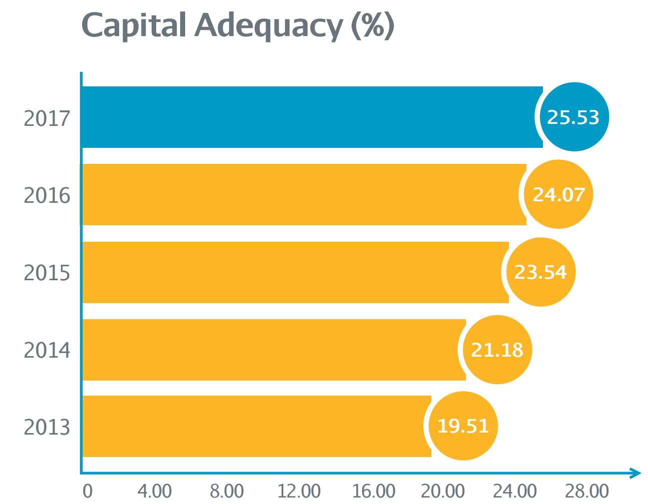
Total dividends paid and proposed for fiscal 2017 amount to $1,235 million and equate to a dividend payout ratio of 45.18% (2016 - 44.97%).

There was an increase in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 63% between the highest price of $130 and lowest price of $80 with an average weighted price of $110.5 per stock unit. In terms of volume, most trades were done at a unit price of $115. Using the Market Weighted Average Price of $115 from the last trade date (August 28, 2017) for the Bank's stock, the price/earnings ratio increased to 12.60 from 11.65 in 2016. The net asset value of one unit is $61 (2016 - $55.7) which, with a price of $115, gives a price/book ratio of 1.89:1 (2016 - 1.88:1).

Regulatory capital

Capital adequacy is monitored by the Bank on a monthly basis and computed based on guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Bank of Guyana under the Financial Institutions Act 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 $16.7 billion to $18.3 billion year-on-year. The capital adequacy ratio increased marginally, moving to 25.53% at September 30, 2017 from 24.07% at September 30, 2016. This increase is attributable to an increase in total risk-weighted assets.



Risk Management

Overview

Banking is about the management of risks. These are discussed extensively on pages 92 to 107 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 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.

The Bank recognises that there are benefits to be derived by effectively managing the various risks associated with its operations that can impede achieving 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 2017, an Enterprise Risk Management Unit was established in conjunction with the Group to continuously monitor the Bank's risk environment and practices to ensure requisite identification, mitigation and overall management of risks.

On July 4, 2017, our Water Street Branch was the target of an attempted robbery, which, due to the prompt tactical response by members of our security provider and the Guyana Police Force, was averted with preservation of employee and customer safety and no financial loss. It would therefore be remiss of me not to again acknowledge and thank these entities for their tremendous courage, professionalism and service. We also remain grateful for support extended by members of the health sector, religious bodies, our business partners and stakeholders.

Future Outlook

The outlook for the Bank is intrinsically linked to the future of the Guyanese economy. Based on our assessment, we believe that the country's economic fortunes are promising at this juncture. Political stability and sound economic policies should boost investors' confidence and provide stimulus for investment, growth and development. While there is still fragility in key sectors, there are signs that Government's plans for an enabling environment and the country's economic revival are gradually evolving.

The Board of Directors, Management and Staff of Republic Bank (Guyana) Limited acknowledge the importance of a strong and stable financial system to Guyana's success and the critical function we are expected to play in the national developmental process. As such, the Bank will continue to implement policies and strategies in order to ensure the integrity of our operations to sustain the financial sector.

Managing Director's Discussion and Analysis

Our plans for the next year will focus on strategies aimed at expanding our services, and improving employee productivity and support training for staff with continuous reassessment to ensure optimal efficiency.

The Bank remains committed to providing the highest quality of service to our valued customers and the people of Guyana.

Acknowledgements
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, Operations

Parbatie Khan

General Manager, Credit

Management

Denys Benjamin

Manager,
Corporate Operations

Doodmatee Bhollaram

Manager,
Corriverton Branch

Celine Davis

Manager,
Water Street Operations

Harry Dass Ghaness

Manager,
Rose Hall Branch

Stanton Grant

Manager,
Internal Audit

Sherwyn Greaves

Manager,
Camp Street Branch

Yonnette Greaves

Manager,
Information Technology

Gail Harding

Assistant Manager,
Branch Operations

Sasenarain Jagnanan

Senior Manager,
Corporate and
Commercial Credit

Erica Jeffrey

Manager,
Branch Support
Services

Michelle Johnson

Manager,
Marketing and
Communications

Ndidi Jones

Senior Manager,
Head Office

Management

Christine Mc Gowan

Manager,
Legal Services

Shrimanie Mendonca

Manager,
Human Resources

Yugisther Mohabir

Assistant Manager,
Information Technology

Shridath Patandin

Manager,
Vreed-En-Hoop Branch

Jadoonauth Persaud

Manager,
Branch Operations

Michael Ram

Manager,
Enterprise
Risk Management

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

Management

Joann Williams

Assistant Manager,
Human Resources

Diane Yhun

Credit Manager,
Corporate and
Commercial Credit

Statement of Corporate Governance Practices

Corporate Governance is described as "the system by which companies are directed". Today, the need for companies to adopt and practice good corporate governance is well recognised. 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 1995. The Bank has adopted the recommendations contained in that Guideline. This statement is made pursuant to the abovementioned Supervision Guideline Number 8. In addition, the Bank is compliant with Supervision Guideline 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 Managing 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. The Board, which acts in the best interest of the company and its stakeholders, is guided by a philosophy based on good governance, transparency, accountability and responsibility. Of critical importance to the Board of Directors is the responsibility to approve and review the Bank's Strategic Plan and within this context, to approve Annual Budgets, including capital expenditure. The Board retains the responsibility for reviewing and approving credit applications above a specified limit. Pursuant to the mandate to ensure that the interests of the various stakeholders are considered, the Board of Directors meets, at a minimum, on a quarterly basis while the Executive Sub-Committee of the Board, comprising seven Board members, meets monthly for the remaining months.

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

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

Audit Committee

The members of the Audit Committee are

Chairman

Roy E. Cheong

Members

Shameer Hoosein

Richard M. Lewis

Richard I. Vasconcellos,

Yolande M. Foo

Alternate Member

John G. Carpenter

The Audit Committee of the Board meets at least quarterly to review the Bank's system of internal control, financial reporting process, audit and examination process, and compliance with statutory and regulatory laws. When necessary, the Audit Committee is responsible for reviewing the independence, competence, and qualifications of the External Auditors. The External Auditors have full and free access to, and meet, when necessary, with the Audit Committee to discuss their audit and findings as to the integrity of the Bank's financial and accounting reporting and the adequacy of the system of internal controls. The External Auditors receive notice of every meeting of the Audit Committee and may attend as of right. The head of the Bank's Internal Audit Department reports directly to the Audit Committee. The Internal Audit Department conducts periodic examinations of all aspects of the Bank's operations to ensure that management's controls for the integrity and fairness of the financial statement and accounting systems are adequate and are complied with.

Compensation Committee

The members of the Compensation Committee are:

Chairperson

Anna-María García-Brooks

Members

Shameer Hoosein

Roy E. Cheong

Alternate Member

Yolande M. Foo

Statement of Corporate Governance Practices

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

Other Risks Committee

The members of the Other Risks Committee are:

Chairman

John G. Carpenter

Members

Roy E. Cheong

Anna-María García-Brooks

Alternate Member

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 Programme, and ensuring that adequate systems and procedures are implemented to prevent and detect attempts to launder money and/or finance terrorism.

The Other Risks Committee will soon be replaced by an enhanced Enterprise Risk Management Committee as the Bank continues to review its operations in order to ensure that all risks arising across the wide spectrum of the Bank's activities are identified and adequate systems have been implemented in order to mitigate those risks.

The 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 90 years, has general oversight of the Bank's credit portfolio, branch network and general operations. Two members of Senior Management have Masters Degrees 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 1995.

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

The Bank regards its business and the banking affairs of its customers and clients as confidential, and has established rules to ensure the highest ethical standards in this regard. These rules pertain to honesty and integrity, integrity of records, client privacy, proprietary bank information, insider information, and non-discrimination among others.

The Bank encourages its stockholders to communicate all issues of concern orally or in writing. All stockholder concerns are addressed in a prompt and efficient manner by Management.

Signed on behalf of the Board

Nigel M. Baptiste

Chairman

Corporate Social Responsibility

learn care help succeed

stronger together through teamwork

The Bartica Secondary School makes their debut at the Annual Republic Bank Mashramani Panorama Steel Band Competition

Rewarding Success at Republic Bank sponsored Women Across Differences Comprehensive Empowerment Programme for Adolescent Girls

Light It Up Blue! Republic Bank in collaboration with the Step by Step Foundation hosted the second annual Autism Awareness Walk

Staff members team up with the Vreed-en-Hoop Primary School to help them prepare for the new school year

The Power to Make a Difference

Stronger Together Through Teamwork

The Power to Make a Difference beats with the heart of the people across communities in the English-speaking Caribbean, South America and Ghana. For decades, this heartbeat has driven the Republic Group forward in partnership with employees, families, communities, and across the diversity of markets that are our homes.

The result has been a framework of interwoven stories of achievement; stories that speak to the tremendous promise that comes from working with different people, united by the pursuit of a common goal – building successful societies.

Through the years, the individual success stories of the people touched by the Power to Make A Difference have helped define this narrative. The emboldened young achievers better equipped to seize life's opportunities, the special needs children and adults who can take solace in knowing that there are those who support them, and the formation of more stable, caring, and inclusive societies, all come together as the foundation upon which to build even further; standing out as the Power of Many at work and a holistic group-wide commitment to service and to becoming stronger together through teamwork.

Strength, Success, Stability, Self-Reliance

In 2016/2017, the pursuit of Strength, Stability, Success, and Self-Reliance revealed invaluable opportunities to do even more with new allies and go even further with existing ones. During that period, the Group kept the focus on youth empowerment through education, culture, arts, and sport; supporting healthcare programmes; championing the rights of people with disabilities and the socially marginalised; and active involvement through staff volunteerism.

The relationships forged along this journey and the rare experiences undergone tell the tale of staying the course of responsible social investment through a dynamic mix of committment, advocacy, and teamwork.

Giving Strength to Others

Far too often, people with physical and learning disabilities have less access to education, personal and professional development, and a better quality of life. Any effort to empower those with special needs must have at its heart the commitment to draw closer in solidarity, as well as the drive to work together to promote a culture of fellowship and inclusion. The need to become more vocal took precedence as efforts expanded to better generate increased levels of understanding, tolerance and acceptance not just within society, but also within our Republic family. Key to that commitment was the drive to promote a message of respect and equality.

Teamwork with the Step by Step Foundation and the School for Autistic Children gave the opportunity to closely support their fight to promote the rights and well-being of those dealing with autism. The annual "Light It Up Blue" Autism Awareness Walk 2017 proved to be a phenomenal success in generating widespread support from Corporate Guyana, sections of the diplomatic community, and the nation as a whole. In just its second year, the Awareness Walk increased its attendance base and quadrupled the funds raised toward adding and training teachers as well as the construction of a new expanded facility to accommodate the School's growing wait list of students.

Sowing the Seeds of Success

Youth empowerment continued to be one of the main focuses of the Power to Make a Difference, occupying much attention as one of the most sustainable means of building successful societies. With literacy and education at the forefront of youth empowerment, in 2016/2017, partnerships with several organisations in this shared pursuit presented opportunities to align efforts in the hopes of challenging future leaders to succeed.

Ongoing support of the University of Guyana's scholarship programme for a degree in studies relevant to National Development, as well as sponsorship of the publication of business journals for the University's library continued to show promise in giving young achievers additional means to learn and succeed.

With support maintained for the Power to Make A Difference Academic Achievement Awards, several 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 continued to be recognised and rewarded for academic excellence. Similarly, the Republic Bank Youth Link Apprenticeship Programme continued to provide educational, professional, and personal development opportunities to hundreds of secondary school graduates.

Keeping tradition alive has stood paramount in working with diverse communities to preserve, protect, and promote various cultural aspects, with their development, therefore, positioned as yet another dimension through which young minds were challenged and awakened. The Republic Bank Pan Minors Music Literacy Scholarship Programme and the annual Republic Bank Mashramani Pan-O-Rama Steel Band Competition continued to bring the beloved instrument into the hands and hearts of thousands, developing the next brand of future ambassadors to carry the Steelpan forward.

The Power to Make a Difference

Protecting a Future of Stability

The links between environmental preservation, healthcare, and socioeconomic development are incontrovertible in building successful societies. It is critical, therefore, to keep them stable in support of the many NGOs that have dedicated their efforts to protecting as many lives and communities as possible through programmes that have significant and long lasting impact.

In 2016/2017, hundreds of young achievers seized the challenge to be more proactive through the environmental literacy programme in schools hosted in partnership with the Iwokrama International Centre for Rain Forest Conservation and Development; keeping the momentum going on a nationwide movement to promote change mitigation and conservation efforts particularly for the benefit of the Fairview Village in Region 9.

Similarly, ongoing collaboration with the Mayor and Councillors of the City of Georgetown on the Promenade Gardens project continued to stand out as a paradigm of Corporate Guyana and the nation working in close partnership to safeguard the environmental bedrock of our nation.

Promoting a Culture of Self-Reliance

The ongoing drive to give many a greater sense of agency in shaping their destinies created unique opportunities to further encourage socially marginalised people to become more self-reliant and, in turn, to pass this knowledge to others.

During the period, the ongoing partnership with Women Across Differences brought greater awareness and humanity to the many struggles that more than 200 young women and mothers face in their personal, educational, and professional development. Working together on their development programme made it possible to reach out to these women, and, in so doing, help encourage them to aim higher, dream bigger, and act on their invaluable roles in building a sustainable and successful society.

Working Closely with the Communities We Serve

Staff volunteerism continued to play a critical role in ensuring the ongoing success of the Power to Make A Difference. Staying the course of earnest social partnership, underscored by a basic commitment to serve, throughout the entire Group, staff members turned out in their numbers, answering the call to become involved with a signature style that can only be described as the "True Blue Spirit". Over the period, volunteerism drives with the St. Ann's Orphanage, Mon Repos Primary School, Bamia Nursery and Primary Schools, Diamond Special School, and the Lions Club Library Project, to name a few, brought us closer to the realisation that there is always more that can be done and every effort truly helps to achieve success.

Growing Stronger Together Through Teamwork

The promise of the Power to Make A Difference continues to bear fruit with every young mind awakened, every special needs person empowered, every life made more self-reliant, and every community made stronger. As we approach the next phase, guided by a promise to serve, the emphasis remains on working together to unlock and develop our people's greatest potential. Looking to the future, thankful for the stories of Strength, Success, Stability and Self-Reliance and the people who lead them, we hold the Power to Make A Difference as a covenant to make every effort to promote an era of building successful societies through fellowship, diligence, and advocacy.

Financial Statements

working capital

trade finance

bonds & guarantees

everyday banking

future growth

Financial Reporting Requirements

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

General responsibilities include:-

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

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

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

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

Signed on behalf of the Board

Richard S. Sammy
Managing Director

Christine Mc Gowan
Company Secretary

Contents

Independent Auditors' Report

Opinion

We have audited the financial statements of Republic Bank (Guyana) Limited ("the Bank"), which comprise the statement of financial position as at September 30, 2017, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), the Financial Institutions Act Chapter 85:03, the Companies Act Chapter 89:01 and the Securities Industry Act Chapter 73:04.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended September 30, 2017. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Loan loss provisions	
Advances, net of loan loss provisions, comprise 42% of the Bank's total assets – refer to note 5. The appropriateness of loan loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The disclosures relating to loans and advances are considered important to users of the consolidated financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Bank's process and documented policy for loan loss provisioning. For loan loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. We performed an independent assessment of a sample of commercial loan files to assess accurate and timely assignment of loan risk ratings and compliance with management's rating policy. We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment. For loan loss provisions calculated on a collective basis, we reviewed management's inherent risk provision estimate, with a focus on the reasonableness of the factors applied and assumptions used, considering the economic changes in Guyana. Finally we focused on the adequacy of the Bank's financial statement disclosures regarding loans and advances and the related loan loss provisions.

Key Audit Matters	How Our Audit Addressed the Key Audit Matters
Fair value measurement of investments securities and related disclosures	
Investment securities, related interest receivable and Government Treasury Bills comprise 32% of the Bank's total assets – refer to note 6. Investment securities are carried at fair value and have been classified as Level 1 and Level 2 assets within the IFRS fair value hierarchy. Of these assets, $5,776 million relates to investments for which no published prices in active markets are available and which have been classified as Level 2 in the fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of focus includes the determination of fair value where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.	We independently tested the pricing on quoted securities, and used valuation specialists to assess the appropriateness of pricing models used by the Bank. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied, such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. • An assessment of management's impairment analysis. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Bank's exposure to financial instrument valuation risk.
Regulatory environment	
The Bank operates in a highly regulated environment and non-compliance with laws and regulations, particularly the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act Chapter 10:11, could result in serious monetary or other penalties. The Bank has assigned the responsibility of AML/CFT to the Compliance Officer and other officers throughout its network and established various controls to ensure AML/CFT compliance. The Bank's Internal Audit Department also reviews compliance with the Bank's established policies.	We evaluated and tested the Bank's internal controls with a specific emphasis on compliance with AML/CFT policies. This included: • A review of the policies and procedures in place including approval of those policies by those charged with governance; • A review of training completed by Bank personnel including those charged with governance; • Testing of customer documentation and transactions; and • Review of the Bank's compliance with reporting requirements. Finally, we reviewed compliance with relevant provisions of other legislation including the Financial Institutions Act Chapter 85:03 and the Securities Industry Act Chapter 73:04.

Going Concern

The Bank's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate.

Independent Auditors' Report

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither Management nor the auditor can guarantee the Bank's ability to continue as a going concern.

Other Information in the Annual Report

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statement of the year ended September 30, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this auditor's report is Rakesh Latchana.

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

October 23, 2017

Statement of Financial Position

As at September 30, 2017. Expressed in thousands of Guyana dollars ($'000)

	Notes	2017	2016
ASSETS			
Cash		**2,408,902**	2,292,157
Statutory deposit with Bank of Guyana		**13,967,485**	14,802,238
Due from banks	4	**11,452,834**	13,869,565
Treasury Bills	6 (c)	**40,039,152**	45,301,463
Investment interest receivable		**67,034**	114,438
Advances	5	**61,121,961**	58,417,974
Investment securities	6	**7,440,987**	7,882,243
Premises and equipment	7 (a)	**7,246,831**	6,743,694
Intangible assets	7 (b)	**130,207**	115,623
Goodwill	8	**1,228,222**	1,228,222
Deferred tax assets	10 (a)	**186,362**	218,934
Other assets	11	**1,270,222**	587,588
TOTAL ASSETS		**146,560,199**	**151,574,139**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**127,988**	143,202
Customers' chequing, savings and deposit accounts	12 (a)	**124,879,378**	131,186,957
Pension liability	9 (a)	**135,200**	172,400
Taxation payable		**313,841**	541,176
Deferred tax liabilities	10 (b)	**355,590**	324,183
Accrued interest payable		**17,772**	17,989
Other liabilities	13	**2,429,949**	2,472,838
TOTAL LIABILITIES		**128,259,718**	**134,858,745**

Statement of Financial Position

As at September 30, 2017. Expressed in thousands of Guyana dollars ($'000)

continued	Notes	2017	2016
EQUITY			
Stated capital	14	**300,000**	300,000
Statutory reserves	15	**300,000**	300,000
Net unrealised gains/(losses)	15	**17,730**	(50,098)
General banking risk reserve	15	**3,512,532**	2,895,525
Retained earnings		**14,170,219**	13,269,967
TOTAL EQUITY		**18,300,481**	**16,715,394**
TOTAL LIABILITIES AND EQUITY		**146,560,199**	**151,574,139**

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

These financial statements were approved by the Board of Directors on October 23, 2017 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, 2017. Expressed in thousands of Guyana dollars ($'000)

	Notes	2017	2016
Interest income	16 (a)	**7,705,055**	7,671,444
Interest expense	16 (b)	**(574,961)**	(603,459)
Net interest income		**7,130,094**	7,067,985
Other income	16 (c)	**2,522,585**	2,323,346
		9,652,679	**9,391,331**
Loan impairment expense net of recoveries	5 (c)	**(675,749)**	(786,604)
Operating expenses	16 (d)	**(4,748,126)**	(4,343,818)
Profit before taxation		**4,228,804**	4,260,909
Taxation - Current		**(1,480,299)**	(1,556,040)
Taxation - Deferred		**(9,566)**	(1,828)
Total taxation expense	**17**	**(1,489,865)**	**(1,557,868)**
Net profit after taxation		**2,738,939**	**2,703,041**
Earnings per stock unit ($)		**9.13**	**9.01**

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

Statement of Comprehensive Income

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000)

	2017	2016
Net profit after taxation	**2,738,939**	2,703,041
Other comprehensive income:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain on available-for-sale investments	**67,828**	67,089
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:	**67,828**	67,089
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Re-measurement gain/(loss) on defined benefit plans	**13,320**	(43,440)
Net other comprehensive gain/(loss) that will not be reclassified to profit or loss in subsequent periods:	**13,320**	(43,440)
Total other comprehensive income for the year, net of tax	**81,148**	**23,649**
Total comprehensive income for the year, net of tax	**2,820,087**	**2,726,690**

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

Statement of Changes in Equity

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000)

	Stated capital	Statutory reserves	Net unrealised gains/ (losses)	General banking risk reserve	Retained earnings	Total equity
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**
Profit for the year	–	–	–	–	2,738,939	2,738,939
Other comprehensive income	–	–	67,828	–	13,320	81,148
Total comprehensive income for the year	–	–	67,828	–	2,752,259	2,820,087
Transfer to general banking risk reserve	–	–	–	617,007	(617,007)	–
Dividends	–	–	–	–	(1,235,000)	(1,235,000)
Balance at September 30, 2017	**300,000**	**300,000**	**17,730**	**3,512,532**	**14,170,219**	**18,300,481**

Statement of Cash Flows

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000)

	2017	2016
Operating activities		
Profit before taxation	**4,228,804**	4,260,909
Adjustments for:		
Depreciation and amortisation	**449,772**	384,505
Loan impairment expense	**675,749**	786,604
Loss on sale of premises and equipment	**10,661**	15,874
Decrease in pension liability	**(15,000)**	(15,300)
Increase in advances	**(2,703,987)**	(6,227,536)
(Decrease)/increase in customers' deposits	**(6,307,579)**	7,485,771
Decrease/(increase) in statutory deposit with Bank of Guyana	**834,753**	(528,108)
(Increase)/decrease in other assets and investment interest receivable	**(633,376)**	249,217
(Decrease)/increase in other liabilities and accrued interest payable	**(43,106)**	189,254
Net cash (used in)/from operating activities before tax	**(3,503,309)**	6,601,190
Taxes paid	**(1,705,780)**	(1,434,972)
Cash (used in)/provided by operating activities	**(5,209,089)**	5,166,218
Investing activities		
Purchase of investment securities	**(2,993,732)**	(3,064,499)
Redemption of investment securities	**2,682,766**	941,473
Purchase of Treasury Bills	**(43,126,450)**	(61,244,100)
Redemption of Treasury Bills	**48,585,100**	59,052,250
Additions to premises and equipment	**(996,225)**	(1,422,310)
Proceeds from sale of premises and equipment	**7,858**	26,858
Cash provided by/(used in) investing activities	**4,159,317**	**(5,710,328)**
Financing activities		
Decrease in balances due to other banks	**(15,214)**	(56,255)
Dividends paid	**(1,235,000)**	(1,234,900)
Cash used in financing activities	**(1,250,214)**	(1,291,155)
Net decrease in cash and cash equivalents	**(2,299,986)**	(1,835,265)
Cash and cash equivalents at beginning of year	**16,161,722**	17,996,987
Cash and cash equivalents at end of year	**13,861,736**	16,161,722

Statement of Cash Flows

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000)

continued	Notes	2017	2016
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**2,408,902**	2,292,157
Due from banks	4	**11,452,834**	13,869,565
		13,861,736	16,161,722
Supplemental information:			
Interest received during the year		**7,611,980**	7,610,497
Interest paid during the year		**575,178**	603,946
Dividends received		**9,424**	9,044

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

Notes to the Financial Statements

For the year ended September 30, 2017. 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, 2017, 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, 2016 except for the adoption of new standards and interpretations following.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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

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. The adoption and amendment to this standard had no impact on the Bank.

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. The adoption and amendment to these standards had no impact on the Bank.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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

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)

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.The adoption of and amendment to these standards had no impact on the Bank.

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. The adoption and amendment to these standards had no impact on the Bank.

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. The adoption and amendment to these standards had no impact on the Bank.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective January 1, 2016)

The amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The adoption and amendment to these standards had no impact on the Bank.

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. The adoption and amendment to this standard had no impact on the Bank.

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 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.

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)

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 (FVTPL), 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.

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.

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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

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

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.

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.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective January 1, 2018)
These amendments are in relation to the classification and measurement of share-based payment transactions . The amendments address three main areas:
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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

IFRS 4 Insurance Contracts: Applying IFRS 9 with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (effective January 1, 2018)
The amendment addresses concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

IAS 40 Insurance Contracts: Transfers of Investment Property – Amendments to IAS 40 (effective January 1, 2018)
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses, and income in its scope that are initially recognised on or after:
The beginning of the reporting period in which the entity first applies the interpretation
OR
The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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 12	Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1	First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28	Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

Notes to the Financial Statements

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e Financial instruments *(continued)*

ii Investment securities *(continued)*

- Available-for-sale *(continued)*

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

- Held to maturity

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

iii Debt securities and other fund raising instruments

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

f Impairment of financial assets

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

i Advances

All non-performing and individually significant advances are individually reviewed and specific provisions made for the impaired portion based on the realisable value of the loan collateral and discounted by the original effective interest rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f Impairment of financial assets *(continued)*

ii Investment securities

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k Employee benefits *(continued)*

i Pension obligations *(continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p Interest income and expense

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

q Dividends

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

r Fee and commission income

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

s Segment reporting

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

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

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

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

u Assets classified as held-for-sale

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

v Comparatives

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

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.

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

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

Inherent provisions on advances (note 5b)

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

Valuation of investments (note 6)

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

Net pension asset/liability (note 9)

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

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, 2017 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

	2017	2016
Bank of Guyana	**9,995,975**	8,787,555
Other banks	**1,456,859**	5,082,010
	11,452,834	**13,869,565**

5 ADVANCES

a Advances

2017

	Retail lending	Commercial and Corporate lending	Mortgages	Total
Performing advances	7,939,282	28,779,875	22,180,416	58,899,573
Non-performing advances	10,943	2,829,796	1,261,197	4,101,936
	7,950,225	31,609,671	23,441,613	63,001,509
Unearned interest	(1,452,838)	–	–	(1,452,838)
Accrued interest	–	286,051	86,582	372,633
	6,497,387	31,895,722	23,528,195	61,921,304
Allowance for impairment losses - Note 5 (c)	(48,544)	(537,240)	(213,559)	(799,343)
Net Advances	**6,448,843**	**31,358,482**	**23,314,636**	**61,121,961**

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**

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

b Loans by remaining term to maturity

	2017	2016
Within three months	**235,405**	162,964
Between three and six months	**632,341**	520,331
Between six months and one year	**5,698,374**	7,476,331
Between one and five years	**11,118,809**	11,460,874
More than five years	**43,437,032**	38,797,474
	61,121,961	**58,417,974**

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.

5 ADVANCES *(continued)*

c Allowance for impairment losses *(continued)*

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

2017

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

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**

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

c Allowance for impairment losses *(continued)*

iii Provision for loan losses by economic sectors

2017

	Gross Amount	Non-Performing	Specific Provision	General Provision	Net Advances
Government and government bodies	95,277	–	–	–	95,277
Financial sector	85,252	–	–	(428)	84,824
Energy and mining	276,324	139,590	(40,720)	(1,389)	373,805
Agriculture	3,002,996	871,708	(153,679)	(15,092)	3,705,933
Electricity and water	2,702	–	–	(14)	2,688
Transport, storage and communication	1,408,378	147,425	–	(7,078)	1,548,725
Distribution	6,874,900	979,995	(22,740)	(34,551)	7,797,604
Real estate mortgages	22,266,998	1,261,197	(187,166)	(26,393)	23,314,636
Manufacturing	2,837,625	210,328	(66,405)	(14,261)	2,967,287
Construction	1,202,995	191,130	–	(6,046)	1,388,079
Hotel and restaurant	62,250	47,511	–	(313)	109,448
Personal	6,377,086	10,943	(11,143)	(37,401)	6,339,485
Non-residents	109,358	–	–	(550)	108,808
Other services	13,217,227	242,109	(107,548)	(66,426)	13,285,362
	57,819,368	**4,101,936**	**(589,401)**	**(209,942)**	**61,121,961**

2016

	Gross Amount	Non-Performing	Specific Provision	General Provision	Net Advances
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**

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, 2017 amounts to $3,773.7 million (2016: $3,946.1 million). The collateral consists of cash, securities and properties.

e Collateral realised

During the year, the Bank realised collateral amounting to $24.2 million (2016: $12.9 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).

	2017	2016
Government	**2,566,002**	–
Distribution	**–**	1,445,000
Other services	**4,291,510**	4,115,092
	6,857,512	**5,560,092**

6 INVESTMENT SECURITIES

a Available-for-sale

	2017	2016
Government securities	**3,591,972**	1,159,348
State-owned company securities	**1,004,850**	1,115,634
Corporate bonds	**2,824,165**	5,587,261
Others	**20,000**	20,000
Total investment securities	**7,440,987**	**7,882,243**

b Investment securities by remaining term to maturity

	2017	2016
Within three months	**27,245**	10,166
Between three and six months	**488,256**	–
Between six months and one year	**741,138**	1,027,500
Between one and five years	**2,648,122**	4,379,697
More than five years	**3,536,226**	2,464,880
	7,440,987	**7,882,243**

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

6 INVESTMENT SECURITIES *(continued)*

c Treasury Bills by remaining term to maturity

	2017	2016
Within three months	**14,659,358**	15,167,388
Between three and six months	**9,842,407**	13,339,456
Between six months and one year	**15,537,387**	16,794,619
	40,039,152	**45,301,463**

7 PREMISES AND EQUIPMENT

a Premises and equipment

2017

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

7 PREMISES AND EQUIPMENT *(continued)*

a Premises and equipment *(continued)*

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**

b Intangible assets

	2017	2016
Cost		
At beginning of year	**618,099**	600,066
Additions at cost	**57,850**	46,113
Disposal	**(4,119)**	(28,080)
	671,830	**618,099**
Accumulated depreciation		
At beginning of year	**502,476**	491,520
Charge for the year	**43,256**	39,018
Disposal	**(4,109)**	(28,062)
	541,623	502,476
Net book value	**130,207**	**115,623**

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

7 PREMISES AND EQUIPMENT *(continued)*

c Capital commitments

	2017	2016
Contracts for outstanding capital expenditure not provided for in the financial statements	**375,556**	**963,975**

8 GOODWILL

	2017	2016
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, 2017 using the 'value in use' method. Based on the results of this review, no impairment expense was required.

9 EMPLOYEE BENEFITS

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

	2017	2016
Present value of defined benefit obligation	**1,731,300**	1,591,100
Fair value of plan assets	**(1,596,100)**	(1,418,700)
Net liability recognised in the Statement of Financial Position	**135,200**	**172,400**

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

	2017	2016
Opening defined benefit obligation	**1,591,100**	1,432,300
Current service cost	**66,900**	62,900
Interest cost	**86,400**	77,300
Members' contributions	**33,600**	30,300
Re-measurements		
- Experience adjustments	**(6,900)**	42,600
Benefits paid	**(39,800)**	(54,300)
Closing defined benefit obligation	**1,731,300**	**1,591,100**

9 EMPLOYEE BENEFITS *(continued)*

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

	2017	2016
Opening fair value of plan assets	**1,418,700**	1,317,000
Interest income	**80,300**	74,000
Return on plan assets, excluding interest income	**15,300**	(29,800)
Bank Contributions	**92,800**	85,900
Members' contributions	**33,600**	30,300
Benefits paid	**(39,800)**	(54,300)
Expense allowance	**(4,800)**	(4,400)
Closing fair value of plan assets	**1,596,100**	**1,418,700**
Actual return on plan assets	**95,600**	**44,200**

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

	2017	2016
Current service cost	**66,900**	62,900
Net interest on net defined benefit liability	**6,100**	3,300
Administration expenses	**4,800**	4,400
Net pension cost	**77,800**	**70,600**

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

	2017	2016
Defined benefit obligation at prior year end	**172,400**	115,300
Unrecognised gain/(loss) charged to retained earnings	**–**	–
Opening defined benefit obligation	**172,400**	115,300
Net pension cost	**77,800**	70,600
Re-measurements recognised in other comprehensive income	**(22,200)**	72,400
Premiums paid by the Bank	**(92,800)**	(85,900)
Closing defined benefit obligation	**135,200**	**172,400**

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 EMPLOYEE BENEFITS *(continued)*

f Liability profile

	2017	2016
The defined benefit obligation is allocated between the Plan's members as follows:		
- Active members	**83%**	83%
- Deferred members	**4%**	4%
- 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

	2017	2016
Experience loss/(gain)	**(22,200)**	72,400
Total included in Other Comprehensive Income	**(22,200)**	**72,400**

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, 2017, would have changed as a result of a change in the assumptions used.

	1% p.a. $'000 decrease	**1% p.a. $'000 increase**
- Discount rate	374,000	(286,000)
- Future salary increases	(193,000)	237,000

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2017 by $32 million.

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

9 EMPLOYEE BENEFITS *(continued)*

i Summary of principal actuarial assumptions as at September 30

	2017	2016
	%	**%**
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, 2017, are as follows:

	2017	2016
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

j Plan asset allocation as at September 30

	2017	2016
Local equities	**173,600**	132,300
Overseas equities	**139,700**	122,000
Local bonds	**90,900**	91,000
Overseas bonds	**–**	–
Cash and cash equivalents	**1,000,400**	866,100
Mortgages	**191,500**	207,300
Fair value of scheme assets at end of year	**1,596,100**	**1,418,700**

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 $104 million to the Pension Scheme during 2017/2018.

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

	Opening Balance	(Charge)/Credit Statement of Income	(Charge)/Credit Other Comprehensive Income	Closing Balance
	2016			2017
Pension liability	68,960	(6,000)	(8,880)	**54,080**
Fee and commission income	116,552	15,730	–	**132,282**
Unrealised reserves	33,422	–	(33,422)	**–**
	218,934	**9,730**	**(42,302)**	**186,362**

b Deferred tax liabilities

	Opening Balance	Credit Statement of Income	Credit Other Comprehensive Income	Closing Balance
	2016			2017
Premises and equipment	324,183	19,296	–	**343,479**
Unrealised reserves	–	–	12,111	**12,111**
	324,183	**19,296**	**12,111**	**355,590**

11 OTHER ASSETS

	2017	2016
Accounts receivable and prepayments	**256,916**	265,453
Items in transit	**204,720**	157,395
Other assets	**808,586**	164,740
	1,270,222	**587,588**

12 CUSTOMERS' CHEQUING, SAVINGS AND DEPOSIT ACCOUNTS

a Concentration of customers' chequing, savings and deposit accounts

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

b Time deposits by remaining term to maturity

	2017	2016
Within three months	**2,326,234**	2,547,736
Between three and six months	**1,132,418**	1,162,357
Between six months and one year	**2,641,226**	2,663,207
	6,099,878	**6,373,300**

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13 OTHER LIABILITIES

	2017	2016
Drafts and settlements	**1,163,237**	1,389,820
Accrued expenses	**163,132**	145,204
Statutory liabilities	**193,432**	176,255
Deferred income	**11,566**	11,333
Unearned loan origination fees	**330,704**	291,380
Dividends payable	**111,819**	94,544
Other	**456,059**	364,302
	2,429,949	**2,472,838**

14 STATED CAPITAL

	2017	2016
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 gains/(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

a Interest income

	2017	2016
Advances	**6,404,803**	6,223,327
Investment securities	**443,020**	434,831
Liquid assets	**857,232**	1,013,286
	7,705,055	**7,671,444**

b Interest expense

	2017	2016
Customers' chequing, savings and deposit accounts	**574,961**	**603,459**

c Other income

	2017	2016
Credit and related fees	**114,079**	110,438
Net exchange trading income	**1,194,586**	1,238,556
Loan recoveries	**231,799**	196,512
Dividends	**9,424**	9,044
Deposit and related fees	**723,388**	554,475
Payments and transfers	**246,352**	208,765
Other operating income	**2,957**	5,556
	2,522,585	**2,323,346**

d Operating expenses

	2017	2016
Staff costs	**2,057,745**	1,886,366
Staff profit share	**258,442**	236,186
General administrative expenses	**791,090**	735,652
Lease rental expenses	**17,910**	18,220
Property related expenses	**653,180**	615,116
Property tax	**159,706**	140,434
Loss on sale of premises and equipment	**10,661**	15,874
Depreciation expense	**449,772**	384,505
Communication	**102,429**	100,009
Advertising and public relations expenses	**212,954**	177,663
Directors' fees	**14,970**	15,210
Auditors' fees	**19,267**	18,583
	4,748,126	**4,343,818**

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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:

	2017	2016
Accounting profit	**4,228,804**	4,260,909
Tax at applicable statutory tax rates (40%)	**1,691,522**	1,704,364
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(299,037)**	(254,176)
Depreciation	**179,907**	152,864
Donations	**1,531**	1,413
Property tax	**63,882**	56,174
Wear and tear allowance	**(172,003)**	(146,052)
Inherent risk (general) provisions	**9,199**	27,860
Loss on sale of premises and equipment	**4,448**	7,111
Defined benefit obligation	**(14,880)**	(6,120)
Deferred fee income	**15,730**	12,602
Current tax	**1,480,299**	1,556,040
Deferred tax	**9,566**	1,828
Total taxation	**1,489,865**	**1,557,868**

18 RELATED PARTIES

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

Outstanding balances

	2017	2016
Loans, investments and other assets		
Fellow subsidiaries	**20,801**	2,232
Directors and key management personnel	**63,993**	68,536
Other related parties	**419,786**	481,884
	504,580	**552,652**

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

18 RELATED PARTIES *(continued)*

Outstanding balances *(continued)*

	2017	2016
Deposits and other liabilities		
Fellow subsidiaries	**256,692**	80,433
Directors and key management personnel	**143,076**	122,319
Other related parties	**2,833,114**	2,181,993
	3,232,882	**2,384,745**
Interest and other income		
Directors and key management personnel	**2,099**	1,987
Other related parties	**37,054**	15,162
	39,153	**17,149**
Interest and other expenses (excluding key management compensation)		
Fellow subsidiaries	**94,324**	95,128
Directors and key management personnel	**7,418**	7,199
Other related parties	**7,585**	16,592
	109,327	**118,919**
Proportion of related parties exposure to total customer exposure	**0.86%**	0.51%

Amounts due from the five parties with the highest exposures totalled $461.8 million (2016: $277.3 million) and represents 2.52% (2016: 1.66%) 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

	2017	2016
Short-term benefits	**78,166**	**80,496**

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18 RELATED PARTIES *(continued)*

Loans	**Balance at the beginning of year**	**Loans during the year**	**Repayments**	**Balance at the end of year**
2017				
Other related parties	68,905	10,600	(14,006)	65,499
	68,905	**10,600**	**(14,006)**	**65,499**
2016				
Directors	358	–	(358)	–
Other related parties	64,876	23,050	(19,021)	68,905
	65,234	**23,050**	**(19,379)**	**68,905**

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 and 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 informs 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.

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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:

	2017 Gross maximum exposure	2016 Gross maximum exposure
Statutory deposit with Bank of Guyana	**13,967,485**	14,802,238
Due from banks	**11,452,834**	13,869,565
Treasury Bills	**40,039,152**	45,301,463
Investment interest receivable	**67,034**	114,438
Investment securities	**7,420,987**	7,862,243
Loans and advances to customers	**61,121,961**	58,417,974
Total	**134,069,453**	**140,367,921**
Undrawn commitments	**7,546,009**	7,061,367
Guarantees and indemnities	**1,933,788**	1,972,828
Letters of credit	**181,175**	181,175
Total	**9,660,972**	**9,215,370**
Total credit risk exposure	**143,730,425**	**149,583,291**

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.

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

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. As at September 30, 2017, $29.3 million (2016: $35.6 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:

	2017	2016
Guyana	**139,005,700**	137,826,717
Trinidad and Tobago	**2,409,050**	6,987,293
Barbados	**102,732**	141,567
Eastern Caribbean	**28,980**	132,966
Suriname	**1,080**	89,739
United States	**940,041**	3,406,979
Other countries	**1,242,842**	998,030
	143,730,425	**149,583,291**

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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:

	2017	2016
Government and government bodies	**55,669,080**	62,294,156
Financial sector	**12,700,740**	15,989,020
Energy and mining	**221,099**	487,472
Agriculture	**2,855,070**	3,097,640
Electricity and water	**104,912**	41,140
Transport, storage and communication	**1,895,260**	1,708,964
Distribution	**12,024,441**	9,124,148
Real estate mortgages	**23,528,195**	20,789,777
Other real estate	**276,816**	159,538
Manufacturing	**2,771,160**	4,528,848
Construction	**1,527,027**	2,346,963
Hotel and restaurant	**3,208,183**	1,856,221
Personal	**16,051,608**	16,669,883
Non-residents	**109,358**	262,382
Other services	**10,787,476**	10,227,139
	143,730,425	**149,583,291**

Included above is $2.9 million (2016: $397.2 million) representing Public Non-Financial Institutions.

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

	2017	2016
Government	**282.56%**	341.39%
Central Bank	**169.11%**	177.77%
Counterparty 3	**181.08%**	17.98%
Counterparty 4	**16.40%**	14.54%
Counterparty 5	**13.89%**	10.89%

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
2017	**10,612,421**	**703,665**	**136,748**	**11,452,834**
2016	8,962,036	3,400,943	1,506,586	13,869,565

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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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**
2017	**450,156**	**3,739,146**	**23,574,177**	**3,595,003**	**31,358,482**
2016	176,978	3,411,081	24,164,690	3,430,229	31,182,978

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

	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Impaired**	**Total**
2017	**630,450**	**394,168**	**131,681**	**–**	**2,438,704**	**3,595,003**
2016	556,418	516,962	328,093	–	2,028,756	3,430,229

19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

Loans and advances - Retail loans and Mortgages

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

	Current	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Impaired**	**Total**
2017	**25,732,749**	**1,989,615**	**599,870**	**367,414**	**–**	**1,073,831**	**29,763,479**
2016	22,182,930	3,124,724	768,043	292,528	–	866,771	27,234,996

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.

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19 RISK MANAGEMENT *(continued)*

19.2 Credit risk *(continued)*

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

Investment securities (continued)

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

Financial investments
- Available-for-sale

	Superior	Desirable	Acceptable	Sub-standard	Total
2017	**1,664,886**	**5,234,610**	**521,491**	**–**	**7,420,987**
2016	1,115,634	4,890,418	1,856,191	–	7,862,243

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:

	2017	2016
Loans and advances to customers		
- Mortgages	**50,388**	77,713
- Commercial & Corporate lending	**822,996**	961,271
Total renegotiated financial assets	**873,384**	**1,038,984**

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:

	2017	2016
Loans and advances to customers		
- Mortgages	**–**	23,295
- Commercial & Corporate lending	**472,004**	316,815
Total renegotiated financial assets	**472,004**	**340,110**

19 RISK MANAGEMENT *(continued)*

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 and 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 table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the Statement of Financial Position.

Financial liabilities -
on Statement of Financial Position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
As at September 30, 2017					
Customers' chequing, savings and deposit accounts	118,779,500	6,099,878	–	–	124,879,378
Due to banks	127,988	–	–	–	127,988
Other liabilities	2,429,949	–	–	–	2,429,949
Total undiscounted financial liabilities 2017	**121,337,437**	**6,099,878**	**–**	**–**	**127,437,315**

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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 - off Statement of Financial Position

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

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

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, 2017, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table.

		Impact on net profit			
		2017		2016	
	Increase/ decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	**-/+ 415,191**		-/+ 391,995	
US$ Instruments	+/- 50	**-/+ 30,378**		-/+ 60,857	
Other currency Instruments	+/- 50	**-/+ 2,480**		-/+ 1,366	

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.1 Interest rate risk *(continued)*

	Increase/ decrease in basis points	Impact on unrealised gains 2017 Increase in basis points	2017 Decrease in basis points	2016 Increase in basis points	2016 Decrease in basis points
G$ Instruments	+/- 50	**(3,120)**	**2,577**	(3,437)	3,334
US$ Instruments	+/- 50	**(127,131)**	**132,771**	(58,498)	59,465

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 and 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.

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk *(continued)*

The tables below indicate the currencies to which the Bank had significant exposure at September 30, 2017, 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.

2017	GYD	TTD	USD	UK	OTHER	Total
FINANCIAL ASSETS						
Cash	2,239,050	138	165,200	942	3,572	**2,408,902**
Statutory deposit with Bank of Guyana	13,967,485	–	–	–	–	**13,967,485**
Due from banks	10,108,144	3,386	825,043	28,434	487,827	**11,452,834**
Treasury Bills	40,039,152	–	–	–	–	**40,039,152**
Advances	60,732,264	–	389,697	–	–	**61,121,961**
Investment securities	1,756,294	–	5,684,693	–	–	**7,440,987**
Interest receivable	22,565	–	44,469	–	–	**67,034**
TOTAL FINANCIAL ASSETS	**128,864,954**	**3,524**	**7,109,102**	**29,376**	**491,399**	**136,498,355**
FINANCIAL LIABILITIES						
Due to banks	–	163	69,317	2,279	56,229	**127,988**
Customers' chequing, savings and deposit accounts	117,384,766	–	7,475,568	19,044	–	**124,879,378**
Interest payable	17,772	–	–	–	–	**17,772**
TOTAL FINANCIAL LIABILITIES	**117,402,538**	**163**	**7,544,885**	**21,323**	**56,229**	**125,025,138**
NET CURRENCY RISK EXPOSURE	**11,462,416**	**3,361**	**(435,783)**	**8,053**	**435,170**	**11,473,217**
Reasonably possible change in currency rate (%)	–	1%	1%	1%	1%	**–**
Effect on profit before tax	**–**	**34**	**(4,358)**	**81**	**4,352**	**109**

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

19 RISK MANAGEMENT *(continued)*

19.4 Market risk *(continued)*

19.4.2 Currency risk *(continued)*

	GYD	TTD	USD	UK	OTHER	Total
2016						
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)*

19.5 Operational Risk

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

The Bank recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's Enterprise Risk Management 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 $1,585.1 million to $18,300.5 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 2017 of $1,235 million represents 45% 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, 2017 is 24.53% (2016 - 23.18%) and its capital adequacy ratio (Tier 1 and Tier 2) is 25.53% (2016 - 24.07%). At September 30, 2017, the Bank exceeded the minimum levels required.

For the year ended September 30, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 CAPITAL MANAGEMENT *(continued)*

The Bank's Regulatory Capital is as follows:

	2017	2016
Tier 1		
Stated capital	**300,000**	300,000
Reserve fund	**300,000**	300,000
General banking risk reserves in excess of statutory requirement	**2,883,245**	2,305,166
Retained earnings	**13,310,352**	12,419,967
Goodwill	**(1,228,222)**	(1,228,222)
Total	**15,565,375**	**14,096,911**
Tier 2		
Securities revaluation reserves	**17,730**	(50,098)
General banking risk reserves - statutory requirement	**629,289**	590,360
Total	**647,019**	**540,262**

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.

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:

2017

	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	53,900,888	53,900,888	–
Statutory deposit with Bank of Guyana	13,967,485	13,967,485	–
Investment securities	7,440,987	7,440,987	–
Advances	61,121,961	61,585,799	463,838
Investment interest receivable	67,034	67,034	–
Financial liabilities			
Due to Banks	127,988	127,988	–
Customers' chequing, savings and deposit accounts	124,879,378	124,838,140	(41,238)
Accrued interest payable	17,772	17,772	–
Total unrecognised change in unrealised fair value			**422,600**

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21 FAIR VALUE *(continued)*

	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**

21.1 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.

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, 2017.

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities				
2017	**1,664,886**	**5,776,101**	**–**	**7,440,987**
2016	1,115,634	6,766,609	–	7,882,243
Financial assets for which fair value is disclosed				
Advances				
2017	**–**	**–**	**61,121,961**	**61,121,961**
2016	–	–	58,417,974	58,417,974
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts				
2017	**–**	**–**	**124,879,378**	**124,879,378**
2016	–	–	131,186,957	131,186,957

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				
2017	**1,664,886**	**5,776,101**	**–**	**7,440,987**
2016	1,115,634	6,766,609	–	7,882,243

For the year ended September 30, 2017. 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)*

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, 2017, are as shown below:

	Valuation technique	Significant unobservable inputs	2017 Range (weighted average)	2016 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, 2017, 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, 2017, 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.

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:

2017	Guyana	Trinidad and Tobago	Other countries	Total
Interest income	7,424,462	267,447	13,146	7,705,055
Interest expense	(574,961)	–	–	(574,961)
Net interest income	6,849,501	267,447	13,146	7,130,094
Other income	2,522,585	–	–	2,522,585
Net interest and other income	9,372,086	267,447	13,146	9,652,679
Total assets	142,367,006	2,347,010	1,846,183	146,560,199
Total liabilities	127,897,391	234,502	127,825	128,259,718
Cash flow from operating activities	(5,209,089)	–	–	(5,209,089)
Cash flow from investing activities	946,970	3,133,457	78,890	4,159,317
Cash flow from financing activities	(1,432,156)	158,417	23,525	(1,250,214)

2016	Guyana	Trinidad and Tobago	Other countries	Total
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)

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22 SEGMENTAL INFORMATION *(continued)*

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, 2017, 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
2017			
ASSETS			
Cash	2,408,902	–	2,408,902
Statutory deposit with Bank of Guyana	13,967,485	–	13,967,485
Due from banks	11,452,834	–	11,452,834
Treasury Bills	40,039,152	–	40,039,152
Investment interest receivable	67,034	–	67,034
Advances	6,566,120	54,555,841	61,121,961
Investment securities	1,256,639	6,184,348	7,440,987
Premises and equipment	–	7,246,831	7,246,831
Intangible assets	–	130,207	130,207
Goodwill	–	1,228,222	1,228,222
Deferred tax assets	–	186,362	186,362
Other assets	1,270,222	–	1,270,222
	77,028,388	**69,531,811**	**146,560,199**
LIABILITIES			
Due to banks	127,988	–	127,988
Customers' chequing, savings and deposit accounts	124,879,378	–	124,879,378
Net pension liability	–	135,200	135,200
Taxation payable	313,841	–	313,841
Deferred tax liabilities	–	355,590	355,590
Accrued interest payable	17,772	–	17,772
Other liabilities	2,429,949	–	2,429,949
	127,768,928	**490,790**	**128,259,718**

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

	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	1,037,666	6,844,577	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
	86,164,741	**65,409,398**	**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, 2017. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

24 DIVIDENDS PAID AND PROPOSED

	2017	2016
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2016: $2.833 (2015: $2.833)	**850,000**	850,000
First dividend for 2017: $1.283 (2016: $1.283)	**385,000**	385,000
Total dividends paid	**1,235,000**	**1,235,000**
Proposed for approval at Annual General Meeting (not recognised as a liability as at September 30)		
Equity dividends on ordinary stock units:		
Final dividend for 2017: $2.833 (2016: $2.833)	**850,000**	**850,000**

25 CONTINGENT LIABILITIES

a Litigation

As at September 30, 2017, there were certain legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine that eventuality.

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

	2017	2016
Guarantees and indemnities	**1,933,788**	1,972,828
Letters of credit	**181,175**	181,175
	2,114,963	**2,154,003**

c Sectoral information

	2017	2016
State	**820,013**	858,467
Corporate and commercial	**1,294,950**	1,239,822
Personal	**–**	55,714
	2,114,963	**2,154,003**

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	
	2017	2016	2017	2016
Statutory deposit	**13,967,485**	**14,802,238**	**124,879,378**	**131,186,957**

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

	2017	2016
Less than one year	**17,910**	18,220
Between one to five years	**8,163**	26,432
More than five years	**2,947**	3,027
	29,020	**47,679**

26 EXTERNAL PAYMENT DEPOSIT SCHEME

	2017	2016
	47,400	**47,400**

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

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