Republic Bank (Guyana) Limited

LOOKING FORWARD WITH PURPOSE

ANNUAL REPORT 2019

LOOKING FORWARD
WITH PURPOSE

In our two centuries of operation, we have always stayed the course. Our true north is delivering value to all our customers and communities while maintaining a profitable outlook.

It has taken strategy to navigate the current financial times. Every member of our team is on board to unite our experience and insight to achieve our goals. With all hands on deck, we are working to provide better and better customer experiences facilitated by innovation and technology.

As we expand throughout the region, we bring the Republic Bank brand to new horizons in service to wider communities. And our vision is achieved. Our purpose is fulfilled.

We are contributing to better livelihoods, better lifestyles and an outcome that profits us all. We are on the leading edge of driving business and giving our shareholders more, taking pride in playing our part in transforming lives for the better.

OUR VISION

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

OUR MISSION

Our mission is to provide Personalised,
Efficient and Competitively-priced
Financial Services
and to implement Sound Policies
which will redound to the benefit
of our Customers, Staff, Shareholders
and the Communities we serve.

OUR CORE VALUES

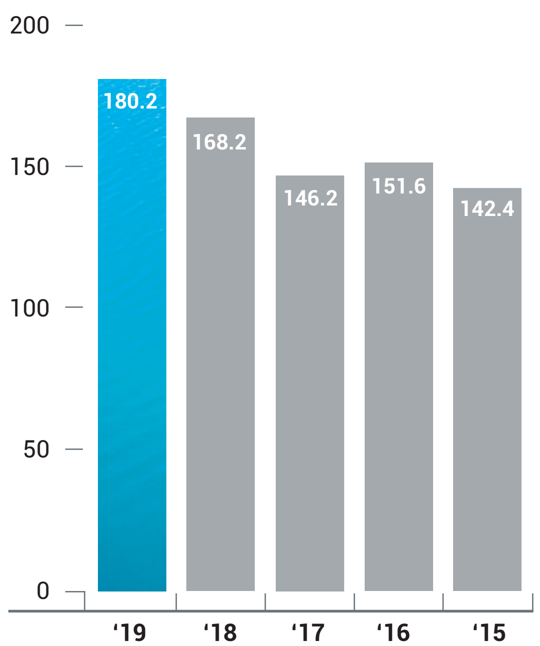
Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

THE BANK AT A GLANCE

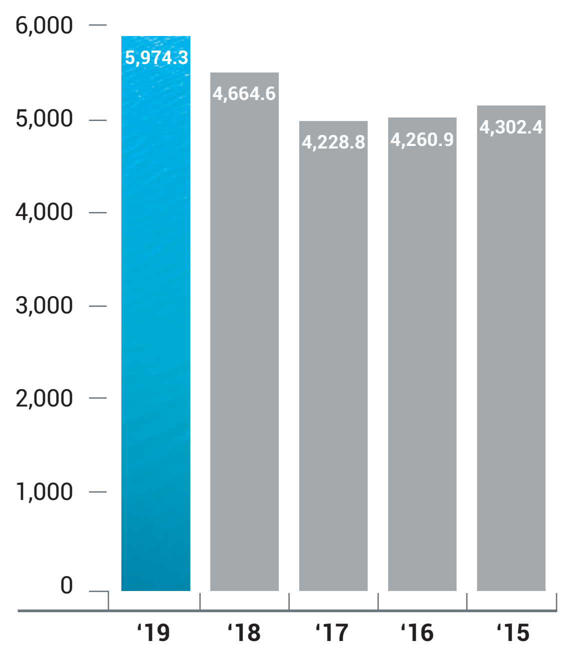
ABOUT US

Established in 1836, Republic Bank (Guyana) Limited is one of Guyana's longest-serving institutions and is a recognised leader in the provision of financial services. Over the past year, the Bank has concentrated on growing its lending portfolio, with particular emphasis on small and medium enterprises. The Bank remains committed to providing customised, efficient and competitively priced financial services, and to maintaining a philosophy of social investment in Guyana.

TOTAL ASSETS ($BILLION)



PROFIT BEFORE TAX ($MILLION)



NETWORK

12 branches

49 ATMs

655 employees

32 financial products & services

SHARE PRICE

2019 **$450**

2018 **$208**

DIVIDEND YIELD

2019 **1.15%**

2018 **2.06%**

EPS

2019 **$12.82**

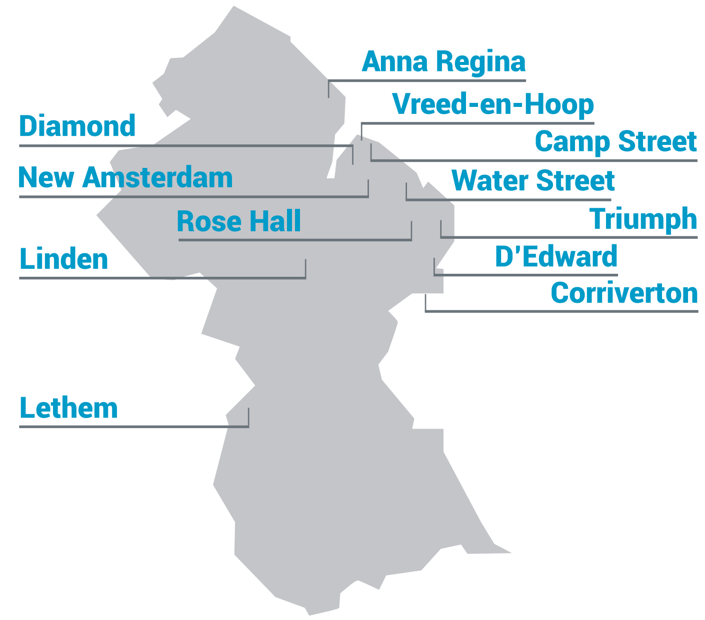
2018 **$10.45**

PE RATIO

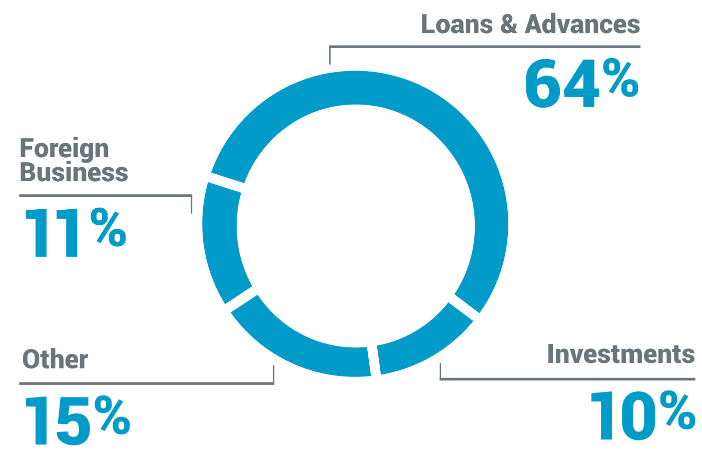
2019 **27.3**

2018 **19.9**

OPERATING BRANCHES



SOURCES OF REVENUE



Republic Bank

THE POWER TO MAKE A DIFFERENCE

CORPORATE SOCIAL RESPONSIBILITY

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

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

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Our team is fully on board with charting a course for delivering value to stakeholders across the region. We are poised to push ahead in changing financial times.

NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the Thirty-fifth Annual General Meeting of Republic Bank (Guyana) Limited will be held at Pegasus Hotel Guyana, Seawall Road, Monday, December 9, 2019 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, 2019.
2. To re-elect three Directors to fill offices vacated by those retiring from the Board by rotation in accordance with the By-Laws namely: Yolande M. Foo, Roy E. Cheong and Richard M. Lewis.
3. To elect Amral F. Khan who was appointed to fill a casual vacancy as Director in accordance with the By-Laws.
4. To reappoint the Auditors, Messrs. Ram & McRae.

And the following special business namely:

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

By order of the Board

CHRISTINE A. MC GOWAN
Corporate Secretary

October 21, 2019

REGISTERED OFFICE

155-156 New Market Street
North Cummingsburg
Georgetown, Guyana

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

CORPORATE INFORMATION

DIRECTORS

Chairman
President and Chief Executive Officer,
Republic Financial Holdings Limited
Nigel M. Baptiste, *BSc (Hons.) (Econ.), MSc (Econ.), ACIB*

Managing Director
Amral F. Khan, *Dip. (Business Mgmt.) BSc (Industrial Mgmt), MBA*

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

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

REGISTERED OFFICE

Promenade Court
155-156 New Market Street
North Cummingsburg
Georgetown, Guyana
South America
Tel: (592) 223-7938-49
Fax: (592) 233-5007
Email: gyemail@rfhl.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

SENIOR MANAGEMENT

Managing Director
Amral F. Khan, *Dip. (Business Mgmt.), BSc. (Industrial Mgmt.), MBA*

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

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

HEAD OFFICE DEPARTMENTS

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

Assistant Manager, Branch Operations
Gail Harding, *AICB*

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

Regional Corporate Manager, Corporate Business Centre
Sasenarain Jagnanan, *AICB, Dip. (Bkg. and Fin.)*

Corporate Manager, Corporate Business Centre
Carla Roberts, *BSc (Acct.)*

Credit Manager, Corporate Business Centre
Diane Yhun

Manager, Corporate Operations
Denys Benjamin, *AICB*

Manager, Enterprise Risk Management
Michael Ram, *AICB*

Manager, Finance and Planning
Vanessa Thompson, *B Soc Sc (Mgmt.), FCCA, MBA*

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

Manager, Human Resources
Shrimanie Mendonca, *BSc (Biology), PG Dip. (Edu.), M Ed*

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

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

Assistant Manager, Information Technology
Yugisther Mohabir, *MCSA*

Manager, Internal Audit
Oral Rose, *Dip. (Marketing), B Soc Sc (Dist.) (Mgmt.), AMLCA*

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

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

Manager, Special Unit
Karen Assanah, *AAT, AICB, B Soc Sc (Mgmt.) (Dist.), MSc (Fin. Mgmt.), Certified Credit Professional*

BRANCH NETWORK

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

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

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

D'EDWARD BRANCH
Manager
Joel Singh, *AICB*

DIAMOND BRANCH
Manager
Allison Mc Lean-King, *AICB, Certified Credit Professional*

LETHEM BRANCH
Officer-in-Charge
Nadia Khedaroo, *Dip. (Public Mgmt.), B Soc Sc (Mgmt.), AICB*

LINDEN BRANCH
Manager
Jannis London, *Dip. (Bkg.), B Soc Sc (Mgmt.), AICB, MBA*

NEW AMSTERDAM BRANCH
Manager
Imran Saccoor, *Dip. (Marketing), MBA*

ROSE HALL BRANCH
Manager
Doodmattee Bhollaram, *AICB, Certified Credit Professional*

TRIUMPH BRANCH
Officer-in-Charge
Bibi Shaliza Hussain, *AICB, Certified Credit Professional, MBA*

VREED-EN-HOOP BRANCH
Manager
Eon Grant, *BComm., AICB*

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

FINANCIAL SUMMARY

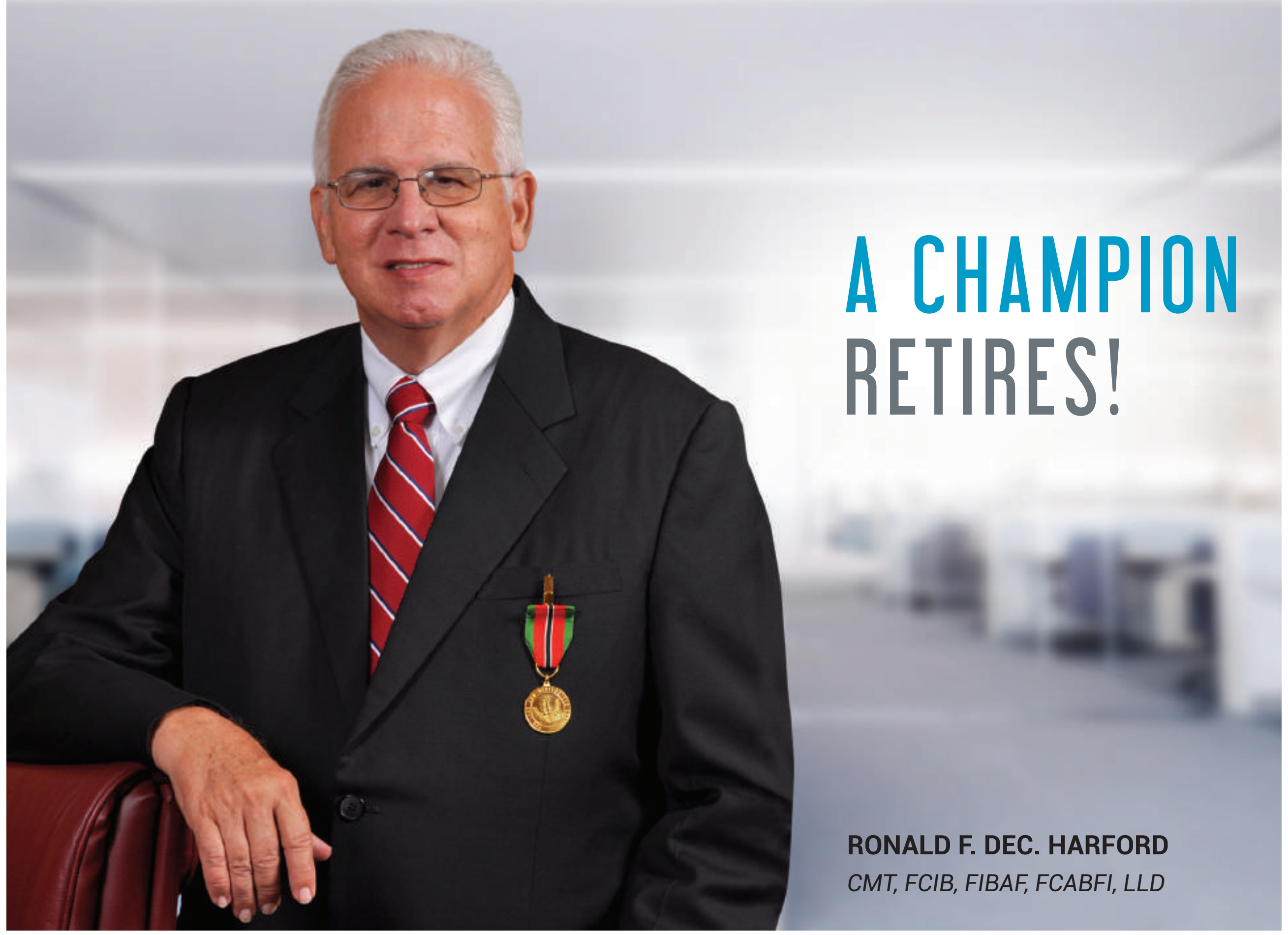
Expressed in thousands of Guyana dollars ($'000)

	2019	2018	2017	2016	2015
Cash resources	**43,875,653**	40,078,184	27,829,221	30,963,960	32,271,117
Investment securities	**14,835,914**	15,694,193	7,440,987	7,882,243	6,318,344
Loans and advances	**78,793,633**	69,747,950	60,791,257	58,417,974	52,362,418
Total assets	**180,161,425**	168,183,290	146,229,495	151,574,139	142,362,955
Total deposits	**153,605,091**	144,654,913	124,879,378	131,186,957	123,701,186
Stockholders' equity	**22,623,702**	20,164,281	18,300,481	16,715,394	15,223,604
Net profit after taxation	**3,845,781**	3,134,004	2,738,939	2,703,041	2,815,938
Total comprehensive income	**3,839,421**	3,206,844	2,820,087	2,726,690	2,690,083
Earnings per stock unit in dollars ($)	**12.82**	10.45	9.13	9.01	9.39
Return on average assets (%)	**2.24**	2.02	1.83	1.82	2.03
Return on average equity (%)	**17.97**	16.48	15.69	16.88	19.78

FINANCIAL HIGHLIGHTS

Expressed in thousands of Guyana dollars ($'000)

	2019	2018	Change	% Change
STATEMENT OF INCOME				
Interest and other income	**12,235,513**	11,127,806	1,107,707	10.0
Interest and non-interest expenses	**(6,261,262)**	(6,463,209)	201,947	3.1
Net income before taxation	**5,974,251**	4,664,597	1,309,654	28.1
Taxation charge	**(2,128,470)**	(1,530,593)	(597,877)	(39.1)
Net income after taxation	**3,845,781**	3,134,004	711,777	22.7
STATEMENT OF FINANCIAL POSITION				
Loans and advances	**78,793,633**	69,747,950	9,045,683	13.0
Total assets	**180,161,425**	168,183,290	11,978,135	7.1
Average assets	**172,034,526**	155,412,880	16,621,646	10.7
Deposits	**153,605,091**	144,654,913	8,950,178	6.2
Equity (capital and reserves)	**22,623,702**	20,164,281	2,459,421	12.2
Average outstanding equity	**21,401,004**	19,019,725	2,381,279	12.5
COMMON STOCK				
Earnings in dollars per stock unit	**12.82**	10.45	2.37	22.7
Dividend for the year (in thousands)	**1,555,000**	1,285,000	270,000	21.0
Stock units (in thousands)	**300,000**	300,000	–	–
GENERAL				
Number of				
Stockholders	**1,397**	1,371	26	1.9
Common stock outstanding (in thousands)	**300,000**	300,000	–	–
Active savings, chequing and deposit accounts	**171,146**	153,826	17,320	11.3
Employees	**655**	681	(26)	(3.8)
Banking offices	**13**	12	1	8.3



A CHAMPION RETIRES!

RONALD F. DEC. HARFORD
CMT, FCIB, FIBAF, FCABFI, LLD

After 57 years of service, the last 23 of which have been at the helm of the organisation, Ronald Frederick deCreeft Harford will retire from the Board of Directors of Republic Bank Limited and Republic Financial Holdings Limited on December 31, 2019.

Ron, as he is most affectionately known, joined the then Barclays Bank Dominion Colonial and Overseas in 1963, on the post desk at Independence Square. A truly Caribbean professional, Ron would be assigned, at various points in his career, to several Caribbean countries in which Barclays Bank had a presence. In Trinidad and Tobago, Ron's career would see him assume overall responsibility for the Information Technology, Human Resources and Foreign Exchange Operations units, as well as the Branch Network and numerous other senior level positions. In 1997, Ron was appointed Managing Director of Republic Bank Limited and led the transformation of the Bank from a primarily domestic institution to a truly global financial institution. In 2003, following the retirement of the Chairman, Frank Barsotti, Ron was appointed Chairman and so held the dual roles of Chairman and Managing Director. In 2005, he retired from his role of Managing Director and remained Chairman of the Group.

Ron Harford's contribution to the development of the Republic Group and the financial system in Trinidad and Tobago is immeasurable. Ron successfully led the merger of Bank of Commerce Trinidad and Tobago Limited with Republic Bank Limited in 1997 and the acquisitions of the Group's operations in Grenada, Guyana, Barbados, Suriname, Ghana, and the Cayman Islands, as well as the intended purchase of the nine territories from Scotiabank. While one measure of his success at the organisation is the value created for all stakeholders, as evident in the increase in the share price of the Group from $29 in 1997 to $120 in 2019, Ron's greatest legacy will be found in the many generations of stellar bankers whose careers he mentored.

Milestone accomplishments for the financial system in Trinidad and Tobago were the establishment of Info-Link Services Limited (now commonly known as the Linx system which facilitates the domestic payments system), the Credit Bureau, the Caribbean Information and Credit Rating Services Limited (CariCRIS), and the Bankers Association of Trinidad and Tobago. On August 31, 2010 he was awarded the Chaconia Medal of Gold for his meritorious contribution to banking and the business community. He was conferred an Honorary LLD by the University of the West Indies and inducted into the Trinidad and Tobago Chamber of Industry and Commerce's Business Hall of Fame, both in 2012. He is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago, and the Caribbean Association of Banking and Finance.

BOARD OF DIRECTORS & EXECUTIVES

We are strategically navigating the current economic climate. Facing all challenges our combined knowledge, experience and insight take us further than the rest.

BOARD OF DIRECTORS

NIGEL M. BAPTISTE

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

Chairman, Republic Bank (Guyana) Limited
President and Chief Executive Officer,
Republic Financial Holdings Limited
Managing Director, Republic Bank Limited

AMRAL F. KHAN

Dip. (Business Mgmt.), BSc (Industrial Mgmt.), MBA

Managing Director,
Republic Bank (Guyana) Limited

JOHN G. CARPENTER

AA, BSc (Food Sciences)

Chairman,
Hand-in-Hand Group of Companies

ROY E. CHEONG

AA, FCII, FLMI, CLU

Chartered Insurer

YOLANDE M. FOO

AICB

Retired Senior Banking Executive,
Republic Bank (Guyana) Limited

ANNA-MARÍA GARCÍA-BROOKS

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

General Manager, Group Human Resources,
Republic Bank Limited

SHAMEER HOOSEIN

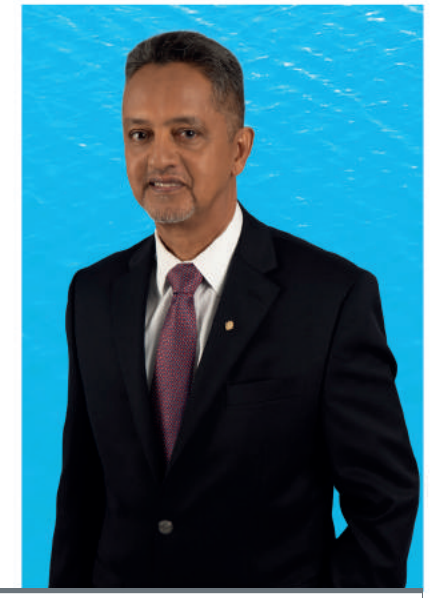
FCCA

Strategic Advisor to the Chairman,
Massy (Guyana) Ltd.

RICHARD M. LEWIS

HBA

Executive Chairman,
Label House Group Limited



RICHARD I. VASCONCELLOS

Chairman, A.N.K. Enterprises Inc.

BOARD OF DIRECTORS

NIGEL M. BAPTISTE

Bsc (Hons.), (Econ.), Msc (Econ.) ACIB

Chairman, Republic Bank (Guyana) Limited
President and Chief Executive Officer,
Republic Financial Holdings Limited
Managing Director, Republic Bank Limited

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

Mr. Baptiste is also a Director of Republic Bank (Ghana) Ltd. and the Cayman National Corporation.

AMRAL F. KHAN

Dip. (Business Mgmt.), BSc (Industrial Mgmt.) MBA

Managing Director, Republic Bank (Guyana) Limited

Amral F. Khan was appointed Managing Director, Republic Bank (Guyana) Limited in August 2019. He is a career banker with over 34 years of experience and has extensive knowledge in Retail, Commercial and Corporate Banking with in-depth experience in Internal Audit and Risk Management. Mr. Khan holds a Bachelor of Science Degree in Industrial Management from the University of the West Indies (UWI), a Diploma in Business Management from the UWI Institute of Business and an International Master in Business Administration with specialisation in Innovation and Entrepreneurship from UWI. Mr. Khan is also a certified professional in Anti-Money Laundering.

JOHN G. CARPENTER

AA.,BSc (Food Sciences)

Chairman, Hand-in-Hand Group of Companies

John G. Carpenter has extensive leadership experience and knowledge of the local and regional commercial industry having been involved in the management and directorship of several successful businesses over the years. He holds a Bachelor of Science Degree in Food Sciences Cornell University and has a keen interest in the sustainable development of business in Guyana. Mr. Carpenter is a recipient of the Golden Arrow of Achievement.

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

ROY E. CHEONG

AA, FCII, FLMI, CLU

Chartered Insurer

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

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

YOLANDE FOO

AICB

Retired Senior Banking Executive,
Republic Bank (Guyana) Limited

Yolande Foo is a retired career banker and has 45 years experience in the fields of banking, human resource management, training, and governance. She is a former Director of the St. Joseph Mercy Hospital, a past president of the Rotary Club of Demerara, former member of the National Tripartite Committee's sub-committee on HIV/AIDS – Workplace Education Programme, and a former Trustee of the Guyana Girl Guides Association. Mrs. Foo continues to be actively involved in a number of humanitarian efforts and charitable ventures.

ANNA-MARÍA GARCÍA-BROOKS

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

General Manager, Group Human Resources,
Republic Bank Limited

Anna-María García-Brooks was appointed to the Board of Republic Bank (Guyana) Limited in 2016 and is the General Manager, Group Human Resources, Republic Bank Limited. Mrs. García-Brooks is a graduate of the University of the West Indies (UWI) (Mass Communications) and winner of the Pro-Vice Chancellor's Prize for General Proficiency, First Place. She holds an Master of Business 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

Strategic Advisor to the Chairman, Massy (Guyana) Ltd.

Shameer Hoosein was appointed to the Board of Republic Bank (Guyana) Limited in 2015 and is an accomplished business leader with more than 20 years experience in management. Mr. Hoosein is the Strategic Advisor to the Chairman of Massy (Guyana) Ltd., having previously served as the Chief Executive Officer of Massy Gas Products (Guyana) Ltd. (formerly Demerara Oxygen Company Limited) and as the Finance Director of Associated Industries Limited. He is a graduate of the Ivey School of Business, completing 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 and Jamaica and is also the Chairman of the Management Committee of The Massy Pension Fund Plan for Guyana.

RICHARD M. LEWIS

HBA

Executive Chairman, Label House Group Limited

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

Mr. Lewis is the Chairman of the Beacon Insurance Company and Director of Par 3 Ltd. a holding company for Giscad Trinidad Ltd.

RICHARD I. VASCONCELLOS

Chairman, A.N.K. Enterprises Inc.

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

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

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended September 30, 2019.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS *(in thousands of Guyana dollars)*	2019	2018
Net income after taxation	**3,845,781**	3,134,004
Interim dividend paid	**480,000**	385,000
Retained earnings	**3,365,781**	2,749,004
Final dividend proposed	**1,075,000**	900,000

DIVIDENDS

An interim dividend of $1.60 per stock unit ($480 million) was paid during the year and a final dividend of $3.58 per stock unit ($1,075 million) for the year ended September 30, 2019 is recommended. This, if approved, will bring the total payout for the year to $1,555 million.

CAPITAL AND RESERVES

Capital and reserves other than retained earnings totaled $1,444.6 million as shown in the Statement of Changes in equity.

Retained earnings at September 30, 2019 are $21,179.1 million (2018 - $18,768.9 million) after a transfer of $49.2 million to the General Banking Risk Reserve, $1,555 million paid out as dividends (final 2019 - $1,075 million, interim 2019 - $480 million), and $3,845.8 million transferred from the Statement of income for 2019.

DONATIONS

In addition to the Bank's Power to Make A Difference investment initiatives (see pages 45 to 49), general donations to charitable or public causes for the year were $6.8 million (2018 - $7.2 million), emphasising the Bank's strong social investment policy.

SUBSTANTIAL STOCKHOLDING (UNITS OF STOCK)

A substantial stockholder for the purposes of the Securities Industry Act Cap. 73:04 is one who controls five percent or more of the voting power at a General Meeting. The following are the substantial stockholders of the Bank:

	Number of stock units 2019	% held	Number of stock units 2018	% held
Republic Financial Holdings Limited	**152,898,395**	50.97	152,898,395	50.97
Demerara Mutual Life Assurance Society Limited	**16,306,080**	5.44	16,306,080	5.44
Guyana and Trinidad Mutual Fire and Life Group of Companies	**15,798,760**	5.27	15,798,760	5.27
Trust Company (Guyana) Limited	**20,116,853**	6.71	19,617,755	6.54
Hand-in-Hand Mutual Fire & Life Group of Companies	**17,845,703**	5.94	16,524,875	5.01

DIRECTORS

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

AUDITORS

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

CONTRIBUTION OF EACH ACTIVITY TO OPERATING PROFIT

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

GEOGRAPHIC ANALYSIS OF TURNOVER AND CONTRIBUTION TO RESULTS

The Bank operates only in Guyana but several investments are held overseas for which income of $123.5 million (2018 - $134.8 million) was earned during the year. Please refer to note 23 of the financial statements for further information.

INTEREST OF DIRECTORS AND CHIEF EXECUTIVE AND THEIR ASSOCIATES

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

	Number of stock units 2019	2018
John G. Carpenter	**150,000**	150,000
(held jointly with an associate)		
Roy E. Cheong	**87,000**	87,000
(75,000 held jointly with an associate, and 12,000 held by an associate)		
Yolande M. Foo	**315,000**	315,000
(held jointly with associates)		
Richard I. Vasconcellos	**15,000**	15,000
Richard M. Lewis	**17,850**	17,850
Shameer Hoosein	**5,000**	_

DIRECTORS' FEES ($)

	2019	2018
Nigel M. Baptiste	**2,550,000**	2,550,000
John G. Carpenter	**1,500,000**	1,530,000
Roy E. Cheong	**1,770,000**	1,710,000
Shameer Hoosein	**1,500,000**	1,470,000
Richard I. Vasconcellos	**1,440,000**	1,350,000
Richard M. Lewis	**1,350,000**	1,380,000
Yolande M. Foo	**1,560,000**	1,560,000
Anna-María García-Brooks	**1,560,000**	1,500,000

DIRECTORS' SERVICE CONTRACTS

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

CONTRACTS WITH DIRECTORS

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

CONTRACT OF SIGNIFICANCE WITH STOCKHOLDER OR ITS SUBSIDIARY

The Bank expended the sum of $116.5 million (2018 - $105.6 million) under a Technical Services Agreement with Republic Bank Limited for the provision of management, credit analysis, internal audit and other services. Technical service fees are determined with reference to the Bank's net interest and other income.

CHAIRMAN'S REVIEW

NIGEL M. BAPTISTE

> "Republic Bank (Guyana) Limited is committed to the future development of Guyana and remains optimistic about continued improvement in the economy, thereby providing an enabling environment for the prosperity of all Guyanese."

INTRODUCTION

Fellow Directors and Stockholders, it is again my pleasure to report on the annual performance of Republic Bank (Guyana) Limited for the year ended September 30, 2019.

I am also pleased to welcome the Bank's new Managing Director, Mr. Amral F. Khan – a seasoned banker with over 34 years of retail and corporate banking experience. His seamless transition is testament to the Group's strong management structure and commitment to continued strong financial performance, and astute governance. We are confident that under Mr. Khan's leadership, the Bank will continue its exemplary record of performance.

FINANCIAL PERFORMANCE

The Bank recorded a satisfactory performance buoyed by Guyana's expanding business sector, competitive financial environment and expectations of economic growth. Profit after tax of $3,845.8 million representing a 22.7% increase over prior year results was recorded.

Earnings per stock unit amounted to $12.82, an increase from $10.45 in 2018. Your Directors have recommended therefore a final dividend of $3.58 (per stock unit), which, if approved at the Annual General Meeting, will bring the total dividend for the year to $1,555 million (2018 - $1,285 million).

CHAIRMAN'S ECONOMIC REVIEW

The International Monetary Fund (IMF) revised global growth downwards to 3.2% for 2019 and 3.5% for 2020, reflective of geopolitical tensions, weaker outlook for some key emerging markets and developing economies arising from country-specific factors, tighter financial conditions and higher oil import bills.

In Latin America and the Caribbean, economic activity remains 'sluggish' with a projected growth rate of Gross Domestic Product (GDP) set at 0.6% for 2019.

In June of this year, NASDAQ released statistics inferred that the Guyanese economy was ranked as the fastest growing economy in the world with a projected growth rate of 16.3% over a four-year period.

At the end of 2018, Real Gross Domestic Product saw strong growth of 4.1% due to improved performances in bauxite, livestock, forestry and other crops as well as notable increases in construction, manufacturing and service activities. In contrast, the output of sugar, rice, gold and fishing declined as a result of poor weather and road conditions as well as lower domestic demand.

The Urban Inflation Rate remained stable at 1.6% despite moderate increases in the prices of food and fuel.

The banking system's net domestic credit increased by 15.7% due to increased credit to both the public and private sectors. Private sector growth was recorded at 4.2% compared to December, 2017. Notably, there were increases in most sectors of the economy, with exceptions being manufacturing, construction and engineering and the "other" category of the private sector.

For 2018, the total public debt-to-GDP ratio decreased marginally by 0.2% to 44.2% from the Budget 2019 figure of 44.4%. External public debt accounted for 77.4% of the total public debt stock as at December 31, 2018, with domestic debt at 22.6%.

The total volume of foreign exchange transactions increased significantly by 19.6% while there was a marginal decrease of 0.9% below the 2017 level for money transfer transactions.

Notably, during the first half of 2019, the Guyanese economy grew by 4.0% compared to 4.5% for the prior-year period. This was buoyed by favourable performances in rice, forestry, gold, manufacturing, construction, wholesale and retail trade and financial and insurance activities. There was a 29.3% increase in the execution of the Government's Public Sector Investment Programme (PSIP) over the same period last year, a commendable overall implementation rate of 35.4%. The Consumer Price Index (CPI) continued to increase year over year by 6.3% with the major driver continuing to be rising food prices.

Overall, the net domestic credit of the banking system grew by 14.1%, half year on half year. This was as a result of increases in both loans and advances in the private and public sectors. Loans and advances to the private sector expanded by 5.7% directly linked to all sectors except the agriculture sector. Lending to households recorded a robust growth of 13.5% year on year.

On the other hand, net Public Sector Credit also increased considerably by 48.7%, half year on half year.

The ratio of non-performing loans stood at 12:3 at the end of the first quarter of 2019. As at half-year, the ratio showed decline compared to the last two years.

The overall deficit in 2019 is projected to decrease by 0.1% point to 4.9% of the GDP. At the end of June 2019, Guyana's stock of total public debt increased marginally by 1.5% compared with the 2018 half-year position.

CHAIRMAN'S REVIEW

GROUP DEVELOPMENTS

Republic Financial Holdings Limited (RFHL) maintained among its top priorities, strengthening its human resource capacity, ensuring outstanding customer experience/service, forward focused technological capabilities and full compliance with International Financial Standards (IFS).

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

In keeping with our people-centered focus and philosophy for entering new markets, several strategic and significant milestones were achieved in the past year. First among these, was the successful closing of the transaction for the acquisition of a majority interest – 75.0% – in the Cayman National Corporation Limited (CNC).

Further, since the November 2018 announcement that the Republic Financial Holdings Limited had entered an agreement to acquire the Bank of Nova Scotia's operations in nine territories, including Guyana, the Eastern Caribbean Central Bank (ECCB) approved the application for the transfer of the assets and liabilities and operations of the Bank of Nova Scotia in Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines. The operations in Antigua and Barbuda were excluded from the transaction.

Approval was also received from the Central Bank of Trinidad and Tobago (CBTT) and letter of "No Objection" from the Central Bank of Curacao and St. Maarten.

The Bank of Guyana did not approve the application for acquisition citing concerns about over-concentration and competition in the financial system given the Bank's already dominant presence in Guyana. The Bank of Guyana however, acknowledged the value of Republic Bank's long-standing role in the development of Guyana's financial landscape and its continued contribution to the financial sector.

Completion of the approved transactions remains subject to regulatory and other customary approvals and conditions, and RFHL continues to work with the related bodies and stakeholders in the various territories towards successful closure.

A new, state of the art Data Centre was commissioned in Trinidad paving the way for the Group's Information Technology (IT) hub for global operations and enhancing the Bank's capabilities and operational efficiencies. During the year, consolidation of Group IT activities continued with Republic Bank (Guyana) Limited's transition, in keeping with the Group's vision of all territories operating on a common IT platform. This significant milestone will translate to new and enhanced client offerings and streamlined operations throughout the Group.

FUTURE OUTLOOK

ExxonMobil's 14 discoveries in Guyana since 2015 are projected to see production of up to 120,000 barrels of oil per day from the Liza Phase 1 development in early 2020. ExxonMobil has confirmed that the last three discoveries in the Stabroek Block offshore Guyana – Haimara, Tilapia and Yellowtail – will add to the 5.5 billion barrels of oil equivalent resource estimation.

During August and September 2019, Tullow Oil Plc also announced oil discoveries in the Oriniduik basin, and a number of other companies are said to be feverishly exploring their allotted basins. The anticipated positive economic outcome from the planned first oil in 2020, augurs well for the business sectors and people of Guyana, however this must be complemented by a stable social and political climate. To this end, we remain hopeful that the country's impending general and regional elections will unfold smoothly.

Republic Bank (Guyana) Limited is committed to the future development of Guyana and remains optimistic about continued improvement in the economy, thereby providing an enabling environment for the prosperity of all Guyanese.

ACKNOWLEDGEMENTS

I take this opportunity to extend sincere thanks to our former Managing Director Mr. Richard S. Sammy, who over the last four years and up to July 2019 proficiently and successfully led the organisation. Appreciation is also extended to Mr. Amral F. Khan, Managing Director and the management and staff for their diligent efforts throughout the fiscal. Gratitude is also extended to our customers, business partners, stockholders and my fellow Directors for their confidence and support.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

AMRAL F. KHAN

"The highly satisfactory results again achieved this year would not have been possible without the continued dedication and hard work of our employees. I take this opportunity therefore, to thank our management and staff for their commitment, our Board of Directors for their guidance and support and our valued customers and business partners for their unwavering loyalty."

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

In this my first report as Managing Director, I am pleased to report that Republic Bank (Guyana) Limited returned a satisfactory fiscal 2019 performance.

The Bank achieved a Profit after tax of $3,845.8 million, compared to $3,134 million in 2018. There was a noted increase of 22.71% over last year's performance as the Bank experienced growth of 14.73% from core banking operations. This performance is the result of careful planning, effective implementation, cost containment and singular focus on key strategic initiatives.

Return on Assets increased to 2.24% and Return on equity to 17.97%. Earnings per stock unit increased from $10.45 to $12.82. During the year, the Bank advanced its preparations for transition to a new Core Banking Platform and focused on reorganising for improved efficiencies post transition, with significant emphasis on optimising human resources and training, with Change Management strategies in support of the transition. Key areas of focus during the fiscal as well, were credit growth, helpful and supportive customer service and care, coupled with prudent risk management principles.

A more challenging external environment, borne from political uncertainty, tentative business financing activity, high liquidity and limited investment opportunities impacted the demand for credit; an increasingly competitive market placed downward pressure on rates resulting in lower margins.

CUSTOMER SERVICE

Customers remain our most valued stakeholders, and our priority of strengthening relations has been demonstrated through our efforts to understand and empathise, while presenting solutions to challenges as they arise – all with a view to delivering satisfaction; and meeting and exceeding service expectation.

Meeting our customers' needs remains paramount, as this fosters loyalty which requires specialised service supported by customer-focused initiatives and marketing techniques.

We continue to engage customers with our suite of offerings via various digital and traditional communication channels which afford us valuable insight into their needs, highlighting opportunities to address gaps in our service delivery.

Over the past year, we increased our initiatives aimed at fostering customer obsession, with the introduction of additional annual award categories in recognition of our employees' individual and team efforts in achieving our objectives. Also introduced, was an ongoing Customer Care – Service Excellence Star Initiative, aimed at recognising employees who receive above normal positive customer feedback.

In 2019, the results of our Customer Satisfaction Survey of the banking sector, endorsed Republic Bank (Guyana) Limited's competitive position in the banking sector and our aim for 2020 and beyond is to continue distinguishing ourselves in this area.

HUMAN RESOURCES

The Bank continues to focus on the development of its human resources. In addition to training and development, efforts are ongoing to ensure a relationship of trust and mutual respect between management and employees. To this end, our employee engagement initiatives continue and were bolstered by further roll-out of the new Performance Management System and 360 Degree Feedback mechanism.

Activities associated with the impending change of the core banking information technology system (IT Consolidation) intensified during the latter half of fiscal 2019, with the new system expected to be implemented in fiscal 2020. To this end, employees are being exposed to the requisite training to ensure readiness and minimum negative impact to our internal and external service levels during transition.

The IT Consolidation activities also entailed a Human Resources analysis which sought to align job positions, where feasible, with that of the Group, and aimed at supporting the new Sales, Service and Support (SSS) structure at our branches. This new structure is expected to improve overall efficiency, while maximising our human resources.

In keeping with our ongoing commitment to youth development, 15 students from several regions benefited from seven months of exposure to various aspects of the Bank's operations through our 2019/2020 Youth Link Apprenticeship Programme. Most of these apprentices were employed by the Bank on a contractual basis.

INFORMATION TECHNOLOGY

The face of banking continues to evolve, and the Bank continues to place emphasis on improvement of its technological infrastructure. As earlier mentioned, significant progress is being made as it relates to our core functionality and deployment of new technologies.

We are particularly excited about the new/improved digital services which would undoubtedly redound to customers' satisfaction with their overall digital experience.

The use of our Republic Visa *One*Card, though not without challenges, continues to afford customers convenience and we expect that our ongoing customer education and efforts to further enhance the security of this product will help reinforce customer confidence.

To afford customers an additional option for non-cash banking, we shall soon reintroduce the Republic *One*Card. This card caters for those persons desirous of a card for local use and like the Republic Visa *One*Card, enables access to customers' accounts via our extensive Automated Teller Machine (ATM) and Point of Sale (POS) networks countrywide.

Our ATM locations and POS installations were increased in keeping with our commitment to provide convenient and easy access to our customers; our plans include additional installations in keeping with demand.

Moving forward, our commitment remains that of deriving maximum benefit from the Bank's investment in technology, while keeping abreast with technological innovation in order to provide reliable, convenient and secure banking for customers.

PREMISES

The Bank continued its focus on upgrading several of its facilities to improve customer service and efficiency. The expansion of the Retail Lending Unit of our Vreed-en-Hoop Branch was completed as planned, providing a more comfortable environment for the Branch's loan clients. A Private Banking facility was also launched, catering for the growing needs of a segment of our customers.

EMPOWERING COMMUNITIES

Making a difference in the communities we serve is not just our corporate social responsibility, but a focus ingrained in the Bank's Mission and Vision to help "build successful societies".

Through our social investment initiative, the Power to Make A Difference (PMAD), we continued our focus on alleviating socio-economic challenges.

During the past year, the first year of Phase Four, we progressed our partnership across a range of Governmental and Non-Governmental institutions to reach critical needs, deepening our work with our nation's youth for education empowerment, advancing autism awareness, preserving and celebrating local arts and culture, and care and conservation of the environment.

Our interventions and support for steelpan continue to positively impact the fraternity creating heightened interest and participation across the young and school-aged while building national pride and fostering support for the annual Republic Bank Mashramani Panorama Steel Band Competition.

Through the Bank's Youth Link Apprenticeship Programme and the University of Guyana Scholarship, students are given the tools to make a smooth transition to the work environment and embark on their tertiary learning pursuits. Meanwhile, the Bank's effort to increase autism

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

awareness has attracted wider support and ongoing advocacy. Notable strides were also made in improving capabilities among the students of the Step by Step Foundation and there were boosted opportunities for the adolescent mothers of Women Across Differences.

The first ever standalone ICC Women's World Twenty 20 was hosted in the Caribbean with Republic Bank named the Official Banking Partner of the series. The tournament aimed to create a global movement that recognises women, not only in sport but in all walks of life. Republic Bank (Guyana) Limited was the lone territory within the RFHL to host fixtures.

The preservation and maintenance of one of Guyana's heritage sites, the Promenade Gardens remains our flagship environmental project.

These efforts garnered Republic Bank (Guyana) Limited the Georgetown Chamber of Commerce and Industry Corporate Citizenship Award, in recognition of the Bank's demonstration of ethical leadership, good corporate governance and community investment; particularly through its Power to Make A Difference initiative.

With a strong forward focus on nurturing and development of small businesses, the Bank this year reintroduced the Republic SME Toolkit site, a free online learning and developmental tool. The coming year will see us placing greater emphasis on building and developing entrepreneurs; further engaging and empowering Small-to-Medium Enterprise (SMEs) beyond financing; and supporting a green Guyana through conservation awareness.

REGULATORY COMPLIANCE

Over the last year there was continued focus on strengthening the regulatory framework and providing training for key stakeholders to build capacity in the area of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and Proliferation of Financing. There were further amendments to the AML/CFT Act during 2018 which included provisions for the establishment of a committee to deal with issues of Proliferation of Financing.

Republic Bank (Guyana) Limited continues to strengthen its policies and procedures to ensure they are reflective of local law and international best practices. Training continues for all staff and members of the Board of Directors to increase awareness of the relevant issues, and empower staff to effectively engage customers in keeping with the Bank's culture of compliance.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2019 to be read in conjunction with the Directors' report and audited financial statements presented on pages 20 to 21 and pages 58 to 126 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, 2019:

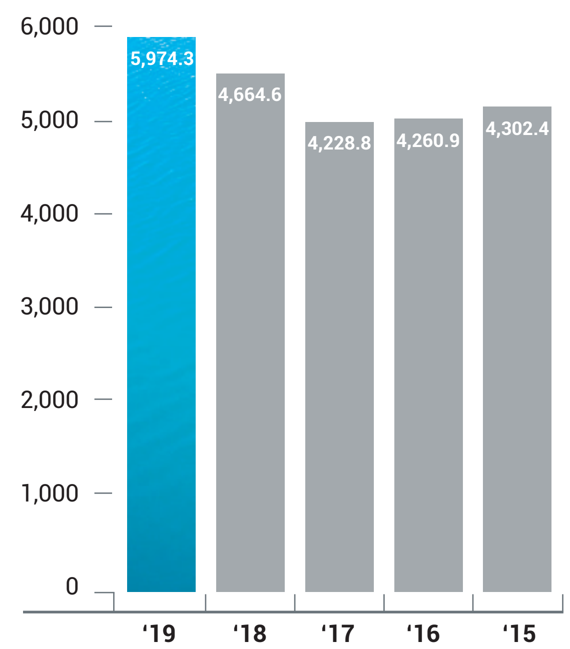
	2019	2018
United States dollars	**210.00**	210.00
Pounds Sterling	**241.50**	261.50
Canadian dollars	**146.50**	156.50
Euro	**226.50**	234.50

STATEMENT OF INCOME REVIEW

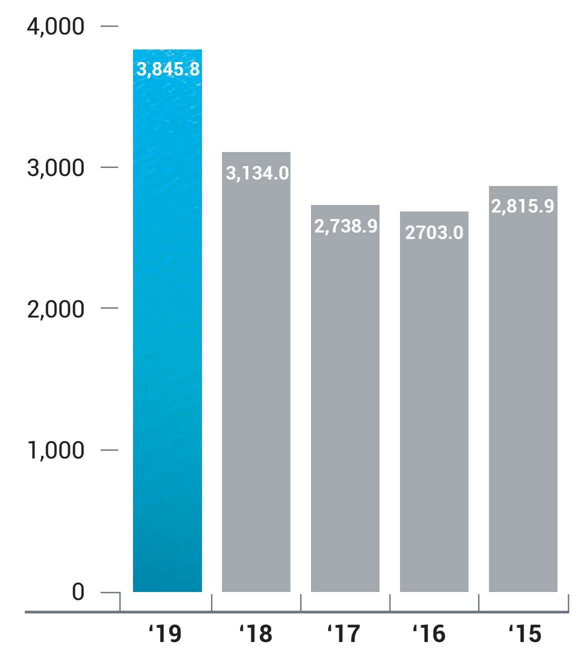
Financial summary

After tax profit of $3,845.8 million represents an increase in profitability of $711.8 million or 22.71% compared with 2018. This increase in profitability largely resulted from the reduction of Expected credit loss expense on financial assets. Focus on improving credit assessment, decision making and debt recovery will continue in the new fiscal. Corporation Tax paid amounted to $1,663.2 million compared with $1,423.7 million in 2018.

PROFIT BEFORE TAX ($MILLION)

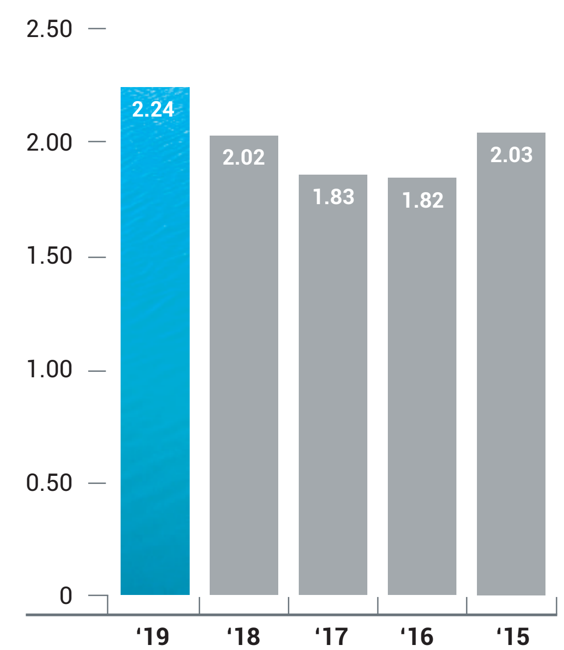


PROFIT AFTER TAX ($MILLION)

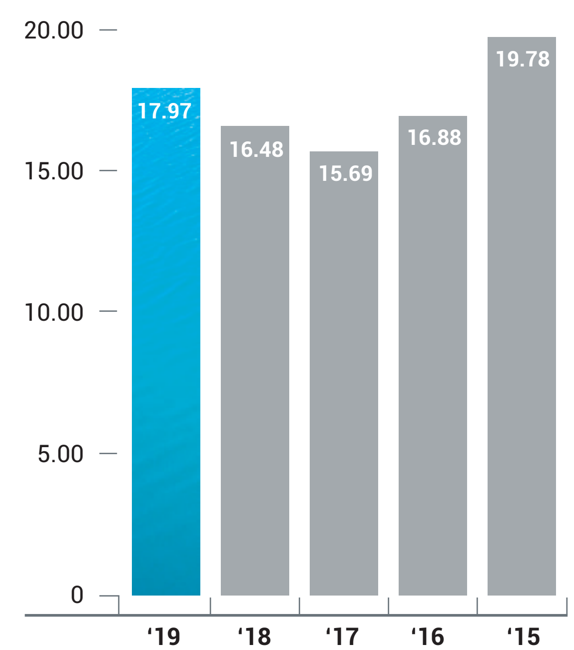


The Bank's return on average assets (2.24%) increased year on year, and its return on average stockholders' equity also increased (17.97%). Earnings per stock unit moved from $10.45 in 2018 to $12.82 in 2019.

RETURN ON AVERAGE ASSETS (%)



RETURN ON AVERAGE OUTSTANDING EQUITY (%)



MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

Net interest and other income

Net interest and other income grew by $1,089.6 million or 10.32% to $11,647.4 million in 2019 compared to the $10,557.8 million generated in 2018, which is attributed mainly to the increase in the loan portfolio and the reduction in Expected credit loss expense.

Net interest income increased by $1,090.9 million or 14.73% to $8,495.4 million and is attributed primarily to the increase in the loan portfolio.

Net interest margin

	2019	2018
Net interest income/Total average interest earning assets	6.17%	6.08%
Net interest income/Total average assets	4.72%	4.55%

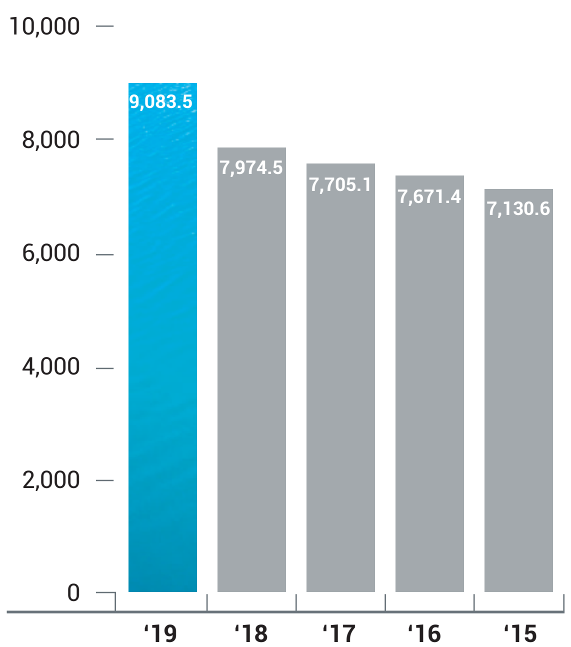
Refer to Statement of financial position and note 16

There were no unusual non-operational items.

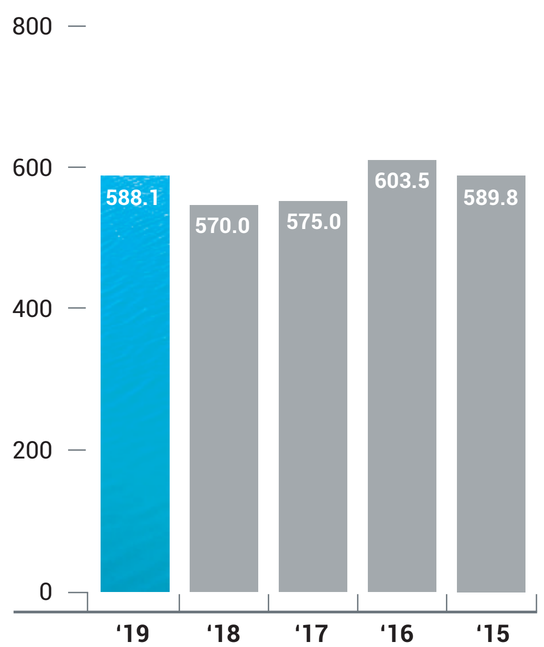
The ratio of the Bank's *average Interest earning assets to average Customer deposits*, increased to 89.29%, from 87.39% in 2018. This reflects the Bank's policy of managing customers' deposits in a challenging environment where investments and lending opportunities are relatively scarce. At September 30, 2019, 27.43% of the Bank's *Interest earning assets* consisted of Government of Guyana Treasury Bills.

Interest paid on deposits for 2019 at $588.1 million, was marginally above that of 2018 ($570 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.

INTEREST INCOME ($MILLION)

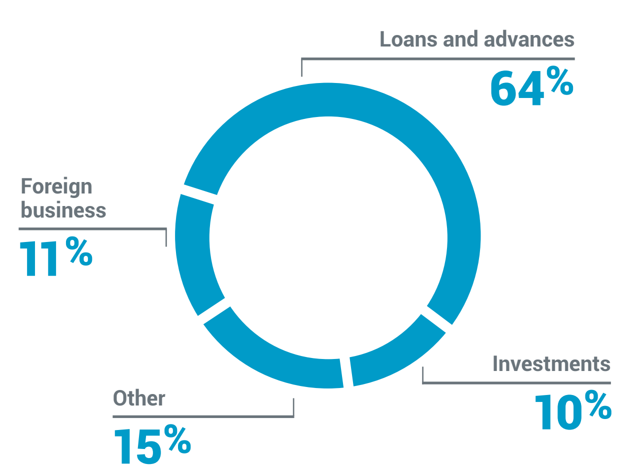


INTEREST EXPENSES ($MILLION)

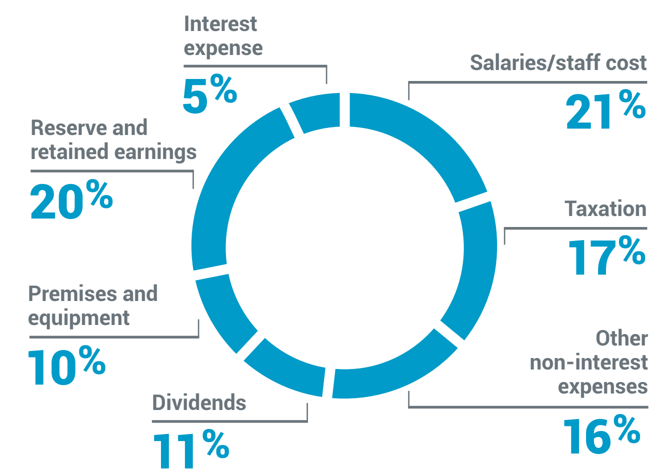


Other income, which amounted to $3,152 million and contributed 25.76% to total income, was below the 2018 amount by $1.3 million, or 0.04%. Despite continued emphasis, foreign exchange trading resulted in exchange gains for 2019 of $1,370.2 million, which represented a decrease of $29.2 million or 2.09% over 2018. Exchange earnings continue to be the major source of Other income, contributing 43.47% (2018 - 44.38%) of the total.

SOURCES OF REVENUE



REVENUE OF DISTRIBUTION



Non-interest expense

Non-interest expenditure, which comprises operating expenses and provision for Expected credit losses, decreased by $220 million or 3.73% over 2018, mainly as a result of provision for Expected credit losses, which decreased to $86.3 million. This was achieved notwithstanding an increase in other expenses which increased by $374.9 million, attributable to premium paid, as a result of the introduction of the Deposit Insurance Act 2018. There was a significant decrease in Expected credit losses net of recoveries of $833.8 million, as the Bank continues to closely monitor credit risk and increase efforts in the area of recoveries.

The Bank's productivity/efficiency ratio, which is non-interest expenses to net interest income and other income, increased to 47.97% from 47.43% in 2018.

As permitted, the Bank adopted International Financial Reporting Standards (IFRS) 9 – Financial Instruments, which replaces IAS 39. The adoption of IFRS 9 has fundamentally changed the Bank's accounting for financial asset impairments by replacing International Accounting Standard (IAS) 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at Fair Value through Profit or Loss (FVPL), together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination.

The financial statements include Expected credit loss provision made on its performing portfolio, of $380.5 million at September 30, 2019.

At September 30, 2019, specific provision on non-performing loans amounted to $357.6 million, a decrease of $125 million over 2018. Overall in 2019, expenses related to Expected credit loss amounted to $86.7 million against an expense of $885.4 million in 2018. 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 $241.5 million in 2019 (2018 - $206.9 million).

The Bank's ratio of non-performing to performing loans as at September 30, 2019 declined to 4.69% from 5.77% in 2018, and its ratio of specific provision for loan losses to non-performing loans, from 12.26% at September 30, 2018 to 9.86% at September 30, 2019.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

STATEMENT OF FINANCIAL POSITION REVIEW

Cash and cash equivalents

Cash and cash equivalents, which include Cash-on-hand, deposits held with correspondent banks, claims on other banks and balances in excess of the statutory deposit increased by $3.1 billion year on year. This increase was mainly in our deposits held with correspondent banks, which grew by $5.4 billion over the same period.

Investment securities

Investment securities, including Government of Guyana Treasury Bills, decreased by 2.09% during the year ($1 billion). The decrease arose mainly in the Bank's investment in other investments which moved from $15.7 billion in 2018 to $14.8 billion in 2019 or 5.47%. There was also a decrease in Treasury Bills, by $160.5 million, or 0.48%, to $32.9 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 $9 billion to $78.8 billion, an increase of 12.97%. The concentration by sector in the Loans and advances portfolio, a function of the Bank's Credit Risk Management process, remained fairly constant during the year. The Bank's investment in agriculture remained at a minimum as it continues to reassess the position as circumstances change.

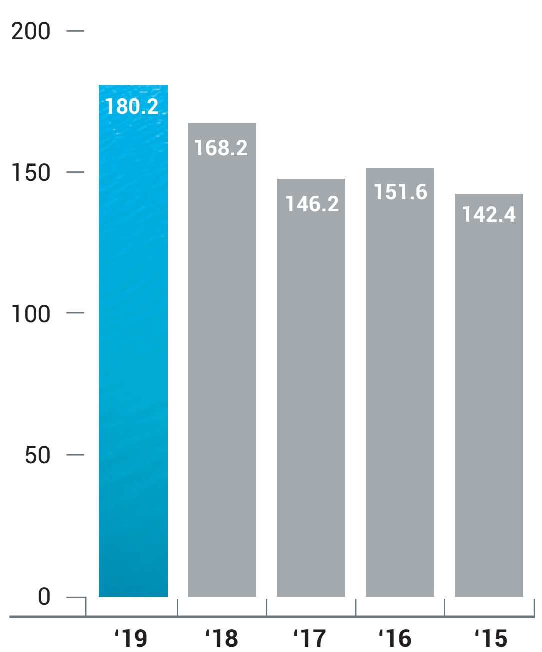
Significantly however, the Demand Loans sub-sector recorded a 13.10% increase in value from $37.9 billion to $42.9 billion. The Mortgages sub-sector recorded a 11.63% increase from $25.7 billion to $28.7 billion; the Bank continues to aggressively support the Government's home ownership thrust.

As a percentage of total assets, loans and advances accounted for 43.74%.

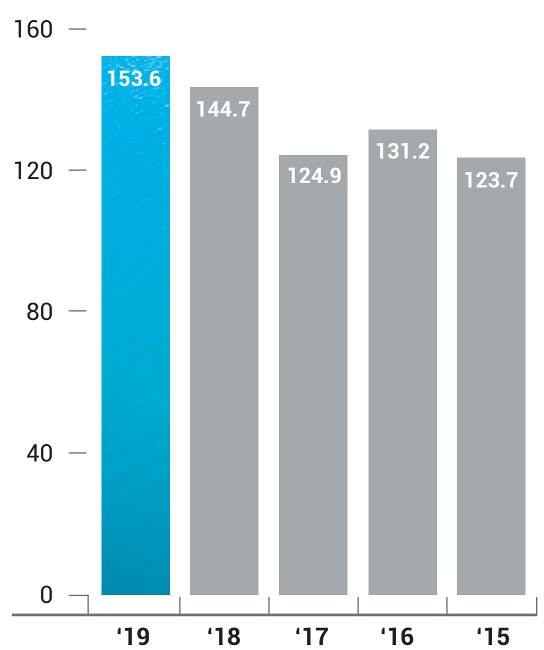
Total assets

The Bank's total assets of $180.2 billion represent an increase of $12 billion or 7.12% above 2018. This increase is attributed mainly to cash resources and loans and advances, which accounted for an increase of $9 billion. Over the past three years, net investment in Loans and advances grew by $2.7 billion, $8.9 billion and $9 billion, respectively. In a challenging and competitive environment for sound economic projects, the Bank continues to seek and attract new and remunerative investments, even as it honours its obligation to protect depositors' funds.

TOTAL ASSETS ($BILLION)



TOTAL DEPOSITS ($BILLION)



Deposits

Our deposits increased, moving to $153.6 billion from $144.7 billion in 2018; an increase of $8.9 billion or 6.19%. Our depositors remain confident in the Bank, as it continues to focus on providing quality products and services. Savings deposits, the most stable category of deposits at 64.70% of the deposit portfolio, decreased by $3.1 billion or 3.06%. The Demand Deposits portfolio increased by $11.9 billion or 33.08%.

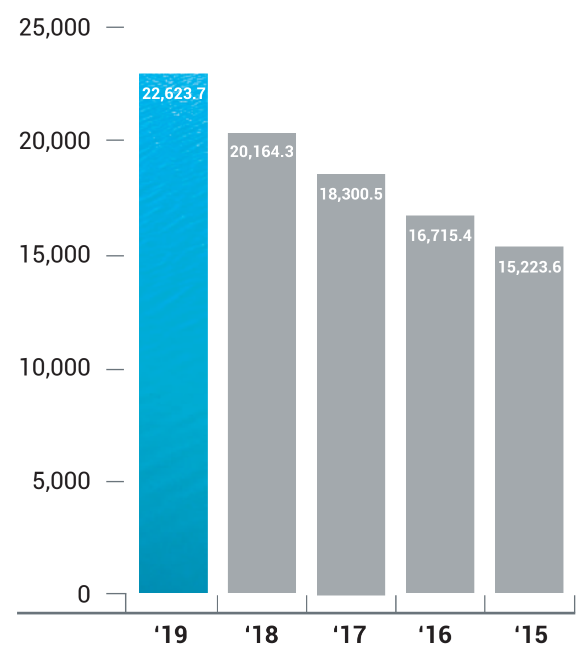
CAPITAL STRUCTURE AND RESOURCES

The Bank's policy is to maintain capital adequacy, ensure capital growth and minimise capital impairment. The governing Financial Institutions Act Cap. 85:03 restricts a single or group borrower loan to defined percentages of the Bank's capital base. From the after tax profits of $3,845.8 million, $1,555 million is being proposed as dividends and $2,290.8 million transferred from the Statement of income to stockholders' equity. At September 30, 2019 the book value of stockholders' equity amounted to $22.6 billion.

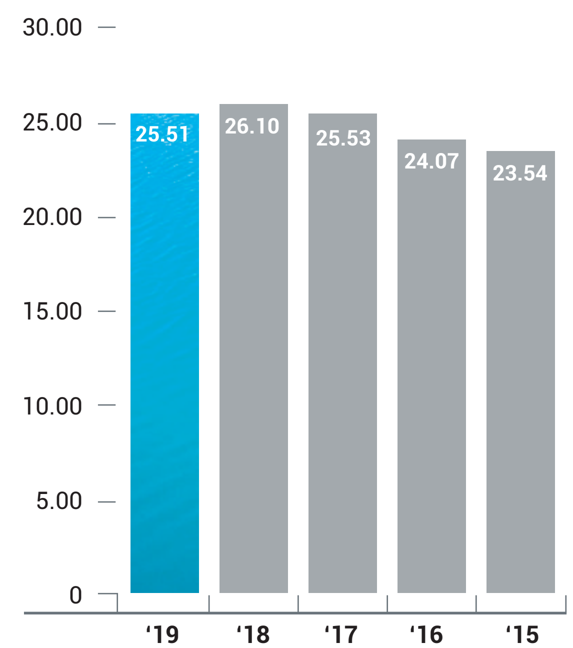
Total dividends paid and proposed for fiscal 2019 amount to $1,555 million and equates to a dividend payout ratio of 40.66% (2018 - 42.92%).

There was an increase in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 109.2% between the highest price of $450 and lowest price of $215.1 with an average weighted price of $362.4 per stock unit. In terms of volume, most trades were done at a unit price of $271. Using the Market Weighted Average Price of $350 from the last trade date (September 30, 2019) for the Bank's stock, the price/earnings ratio increased to 27.3 from 19.9 in 2018. The net asset value of one unit is $75.4 (2018 - $67.2) which, with a price of $350 gives a price/book ratio of 4.64:1 (2018 - 3.09:1).

STOCKHOLDERS' EQUITY ($MILLION)



CAPITAL ADEQUACY (%)



Regulatory capital

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

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

The risk-based capital guidelines require a minimum ratio of capital to risk-weighted assets of 8%. The results for this year have further strengthened the Bank, with its capital base growing from $20.2 billion to $22.6 billion year-on-year. The capital adequacy ratio decreased, moving to 25.51% at September 30, 2019 from 26.10% at September 30, 2018. This decrease is attributable to an increase in total risk-weighted assets.

RISK MANAGEMENT

Overview

Banking is about risks and their management. These are discussed extensively on pages 102 to 117 of this Annual Report.

Republic Bank (Guyana) Limited recognises that the achievement of its strategic objectives is contingent upon a cohesive implementation framework and active risk management. The Bank acknowledges that both Risk Management and a strong Senior Management spear-headed risk culture are critical precursors to its success.

The Enterprise Risk Management (ERM) practices and procedures implemented since the establishment of the Enterprise Risk Unit in fiscal 2017 assisted the Bank in achieving its objectives of identifying, prioritising and mitigating key risks that could erode value and identification of potential opportunities for growth.

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 parent company's Group Enterprise Risk Unit.

The Internal Audit Departments of the Bank and parent company are also integrally involved in reviewing and implementing systems and procedures to mitigate risk. These Departments, through random examinations and internal verification processes, are tasked with ensuring that the integrity of the Bank's operations is maintained.

The Board of Directors oversees the Bank's strategic direction, implementation of an effective risk management culture and implementation of a strong internal control environment across the Bank. They approve and enforce the risk management framework, inclusive of the overall risk appetite and the Bank's philosophy on risk taking.

Republic Bank (Guyana) Limited remains committed to maintaining a robust enterprise risk management framework, ensuring that it understands and monitors its risk environment and taking proactive measures to manage risks within its risk appetite.

FUTURE OUTLOOK

The economic indicators for the first half of 2019 reflect generally positive developments in critical growth areas. As at half year, GDP growth rate recorded was 4%, compared with 4.5% for the same period in the previous year.

Given trends in government spend and international investments, we anticipate the continuation of this trend for the realisation of the 4.6% growth rate projected for 2019.

ExxonMobil Guyana has made 14 discoveries since 2015 and will begin producing up to 120,000 barrels of oil per day from the Liza Phase 1 development in early 2020. ExxonMobil has confirmed that the last three discoveries in the Stabroek Block offshore Guyana – Haimara, Tilapia and Yellowtail – will add to the 5.5 billion barrels of oil equivalent resource estimation. Tullow also made two oil discoveries of significance during August and September 2019.

As Guyana prepares for first oil in 2020, the Bank remains willing to support government-led initiatives to diversify some of the traditional underperforming sectors of the economy.

ACKNOWLEDGEMENTS

I acknowledge with gratitude, the valuable contribution of former Managing Director, Richard S. Sammy, who over the past four years provided exceptional leadership at Republic Bank (Guyana) Limited and has since assumed a new role within the Republic Group.

The highly satisfactory results again achieved this year would not have been possible without the continued dedication and hard work of our employees. I take this opportunity therefore, to thank our management and staff for their commitment, our Board of Directors for their guidance and support and our valued customers and business partners for their unwavering loyalty.

SENIOR MANAGEMENT

AMRAL F. KHAN

Managing Director,
Republic Bank (Guyana) Limited

DENISE HOBBS

General Manager, Operations

PARBATIE KHAN

General Manager, Credit

MANAGEMENT

KAREN ASSANAH

Manager, Special Unit

DENYS BENJAMIN

Manager, Corporate Operations

DOODMATEE BHOLLARAM

Manager, Rose Hall Branch

HARRY DASS GHANESS

Manager, Camp Street Branch

EON GRANT

Manager, Vreed-En-Hoop Branch

YONNETTE GREAVES

Manager, Information Technology

MANAGEMENT

GAIL HARDING

Assistant Manager, Branch Operations

SASENARAIN JAGNANAN

Regional Corporate Manager,
Corporate Business Centre

ERICA JEFFREY

Manager, Branch Support Services

MICHELLE JOHNSON

Manager, Marketing and Communications

NDIDI JONES

Senior Manager, Head Office

JANNIS LONDON

Manager, Linden Branch

CHRISTINE MC GOWAN

Manager, Legal Services

ALLISON MC LEAN-KING

Manager, Diamond Branch

SHRIMANIE MENDONCA

Manager, Human Resources

YUGISTHER MOHABIR

Assistant Manager,
Information Technology

JADOONAUTH PERSAUD

Manager, Branch Operations

MICHAEL RAM

Manager, Enterprise Risk Management

MANAGEMENT

GUITREE RAMSAMOOJ

Manager, Anna Regina Branch

CARLA ROBERTS

Corporate Manager,
Corporate Business Centre

ORAL ROSE

Manager, Internal Audit

IMRAN SACCOOR

Manager, New Amsterdam Branch

RANDULPH SEARS

Manager, Water Street Branch

JOEL SINGH

Manager, D'Edward Branch

VANESSA THOMPSON

Manager, Finance and Planning

JOANN WILLIAMS

Assistant Manager, Human Resources

DIANE YHUN

Credit Manager,
Corporate Business Centre

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance can be defined as the framework of rules, systems and practices by which companies are directed and controlled in order to achieve accountability, transparency and fairness. Corporate governance continues to be of importance as a result of its correlation with the strength of an entity and its ability to withstand the challenges of doing business. For this reason, shareholders and stakeholders of companies pay greater attention to whether companies have good corporate governance principles. From the perspective of a company, the adoption and practice of good corporate governance can assist in balancing conflicting stakeholder interests.

The value and importance of good corporate governance is recognised by Republic Bank (Guyana) Limited and its Board of Directors is committed to consistently maintaining corporate governance at the highest standards. In keeping with this commitment, Republic Bank continuously monitors its systems and procedures to ensure that all standards are in keeping with the best practice as determined by the principles of Corporate Governance. The Bank is also guided by the *Recommendations for a Code of Corporate Governance* issued by the Guyana Securities Council, and Supervision Guideline No. 8 on Corporate Governance issued by the Bank of Guyana under the authority of the Financial Institutions Act Cap. 85:03. The Bank has adopted the recommendations contained in that Guideline. This statement is made pursuant to the abovementioned Supervision Guideline 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 business, management and finance, and provide invaluable input at meetings through their personal values and standards arising from their varied and distinct backgrounds. Together the Board members provide entrepreneurial leadership within a framework of prudent and effective controls. In keeping with the Bank's culture of broad disclosure the Executive Director ensures that all pertinent information relevant to the Bank's operations is provided to members of the Board of Directors. This allows the Board of Directors to make informed decisions and provide the necessary leadership to promote and protect the interests of all stakeholders. In keeping with its mandate to lead the Bank, the Board directs the Bank along a path of greater profitability while taking appropriate steps to ensure that the Bank's sound financial position is not compromised and all applicable laws adhered to. The Board is guided by a philosophy based on good governance, transparency, accountability and responsibility. Of critical importance to the Board of Directors is the responsibility to approve and review the Bank's Strategic Plan and within this context, to approve Annual Budgets, including capital expenditure. The Board retains the responsibility for reviewing and approving credit applications above a specified limit. Pursuant to the mandate to ensure that the interests of the various stakeholders are considered the Board of Directors meets, at a minimum, on a quarterly basis while the Executive Sub-Committee of the Board, chaired by Mr. Roy E. Cheong, comprising seven Board members, meets monthly for the remaining months.

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

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

AUDIT COMMITTEE

The members of the Audit Committee are:

Chairman
Mr. Roy E. Cheong
Members
Mr. Shameer Hoosein
Mr. Richard M. Lewis
Mr. Richard I. Vasconcellos,
Mrs. Yolande M. Foo
Alternate Member
Mr. John G. Carpenter

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

COMPENSATION COMMITTEE

The members of the Compensation Committee are:

Chairperson
Mrs. Anna-María García-Brooks
Members
Mr. Shameer Hoosein
Mr. Roy E. Cheong
Alternate Member
Mrs. Yolande M. Foo

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

ENTERPRISE RISK COMMITTEE

The members of the Enterprise Risks Committee are:

Chairman
Mr. John G. Carpenter
Members
Mr. Roy E. Cheong
Mrs. Anna-María García-Brooks
Alternate Member
Mr. Richard M. Lewis

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

The Board of Directors has approved an organisational structure for the Bank which ensures a reporting structure with prudent and effective controls. The Managing Director and management team are appointed by the Board of Directors. Each Management Officer has a written mandate and is required to execute the stated functions as outlined therein. Key areas of responsibility are outlined and adherence to the Bank's core values is mandatory.

The Managing Director's responsibilities and authorities are documented and approved by the Board of Directors. Limits on credit dispensation, capital and operating expenditure are stated specifically in the Managing Director's authorities. In keeping with good corporate governance principles the Managing Director is charged with the day to day management of the Bank's business and is ably assisted by a competent and experienced management team. The Bank's two General Managers report directly to the Managing Director. Senior Management, which has combined banking experience of more than one hundred and fourteen years, has general oversight of the Bank's credit portfolio, branch network and general operations. Two members of Senior Management have a Masters Degree in Business Administration while the other is qualified in Business Management making the team extremely qualified to offer leadership to the management team.

The Board of Directors ensures that the compensation package for staff is competitive. The package consists of basic salary and performance based incentives. In determining the basic salary to be paid to officers of the Bank, including Management Officers, the responsibilities attached to the position are assessed. This forms the core basis for the basic salary of each employee.

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

Cognisant of the need to monitor transactions with related parties, the bank has approved a related party policy which is consistent with the requirements of the Financial Institutions Act Cap 85:03.

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

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

Supporting those who need it to reach their true potential, empowering them to seek new horizons, helping them realise a better vision for themselves – this is our **Power To Make A Difference** programme.

THE POWER TO LEARN

LEARN

We empower those in need with the know-how to make a better quality of life

THE POWER TO CARE

CARE

We champion those in need to keep them steady in every area of their lives

THE POWER TO MAKE A DIFFERENCE

CREATING ALTERNATIVE FUTURES

The Power to Learn. The Power to Care. The Power to Help. The Power to Succeed.

Across many borders and within diverse communities in the Caribbean, South America and Ghana, these words have stood out as the very pillars of the Power to Make A Difference as it helps individuals and groups create alternative futures.

As the calls for stronger, more resilient, caring, and compassionate societies continue to gather voice, and social investment initiatives become more of the norm than the exception, so too has the Power to Make A Difference continued to gain momentum. The programme has taken firm footing in communities and in the hearts and minds of many who, through teamwork, dedication, and ingenuity, strive to address the problems we face today.

Adopting varying approaches in different markets, the programme represents an earnest promise made together with Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs) to promote sustainable development through partnerships that stand the test of time and sponsorships that have a definite impact.

Over the course of fifteen years, the Power to Make A Difference has become more than a flagship social investment programme. It is a covenant, an ongoing and heavily subscribed commitment to continue investing in the wellbeing and the futures of many.

This commitment has become the "why" of the Power to Make A Difference – why it exists and why the teamwork must continue towards its eventual success.

With a new phase on the horizon, and a new leg of the journey underway, the past year's projects and partnerships provided both impetus and confirmation in the pursuit of safeguarding alternative futures for many.

The inspiring stories of success and acts of kindness resulting from this commitment have engendered the hope of forging even greater partnerships and alignment as, together, we continue to build more sustainable and successful societies.

THE POWER TO LEARN

With a focus attuned to inculcating a greater sense of urgency and responsibility within today's young achievers, the Power to Learn places a high premium on youth development through education and literacy.

The longstanding relationship with the University of Guyana continued to be strengthened through support of a number of their initiatives, including their well-received scholarship programme.

In the same vein, the Republic Bank Youth Link Apprenticeship Programme likewise signalled to the nation the continuation of a commitment to do more to prepare young achievers for life beyond the academic halls. Now in its 11th year, the Youth Link programme, which runs for seven months, trains and provides teenagers with the tools to become part of the work environment. The programme adds to this on-the-job education with the Care-A-Van project, a community outreach initiative that took the Apprentices to the Ptolemy Reid Rehabilitation Centre and featured an interactive session on First Aid facilitated by the Guyana Red Cross Society.

The Apprentices also enjoyed a day of fun and relaxation with an excursion along the Essequibo River, with stops at Fort Island, Bartica, Baracara Falls, Saxacalli Beach and the Aruwai Resort.

All Youth Link graduates received the Caribbean Vocational Qualification (CVQ) from the Caribbean Association of National Training Agencies (CANTA) in Banking Operations Level One. With this qualification, they will be eligible for jobs within the CARICOM Region, further increasing their vocational and career opportunities.

THE POWER TO CARE

The Power to Care transforms that basic compassion within us into deeds that make the world of difference for others in need. One of the most fundamental aspects of the Power to Make A Difference, is the focus on investment in programmes that champion the rights and standards of living of the socially marginalised, people with disabilities, the ailing and the elderly – our very brothers and sisters whom we have promised to protect.

Continued support for Women Across Differences (WAD) meant that even more young women and girls in the nation benefitted from comprehensive empowerment programmes for adolescent mothers. In so doing, they will continue to make giant strides in becoming proud and emboldened advocates for sexual reproductive health, family planning education, self-development training and vocational skills-building.

As the drive to care and protect Mother Nature stepped into a higher gear, so too did the focus on advocating greater eco-awareness and a "Green Guyana" intensify. During one particular episode of "Inside the Reel", a mini documentary on Guyana's eco-tourism prospects, the spotlight was firmly fixed on Rupununi Fishing. The episode highlighted the need for more sustainable fishing by

THE POWER TO HELP

HELP

We help shape the future
for those who are following
a course to their dreams

THE POWER TO SUCCEED

SUCCEED

We work together with those
who want success, inspiring them
to achieve their goals and
lead others to do the same

THE POWER TO MAKE A DIFFERENCE

indigenous communities, showcased Guyana's tourism potential, and provided awareness on the livelihood of the communities. Significant investment in the programme saw a closer alignment between the growing need for effective resource management within remote communities and an overall pursuit to use the Power to Make A Difference as a means of facilitating sustainable development.

THE POWER TO HELP

The Power to Help is embodied most in support programmes that show tremendous promise in assisting persons in need by giving both opportunity and hope, and that basic understanding that there are those who can and are willing to help. At its very heart, the Power to Help is championed through staff volunteerism efforts in addition to outreach programmes that reflect an approach to doing even more than investing financial resources.

During the period, the fight to raise greater awareness for those with Autism and their families stepped into a higher gear with continued support for the annual Autism Awareness Walk in partnership with the Step by Step Foundation, under the patronage of the First Lady of Guyana, Mrs. Sandra Granger. The annual walk, which attracted more than 300 persons, including Step by Step Foundation staff and students, Republic Bank senior management and staff, and individuals and company representatives, has become a source of both inspiration and funding for the Step by Step Foundation.

Additionally, with community development and environmental preservation at the fore, the ongoing maintenance of the Promenade Gardens continued to facilitate the beauty and benefit of that beloved national treasure.

THE POWER TO SUCCEED

The focus on youth empowerment through cultural development, art and sport starts with giving young achievers the encouragement to explore and pursue these avenues to the fullest. In seeking news ways to inspire young hearts and minds, initiatives – both longstanding and new – were continued and advanced to great success.

During the period, 92 young musicians from around the nation seized the opportunity to further develop their skills as part of the 10th Annual Republic Bank Pan Minors Music Literacy Programme. At five training camps held in Region 4, the students benefitted from both theoretical and practical training in the steel pan art form, thereby learning how to read simple pieces from a single staff, play beginner level pieces, and play scales with key signatures of up to two sharps. This, of course, was in addition to sharing an invaluable experience and making lifelong friendships.

Similarly, a steady course of support for youth development through culture was maintained with the sponsorship of the 11th Annual Republic Bank Mashramani Panorama Steel Band Competition. This event has continued to create an ideal avenue for steel pan enthusiasts to demonstrate their skill, support, and appreciation for the art form over the course of two days of top-tier competition in categories such as: Junior Solo, Senior Solo, Pan Duet, Pan Jazz, Youth Bands, and Large Bands.

CREATING ALTERNATIVE FUTURES

Closely aligned with our partners and the pursuit of a brighter, more sustainable future, we continue to promote advocacy and teamwork as the primary means to help communities achieve their goals. With every partnership, every commitment to wisely invest financial and human resources towards sustainable development, comes a similar promise to work together to inspire even more partners to follow suit; a full embrace of the responsibility that comes with helping build strong communities and creating alternative futures.

Even as the landscapes around us change, the aim, as we work with our partners – new, long-time and future – remains the same; to use **the Power to Learn, the Power to Care, the Power to Help,** and **the Power to Succeed** to make a difference that truly matters.

FINANCIAL STATEMENTS

Anchored to the strength of our resources, we have one goal in mind: to deliver a profitable outlook for every customer and stakeholder.

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

AMRAL F. KHAN	CHRISTINE A. MC GOWAN
Managing Director	Corporate Secretary

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INDEPENDENT AUDITORS' REPORT

OPINION

We have audited the financial statements of Republic Bank (Guyana) Limited (the Bank), which comprise the statement of financial position as at September 30, 2019, 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, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Financial Institutions Act Cap. 85:03 and guidelines issued thereunder, the Companies Act Cap. 89:01 and the Securities Industry Act Cap. 73:04.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended September 30, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Credit loss provisions Advances, net of credit loss provisions, comprise 44% of the Bank's total assets – refer to note 5; while Investment securities, net of credit loss provisions, comprise 8% of the Bank's total assets – refer to note 6. The appropriateness of credit loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of credit loss provisions. The disclosures relating to these assets and related credit loss provisions are considered important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Bank's process and documented policy for credit loss provisions. For credit loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default; We performed an independent assessment of a sample of commercial loan files to assess accurate and timely assignment of risk ratings and compliance with management's rating policy; and We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment. For credit loss provisions calculated on a collective basis, we performed the following: The models used to compute Stages 1 and 2 provisions were reviewed for inconsistencies in data and formulas checked for accuracy;

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
	Customers' risk ratings were reviewed to ensure accuracy of ratings; The models prepared were reviewed to ensure compliance with the Manual governing the models and IFRS 9; Information in the model loads and portfolio loads (worksheet in the ECL models) were compared for consistency; Total loans and investment securities as per the models were compared to the management accounts to ensure accuracy; and Finally, we focused on the adequacy of the Bank's financial statement disclosures regarding advances and investment securities and the related credit loss provisions.
Fair value disclosures for investment securities Investment securities, related interest receivable and Government Treasury Bills comprise 27% of the Bank's total assets – refer to note 6. Investment securities are carried at amortised cost while fair values have been disclosed in note 22. Of these assets, $13,196 million relates to investments for which no published prices in active markets are available and which have been classified as Level 2 in the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of focus includes the determination of fair value where valuation techniques are applied in which unobservable inputs are used. . For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis 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; and Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Bank's exposure to financial instrument valuation risk.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Regulatory environment The Bank operates in a highly regulated environment and non-compliance with laws and regulations, particularly the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act Cap. 10:11, could result in serious monetary or other penalties. The Bank has assigned the responsibility of AML/CFT to officers throughout its network and established various controls to ensure AML/CFT compliance. The Bank's Internal Audit Department also reviews compliance with the Bank's established policies.	We evaluated and tested the Bank's internal controls with a specific emphasis on compliance with AML/CFT policies. This included: A review of the policies and procedures in place including approval of those policies by those charged with governance; A review of training completed by Bank personnel including those charged with governance; Testing of customer documentation and transactions; and Review of the Bank's compliance with reporting requirements . Finally, we reviewed compliance with relevant provisions of other legislation including the Financial Institutions Act Cap. 85:03 and the Securities Industry Act Cap. 73:04.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

In connection with our audit of the 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 judgement 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the year ended September 30, 2019 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 Christopher Ram.

Ram & McRae.

RAM & MCRAE
Chartered Accountants
Professional Services Firm
157 'C' Waterloo Street, Georgetown

October 21, 2019

STATEMENT OF FINANCIAL POSITION

As at September 30, 2019. Expressed in thousands of Guyana dollars ($'000)

	Notes	2019	2018
ASSETS			
Cash		**2,876,344**	2,661,598
Statutory deposit with Bank of Guyana	2 d	**16,871,143**	16,178,382
Due from banks	4	**24,128,166**	21,238,204
Treasury Bills	6 c	**32,935,836**	33,096,297
Investment interest receivable		**213,228**	225,236
Advances	5	**78,793,633**	69,747,950
Investment securities	6 a	**14,835,914**	15,694,193
Premises and equipment	7 a	**7,175,942**	7,070,772
Intangible assets	7 b	**73,491**	94,770
Goodwill	8	**1,228,222**	1,228,222
Pension asset	9 a	**31,700**	13,700
Deferred tax assets	10 a	**367,056**	428,118
Other assets	11	**630,750**	505,848
TOTAL ASSETS		**180,161,425**	**168,183,290**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**138,207**	117,037
Customers' chequing, savings and deposit accounts	12 a	**153,605,091**	144,654,913
Taxation payable		**1,061,407**	651,621
Deferred tax liabilities	10 b	**386,382**	378,906
Accrued interest payable		**19,440**	18,850
Other liabilities	13	**2,327,196**	2,197,682
TOTAL LIABILITIES		**157,537,723**	**148,019,009**
EQUITY			
Stated capital	14	**300,000**	300,000
Statutory reserves	15 a	**300,000**	300,000
General banking risk reserve	15 b	**844,581**	795,389
Retained earnings		**21,179,121**	18,768,892
TOTAL EQUITY		**22,623,702**	**20,164,281**
TOTAL LIABILITIES AND EQUITY		**180,161,425**	**168,183,290**

The accompanying notes on pages 64 to 126 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on October 21, 2019 and signed on its behalf by:

AMRAL F. KHAN
Managing Director

CHRISTINE MC GOWAN
Corporate Secretary

ROY E. CHEONG
Director, Chairman of Audit Committee

STATEMENT OF INCOME

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000)

	Notes	2019	2018
Interest income	16 a	**9,083,475**	7,974,508
Interest expense	16 b	**(588,076)**	(570,015)
Net interest income		**8,495,399**	7,404,493
Other income	16 c	**3,152,038**	3,153,298
		11,647,437	10,557,791
Credit loss expense on financial assets	17	**(86,270)**	(885,398)
Operating expenses	16 d	**(5,586,916)**	(5,007,796)
Profit before taxation		**5,974,251**	4,664,597
Taxation - current		**(2,055,691)**	(1,585,314)
Taxation - deferred		**(72,779)**	54,721
Total taxation expense	18	**(2,128,470)**	(1,530,593)
Net profit after taxation		**3,845,781**	3,134,004
Earnings per stock unit ($)		**12.82**	10.45

The accompanying notes on pages 64 to 126 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000)

	2019	2018
Net profit after taxation	3,845,781	3,134,004
Other comprehensive income:		
Items of other comprehensive income that will not be reclassified to the statement of income in subsequent periods (net of tax):		
Remeasurement (loss)/gain on defined benefit plans	(10,600)	121,400
Income tax related to above	4,240	(48,560)
Total items that will not be reclassified to the income statement in subsequent periods:	(6,360)	72,840
Other comprehensive income for the year, net of tax	(6,360)	72,840
Total comprehensive income for the year, net of tax	3,839,421	3,206,844

The accompanying notes on pages 64 to 126 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000)

	Stated capital	Statutory reserve	Net unrealised gains/ (losses)	General banking risk reserves	Retained earnings	Total equity
Balance at September 30, 2017	300,000	300,000	17,730	3,512,532	14,170,219	18,300,481
Net impact of adopting IFRS 9 (Note 2 b)	–	–	(17,730)	–	(90,314)	(108,044)
Restated opening balance under IFRS 9	300,000	300,000	–	3,512,532	14,079,905	18,192,437
Profit for the year	–	–	–	–	3,134,004	3,134,004
Other comprehensive income	–	–	–	–	72,840	72,840
Total comprehensive income for the year	–	–	–	–	3,206,844	3,206,844
Transfer from general banking risk reserve (Note 2 b)	–	–	–	(2,717,143)	2,717,143	–
Dividends	–	–	–	–	(1,235,000)	(1,235,000)
Balance at September 30, 2018	300,000	300,000	–	795,389	18,768,892	20,164,281
Profit for the year	–	–	–	–	3,845,781	3,845,781
Other comprehensive loss	–	–	–	–	(6,360)	(6,360)
Total comprehensive income for the year	–	–	–	–	3,839,421	3,839,421
Transfer to general banking risk reserve (Note 2 b)	–	–	–	49,192	(49,192)	–
Dividends	–	–	–	–	(1,380,000)	(1,380,000)
Balance at September 30, 2019	300,000	300,000	–	844,581	21,179,121	22,623,702

STATEMENT OF CASH FLOWS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000)

	Notes	2019	2018
Operating activities			
Profit before taxation		**5,974,251**	4,664,597
Adjustments for:			
Depreciation and amortisation		**473,445**	511,487
Credit loss expense on financial assets		**86,270**	885,398
Loss/(gain) on sale of premises and equipment		**7,909**	(194,013)
Increase in pension asset		**(28,600)**	(27,500)
Increase in advances		**(9,257,826)**	(9,024,400)
Increase in customers' deposits		**8,950,178**	19,775,535
Increase in statutory deposit with Bank of Guyana		**(692,761)**	(2,210,897)
(Increase)/decrease in other assets and investment interest receivable		**(110,075)**	609,053
Increase in other liabilities and accrued interest payable		**130,104**	99,514
Net cash provided by operating activities before tax		**5,532,895**	15,088,774
Taxes paid		**(1,663,249)**	(1,423,746)
Cash provided by operating activities		**3,869,646**	13,665,028
Investing activities			
Purchase of investment securities		**(1,063,492)**	(10,395,000)
Redemption of investment securities		**2,020,539**	1,094,215
Purchase of Treasury Bills		**(33,080,650)**	(38,382,700)
Redemption of Treasury Bills		**33,282,750**	45,408,200
Additions to premises and equipment		**(571,778)**	(325,129)
Proceeds from sale of premises and equipment		**6,523**	219,403
Cash provided by/(used in) investing activities		**593,892**	(2,381,011)
Financing activities			
Increase/(decrease) in balances due to other banks		**21,170**	(10,951)
Dividends paid		**(1,380,000)**	(1,235,000)
Cash used in financing activities		**(1,358,830)**	(1,245,951)
Net increase in cash and cash equivalents		**3,104,708**	10,038,066
Cash and cash equivalents at beginning of year		**23,899,802**	13,861,736
Cash and cash equivalents at end of year		**27,004,510**	23,899,802
Cash and cash equivalents at September 30 are represented by:			
Cash on hand		**2,876,344**	2,661,598
Due from banks	4	**24,128,166**	21,238,204
		27,004,510	23,899,802

STATEMENT OF CASH FLOWS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000)

	Notes	2019	2018
Supplemental information:			
Interest received during the year		**8,970,904**	7,810,406
Interest paid during the year		**587,486**	568,937
Dividends received		**2,485**	9,704

The accompanying notes on pages 64 to 126 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

1 CORPORATE INFORMATION

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

The Bank was registered as a reporting issuer under the Securities Industry Act Cap. 73:04 on April 7, 2003. It was designated as an approved mortgage finance company by the Minister of Finance on September 2, 2003 under section 15 of the Income Tax Act Cap. 81:01.

Banking operations began on February 16, 1837 by the British Guiana Bank which had been incorporated on November 11, 1836. On November 17, 1913 operations were sold to the Royal Bank of Canada. Assets and liabilities of the Guyana operation 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, 2019 the stockholdings of Republic Financial Holdings Limited in the Bank were 50.97%.

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 Caribbean Community (CARICOM) region, Ghana and Cayman Islands.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

a Basis of preparation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), the Financial Institutions Act Cap. 85:03 and guidelines issued thereunder, the Companies Act Cap. 89:01 and the Securities Industry Act Cap. 73:04. and are stated in Guyana dollars. These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale and at fair value through profit or loss and derivative financial instruments. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Bank's accounting policies have been described in Note 3.

b Changes in accounting policies

i New accounting standards/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2018 except for the adoption of new standards and interpretations below.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting standards/improvements adopted (continued)

IFRS 1 – First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)

The amendment deletes short-term exemptions in paragraphs E3–E7 of IFRS 1 because they have now served their intended purpose. The adoption and amendment to this standard had no impact on the Bank.

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)

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at Fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

If an entity applies those amendments for an earlier period, it must disclose that fact.The adoption and amendment to this standard had no impact on the Bank.

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.

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting standards/improvements adopted (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.

As a result of the adoption of this standard, credit card fees and commissions are being recorded net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received.

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

IAS 40 Investment property: transfers of investment properties – amendments to IAS 40 (effective January 1, 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.The adoption and amendment to this standard had no impact on the Bank.

IFRIC Interpretation 22 foreign currency transactions and advance consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.The adoption and amendment to this standard had no impact on the Bank.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

ii Standards in issue not yet effective

The following is a list of standards and interpretations 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.

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.

IFRIC Interpretation 23 uncertainty over income tax treatments (effective January 1, 2019)

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

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

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

IFRS 9 Financial instruments – amendments to IFRS 9 (effective January 1, 2019)

The amendments to IFRS 9 clarify that a financial asset passes the Solely Payments of Principal and Interest (SPPI) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

IAS 28 Investments in associates and joint ventures – amendments to IAS 28 (effective January 1, 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

ii Standards in issue not yet effective (continued)

IAS 28 Investments in associates and joint ventures - amendments to IAS 28 (effective January 1, 2019) (continued)

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in associates and joint ventures.

Entities must apply the amendments retrospectively, with certain exceptions.

IAS 19 Employee benefits – amendments to IAS 19 (effective January 1, 2019)

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

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

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

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

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

IAS 1 Presentation of Financial statements and IAS 8 accounting policies, changes in accounting estimates (effective January 1, 2020)

The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature and magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

ii Standards in issue not yet effective (continued)

IFRS 3 Business combinations – amendments to IFRS 3 (effective January 1, 2020)

The IASB issued amendments to the definition of a business in IFRS 3 Business combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

IFRS 17 Insurance contracts (effective January 1, 2022)

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the Present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the Statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

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, 2019:

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

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

iii Improvements to International financial reporting standards (continued)

IFRS	Subject of amendment
IFRS 3 –	Business combinations – Previously held Interests in a joint operation (effective January 1, 2019)
IFRS 11 –	Joint arrangements – Previously held Interests in a joint operation (effective January 1, 2019)
IAS 12 –	Income taxes – Income tax consequences of payments on financial instruments classified as equity (effective January 1, 2019)
IAS 23 –	Borrowing costs – Borrowing costs eligible for capitalisation (effective January 1, 2019)

c **Cash and cash equivalents**

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash on hand and at bank, Treasury Bills, bills discounted and bankers' acceptances with original maturities of three months or less.

d **Statutory deposit with Bank of Guyana**

Pursuant to the Financial Institutions Act Cap. 85:03, the Bank is required to maintain with the Bank of Guyana a statutory reserve balance in relation to the deposit liabilities of the institution.

e **Financial instruments – initial recognition**

i Date of recognition

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

ii Initial measurement of financial instruments

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

iii Measurement categories of financial assets and liabilities

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

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

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

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

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

f **Financial assets and liabilities**

Under IFRS 9

i Due from banks, Treasury Bills, advances and investment securities

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

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

The details of these conditions are outlined below.

The SPPI test

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

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

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

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

Business model assessment

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f Financial assets and liabilities *(continued)*

Under IFRS 9 *(continued)*

ii Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management may designate an instrument at FVPL upon initial recognition.

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

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

iii Undrawn loan commitments

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

iv Debt securities and other fund raising instruments

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

g Reclassification of financial assets and liabilities

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

h Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate (or credit adjusted affective interest rate for purchased or credit impaired financial assets), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Derecognition other than for substantial modification

Financial assets

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

Financial liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets

i Overview of the ECL principles

The Bank records an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

Where, the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

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

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

Stage 1

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

Stage 2

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

Stage 3

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

POCI

Purchased or Originated Credit Impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets *(continued)*

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

ii The calculation of ECLs

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

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

- PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 20.2.5.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

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

Stage 2

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

NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets *(continued)*

ii The calculation of ECLs *(continued)*

Stage 3

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

POCI

POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

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

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

iii Revolving facilities

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

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

The interest rate used to discount the ECLs for credit cards is based on the interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

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

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

v Financial guarantees, letters of credit and undrawn loan commitments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i Impairment of financial assets *(continued)*

vi Forward looking information

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

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

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

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

j Collateral valuation

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

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

k Collateral repossessed

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

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

l Write-offs

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

NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m Leases

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

n 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.

o 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.

p 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

The above accounting requirement in no way affects the pension plan which continues to be governed by the approved Trust Deed and Rules and remain under the full control of the appointed Trustees.

The full results of the valuation exercise are disclosed in Note 9 to these financial statements.

ii Profit sharing scheme

The Bank operates an employee profit sharing 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.

r 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, 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s Statutory reserves

In accordance with the Financial Institutions Act Cap. 85:03, a minimum of 15.00% of the current year's net profit must be transferred to the Reserve Fund until the amount in the Fund is equal to the paid up Capital of the Bank. This reserve is non-distributable.

t 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.

u 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.

v Revenue recognition

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

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

The effective interest rate method

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

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

Interest income and expense

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

v Revenue recognition *(continued)*

Interest income and expense (continued)

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

Dividends

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

w 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.

x Segment reporting

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

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

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customer in the event of a call on these commitments. These amounts are not recorded on the Bank's Statement of financial position but set out in Note 26 (b) of these financial statements.

z 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.

aa 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.

ab Equity reserves

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

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

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

Other statutory reserves that qualify for treatment as equity are discussed in Note 2 (s).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

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

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

Impairment losses on financial assets (Policy applicable under IFRS 9)

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

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

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

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

Under IAS 39, financial assets are determined impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the Present value of the future cash flows.

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

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, 2019 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

	2019	2018
Bank of Guyana – excess of statutory deposit	**17,067,537**	19,490,715
Other banks	**7,060,629**	1,747,489
	24,128,166	21,238,204

5 ADVANCES

a Advances

	2019				
	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Performing advances	9,801,175	32,563,457	27,351,969	8,077,430	**77,794,031**
Non-performing advances	23,279	2,299,952	1,303,448	–	**3,626,679**
	9,824,454	34,863,409	28,655,417	8,077,430	**81,420,710**
Unearned interest	(1,950,169)	–	–	–	**(1,950,169)**
Allowance for ECLs – Note 5 (c)	(62,824)	(373,556)	(258,837)	(42,922)	**(738,139)**
	7,811,461	34,931,306	28,458,239	8,034,508	**79,235,514**
Unearned loan origination fees	(249,470)	(69,755)	(122,656)	–	**(441,881)**
Net advances	**7,561,991**	**34,861,551**	**28,335,583**	**8,034,508**	**78,793,633**

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 **ADVANCES** *(continued)*

a **Advances** *(continued)*

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

b **Loans by remaining term to maturity**

	2019	**2018**
Within three months	**536,622**	526,407
Between three and six months	**776,596**	649,481
Between six months and one year	**8,794,495**	8,293,798
Between one to five years	**12,502,726**	12,414,072
More than five years	**56,183,194**	48,271,948
	78,793,633	**70,155,706**

5 **ADVANCES** *(continued)*

c **Impairment allowance for advances to customers**

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

	2019				
	Retail lending	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Total**
Gross Loans	7,874,285	35,304,862	28,717,076	8,077,430	**79,973,653**
Stage 1: 12 month ECL	(54,856)	(170,692)	(87,553)	(41,896)	**(354,997)**
Stage 2: Lifetime ECL	(1,444)	(15,338)	(8,370)	(354)	**(25,506)**
Stage 3: Credit impaired financial assets – Lifetime ECL	(6,524)	(187,526)	(162,914)	(672)	**(357,636)**
	7,811,461	**34,931,306**	**28,458,239**	**8,034,508**	**79,235,514**
Stage 1: 12 Month ECL					
ECL allowance as at October 1, 2018 under IFRS 9	55,678	141,951	59,116	40,071	**296,816**
ECL on new instruments issued during the year	33,515	74,933	760	–	**109,208**
Other credit loss movements, repayments etc.	(34,337)	(46,192)	27,677	1,825	**(51,027)**
At September 30, 2019	**54,856**	**170,692**	**87,553**	**41,896**	**354,997**
Stage 2: Lifetime ECL					
ECL allowance as at October 1, 2018 under IFRS 9	1,869	9,129	10,594	1,109	**22,701**
ECL on new instruments issued during the year	421	5,528	238	–	**6,187**
Other credit loss movements, repayments etc.	(846)	681	(2,462)	(755)	**(3,382)**
At September 30, 2019	**1,444**	**15,338**	**8,370**	**354**	**25,506**

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 **ADVANCES** *(continued)*

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

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 3: Credit impaired financial assets					
– Lifetime ECL					
ECL allowance as at October 1, 2018					
under IFRS 9	6,246	268,172	185,419	22,815	**482,652**
Charge-offs and write-offs	(131,937)	(187,000)	(43,081)	(423)	**(362,441)**
Credit loss expense	(23,507)	72,895	(31,772)	(21,720)	**(4,104)**
Recoveries	155,722	33,459	52,348	–	**241,529**
At September 30, 2019	**6,524**	**187,526**	**162,914**	**672**	**357,636**
Total	**62,824**	**373,556**	**258,837**	**42,922**	**738,139**

Of the Total ECL of $738.1 million, 51.5 % was on a collective basis and 48.5% was on an individual basis.

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Gross Loans	6,942,542	30,500,599	25,764,848	7,749,886	**70,957,875**
Stage 1: 12 month ECL	(55,678)	(141,951)	(59,116)	(40,071)	**(296,816)**
Stage 2: Lifetime ECL	(1,869)	(9,129)	(10,594)	(1,109)	**(22,701)**
Stage 3: Credit impaired financial assets					
– Lifetime ECL	(6,246)	(268,172)	(185,419)	(22,815)	**(482,652)**
	6,878,749	**30,081,347**	**25,509,719**	**7,685,891**	**70,155,706**
Stage 1: 12 Month ECL					
ECL allowance as at October 1, 2017					
under IFRS 9	42,438	113,554	53,725	36,056	**245,773**
ECL on new instruments issued					
during the year	32,343	82,231	504	–	**115,078**
Other credit loss movements,					
repayments etc.	(19,103)	(53,834)	4,887	4,015	**(64,035)**
At September 30, 2018	**55,678**	**141,951**	**59,116**	**40,071**	**296,816**

5 **ADVANCES** *(continued)*

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

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 2: Lifetime ECL					
ECL allowance as at October 1, 2017					
under IFRS 9	2,586	11,277	16,576	1,438	**31,877**
ECL on new instruments issued					
during the year	668	5,491	640	–	**6,799**
Other credit loss movements,					
repayments etc.	(1,385)	(7,639)	(6,622)	(329)	**(15,975)**
At September 30, 2018	**1,869**	**9,129**	**10,594**	**1,109**	**22,701**
Stage 3: Credit Impaired Financial Assets					
– Lifetime ECL					
ECL allowance as at October 1, 2017					
under IFRS 9	11,143	390,420	187,166	672	**589,401**
Charge-offs and write-offs	(189,497)	(59,885)	(531,505)	(49,145)	**(830,032)**
Credit loss expense	41,932	(126,577)	529,758	71,288	**516,401**
Recoveries	142,668	64,214	–	–	**206,882**
At September 30, 2018	**6,246**	**268,172**	**185,419**	**22,815**	**482,652**
Total	**63,793**	**419,252**	**255,129**	**63,995**	**802,169**

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

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

5 ADVANCES *(continued)*

d Provision for loan losses by economic sectors

2019	Gross amount	Non-performing	Specific provisions	Expected credit loss	Net advances
Government and government bodies	75,818	–	–	–	**75,818**
Financial sector	235,361	–	–	(1,306)	**234,055**
Energy and mining	345,474	103,639	(40,047)	(1,916)	**407,150**
Agriculture	3,404,027	222,620	(4,354)	(18,881)	**3,603,412**
Electricity and water	124,466	–	–	(690)	**123,776**
Transport, storage and communication	1,930,019	157,879	–	(10,705)	**2,077,193**
Distribution	13,226,320	1,205,605	(56,704)	(73,364)	**14,301,857**
Real estate mortgages	27,413,628	1,303,448	(162,914)	(95,923)	**28,458,239**
Manufacturing	2,534,929	143,853	(48,306)	(14,061)	**2,616,415**
Construction	1,269,318	101,943	–	(7,041)	**1,364,220**
Hotel and restaurant	31,147	–	–	(173)	**30,974**
Personal	7,702,332	23,279	(6,524)	(56,300)	**7,662,787**
Non-residents	148,674	-	-	(825)	**147,849**
Other services	17,905,461	364,413	(38,787)	(99,318)	**18,131,769**
	76,346,974	**3,626,679**	**(357,636)**	**(380,503)**	**79,235,514**

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

5 ADVANCES *(continued)*

e Restructured/Modified Loans

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

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

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stages 1, 2 and 3. These amounted to $373.8 million as at September 30, 2019 with a corresponding ECL of $5 million.

f The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2019 amounts to $6,728.3 million (2018: $7,073.4 million). The collateral consists of cash, securities and properties.

g Collateral realised

During the year, the Bank realised collateral amounting to $32.1 million (2018: $28.4 million).

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

	2019	2018
Government	**12,510,012**	12,618,390
Distribution	**2,448,901**	2,683,053
Manufacturing	**4,204,912**	2,561,303
Other services	**4,872,714**	4,593,327
	24,036,539	**22,456,073**

6 INVESTMENT SECURITIES

a Debt instruments at amortised cost

	2019	2018
Government securities	**13,014,540**	12,911,496
State-owned company securities	**–**	1,245,245
Corporate bonds	**1,797,174**	1,517,452
	14,811,714	15,674,193
Designated at fair value through profit or loss		
Equity	**24,200**	20,000
Total investment securities	**14,835,914**	**15,694,193**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

6 INVESTMENT SECURITIES *(continued)*

b Investment securities by remaining term to maturity

	2019	2018
Within three months	125,771	154,578
Between six months and one year	–	2,294,022
Between one and five years	11,447,475	9,775,786
More than five years	3,262,668	3,469,807
	14,835,914	15,694,193

c Treasury Bills by remaining term to maturity

	2019	2018
Within three months	14,319,725	14,194,574
Between three and six months	9,994,998	3,785,742
Between six months and one year	8,621,113	15,115,981
	32,935,836	33,096,297

d Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

	2019			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired financial assets – Lifetime ECL	Total
Gross exposure	1,067,304	13,738,096	137,197	14,942,597
ECL	(580)	(94,677)	(35,626)	(130,883)
Net exposure	1,066,724	13,643,419	101,571	14,811,714
ECL allowance as at October 1, 2018 under IFRS 9	–	343,024	–	343,024
ECL on new instruments issued during the year	580	–	–	580
Other credit loss movements, repayments and maturities	–	(248,347)	35,626	(212,721)
At September 30, 2019	580	94,677	35,626	130,883

6 INVESTMENT SECURITIES *(continued)*

d Financial investment securities subject to impairment assessment *(continued)*

	2018			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired financial assets – Lifetime ECL	Total
Gross exposure	–	16,017,217	–	16,017,217
ECL	–	(343,024)	–	(343,024)
Net exposure	–	15,674,193	–	15,674,193
ECL allowance as at October 1, 2017 under IFRS 9	2,033	220,743	–	222,776
ECL on new instruments issued during the year	-	227,346	–	227,346
Other credit loss movements, repayments and maturities	(2,033)	(105,065)	–	(107,098)
At September 30, 2018	–	343,024	–	343,024

e Designated at fair value through profit or loss

For equity securities, cost is determined by the appropriate estimate of fair value since insufficient recent information is available to measure fair value.

7 a PREMISES AND EQUIPMENT

	2019			
	Capital works in progress	Freehold premises	Equipment, furniture and fittings	Total
Cost				
At beginning of year	15,584	6,279,925	4,213,065	10,508,574
Additions at cost	330,298	42,958	190,308	563,564
Disposal of assets	–	–	(113,970)	(113,970)
Transfer of assets	(8,522)	1,101	7,421	–
	337,360	6,323,984	4,296,824	10,958,168
Accumulated depreciation				
At beginning of year	–	893,306	2,544,496	3,437,802
Charge for the year	–	85,576	358,386	443,962
Disposal of assets	–	–	(99,538)	(99,538)
	–	978,882	2,803,344	3,782,226
Net book value	337,360	5,345,102	1,493,480	7,175,942

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

7 a **PREMISES AND EQUIPMENT** *(continued)*

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

b Intangible assets

	2019	2018
Cost		
At beginning of year	**668,406**	671,830
Additions at cost	**8,214**	6,380
Disposal	**(1,101)**	(9,804)
	675,519	**668,406**
Accumulated depreciation		
At beginning of year	**573,636**	541,623
Charge for the year	**29,493**	41,809
Disposal	**(1,101)**	(9,796)
	602,028	**573,636**
Net book value	**73,491**	**94,770**

7 **PREMISES AND EQUIPMENT** *(continued)*

c **Capital commitments**

	2019	2018
Contracts for outstanding capital expenditure not provided for in the financial statements	**250,002**	**450,715**

8 **GOODWILL**

	2019	2018
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, 2019 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:**

	2019	2018
Present value of defined benefit obligation	**2,124,000**	1,943,300
Fair value of plan assets	**(2,155,700)**	(1,957,000)
Net (asset)/liability recognised in the Statement of financial position	**(31,700)**	**(13,700)**

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

	2019	2018
Opening defined benefit obligation	**1,943,300**	1,731,300
Current service cost	**77,600**	71,400
Interest cost	**105,600**	94,000
Members' contributions	**38,000**	36,200
Remeasurements		
– Experience adjustments	**7,600**	55,800
Benefits paid	**(48,100)**	(45,400)
Closing defined benefit obligation	**2,124,000**	**1,943,300**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 **EMPLOYEE BENEFITS** *(continued)*

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

	2019	2018
Opening fair value of plan assets	**1,957,000**	1,596,100
Interest income	**110,100**	90,300
Return on plan assets, excluding interest income	**(3,000)**	177,200
Bank contributions	**107,200**	107,700
Members' contributions	**38,000**	36,200
Benefits paid	**(48,100)**	(45,400)
Expense allowance	**(5,500)**	(5,100)
Closing fair value of plan assets	**2,155,700**	**1,957,000**
Actual return on plan assets	**107,100**	**267,500**

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

	2019	2018
Net pension cost	**78,600**	**80,200**

e **Reconciliation of opening and closing Statement of financial position entries:**

	2019	2018
Defined benefit obligation at prior year end	**(13,700)**	135,200
Unrecognised gain/(loss) charged to retained earnings	**–**	–
Opening defined benefit obligation	**(13,700)**	135,200
Net pension cost	**78,600**	80,200
Remeasurements recognised in other comprehensive income	**10,600**	(121,400)
Premiums paid by the Bank	**(107,200)**	(107,700)
Closing defined benefit asset	**(31,700)**	**(13,700)**

f **Liability profile**

The defined benefit obligation is allocated between the Plan's members as follows:

	2019	2018
– Active members	**76%**	76%
– Deferred members	**2%**	2%
– Pensioners	**22%**	22%
The weighted duration of the defined benefit obligation at the year end	**20.0 years**	20.0 years

52% of the defined benefit obligation for active members is conditional on future salary increases

61% of the benefits for active members are vested

9 **EMPLOYEE BENEFITS** *(continued)*

g **Remeasurements recognised in Other comprehensive income**

	2019	2018
Experience loss/(gain)	**10,600**	(121,400)
Total included in Other comprehensive income	**10,600**	**(121,400)**

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, 2019 would have changed as a result of a change in the assumptions used.

	1% per annum decrease $'000	1% per annum increase $'000
– Discount rate	**462,000**	(353,000)
– Future salary increases	**(244,000)**	309,000

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2019 by $55.0 million.

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

i **Summary of principal actuarial assumptions as at September 30**

	%	%
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, 2019 are as follows:

	2019	2018
Life expectancy at age 65 for current pensioner in years:		
- Male	**14.6**	14.6
- Female	**18.4**	18.4
Life expectancy at age 65 for current members age 40 in years:		
- Male	**14.6**	14.6
- Female	**18.4**	18.4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

9 **EMPLOYEE BENEFITS** *(continued)*

j **Plan asset allocation as at September 30**

	2019	2018
Local equities	**458,900**	378,500
Overseas equities	**164,000**	168,600
Cash and cash equivalents	**1,361,500**	1,228,700
Mortgages	**171,300**	181,200
Fair value of scheme assets at end of year	**2,155,700**	**1,957,000**

k **Funding**

The Bank meets the balance of the cost of funding the defined benefit Pension Scheme and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Scheme and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $118.0 million to the Pension Scheme during 2019/2020.

10 **DEFERRED TAX ASSETS AND LIABILITIES**

Components of deferred tax assets and liabilities

a **Deferred tax assets**

			(Charge)/credit		
	Opening balance 2018	Impact of IFRS 9	Statement of income	Other comprehensive income	Closing balance 2019
Fee and commission income	163,102	–	13,650	–	**176,752**
ECL on loans and investments	265,016	–	(74,712)	–	**190,304**
	428,118	**–**	**(61,062)**	**–**	**367,056**

b **Deferred tax liabilities**

			Credit/(charge)		
	Opening balance 2018	Impact of IFRS 9	Statement of income	Other comprehensive income	Closing balance 2019
Pension asset	5,480	–	11,440	(4,240)	**12,680**
Premises and equipment	373,426	–	276	–	**373,702**
	378,906	**–**	**11,716**	**(4,240)**	**386,382**

11 **OTHER ASSETS**

	2019	2018
Accounts receivable and prepayments	**305,125**	260,748
Items in transit	**262,542**	208,569
Other assets	**63,083**	36,531
	630,750	**505,848**

12 **CUSTOMERS' CHEQUING, SAVINGS AND DEPOSIT ACCOUNTS**

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

	Demand	Savings	Time	Total
2019				
State	13,257,207	12,417,727	300,920	**25,975,854**
Corporate and commercial	21,586,758	4,163,114	349,222	**26,099,094**
Personal	5,421,157	78,539,444	5,161,589	**89,122,190**
Other financial institutions	1,563,202	3,212,753	385,554	**5,161,509**
Other	5,966,265	1,053,910	226,269	**7,246,444**
	47,794,589	**99,386,948**	**6,423,554**	**153,605,091**
2018				
State	10,828,333	21,232,940	293,675	**32,354,948**
Corporate and commercial	13,053,098	3,263,375	274,355	**16,590,828**
Personal	6,156,546	75,235,351	4,987,084	**86,378,981**
Other financial institutions	1,085,383	2,295,737	415,812	**3,796,932**
Other	4,791,619	498,155	243,450	**5,533,224**
	35,914,979	**102,525,558**	**6,214,376**	**144,654,913**

b **Time deposits by remaining term to maturity**

	2019	2018
Within three months	**2,149,360**	2,278,936
Between three and six months	**1,320,840**	1,186,364
Between six months and one year	**2,953,354**	2,749,076
	6,423,554	**6,214,376**

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For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

13 OTHER LIABILITIES

	2019	2018
Drafts and settlements	**1,388,212**	1,470,792
Accrued expenses	**146,030**	116,259
Statutory liabilities	**231,659**	212,554
Deferred income	**11,612**	12,370
Dividends payable	**123,140**	107,422
Other	**426,543**	278,285
	2,327,196	**2,197,682**

14 STATED CAPITAL

	2019	2018
Authorised		
300 million ordinary stock units of no par value		
Issued and fully paid		
300 million ordinary stock units of no par value	**300,000**	**300,000**

15 OTHER RESERVES

a Statutory reserves

In accordance with the Financial Institutions Act Cap. 85:03, a minimum of 15.00% of the current year's net profit must be transferred to the Reserve Fund until the amount in the Fund is equal to the paid up Capital of the Bank. This reserve is non-distributable.

b General banking risk reserve/Other reserves

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

16 OPERATING PROFIT

		2019	2018
a	**Interest income**		
	Advances	**7,869,609**	6,931,329
	Investment securities	**789,547**	545,563
	Liquid assets	**424,319**	497,616
		9,083,475	**7,974,508**
b	**Interest expense**		
	Customers' chequing, savings and deposit accounts	**588,076**	**570,015**
c	**Other income**		
	Credit and related fees	**113,683**	112,813
	Net exchange trading income	**1,370,193**	1,399,435
	Loan recoveries	**241,530**	206,882
	Dividends	**2,485**	9,704
	Deposit and related fees	**1,077,616**	974,673
	Payments and transfers	**342,366**	252,995
	Gains from sale of premises and equipment	**–**	194,013
	Other operating income	**4,165**	2,783
		3,152,038	**3,153,298**
d	**Operating expenses**		
	Staff costs	**2,193,404**	2,113,314
	Staff profit share	**401,043**	301,881
	General administrative expenses	**1,241,181**	845,417
	Lease rental expenses	**19,677**	17,910
	Property related expenses	**695,913**	658,755
	Property tax	**194,299**	176,393
	Loss on sale of premises and equipment	**7,909**	–
	Depreciation expense	**473,445**	511,487
	Communication	**125,721**	119,538
	Advertising and public relations expenses	**199,089**	228,046
	Directors' fees	**15,390**	15,210
	Auditors' fees	**19,845**	19,845
		5,586,916	**5,007,796**

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17 CREDIT LOSS EXPENSE

	2019	2018
Advances	298,411	765,150
Debt instruments measured at amortised cost	(212,141)	120,248
	86,270	885,398

18 TAXATION EXPENSE

Reconciliation

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

	2019	2018
Accounting profit	5,974,251	4,664,597
Tax at applicable statutory tax rates (40%)	2,389,700	1,865,839
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(378,172)	(365,754)
Depreciation	189,378	204,595
Donations	1,311	1,300
Property tax	77,720	70,557
Wear and tear allowance	(155,164)	(198,836)
Expected credit loss (Stages 1 & 2)	(74,712)	64,847
Loss/(Gain) on sale of premises and equipment	3,420	(77,055)
Defined benefit obligation	(11,440)	(11,000)
Deferred fee income	13,650	30,821
Current tax	2,055,691	1,585,314
Deferred tax	72,779	(54,721)
Total taxation	2,128,470	1,530,593

19 RELATED PARTIES

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

19 RELATED PARTIES *(continued)*

Outstanding balances

	2019	2018
Loans, investments and other assets		
Fellow subsidiaries	486,990	132,410
Directors and key management personnel	82,959	76,552
Other related parties	467,714	289,828
	1,037,663	498,790

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

Amounts due from the five parties with the highest exposures totalled $501.4 million (2018: $337.9 million) and represents 2.22% (2018: 1.68%) of the Bank's capital base.

	2019	2018
Deposits and other liabilities		
Fellow subsidiaries	330,433	217,485
Directors and key management personnel	266,487	163,715
Other related parties	4,909,794	2,979,660
	5,506,714	3,360,860
Interest and other income		
Directors and key management personnel	3,227	2,870
Other related parties	11,544	3,286
	14,771	6,156
Interest and other expense (excluding key management compensation)		
Fellow subsidiaries	133,444	106,510
Directors and key management personnel	5,433	7,818
Other related parties	7,692	7,770
	146,569	122,098
Proportion of related parties exposure to total customer exposure	0.72%	0.53%

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19 RELATED PARTIES *(continued)*

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

Key management compensation

	2019	2018
Short-term benefits	99,929	89,752

Loans

	Balance at the beginning of year	Loans during the year	Repayments	Balance at end of year Total
2019				
Other related parties	90,066	20,342	(19,913)	90,495
	90,066	20,342	(19,913)	90,495
2018				
Other related parties	86,504	20,759	(17,197)	90,066
	86,504	20,759	(17,197)	90,066

20 RISK MANAGEMENT

20.1 Introduction

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

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

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks 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.

20 RISK MANAGEMENT *(continued)*

20.1 Introduction *(continued)*

The Asset/Liability Committee of the Bank reviews on a monthly basis the non-credit and non-operational risks of the Bank. Asset and liability management is a vital part of the risk management process of the Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, including interest rate, foreign exchange, liquidity and market risks.

The Internal Audit function audits risk management processes throughout the Bank by examining both the adequacy of the procedures and the Bank's compliance with these procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

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

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

20.2 Credit risk

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

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

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

The Bank uses a risk rating system which groups commercial/corporate accounts and overdrafts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. Retail lending, mortgages and retail overdrafts are managed by product type. Preset risk management criteria is in place at all branches to facilitate decision-making for all categories of loans including credit cards. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The debt securities within the Bank's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with preset exposure limits as approved by the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

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

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

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

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

	Gross maximum exposure 2019	2018
Statutory deposits with Bank of Guyana	**16,871,143**	16,178,382
Due from banks	**24,128,166**	21,238,204
Treasury Bills	**32,935,836**	33,096,297
Investment interest receivable	**213,228**	225,236
Investment securities	**14,811,714**	15,674,193
Loans and advances to customers	**78,793,633**	69,747,950
Total	**167,753,720**	**156,160,262**
Undrawn commitments	**9,417,819**	10,540,301
Guarantees and indemnities	**1,940,716**	1,908,611
Letters of credit	**264,702**	195,625
Total	**11,623,237**	**12,644,537**
Total credit risk exposure	**179,376,957**	**168,804,799**

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.

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

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

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. As at September 30, 2019, $10.2 million (2018: $39.5 million) in repossessed properties are still in the process of being disposed of.

20.2.2 Risk concentrations of the maximum exposure to credit risk

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

a Geographical sectors

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

	2019	2018
Guyana	**169,893,928**	163,657,824
Trinidad and Tobago	**1,211,755**	2,718,539
Barbados	**58,383**	109,503
Eastern Caribbean	**4,440**	2,952
Suriname	**–**	1,334
United States	**7,202,636**	635,764
Other countries	**1,005,815**	1,678,883
	179,376,957	**168,804,799**

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20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.2 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:

	2019	2018
Government and government bodies	**63,942,408**	66,136,583
Financial sector	**26,139,020**	21,329,308
Energy and mining	**289,079**	349,130
Agriculture	**3,407,668**	3,600,246
Electricity and water	**124,466**	565
Transport, storage and communication	**2,604,670**	1,773,294
Distribution	**14,703,207**	12,408,877
Real estate mortgages	**29,289,911**	25,734,599
Manufacturing	**2,664,075**	6,528,347
Construction	**1,674,078**	1,301,942
Hotel and restaurant	**254,356**	14,500
Personal	**18,401,359**	18,297,779
Non-residents	**148,674**	173,493
Other services	**15,733,986**	11,156,136
	179,376,957	**168,804,799**

Included above is $126.8 million (2018: $4.9 million) representing Public non-financial institutions.

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

	2019	2018
Government	**145.58**	164.13
Central Bank	**150.01**	176.89
Counterparty 3	**55.30**	62.58
Counterparty 4	**18.59**	13.31
Counterparty 5	**10.82**	12.70

20.2.3 Impairment assessment

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

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.4 Default and cure

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

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

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

20.2.5 The Bank's internal rating and PD estimation process

Commercial and corporate lending and mortgages

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

Retail lending and mortgages

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

Overdrafts

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

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

Investment securities

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

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20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

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

Internal rating

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

Rating	Stage
Superior/desirable < 30 days	1
Watch list 31>90 days	2
Credit impaired/ non-performing loans > 90 days	3

A description of the internal credit ratings is noted below:

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

20.2.6 Significant increase in credit risk

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

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

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

20.2.7 Grouping financial assets measured on a collective basis

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

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

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

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

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross carrying amount and corresponding ECLs is as follows:

	2019 %	2018 %
Advances		
Stage 1	**6.65**	5.07
Stage 2	**88.81**	89.38
Stage 3	**4.54**	5.55

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 1					
Gross loans	797,254	1,106,587	2,963,337	451,326	**5,318,504**
ECL	(54,856)	(170,692)	(87,553)	(41,896)	**(354,997)**
	742,398	**935,895**	**2,875,784**	**409,430**	**4,963,507**
Percentage (%) of ECL/Gross loans	6.9	15.4	3.0	9.3	**6.7**

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

The increase in ECLs of Stage 1 portfolios was driven by a 47.8% increase in the gross size of the portfolio, movements between stages as a result of increases in credit risk.

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20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross carrying amount and corresponding ECLs is as follows: *(continued)*

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 2					
Gross loans	7,053,752	31,898,323	24,450,291	7,626,104	**71,028,470**
ECL	(1,444)	(15,338)	(8,370)	(354)	**(25,506)**
	7,052,308	**31,882,985**	**24,441,921**	**7,625,750**	**71,002,964**
Percentage (%) of ECL/Gross loans	0.02	0.05	0.03	0.00	**0.04**

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

The increase in ECLs of Stage 2 portfolios was driven by a 12% increase in the gross size of the portfolio, movements between stages as a result of increases in credit risk.

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 3					
Gross loans	23,279	2,299,952	1,303,448	–	**3,626,679**
ECL	(6,524)	(187,526)	(162,914)	–	**(356,964)**
	16,755	**2,112,426**	**1,140,534**	**–**	**3,269,715**
Percentage (%) of ECL/Gross loans	28.0	8.2	12.5	0.0	**9.8**

20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross carrying amount and corresponding ECLs is as follows: *(continued)*

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

The decrease in ECLs of Stage 3 portfolios was driven by a 7.9% decrease in the gross size of the portfolio, movements between stages as a result of increases in write-offs.

Investment securities

	2019 %	**2018** %
Stage 1	**7.14**	0.00
Stage 2	**91.94**	100.00
Stage 3	**0.92**	0.00

2019	Stage 1	Stage 2	Stage 3	Total
Gross balance	1,067,304	13,738,096	137,197	**14,942,597**
ECL	(580)	(94,677)	(35,626)	**(130,883)**
	1,066,724	**13,643,419**	**101,571**	**14,811,714**
Percentage (%) of ECL/Gross loans	0.05	0.69	25.97	**0.88**

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20 RISK MANAGEMENT *(continued)*

20.2 Credit risk *(continued)*

20.2.8 Analysis of Gross carrying amount and corresponding ECLs is as follows: *(continued)*

Investment securities *(continued)*

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

The decrease in ECLs was driven by a 6.7% decrease in the gross size of the portfolio – maturities.

20.3 Liquidity risk

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

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

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

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

The Bank's 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.

20 RISK MANAGEMENT *(continued)*

20.3 Liquidity risk *(continued)*

20.3.1 Analysis of financial liabilities by remaining contractual maturities

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

Financial liabilities – on Statement of financial position	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
As at September 30, 2019					
Customers' chequing, savings and deposit accounts	147,181,537	6,423,554	–	–	**153,605,091**
Due to banks	138,207	–	–	–	**138,207**
Other liabilities	2,327,196	–	–	–	**2,327,196**
Total undiscounted financial liabilities	**149,646,940**	**6,423,554**	**–**	**–**	**156,070,494**

Financial liabilities – on Statement of financial position	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
As at September 30, 2018					
Customers' chequing, savings and deposit accounts	138,440,537	6,214,376	–	–	**144,654,913**
Due to banks	117,037	–	–	–	**117,037**
Other liabilities	2,197,682	–	–	–	**2,197,682**
Total undiscounted financial liabilities	**140,755,256**	**6,214,376**	**–**	**–**	**146,969,632**

Financial liabilities – off Statement of financial position	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
2019					
Guarantees and indemnities	–	691,701	310,849	938,166	**1,940,716**
Letters of credit	–	264,702	–	–	**264,702**
Total	**–**	**956,403**	**310,849**	**938,166**	**2,205,418**

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.3 Liquidity risk *(continued)*

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

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

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

20.4 Market risk

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

20.4.1 Interest rate risk

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

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

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

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at September 30, 2019, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated in the table.

		Impact on net profit			
		2019		**2018**	
	Increase/ decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
G$ Instruments	+/- 50	**-/+ 496,935**		-/+ 512,628	
US$ Instruments	+/- 50	**-/+ 59,210**		-/+ 36,347	
Other currency instruments	+/- 50	**-/+ 2,090**		-/+ 4,332	

20 RISK MANAGEMENT *(continued)*

20.4 Market risk *(continued)*

20.4.2 Currency risk

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

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

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

The following tables indicate the currencies to which the Bank had significant exposure at September 30, 2019, 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.

2019	GYD	TTD	USD	STG	OTHER	Total
FINANCIAL ASSETS						
Cash	2,835,134	95	32,856	3,939	4,320	**2,876,344**
Statutory deposit with Bank of Guyana	16,871,143	–	–	–	–	**16,871,143**
Due from banks	17,427,546	7,725	6,255,728	37,502	399,665	**24,128,166**
Treasury Bills	32,935,836	–	–	–	–	**32,935,836**
Advances	76,656,242	–	2,137,391	–	–	**78,793,633**
Investment securities	10,281,298	–	4,554,616	–	–	**14,835,914**
Interest receivable	162,956	–	50,272	–	–	**213,228**
TOTAL FINANCIAL ASSETS	**157,170,155**	**7,820**	**13,030,863**	**41,441**	**403,985**	**170,654,264**
FINANCIAL LIABILITIES						
Due to banks	48,187	34	86,056	2,032	1,898	**138,207**
Customers' chequing, savings and deposit accounts	141,345,122	–	11,841,941	37,910	380,118	**153,605,091**
Interest payable	19,440	–	–	–	–	**19,440**
TOTAL FINANCIAL LIABILITIES	**141,412,749**	**34**	**11,927,997**	**39,942**	**382,016**	**153,762,738**
NET CURRENCY RISK EXPOSURE	**15,757,406**	**7,786**	**1,102,866**	**1,499**	**21,969**	**16,891,526**

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

20 RISK MANAGEMENT *(continued)*

20.4 Market risk *(continued)*

20.4.2 Currency risk *(continued)*

2019	GYD	TTD	USD	STG	OTHER	Total
Reasonably possible						
change in currency rate (%)	–	1	1	1	1	–
Effect on profit before tax	–	78	11,029	15	220	11,342

2018	GYD	TTD	USD	STG	OTHER	Total
FINANCIAL ASSETS						
Cash	2,563,858	331	88,451	3,631	5,327	2,661,598
Statutory deposit						
with Bank of Guyana	16,178,382	–	–	–	–	16,178,382
Due from banks	19,928,783	1,436	424,032	59,443	824,510	21,238,204
Treasury Bills	33,096,297	–	–	–	–	33,096,297
Advances	68,656,549	–	1,091,401	–	–	69,747,950
Investment securities	10,187,179	–	5,507,014	–	–	15,694,193
Interest receivable	168,309	–	56,927	–	–	225,236
TOTAL FINANCIAL						
ASSETS	**150,779,357**	**1,767**	**7,167,825**	**63,074**	**829,837**	**158,841,860**
FINANCIAL LIABILITIES						
Due to banks	31,963	149	74,422	2,302	8,201	117,037
Customers' chequing,						
savings and deposit						
accounts	136,519,076	–	7,269,334	56,901	809,602	144,654,913
Interest payable	18,850	–	–	–	–	18,850
TOTAL FINANCIAL						
LIABILITIES	**136,569,889**	**149**	**7,343,756**	**59,203**	**817,803**	**144,790,800**
NET CURRENCY						
RISK EXPOSURE	**14,209,468**	**1,618**	**(175,931)**	**3,871**	**12,034**	**14,051,060**
Reasonably possible						
change in currency rate (%)	–	1	1	1	1	–
Effect on profit before tax	–	16	(1,759)	39	120	(1,584)

20 RISK MANAGEMENT *(continued)*

20.5 Operational risk

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

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

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

20.6 Country risk

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

21 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 $2,459.4 million to $22,623.7 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 2019 of $1,555.0 million represents 40.7% of core operating profit.

Capital adequacy is monitored by the Bank, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Bank of Guyana for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly stockholders' equity.

The Bank's Tier 1 capital at September 30, 2019 is 25.09% (2018 - 25.17%) and its capital adequacy ratio (Tier 1 and Tier 2) is 25.51% (2018 - 26.10%). At September 30, 2019 the Bank exceeded the minimum levels required.

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

21 CAPITAL MANAGEMENT *(continued)*

The Bank's regulatory capital is as follows:

	2019	2018
Tier 1		
Stated capital	**300,000**	300,000
Reserve fund	**300,000**	300,000
General banking risk reserves in excess of statutory requirement	**335,157**	157,527
Retained earnings	**20,104,121**	17,868,892
Goodwill	**(1,228,222)**	(1,228,222)
Total	**19,811,056**	**17,398,197**
Tier 2		
General banking risk reserves – statutory requirement	509,424	637,862
Total	**509,424**	**637,862**

22 FAIR VALUE

In accordance with IFRS 7 "Financial Instruments: Disclosures", the Bank calculates the estimated fair value of all financial instruments at the reporting date and separately discloses this information where these fair values are different from net book values.

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

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

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

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

22 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:

		2019	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	59,940,346	59,940,346	–
Statutory deposit with Bank of Guyana	16,871,143	16,871,143	–
Investment securities	14,835,914	15,075,064	239,150
Advances	78,793,633	79,382,406	588,773
Investment interest receivable	213,228	213,228	–
Financial liabilities			
Due to Banks	138,207	138,207	–
Customers' chequing, savings and deposit accounts	153,605,091	153,560,086	(45,005)
Accrued interest payable	19,440	19,440	–
Total unrecognised change in unrealised fair value			**782,918**

		2018	
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Cash, due from banks and Treasury Bills	56,996,099	56,996,099	–
Statutory deposit with Bank of Guyana	16,178,382	16,178,382	–
Investment securities	15,694,193	15,952,648	258,455
Advances	69,747,950	70,246,400	498,450
Investment interest receivable	225,236	225,236	–
Financial liabilities			
Due to Banks	117,037	117,037	–
Customers' chequing, savings and deposit accounts	144,654,913	144,610,259	(44,654)
Accrued interest payable	18,850	18,850	–
Total unrecognised change in unrealised fair value			**712,251**

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

22 **FAIR VALUE** *(continued)*

22.1 Fair value and fair value hierarchies

22.1.1 Determination of fair value and fair value hierarchies

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

Level 1

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

Level 2

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

Level 3

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

The following table shows the fair value measurement hierarchy of the Bank's assets and liabilities as at September 30, 2019.

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities				
2019	1,741,492	13,196,375	137,197	**15,075,064**
2018	1,721,328	14,231,320	–	**15,952,648**
Financial assets for which fair value is disclosed				
Advances				
2019	–	–	78,793,633	**78,793,633**
2018	–	–	69,747,950	**69,747,950**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts				
2019	–	–	153,605,091	**153,605,091**
2018	–	–	144,654,913	**144,654,913**

22 **FAIR VALUE** *(continued)*

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

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

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

	Level 1	Level 2	Level 3	Total
2019				
Financial assets designated at fair value through profit or loss	–	24,200	–	**24,200**
Debt Intruments at amortised cost	1,741,492	13,172,175	137,197	**15,050,864**
	1,741,492	**13,196,375**	**137,197**	**15,075,064**
2018				
Financial assets designated at fair value through profit or loss	–	20,000	–	**20,000**
Debt Intruments at amortised cost	1,721,328	14,231,320	–	**15,952,648**
	1,721,328	**14,251,320**	**–**	**15,972,648**

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, 2019 are as shown below:

	Valuation technique	Significant unobservable inputs	2019 Range (weighted average)	2018 Range (weighted average)
Advances	Discounted cash flow method	Growth rate for cash flows for subsequent years	**10%-14.5% (12.1%)**	10%-14.5% (12.1%)
Customers' current, savings and deposit accounts	Discounted cash flow method	Growth rate for cash flows for subsequent years	**0.6% - 2.36% (0.86%)**	0.6% - 2.36% (0.86%)

22.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2019, no assets valued were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2019, there were no Level 3 financial instruments measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

23 SEGMENTAL INFORMATION

23.1 Operating segments

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

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

23.2 Geographical information

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

	Guyana	Trinidad and Tobago	Other countries	Total
2019				
Interest income	8,959,986	98,416	25,073	**9,083,475**
Interest expense	(588,076)	–	–	**(588,076)**
Net interest income	8,371,910	98,416	25,073	**8,495,399**
Other income	3,152,038	–	–	**3,152,038**
Net interest and other income	11,523,948	98,416	25,073	**11,647,437**
Total assets	171,335,968	1,131,015	7,694,442	**180,161,425**
Total liabilities	157,085,081	314,489	138,153	**157,537,723**
Cash flow from operating activities	3,869,646	–	–	**3,869,646**
Cash flow from/(used in) investing activities	(224,675)	1,852,840	(1,034,273)	**593,892**
Cash flow from/(used in) financing activities	(1,485,584)	105,458	21,296	**(1,358,830)**

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

23 SEGMENTAL INFORMATION *(continued)*

23.3 Major customers

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

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Within 12 months	After 12 months	Total
2019			
ASSETS			
Cash	2,876,344	–	**2,876,344**
Statutory deposit with Bank of Guyana	16,871,143	–	**16,871,143**
Due from banks	24,128,166	–	**24,128,166**
Treasury Bills	32,935,836	–	**32,935,836**
Investment interest receivable	213,228	–	**213,228**
Advances	10,107,713	68,685,920	**78,793,633**
Investment securities	2,448,600	12,387,314	**14,835,914**
Premises and equipment	–	7,175,942	**7,175,942**
Intangible assets	–	73,491	**73,491**
Net pension asset	–	31,700	**31,700**
Goodwill	–	1,228,222	**1,228,222**
Deferred tax assets	–	367,056	**367,056**
Other assets	630,750	–	**630,750**
	90,211,780	**89,949,645**	**180,161,425**
LIABILITIES			
Due to banks	138,207	–	**138,207**
Customers' chequing, savings and deposit accounts	153,605,091	–	**153,605,091**
Taxation payable	1,061,407	–	**1,061,407**
Deferred tax liabilities	–	386,382	**386,382**
Accrued interest payable	19,440	–	**19,440**
Other liabilities	2,327,196	–	**2,327,196**
	157,151,341	**386,382**	**157,537,723**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

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

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

25 DIVIDENDS PAID AND PROPOSED

	2019	2018
Declared and paid during the year		
Equity dividends on ordinary stock units:		
Final dividend for 2018: $3.00 (2017: $2.833)	**900,000**	850,000
First dividend for 2019: $1.60 (2018: $1.283)	**480,000**	385,000
Total dividends paid	**1,380,000**	**1,235,000**

25 DIVIDENDS PAID AND PROPOSED *(continued)*

	2019	2018
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 2019: $3.58 (2018: $3.00)	**1,075,000**	**900,000**

26 CONTINGENT LIABILITIES

a Litigation

As at September 30, 2019 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

	2019	2018
Guarantees and indemnities	**1,940,716**	1,908,611
Letters of credit	**264,702**	195,625
	2,205,418	**2,104,236**

c Sectoral information

	2019	2018
State	**846,510**	831,461
Corporate and commercial	**1,358,908**	1,272,775
	2,205,418	**2,104,236**

d Pledged assets

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

	Carrying amount		Related liability	
	2019	2018	2019	2018
Statutory deposit	**16,871,143**	**16,178,382**	**153,605,091**	**144,654,913**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Guyana dollars ($'000) except where otherwise stated

26 CONTINGENT LIABILITIES *(continued)*

e Non-cancellable operating lease commitments

	2019	2018
Less than one year	19,677	7,603
Between one to five years	28,016	640
More than five years	2,787	2,867
	50,480	**11,110**

27 EXTERNAL PAYMENT DEPOSIT SCHEME

	2019	2018
	47,400	**47,400**

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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.

FORM OF PROXY

NAME OF COMPANY Republic Bank (Guyana) Limited

This form is for use by stockholders only.

I/We ______________________________
(BLOCK LETTERS)

of ______________________ in the County of ______________________

being a member/members of the above named company, hereby appoint * ______________________

of ______________________________

or failing him/her ______________________________

of ______________________________

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on Monday, December 9, 2019 and at any adjournment thereof.

Dated this ______________ day of ______________ 2019

Name ______________________ Signature ______________________

Please indicate with an "X" in the spaces below how you wish your proxy to vote on the Resolutions referred to. If no such indication is given, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

RESOLUTION	FOR	AGAINST
IT IS RESOLVED THAT:		
1 To receive the Report of the Directors and the Auditors and to approve the Audited Accounts for the year ended September 30, 2019.		
2 To re-elect three Directors to fill offices vacated by those retiring from the Board by rotation in accordance with the By-Law, namely Yolande M. Foo, Roy E. Cheong and Richard M. Lewis.		
3 To elect Amral F. Khan who was appointed to fill a casual vacancy as Director in accordance with the By-Laws.		
4 To reappoint auditors and authorise the Directors to fix their remuneration.		
5 To declare dividends.		
6 To approve Directors' service agreements providing for their remuneration.		

Please give the following information in block capitals:

Full name ______________________________

Address ______________________________

Initials and surname of any joint stock holder(s) ______________________________

NOTES

1 Unless otherwise instructed, the proxy will, at his/her discretion, vote as he/she thinks fit or abstain from voting.
2 Votes by Proxy may be given on a poll.

Affix $10

revenue stamp

**If desired the Chairman of the meeting may be appointed as proxy.*

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