# Annual Report **2020**

Republic Bank (Guyana) Limited

While we were at home being safe,
the world started to look differently.
For us, it was a time of change as well.
We had to adapt to our transformed lives.
We found new ways to work, to learn, to be together. We found a new perspective on ourselves, our neighbours, our country and the world.

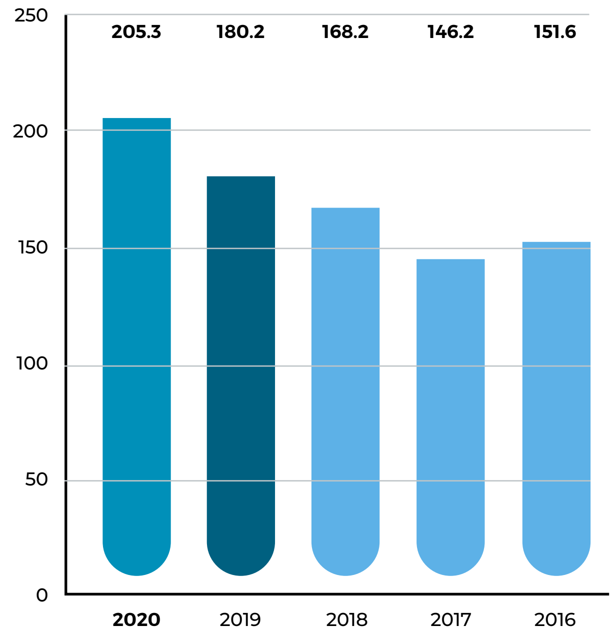
As a Group, we affirmed the hope that
we could maintain the lives we built.
So we found solutions to serve the unique needs of this time. We found ways to support our customers' financing, increased our digital offerings, and changed our in-branch approach to be socially distant yet fully committed. At every step, and across all our territories, we kept a positive outlook. For we wanted all our communities to keep believing that a great future is, and always will be, ours.

# **The Bank** at a Glance

## About Us

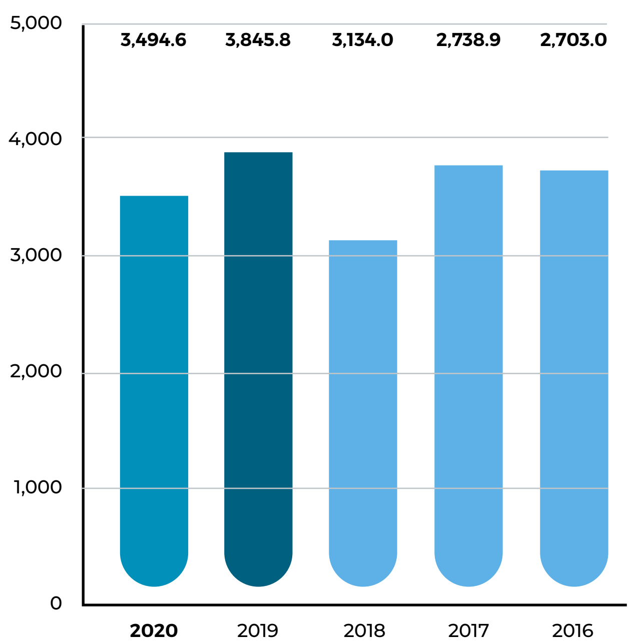
Established in 1836, Republic Bank (Guyana) Limited is one of Guyana's longest-serving institutions and is a recognised leader in the provision of financial services. Over the past year, the Bank has concentrated on growing its lending portfolio, with particular emphasis on small and medium enterprises. 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)




## Operating Branches


## Profit After Tax ($ Million)



## Share Price ($)

2020 **370.**

2019 **450.**

## Dividend Yield (%)

2020 **1.15**

2019 **1.15**

## EPS ($)

2020 **11.65**

2019 **12.82**

## PE Ratio

2020 **31.8**

2019 **27.3**

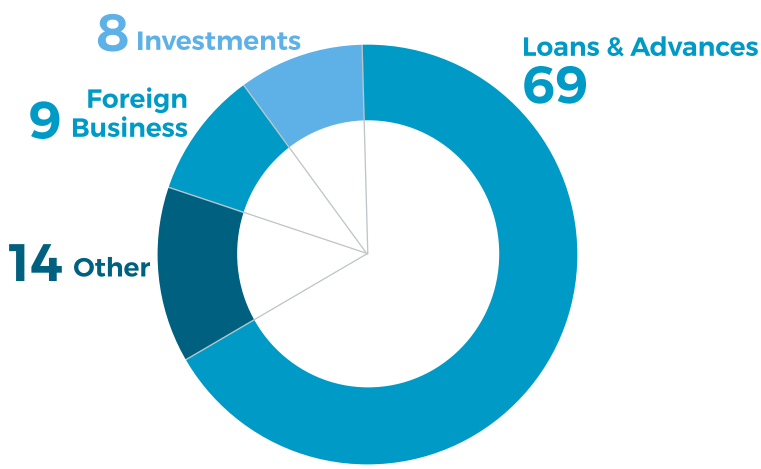
## Network

**677** employees

**12** branches

**49** ATMs

## Sources of Revenue (%)




## Corporate Social Responsibility

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

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

Republic Bank

THE POWER TO MAKE A DIFFERENCE

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# finding the perfect **balance**

we adjusted our services in the best interests of our clients and staff, while remaining fully operational to better serve you.

CORPORATE INFORMATION

# Notice of **Meeting**

## Annual meeting

NOTICE is hereby given that the Thirty-Sixth Annual General Meeting of Republic Bank (Guyana) Limited will be held virtually and streamed live to all stockholders from the Board Room of the Head Office of Republic Bank (Guyana) Limited, 155-156 New Market Street, North Cummingsburg, Georgetown, Guyana on Monday, December 7, 2020, at 15:00 hours (3:00 p.m.) for the following purposes:

Special business – To confirm the amendments of the By-laws to facilitate the convening of a virtual annual meeting and voting at such meeting as follows:

1 THAT By-law 1 of Republic Bank (Guyana) Limited be amended by inserting the following paragraph immediately after, "Regulations mean any Regulations made under the Act and every amending Regulation thereto."

"Remote Communication" means any electronic communication including conference, telephone, video conference, the internet or any other method of communication available by which shareholders not physically present in the same location may simultaneously listen to and/or interact with each other and members of the Board of Directors.

THAT By-law 55 of Republic Bank (Guyana) Limited be amended by:
Renumbering the existing By-law 55 as By-law 55 (1) and inserting the following new paragraph as By-law 55 (2) immediately after By-law 55 (1).

The Board of Directors may, in its sole discretion, determine that at a special meeting of shareholders or any annual meeting of shareholders, shareholders may attend and participate by means of Remote Communication held at a designated place. As to any meeting where attendance and participation by Remote Communication authorised by the Board of Directors in its sole discretion and subject to such guidelines and procedures as the Board of Directors may adopt for any meeting, shareholders not physically present at such meeting of the shareholders shall be entitled to: (i) participate in any meeting of the shareholders; and (ii) be deemed present in person and vote at such meeting of the shareholders provided that (A) the Company shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of Remote Communication is a shareholder or proxy holder, (B) the Company shall implement reasonable measures to provide shareholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings substantially concurrently or simultaneously with such proceedings, and (C) if any shareholder or proxy holder votes at the meeting by means of Remote Communication, a record of such vote shall be maintained by the Company and shall be valid and carry the same effect as a vote by show of hands or by ballot (as the case may be).

2 To receive the Report of the Directors and the Auditors and to approve the Audited Accounts for the year ended September 30, 2020.

3 To re-elect three Directors to fill offices vacated by those retiring from the Board by rotation in accordance with the By-law namely; Shameer Hoosein, Richard Vasconcellos and Nigel Baptiste.

4 To reappoint the Auditors, Messrs Ram & McRae.

And the following special business namely:

5 To consider and, if thought fit, pass resolutions relating to:
   a Dividends;
   b Directors' service agreement providing for their remuneration; and
   c Remuneration of the auditors.

6 To consider any other business that may be conducted at an Annual General Meeting.

By order of the Board

**Christine A. Mc Gowan**
Corporate Secretary

October 19, 2020

## Registered office

155-156 New Market Street
North Cummingsburg
Georgetown, Guyana

## Notes

**Attendance at the meeting**

This year, out of an abundance of caution, to proactively address the unprecedented public health impact of the global coronavirus (COVID-19) pandemic and to mitigate risks to the health and safety of our communities, stockholders, employees and other stakeholders, we will hold a virtual meeting, which will be conducted via live webcast. All stockholders will have an opportunity to participate in the meeting online regardless of their geographic location. Stockholders will not be able to attend the meeting in person. Stockholders can participate online using their smartphone, tablet or computer.

Registered stockholders and duly appointed proxy holders who participate in the meeting online will be able to listen to the virtual meeting, ask questions and vote, all in real time, provided they are connected to the internet and properly follow the following steps:

1 Stockholders are required to register during the period November 13, 2020, to December 3, 2020.
2 To register, shareholders must visit: www.republicguyana.com and click on the web banner "Thirty-Sixth Annual Meeting of Stockholders."
3 Select "Register to Attend Meeting" which will then prompt the validation process.
4 Stockholders would be required to provide their full name, address, date of birth, valid identification number and email address.
5 Stockholders will receive an email with a username and password login credentials that will facilitate access to the Meeting on December 7, 2020.

Stockholders participating in the Meeting must be confirmed as a stockholder on record as at November 11, 2020.

**Proxies**

Stockholders of the Company, entitled to participate in the meeting and vote at the Meeting, are entitled to appoint one or more proxies to participate and, in a poll, vote instead of them. A proxy need not be a stockholder. Any instrument appointing a proxy must be received at the Registrar's Office, not less than 48 hours before the Meeting and must bear a G$10 revenue stamp. Stockholders who return completed proxy forms are not precluded, if subsequently they so wish, from joining the Meeting instead of their proxies and voting. In the event of a poll, their proxy votes lodged with the Registrar will be excluded.

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).

**Voting**

To vote on Resolutions, a popup screen will appear stating the resolution number. Simply click (press for touch screens) on the button next to the word "For" or "Against" depending on your vote.

Please select carefully as you cannot change your vote or vote more than once when your vote is sent. To be able to vote, you must download the Zoom app on your computer or smartphone or tablet before the event.

# 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 management

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

## Registered offices

Promenade Court
155-156 New Market Street
North Cummingsburg
Georgetown
Guyana
South America
Tel: (592) 223-7938-49
Fax: (592) 233-5007
Email: email@republicguyana.com
Website: www.republicguyana.com

## Attorneys-at-law

**Messrs. Cameron & Shepherd**
2 Avenue of the Republic
Robbstown
Georgetown
Guyana
South America

## Auditors

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

# Bank **Profile**

## Senior management

**Managing Director**

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

**General Manager, Credit**

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

**General Manager, Operations**

Denise Hobbs, *Dip. (Business Mgmt.)*

## Head office departments

**Regional Corporate Manager, Corporate Business Centre**

Sasenarain Jagnanan, *AICB, Dip. (Bkg. and Fin.)*

**Regional Manager, Commercial and Retail Banking**

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

**Assistant Manager, Commercial and Retail Services**

Gail Harding, *AICB*

**Corporate Manager, Corporate Business Centre**

Carla Roberts, *BSc (Acct.)*

**Credit Manager, Corporate Business Centre**

Diane Yhun

**Manager, Planning and Financial Control**

Vanessa Thompson, *B Soc Sc (Mgmt.), FCCA, MBA*

**Manager, Human Resources**

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

**Assistant Manager, Human Resources**

Joann Williams, *BA (English)*

**Manager, Administration and Premises**

Denys Benjamin, *AICB*

**Manager, Legal Services/Corporate Secretary:**

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

**Senior Manager, Head Office**

Ndidi Jones, *Dip. (Sociology), LLB, LEC, LLM (Merit), CPAML*

**Manager, Marketing and Communications**

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

**Manager, Branch Support Services**

Erica Jeffrey, *ICB - Letter of Accomplishment*

**Manager, Information Technology and E-Support**

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

**Manager, End User Services**

Yugisther Mohabir, *MCSA*

**Manager, Internal Audit**

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

**Manager, Enterprise Risk**

Michael Ram, *AICB*

**Manager, Centralised Collections Unit**

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

## Branch network

**ANNA REGINA BRANCH**

**Branch Sales Manager**

Guitree Ramsamooj, *CAT, Certified Credit Professional*

**CAMP STREET BRANCH**

**Branch Sales Manager**

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

**CORRIVERTON BRANCH**

**Customer Sales/ Service Manager**

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

**D'EDWARD BRANCH**

**Branch Sales Manager**

Joel Singh, *AICB*

**DIAMOND BRANCH**

**Branch Sales Manager**

Allison Mc Lean-King, *AICB, Certified Credit Professional*

# Bank Profile

**LETHEM BRANCH**

**Customer Sales/ Service Manager**

Nadia Khedaroo, *AICB, Dip. (Public Mgmt.), B Soc Sc (Mgmt.)*

**LINDEN BRANCH**

**Branch Sales Manager**

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

**NEW AMSTERDAM BRANCH**

**Branch Sales Manager**

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

**ROSE HALL BRANCH**

**Branch Sales Manager**

Satie Cox, *Trained Teacher's Certificate, B Soc Sc (Mgmt.) (Dist.), Certified Credit Professional, EMBA*

**TRIUMPH BRANCH**

**Customer Sales/ Service Manager**

Bibi Shaliza Seepersaud, *AICB, Certified Credit Professional, MBA, MBA (Oil and Gas Mgmt.)*

**VREED-EN-HOOP BRANCH**

**Branch Sales Manager**

Eon Grant, *AICB, BComm.*

**WATER STREET BRANCH**

**Branch Sales 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)

| | **2020** | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Cash resources | **69,550,266** | 43,875,653 | 40,078,184 | 27,829,221 | 30,963,960 |
| Investment securities | **13,517,366** | 14,835,914 | 15,694,193 | 7,440,987 | 7,882,243 |
| Loans and advances | **81,868,455** | 78,793,633 | 69,747,950 | 60,791,257 | 58,417,974 |
| Total assets | **205,336,466** | 180,161,425 | 168,183,290 | 146,229,495 | 151,574,139 |
| Total deposits | **175,348,977** | 153,605,091 | 144,654,913 | 124,879,378 | 131,186,957 |
| Stockholders' equity | **24,607,213** | 22,623,702 | 20,164,281 | 18,300,481 | 16,715,394 |
| Net profit after taxation | **3,494,594** | 3,845,781 | 3,134,004 | 2,738,939 | 2,703,041 |
| Total comprehensive income | **3,360,194** | 3,839,421 | 3,206,844 | 2,820,087 | 2,726,690 |
| Earnings per stock unit in dollars ($) | **11.65** | 12.82 | 10.45 | 9.13 | 9.01 |
| Return on average assets (%) | **1.81** | 2.24 | 2.02 | 1.83 | 1.82 |
| Return on average equity (%) | **14.52** | 17.97 | 16.48 | 15.69 | 16.88 |

# Financial Highlights

Expressed in thousands of Guyana dollars ($'000)

| | 2020 | 2019 | Change | % Change |
|---|---|---|---|---|
| **STATEMENT OF INCOME** | | | | |
| Interest and other income | **12,424,419** | 12,235,513 | 188,906 | 1.5 |
| Interest and non-interest expenses | **(7,097,979)** | (6,261,262) | (836,717) | (13.4) |
| Net Income before taxation | **5,326,440** | 5,974,251 | (647,811) | (10.8) |
| Taxation charge | **(1,831,846)** | (2,128,470) | 296,624 | 13.9 |
| Net Income after taxation | **3,494,594** | 3,845,781 | (351,187) | (9.1) |
| **STATEMENT OF FINANCIAL POSITION** | | | | |
| Loans and advances | **81,868,455** | 78,793,633 | 3,074,822 | 3.9 |
| Total assets | **205,336,466** | 180,161,425 | 25,175,041 | 14.0 |
| Average assets | **192,668,870** | 172,034,526 | 20,634,344 | 12.0 |
| Deposits | **175,348,977** | 153,605,091 | 21,743,886 | 14.2 |
| Equity (capital and reserves) | **24,607,213** | 22,623,702 | 1,983,511 | 8.8 |
| Average outstanding equity | **24,066,967** | 21,401,004 | 2,665,963 | 12.5 |
| **COMMON STOCK** | | | | |
| Earnings in dollars per Stock Unit | **11.65** | 12.82 | (1.17) | (9.1) |
| Dividend for the year (in thousands) | **1,275,000** | 1,555,000 | (280,000) | (18.0) |
| Stock Units (in thousands) | **300,000** | 300,000 | – | – |
| **GENERAL** | | | | |
| Number of: | | | | |
| Stockholders | **1,437** | 1,397 | 40 | 2.9 |
| Common stock outstanding (in thousands) | **300,000** | 300,000 | – | – |
| Active savings, chequing and deposit accounts | **194,491** | 171,146 | 23,345 | 13.6 |
| Employees | **677** | 655 | 22 | 3.4 |
| Banking offices | **12** | 12 | – | – |

# networking
## at the touch of a button

we introduced contactless personal services and appointments, and conducted virtual interviews, and communicated via phones, email and instant messaging services.

BOARD OF DIRECTORS

# **Board** of Directors

Nigel M. Baptiste

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

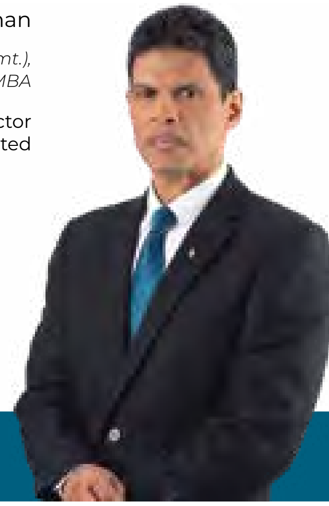
Chairman
Republic Bank (Guyana) Limited
President and
Chief Executive Officer
Republic Financial Holdings Limited
Managing Director
Republic Bank Limited

**Nigel M. Baptiste**

Amral F. Khan

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

Managing Director
Republic Bank (Guyana) Limited



**Amral F. Khan**

John G. Carpenter

*AA, BSc (Food Sciences)*

Chairman
Hand-in-Hand
Group of Companies

**John G. Carpenter**

Roy E. Cheong

*AA, FCII, FLMI, CLU*

Chartered Insurer

**Roy E. Cheong**

Yolande M. Foo

*AICB*

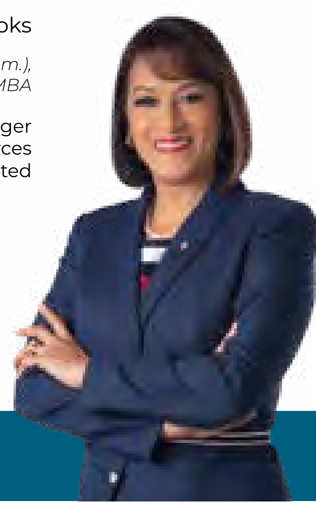
Retired Senior Banking Executive,
Republic Bank (Guyana) Limited

**Yolande M. Foo**

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**

Shameer Hoosein

*FCCA*

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

**Shameer Hoosein**

Richard M. Lewis

*HBA*

Executive Chairman,
Label House Group Limited

**Richard M. Lewis**

Richard I. Vasconcellos

Chairman
A.N.K. Enterprises Inc.

**Richard I. Vasconcellos**

# Board of Directors

## Nigel M. Baptiste

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

**President and Chief Executive Officer,**
**Republic Financial Holdings Limited**
**Managing Director, Republic Bank Limited**

Nigel M. Baptiste, Chairman, Republic Bank (Guyana) Limited, is a career banker with more than two decades of experience. He is currently Managing Director, Republic Bank Limited and President and Chief Executive Officer, Republic Financial Holdings Limited since 2016. Prior to his current position, he has served as Deputy Managing Director and Executive Director of Republic Bank Limited, General Manager Human Resources as well as Managing Director of the Group's subsidiary in Guyana.

Mr. Baptiste currently serves on the Boards of Republic Financial Holdings Limited, Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Ghana) Limited, Cayman National Corporation and other subsidiaries within the Republic Group. He holds a Bachelor of Science with Honours and a Master of Science in Economics from the University of the West Indies, is a graduate of the Harvard Business School Advanced Management Programme, holds a Diploma with distinction from the ABA Stonier Graduate School of Banking (USA), and is a member of the Chartered Institute of Bankers (England).

## Amral F. Khan

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

**Managing Director, Republic Bank (Guyana) Limited**

Amral Fazal Khan was appointed Managing Director, Republic Bank (Guyana) Limited in 2019, bringing to the position his considerable banking experience accumulated over the course of three decades as a member of the Republic Bank Group. Prior to his appointment, Mr. Khan served in several managerial capacities within the Group, including, most recently, Regional Corporate Manager, East/Central; Senior Manager, Risk Management; Senior Manager, Internal Audit; and Corporate Manager, Corporate Business Centre – North.

Mr. Khan is a former President, Director, and Secretary of the Rotary Club of Arima, and a past member of the South Trinidad Rifle Association.

He has completed several courses and training programmes, including the Certified Professional in Anti-Money Laundering (CPAML); Euromoney's Advanced Business and Financial Analysis; the Advanced Credit Analysis Programme; and Negotiating to Win (AMA). Mr. Khan holds an International Master of Business Administration with Distinction, a Diploma in Business Management, and a Bachelor of Science with Honours in Management Studies all from the University of the West Indies, St. Augustine campus, Trinidad and Tobago.

## 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.

**External Appointments**

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

## Roy E. Cheong

*AA, FCII, FLMI, CLU*

**Chartered Insurer**

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

**External Appointments**

Mr. Cheong serves on a number of boards, including the GTM Group of Insurance 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 a Master of Business Administration from the Arthur Lok Jack Global 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.

**External Appointments**

Mrs. García-Brooks serves as Chairwoman of the Board of Catholic Media Services Limited.

## Shameer Hoosein

*FCCA*

**Retired 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. During his distinguished professional career, Mr. Hoosein served as the Strategic Advisor to the Chairman of Massy (Guyana) Limited, 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.

# Board of Directors

External Appointments

Mr. Hoosein also serves as a Director of The Guyana Oil Company Limited and GUYOIL Aviation Services Inc.

## Richard M. Lewis

*HBA*

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.

External Appointments

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.

External Appointments

Mr. Vasconcellos is the Chairman of A.N.K. Enterprises Inc., 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, 2020.

**PRINCIPAL ACTIVITIES**

The Bank provides a comprehensive range of commercial banking services at 12 locations throughout Guyana.

## Financial results and dividends

**FINANCIAL RESULTS**

Expressed in thousands of Guyana dollars ($'000)

| | **2020** | 2019 |
|---|---|---|
| Net income after taxation | **3,494,594** | 3,845,781 |
| Interim dividend paid | **300,000** | 480,000 |
| Retained earnings | **3,194,594** | 3,365,781 |
| Final dividend proposed | **975,000** | 1,075,000 |

**DIVIDENDS**

An interim dividend of $1.00 per stock unit ($300 million) was paid during the year and a final dividend of $3.25 per stock unit ($975 million) for the year ended September 30, 2020, is recommended. This, if approved, will bring the total payout for the year to $1,275 million.

**CAPITAL AND RESERVES**

Capital and reserves other than retained earnings totalled $1,442.9 million as shown in the Statement of Changes in Equity.

Retained earnings at September 30, 2020, are $23,164.3 million (2019 – $21,179.1 million) after a transfer of $1.7 million from the General Banking Risk Reserve, $1,275 million paid out as dividends (final 2020 – $975 million, interim 2020 – $300 million), and $3,494.6 million transferred from the Statement of Income for 2020.

## Donations

In addition to the Bank's Power to Make A Difference investment initiatives (see pages 50 to 52), general donations to charitable or public causes for the year were $36.5 million (2019 – $6.8 million), emphasising the Bank's strong social investment policy.

# Directors' Report

## Substantial stockholding (units of stock)

A substantial stockholder for the purposes of the Securities Industry Act Cap. 73:04 is one who controls 5% or more of the voting power at a General Meeting. The following are the substantial stockholders of the Bank:

| | Number of stock units 2020 | % held | Number of stock units 2019 | % 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** | 20,116,853 | 6.71 |
| Hand-in-Hand Mutual Fire & Life Group of Companies | **17,845,703** | **5.94** | 17,845,703 | 5.94 |

## Directors

In accordance with the Bank's By-Laws, Shameer Hoosein, Richard I. Vasconcellos and Nigel M. Baptiste 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

**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 $88.2 million (2019 – $123.5 million) was earned during the year. Please refer to Note 24 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 **2020** | 2019 |
|---|---|---|
| John G. Carpenter *(held jointly with an associate)* | **150,000** | 150,000 |
| Roy E. Cheong *(75,000 held jointly with an associate, and 12,000 held by an associate)* | **87,000** | 87,000 |
| Yolande M. Foo *(held jointly with associates)* | **315,000** | 315,000 |
| Richard I. Vasconcellos | **15,000** | 15,000 |
| Richard M. Lewis | **17,850** | 17,850 |
| Shameer Hoosein | **5,000** | 5,000 |

### DIRECTORS' FEES ($)

| | **2020** | 2019 |
|---|---|---|
| Nigel M. Baptiste | **3,495,000** | 2,550,000 |
| John G. Carpenter | **3,097,500** | 1,500,000 |
| Roy E. Cheong | **4,118,250** | 1,770,000 |
| Shameer Hoosein | **3,333,750** | 1,500,000 |
| Richard I. Vasconcellos | **2,949,375** | 1,440,000 |
| Richard M. Lewis | **2,958,750** | 1,350,000 |
| Yolande M. Foo | **3,333,750** | 1,560,000 |
| Anna-María García-Brooks | **3,482,500** | 1,560,000 |

## Contracts

### 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 $117.3 million (2019 – $116.5 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

**We remain committed to our customers during this difficult time, and in response to the anticipated economic and social fallout as a result of the pandemic, Republic Bank, having recognised we have a collective responsibility to ensure the sustainability of the business community, our employees, customers and ultimately the nation, bolstered our support.**

## Introduction

Fellow Directors and Stockholders, I am pleased to report on the annual performance of Republic Bank (Guyana) Limited for the year ended September 30, 2020.

Against the background of the global novel coronavirus (COVID-19) pandemic, 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 $3,494.6 million representing a 9.13% decrease below prior year results was recorded.

Earnings per stock unit amounted to $11.65, a decrease from $12.82 in 2019. Your Directors have recommended therefore a final dividend of $3.25 (per stock unit), which, if approved at the Annual General Meeting, will bring the total dividend for the year to $1,275 million (2019 – $1,555 million).

## Chairman's economic review

Global economic activity in 2019 was at its weakest since the global financial crisis with estimated growth of 2.9% due to weakened momentum in manufacturing, increased geopolitical and trade tensions having taken a toll on investment decisions, global trade and general business confidence (World Economic Outlook, January, 2020). Weather-related disasters such as hurricanes in the Caribbean, droughts and bushfires in Australia and droughts and floods in Africa impacted economic activity.

Nigel M. Baptiste

The economies of Latin America and the Caribbean were projected to grow by 1.7%. However, due to low investment, slow productivity stemming from social unrest and elevated economic policy uncertainty along with low global growth and commodity prices, Latin America and the Caribbean's economic growth was stagnated by 0.1% growth in 2019. Amidst these constraints, however, most countries in the region have low inflation and large international reserves (Economic Commission for Latin America and the Caribbean, 2019).

The former Minister of Finance's rebasing exercise noted in the End of Year Outcome 2019 report that Guyana recorded real Gross Domestic Product (GDP) growth of 5.4% or 4.3% excluding oil. Growth was mainly due to increase in rice production, better export price resulting in greater gold declarations from small and medium scale miners and improvements in milled rice and other manufactured goods such as ice cream, alcoholic beverages and detergents.

The construction and services sectors strengthened, attributable to public infrastructure projects and expanded activities in the financial and insurance, wholesale and retail, real estate, transportation and storage sectors, and other services such as tourism, restaurant and entertainment. Development was offset by contraction in traditional sectors including sugar due to mechanical failures in factories and industrial unrest; diseases and smuggling in livestock; reduction of logging activities; industrial action in bauxite and reduced investment and local demand for diamond. The inflation rate was 2.1%, owing mainly to higher food prices.

In the external sector, the overall balance of payments deficit narrowed as a result of larger capital account surplus derived from increased private capital inflows primarily to the oil and gas sector and higher disbursements for the non-financial public sector from Caribbean Development Bank and Exim Bank of China. Current account deficit widened due to higher merchandise trade for intermediate goods, chemicals, parts & accessories and mining machinery for oil and gas activities and services imports. Gross international reserves covered approximately 1.6 months of import.

There was a sharp increase in foreign exchange transactions for bank and non-bank Cambios as well as hard currency and foreign currency accounts. With the net purchase of US dollars being positive, the Guyana dollar remained relatively stable against the US dollar.

Government's stock of public debt fell by 1.2%, to 40.9% of GDP while domestic bonded debt, 9.3% of GDP declined marginally reflecting a reduction in the issuance of Treasury Bills and repayment of two NIS debenture certificates. The stock of external debt decreased by 1.3%, 31.6% of GDP due to a debt relief granted by Kuwait and lower disbursements from International Development Association (IDA) and Exim Bank of China.

Net domestic credit of the banking system grew by 17.5% emanating from an increase in credit to both the private and public sectors. Loans and advances to the private sector grew by 8.6% caused by credit expansion in all sectors with the exception of mining and agriculture. Loans to other services sector grew by 40.4% specifically transport and communication, entertainment and catering amongst others as well as construction and engineering and mortgages.

Global growth was expected to rise to 3.3% as a result of monetary policy easing in the latter part of 2019 flowing into 2020 and avoidance of any further trade tensions, Brexit uncertainty and contained social unrest as well as geopolitical tensions. All of these projections were upended however, with the COVID-19 pandemic causing high and rising human costs and, as a result of the necessary protective measures, the global economy is now projected to contract by 4.9% in 2020, even worse than the financial crisis period. Further contraction is expected in the economies of Latin America and the Caribbean by 9.4% due to both external and domestic factors (Economic Commission for Latin America and the Caribbean (ECLAC) 2020) including reduction in international trade, fall in commodities prices, risk aversion intensification and worsening of global financial conditions, vastly lower tourism services demand and remittance reduction.

However, while the world (with the possible exception of China) has fallen into recession, Guyana's economy is still forecast to experience expansion by 26.2% (according to the International Monetary Fund (IMF). On December 20, 2019, Guyana officially became an oil producing nation with a sovereign wealth fund known as the Natural Resource Fund (NRF) established to safeguard against the resource curse.

# Chairman's Review

Production after losses and operations (PALO) in December 2019 and January 2020 was in excess of 142,000 and 1,745,000 barrels of crude respectively or an increase in average of 35,607 barrels per day (bpd) to 56,320 bpd with expectations of 120,000 bpd by the end of 2020.

## Group developments

Total assets stood at US$15.76 billion at June 30, 2020, an increase of US$2.7 billion or 21.1% over the total assets at September 30, 2019. This increase was mainly due to the acquisition of Scotiabank's banking operations in St. Maarten and the Eastern Caribbean (Anguilla, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines) on November 1, 2019, and its acquisition of Scotiabank's operations in the British Virgin Islands, effective May 31, 2020.

The performance of the RFHL reflects the financial impact so far of the COVID-19 pandemic on the Group, mainly resulting from decreased economic activity, narrower margins due to reduced lending interest rates, waiver of fees and commissions and the setting aside of additional credit provisions to cover potential future losses.

The overall impact of the pandemic on the livelihood of most citizens cannot be calculated at this time. The pandemic has been both a human and economic tragedy for citizens all over the world and Guyana has not been exempted from its impact. While economic, social and nation building efforts are underway, new opportunities have been indirectly identified associated with change management, cost efficiency, increased use of technology and entrepreneurship as individuals adjust to new ways of working and living.

The Republic Group is built on our people, since we believe that is what differentiates us from any other financial institution. We remain committed to our customers during this difficult time, and in response to the anticipated economic and social fallout as a result of the pandemic, Republic Bank, having recognised we have a collective responsibility to ensure the sustainability of the business community, our employees, customers and ultimately the nation, bolstered our support.

In Guyana, effective March 2020, we implemented the following for a six-month period: (1) Moratorium up to six months for customers of good standing upon request. This was subsequently extended to December 2020 with restructured repayment extended by as much as 18 months. (2) Overdraft interest was reduced across the board (3) Approved requests for reductions of interest rates on loans on a case by case basis. (4) Waiver of late fees for loans and late and over limit fees for Credit Cards (5) Waiver of penalty fees for premature withdrawals from Certificates of Deposit and (6) Free disposable commercial depository wallets.

Other measures included the introduction of a Stimulus Loan Package with moratorium to December 2020 and repayment commencing thereafter, within three years. An Education Loan Package was also introduced to assist with outfitting homes/individuals for virtual work/study and included repair to buildings to set up study area/office.

In addition to the aforementioned measures, we continued to work closely with our business clients to identify appropriate financing structures and provide technical assistance in some instances to facilitate the continued success of their respective businesses and with our retail clients to agree on suitable arrangements for debt servicing.

To assist our employees, moratoria on loans was made available upon request, and they were each provided a special grant to assist their families. With the initial indefinite closure of primary and secondary schools, some employees proceeded on vacation while special leave was granted upon request to those with no personal or familial support systems to assist in caring for their children.

Under the Bank's Power to Make A Difference programme, in April 2020, the Group pledged a contribution of the equivalent of US$2 million collectively across all territories in which it operates to support the fight against COVID-19. Of this amount, G$31.5 million was earmarked for Guyana to support the local effort through the Ministry of Public Health. Donations were also provided to private organisations with similar thrusts to reduce the threat posed by the virus.

The ongoing uncertainty surrounding the current and potential impact of the pandemic demands that the Group continues to exercise prudence as we navigate the way forward in the best interest of all our stakeholders.

## Future outlook

Guyana was recorded as having the second highest number of oil discoveries in the world for 2019 according to Rystad Energy. As at September 2020, ExxonMobil made its 18th discovery of high-quality oil-bearing sandstone with gross recoverable resource estimated to be more than eight billion oil equivalent barrels. This has resulted in Guyana becoming a beacon for Big Oil exploration for companies such as Repsol and Tullow Oil. The second phase of Liza field development is projecting output capacity to increase by 220,000 bpd by mid-2022 and subsequent projects to hit 750,000 bpd by 2026.

While the coronavirus pandemic has caused major oil companies to reduce their capital budgets for new exploration and production (E&P), ExxonMobil confirmed that operations in Guyana remain "integral" to its plans. Other activities were also impacted by the delayed 2020 general and regional election results, project approvals among others.

Development of a vaccine for COVID-19 is also integral for containment of the virus and a demand-side rebound in 2021 as lockdown restrictions are adversely impacting economic activity and business sentiments. Oil revenues will propel continued development of the country despite the pandemic once the economy restarts, but to realise the country's full potential, a stable regulatory, fiscal and political environment must exist.

In 2021, fiscal policy from continued spending in public investment will be a major driver of growth as well as oil and bauxite production boosting output as a result of the newest addition to the bauxite industry – First Bauxite LLC. Additionally, large one-off investments in oil infrastructure, such as the natural gas-to-power and hydropower projects and associated oil and gas activity, will impact goods and services imports. The territorial dispute regarding the arbitration of Venezuela border also has implications for offshore oil finds.

Continued investment in the Low Carbon Development Strategy will aid in the reduction of exposure to fluctuating global energy prices as seen during the pandemic. Expansionary fiscal policy due to stronger investment and oil windfall is expected in 2021. Further, revenues are expected to increase as a result of local taxes required by businesses in oil and gas and its spin off industries. A continued accommodative monetary stance and minimised financial services disruption during COVID-19 outbreaks will see financial institutions remaining adequately capitalised and highly liquid. However, the future trajectory of the pandemic will pose a risk of downturn in credit growth and asset quality.

Despite, the pandemic and testing economy, Republic Bank (Guyana) Limited continues to innovate in anticipation of customers' demands with upgrades to its information technology infrastructure. Customers can now conduct banking using their mobile phones, Points-of-Sale (POS Systems) and Automated Teller Machines (ATMs) for international transactions and real time credit card payments.

We remain focussed on supporting our customers throughout the challenging times posed by the pandemic and are committed to the continued development of Guyana and its sustainable development goals for the benefit of all Guyanese.

## Acknowledgements

I extend appreciation to the Board and Leadership Team for their stewardship of the organisation over the past year.

The dedication and hard work of all our employees enabled us to successfully navigate a challenging environment and achieve these results, and as such I recognise and thank them for their collective efforts.

Appreciation is also extended to our customers, business partners, and stockholders for their ongoing confidence and support.

# Managing Director's Discussion and Analysis

**The Bank's total assets of $205.3 billion represent an increase of $25.2 billion or 13.97% above 2019; attributed mainly to cash resources. Over the past three years, net investment in loans and advances grew by $8.9 billion, $9 billion and $3.1 billion, respectively.**

## Introduction

I am pleased to report that Republic Bank (Guyana) Limited returned a satisfactory fiscal 2020 performance.

The Bank achieved a profit after tax of $3,494.6 million, compared to $3,845.8 million in 2019. There was a noted decrease of 9.13% over last year's performance as growth of our core banking operations was stymied by the ongoing effects of the COVID-19 pandemic. Notwithstanding, the Bank maintained careful planning, effective implementation, cost containment, prudent risk management principles and reviewed its key strategic initiatives.

Return on Assets decreased from 2.24% to 1.81% and Return on Equity from 17.97% to 14.52%. Earnings per Stock unit decreased from $12.82 to $11.65.

In November 2019, the Bank completed its transition to a new core banking platform to enable improved efficiency and new products and services, tailored to meet customers' changing needs. Among the enhancements were credit card acquiring, new Internet and mobile banking platforms, and reorganisation of our branches' service model to better support our thrust of quality service and care.

Amral F. Khan

The challenging external environment posed by political instability and the COVID-19 pandemic impacted our operations, resulting in reduced demand for credit and slowed growth generally.

## Customer service

Following conversion to the new banking platform some technological challenges were encountered, which resulted in many customers being inconvenienced while attempting to access related services. The Bank, having conveyed its regret for these unforeseen experiences, also compensated impacted customers in the ensuing months.

Customer focus remains a top priority and continues to receive the Bank's attention amidst key challenges that brought this focus into question. Guided by our commitment to customer satisfaction, we were able to address these challenges by staying true to our values.

The Bank is committed to utilising the best technology and solutions suited to customers' needs in a rapidly changing world, and the notable shift in customer behaviour due to the pandemic underscores the significance of this thrust. As earlier alluded to, transition to the new banking platform realised several benefits and increased transaction efficiency for an overall improved customer experience. We continue engaging customers to obtain insight into their needs, hear suggestions, and identify opportunities to improve and expand our services.

During the past year, the Bank sustained investment in staff training, thereby ensuring our resources remain equipped to provide premium service. This focus will continue in the new fiscal as we strive to maintain the high quality of service our customers have come to expect, while lending much needed support to ensure their resilience during the pandemic, and beyond.

## Human resources

The year commenced with intense preparations for transition to the new banking platform and related applications, hence, our training and development activities were focussed on pre and post-conversion training and support.

The change to our Branches' Sales, Service and Support model also entailed alignment of job positions, where feasible, to that of the Republic Group. The impact of these changes resulted in postponement of our traditional intake of Youth Link Apprentices which will be undertaken during the new fiscal.

COVID-19 and related precautionary measures demanded a major shift to our operations, which we continue to adjust as the situation warrants, and in keeping with the Ministry of Public Health's Orders in the interest of safeguarding our employees and customers. To this end, the Bank's hours of business and work were amended, and staff rotation implemented. Increased use of technology also came to bear in our employee engagement as while physically distant, our teams remain connected virtually.

As the pandemic evolves, the Bank will continue to adjust and adopt appropriate measures, while ensuring the safety and wellbeing of its employees, and continued development of these primary resources whose combined contributions and commitment lend to our overall performance.

# Managing Director's Discussion and Analysis

## Information technology

As demonstrated by the Bank's bold transition to an enhanced banking platform, we continue to place emphasis on improving our technological infrastructure, with significant progress made in relation to our core functionality and deployment of new technologies.

A new and improved Internet Banking application was implemented and mobile banking and acquiring services were introduced which, as customers adjust, lend to increased satisfaction with their overall digital experience.

To afford customers an additional option for cashless banking, we also reintroduced the Republic *One*Card during the fiscal. This card caters to persons desirous of a card for local use only. Introduction of VISA acquiring enabled use of other banks' VISA branded cards at our expansive Automated Teller Machine (ATM) and Point of Sale (POS) networks countrywide. While not without challenges due to Brute Force attacks during the fiscal, customers continue to enjoy the convenience and reach afforded by our Republic Visa *One*Card, and efforts are ongoing to further enhance the security of this product.

Our focus remains that of optimising and deriving maximum benefit from the Bank's investment in technology in order to provide reliable, convenient and secure banking options for customers.

## Premises

The Bank undertook internal infrastructural changes at several of its branches to facilitate the new Sales, Services and Support model, and due to the pandemic also installed plexi-screen partitions in conformity with mandatory COVID-19 protective measures.

## Empowering communities

Improving and empowering our communities remain the focus of our flagship Power to Make A Difference initiative.

Year two of Phase Four of this initiative saw continued partnerships with Governmental and Non-Governmental organisations despite ongoing challenges posed by the COVID-19 pandemic, which stymied execution of some projects.

Recognising the national need imposed by the pandemic, the Republic Group committed a total of US$2 million to the territories in which the Bank operates, of which Republic Bank (Guyana) Limited committed G$31.5 million towards the national effort through the Ministry of Public Health.

Our nation's youth continued to be engaged through culture and education with the latter being realised in the University of Guyana Scholarship. In observance of Guyana's 50th Republic Anniversary, the much-anticipated Republic Bank Mashramani Panorama Steel Band Competition, now in its 12th year, provided yet another opportunity for the celebration of creative expressions of the steel pan as its music provides inspiration for our musical future. The Bank's focus through this initiative is that of providing avenues to empower our nation's youth while sustaining national art forms and our cultural heritage.

Steady improvement is evident in the capabilities of the students of the Step by Step Foundation School for Autistic Children, there were additional opportunities provided to the adolescent mothers of Women Across Differences, and the preservation and maintenance of one of Guyana's heritage sites, the Promenade Gardens, remained our flagship environmental project.

In the coming year, we are committed to further expanding our impact on youth and gender empowerment, cultural heritage preservation, supporting and enhancing awareness of the Autism spectrum, building, developing and supporting entrepreneurs, and environmental awareness and conservation.

## Regulatory compliance

Guyana commenced its second round of the National Risk Assessment process in December 2019 to assess the threat of Money Laundering, Financing of Terrorism and Proliferation Financing. The objective of this exercise is to determine the vulnerabilities of the country and thereafter develop a methodology to effectively mitigate the identified threats. This process was expected to conclude by September 2020 but was delayed due to the pandemic. Despite this delay, however, all stakeholders remain committed to the process.

Republic Bank (Guyana) Limited remains committed to the adoption of international best practices relating to Anti Money Laundering, Combating Financing Terrorism, Proliferation Financing (AML/CFT/PF) and consequently, the review and enhancement of operating procedures needed to achieve this continued during the financial year. Despite challenges posed by the pandemic and other factors, the Bank implemented methods to ensure all regulatory requirements were fulfilled. In addition, we emphasised adherence to documented procedures, many of which were designed to protect the Bank from being used as a vehicle for money laundering and terrorist and proliferation financing.

We present below a discussion and analysis of the financial position and performance of the Bank for the year ended September 30, 2020, to be read in conjunction with the Directors' report and audited financial statements presented on pages 19 to 21 and pages 61 to 140 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, 2020:

| | **2020** | 2019 |
|---|---|---|
| United States dollars | **212.75** | 210.00 |
| Pounds Sterling | **240.75** | 241.50 |
| Canadian dollars | **145.75** | 146.50 |
| Euro | **225.75** | 226.50 |

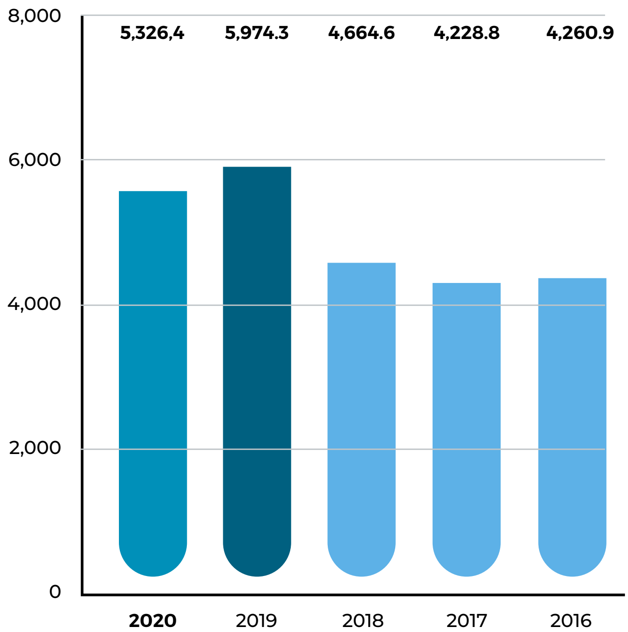
# Managing Director's Discussion and Analysis

## Statement of income review

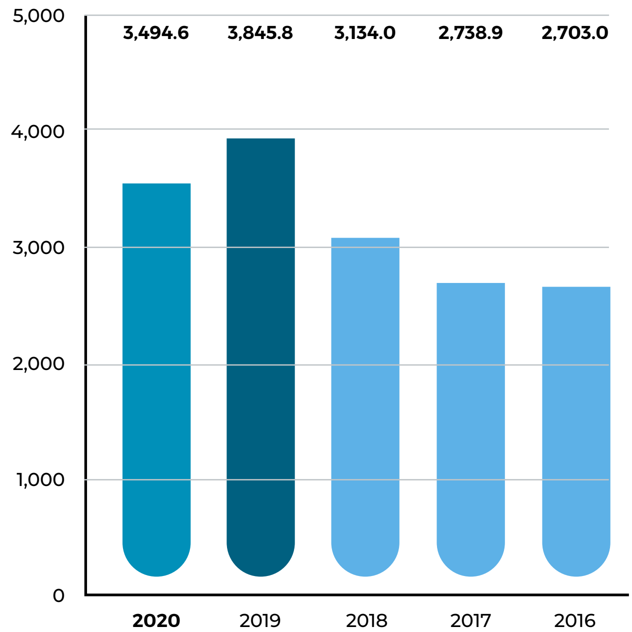
**FINANCIAL SUMMARY**

After tax profit of $3,494.6 million represents a decrease in profitability of $351.2 million or 9.13% compared with 2019. This decrease in profitability resulted from the increase of Expected Credit Loss (ECL) 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 $2,408.4 million compared with $1,663.2 million in 2019.

### Profit Before Tax ($ Million)

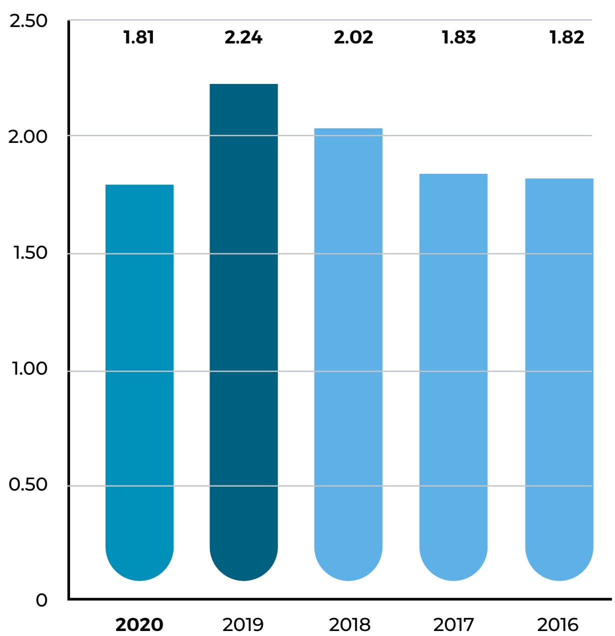



### Profit After Tax ($ Million)

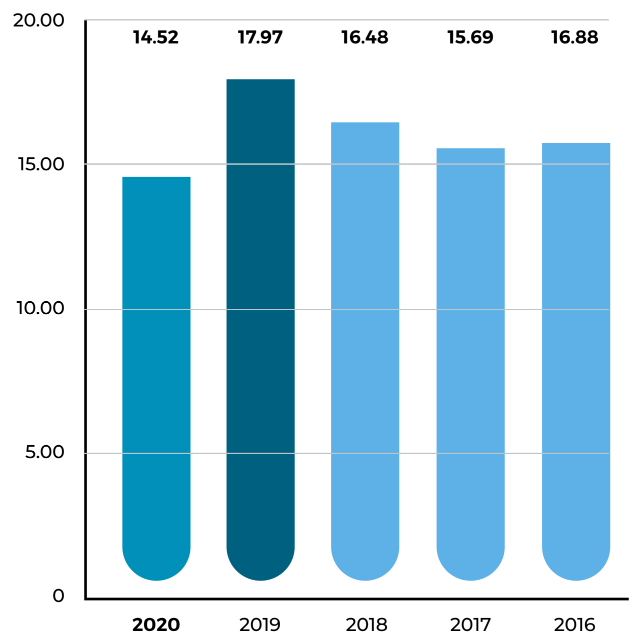



The Bank's return on average assets (1.81%) decreased year on year, and its return on average stockholders' equity also decreased (14.52%). Earnings per stock unit moved from $12.82 in 2019 to $11.65 in 2020.

Return on Average Assets (%)




Return on Average Outstanding Equity (%)




**NET INTEREST AND OTHER INCOME**

Net interest and other income grew by $84.2 million or 0.72% to $11,731.6 million in 2020 compared to the $11,647.4 million generated in 2019, which is attributed mainly to the increase in the loan portfolio.

Net interest income increased by $387.9 million or 4.57% to $8,883.3 million and is attributed primarily to the increase in the loan portfolio.

**NET INTEREST MARGIN**

| | **2020** | 2019 |
|---|---|---|
| Net interest income/Total average interest earning assets | **6.36%** | 6.17% |
| Net interest income/Total average assets | **4.61%** | 4.72% |

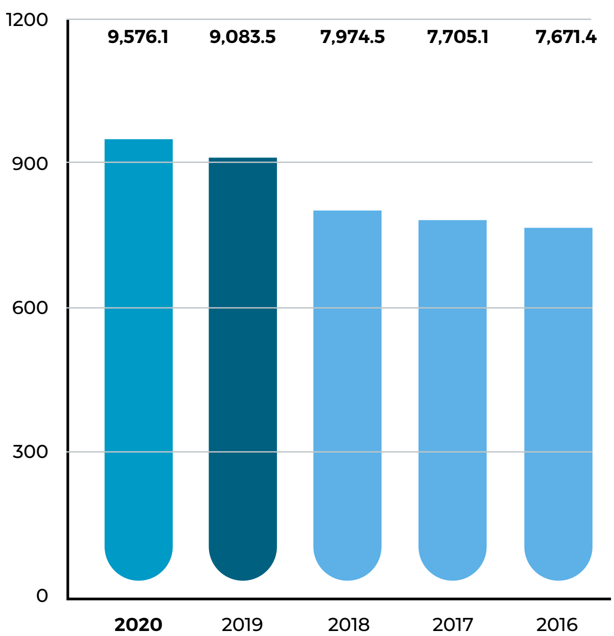
Refer to Statement of Financial Position and Note 17

There were no unusual non-operational items.

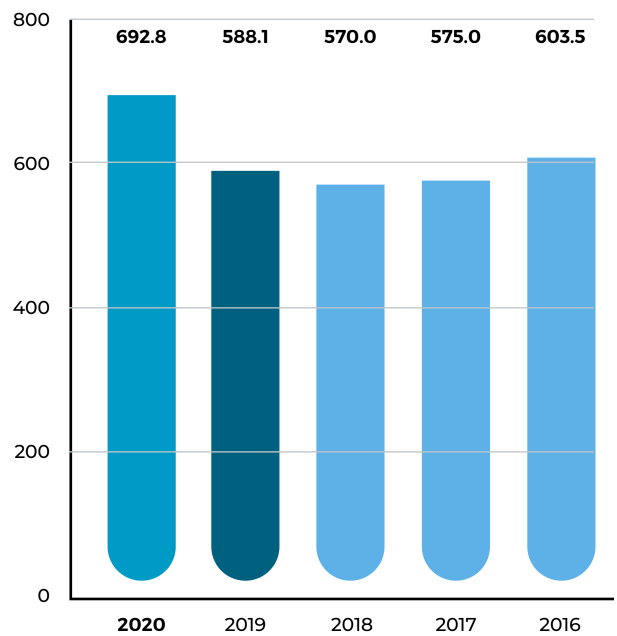
The ratio of the Bank's *average interest earning assets to average customer deposits*, decreased to 84.74%, from 89.29% in 2019. This is reflective of the Bank's policy of managing customers' deposits in a challenging environment where investments and lending opportunities are relatively scarce. At September 30, 2020, 21.17% of the Bank's *interest earning assets* consisted of Government of Guyana Treasury Bills.

# Managing Director's Discussion and Analysis

## Interest Income ($ Million)




## Interest Expenses ($ Million)




Interest paid on deposits for 2020 at $692.8 million was above that of 2019 ($588.1 million), as the Bank continued to manage its assets and liabilities in an environment of inadequate investment opportunities. It is recognised, however, that customers simultaneously use a range of products and the Bank strives to ensure that rates (deposit and lending) are competitive with the rest of the industry and attractive to existing and potential customers.

Other Income, which amounted to $2,848.3 million and contributed 22.93% to total income, was below the 2019 amount by $303.7 million, or 9.64%. Despite continued emphasis, foreign exchange trading resulted in exchange gains for 2020 of $1,064.2 million, which represented a decrease of $306 million or 22.33% over 2019. Exchange earnings continue to be the major source of Other Income, contributing 37.36% (2019 – 43.47%) of the total.

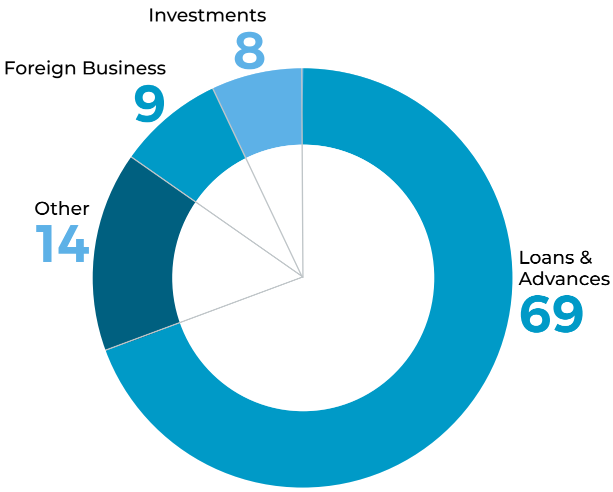
**NON-INTEREST EXPENSE**

Non-interest expenditure, which comprises operating expenses and provision for ECLs, increased by $733.6 million or 12.93% over 2019, mainly as a result of provision for ECLs, which increased to $366.5 million and staff cost which increased to $2,722.1 million. There was a significant increase in ECLs net of recoveries of $332.6 million. This was due primarily to some customers' debt servicing having been impacted by the financial effects of the pandemic.

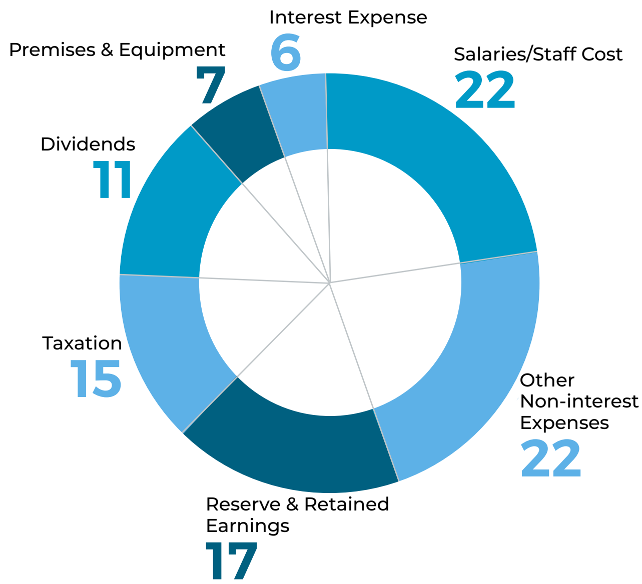
The Bank's productivity/efficiency ratio, which is non-interest expenses to net interest income and other income, increased to 51.47% from 47.97% in 2019.

In accordance with IFRS 9 – Financial Instruments, which replaces IAS 39, the Bank consistently reviews 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 and records and allowance for ECLs. 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.

## Sources of Revenue (%)




## Revenue of Distribution (%)




The financial statements include expected credit loss provision made on its performing portfolio, of $415.7 million at September 30, 2020.

At September 30, 2020, specific provision on non-performing loans remained stable at $357.9 million. Overall in 2020, expenses related to expected credit loss amounted to $366.5 million against an expense of $86.7 million in 2019. 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 $121.3 million in 2020 (2019 – $241.5 million).

The Bank's ratio of non-performing to performing loans at September 30, 2020 remained stable at 4.68%, and its ratio of specific provision for loan losses to non-performing loans, at 9.56%.

## 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 $25.2 billion year on year. This increase was mainly in our deposits held with correspondent banks and our Surplus Funds with Bank of Guyana, which grew by $11.3 billion and $13.4 billion, respectively, over the same period.

**INVESTMENT SECURITIES**

Investment securities, including Government of Guyana Treasury Bills, decreased by 8.85% during the year ($4.2 billion). The decrease arose mainly in the Bank's investment in Treasury Bills which moved from $32.9 billion in 2019 to $30 billion in 2020 or 8.81%. There was also a decrease in Other Investments, by $1.3 billion, or 8.89%, to $13.5 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.

# Managing Director's Discussion and Analysis

**ADVANCES**

Advances grew by $3.1 billion to $81.9 billion, an increase of 3.90%. 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.

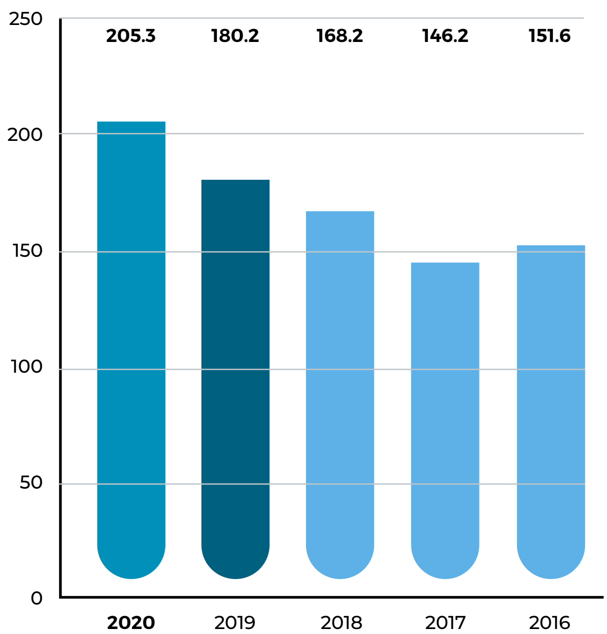
Significantly however, the Retail Loans sub-sector recorded a 15.31% increase in value from $9.8 billion to $11.3 billion. The Mortgages sub-sector recorded a 13.59% increase from $28.7 billion to $32.6 billion; the Bank is poised to aggressively support the Government's planned home ownership thrust.

As a percentage of total assets, loans and advances accounted for 39.87%.

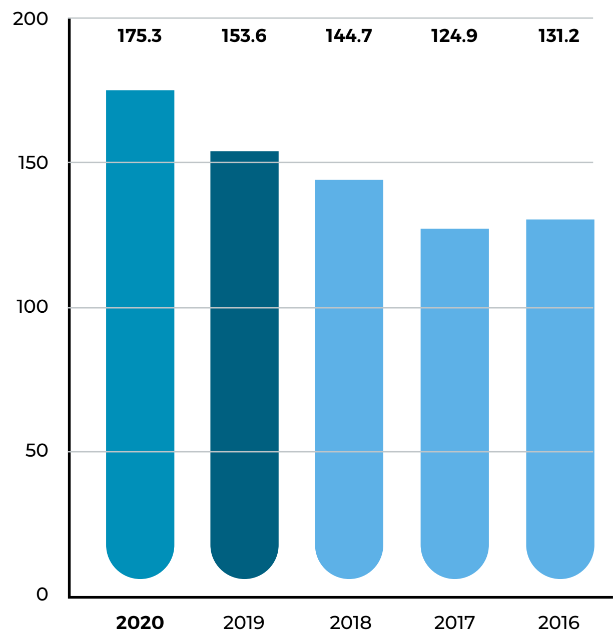
**TOTAL ASSETS**

The Bank's total assets of $205.3 billion represent an increase of $25.2 billion or 13.97% above 2019; attributed mainly to cash resources. Over the past three years, net investment in loans and advances grew by $8.9 billion, $9 billion and $3.1 billion, respectively. In a challenging and competitive environment for sound economic projects, the Bank continues to seek and attract new and remunerative investments, even as it honours its obligation to protect depositors' funds.

## Total Assets ($ Billion)




## Total Deposits ($ Billion)




**DEPOSITS**

Our deposits increased, moving to $175.3 billion from $153.6 billion in 2019; an increase of $21.7 billion or 14.13%. Our depositors remain confident in the Bank, as it continues to focus on providing quality products and services. Following conversion to the new banking platform, a number of Savings accounts were re-classified to Demand Deposits, reflecting an overall decrease of $43.5 billion or 43.74% in the Savings accounts portfolio and an increase of $63.9 billion or 133.63% in the Demand Deposits portfolio. The Certificates of Deposit portfolio increased by $1.3 billion or 20.93%.

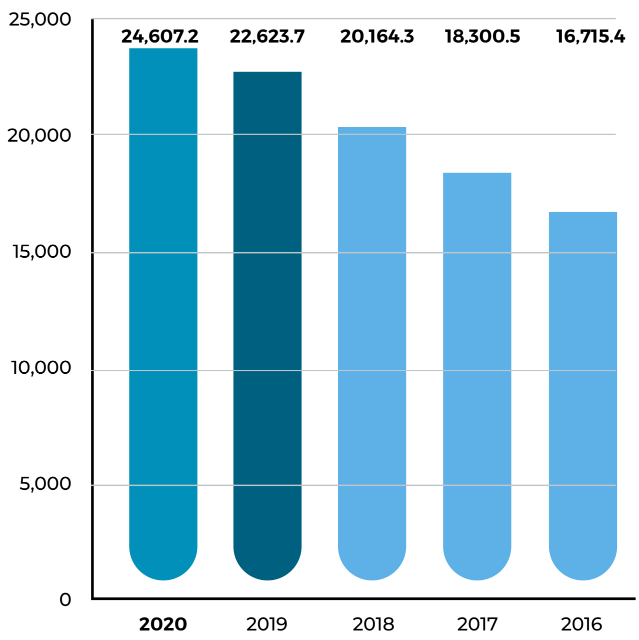
## Capital structure and resources

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 profit of $3,494.6 million, $1,275 million is being proposed as dividends and $2,219.6 million transferred from the Statement of Income to stockholders' equity. At September 30, 2020, the book value of stockholders' equity amounted to $24.6 billion.

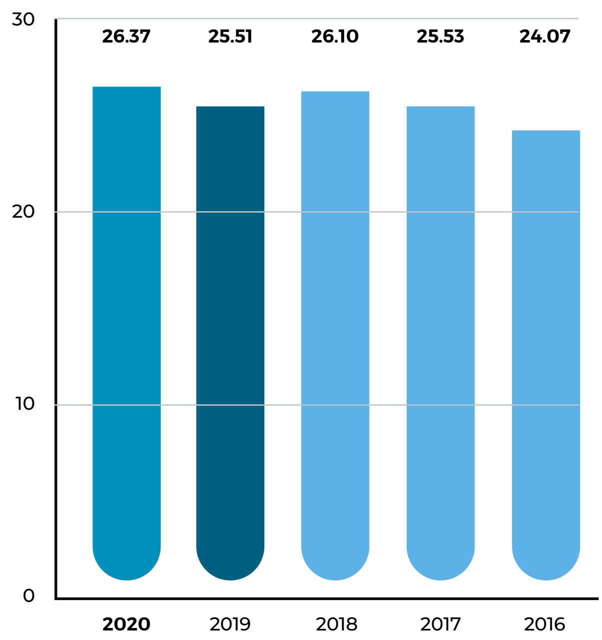
Total dividends paid and proposed for fiscal 2020 amount to $1,275 million and equates to a dividend payout ratio of 35.55% (2019 – 40.66%).

There was an increase in the price at which the Bank's stock traded on the Guyana Stock Exchange with a spread of 45.16% between the highest price of $450 and lowest price of $310 with an average weighted price of $370 per stock unit. In terms of volume, most trades were done at a unit price of $350. Using the Market Weighted Average Price of $370 from the last trade date (September 28, 2020) for the Bank's stock, the price/earnings ratio increased to 31.8 from 27.3 in 2019. The net asset value of one unit is $82.0 (2019 – $75.4) which, with a price of $370 gives a price/book ratio of 4.51:1 (2019 – 4.64:1).

### 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.

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 $22.6 billion to $24.6 billion year-on-year. The capital adequacy ratio increased, moving to 26.37% at September 30, 2020, from 25.51% at September 30, 2019. This increase is attributable to an increase in total risk-weighted assets.

# Managing Director's Discussion and Analysis

## Risk management

**OVERVIEW**

Banking is about risks and their management. These are discussed extensively on pages 114 to 130 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-spearheaded 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 and prioritising key risks that could erode value as well as the identification of potential opportunities.

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 the continuous guidance and services of the Group Enterprise Risk Unit of the parent company.

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

The Board of Directors oversees the Bank's strategic direction, the implementation of an effective risk management culture and the 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.

With the prolonged impact of the COVID-19 pandemic, Republic Bank heightened its measures aimed at ensuring robust governance to mitigate the potential operational losses. The COVID-19 pandemic presented significant challenges for economies globally, and the Bank has further strengthened its internal controls and stress testing methodology to address unfolding economic conditions and manage emerging risks.

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

## Future outlook

Resolution of the election result is anticipated to stabilise the political landscape and improve the regulatory framework regarding oil revenues, and by extension, set in motion the anticipated returns forecast in the country's outlook. The budget announced in September 2020 is also expected to stimulate the economy.

Guyana became an oil producing nation in December 2019 and has since received payments totalling US$144 million. Further payments are expected as ExxonMobil continues production from its Liza field in the Stabroek Block. Despite the pandemic, the outlook for Guyana's oil and gas industry and the economy remains positive.

The Bank remains committed to supporting the sustainable development and diversification of Guyana's economy. Further, it will take all precautions to safeguard the wellbeing of employees and customers during these uncertain times posed by the COVID-19 pandemic.

## Acknowledgements

The Bank could not have achieved its results during an extremely challenging year without the continued dedication and hard work of our employees, and as such I take the opportunity to express sincere gratitude for their contribution to the Bank's success.

I also thank our valued customers and business partners for their unwavering loyalty and support, and our Board of Directors for their guidance.

# expanding **market share**

we introduced several debt alleviation packages to relax your financial burden and to bring ease and assurance to our customers during these uncertain times.

MANAGEMENT

# **Senior** Management

Amral F. Khan

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

Managing Director

**Amral F. Khan**

Denise Hobbs

*Dip. (Business Mgmt.)*

General Manager
Operations

**Denise Hobbs**

Parbatie Khan

*Dip. (Business Mgmt.), MBA, ACIB*

General Manager
Credit

**Parbatie Khan**

# Management

Karen Assanah

*AAT, AICB, B Soc Sc (Mgmt.) (Dist.),*
*MSc (Fin. Mgmt.),*
*Certified Credit Professional*

Manager
Centralised Collections Unit

**Karen Assanah**

Denys Benjamin

*AICB*

Manager
Administration and Premises

**Denys Benjamin**

Satie Cox

*EMBA, Trained Teacher's Certificate,*
*B Soc Sc (Dist.) (Mgmt.),*
*Certified Credit Professional*

Branch Sales Manager
Rose Hall Branch

**Satie Cox**

Harry Dass Ghaness

*ICB- Letter of Accomplishment,*
*Certified Credit Professional*

Branch Sales Manager
Camp Street Branch

**Harry Dass Ghaness**

Eon Grant

*BComm., AICB*

Branch Sales Manager
Vreed-En-Hoop Branch

**Eon Grant**

Yonnette Greaves

*Dip. (Mgmt. Info. Systems) LIMIS*

Manager
Information Technology and
E-Support

**Yonnette Greaves**

# Management

Gail Harding

*AICB*

Assistant Manager
Commercial and Retail Services

**Gail Harding**

Sasenarain Jagnanan

*AICB, Dip. (Bkg. and Fin.)*

Regional Corporate Manager
Corporate Business Centre

**Sasenarain Jagnanan**

Erica Jeffrey

*ICB - Letter of Accomplishment*

Manager
Branch Support Services

**Erica Jeffrey**

Michelle Johnson

*MCIPR, MACC (Dist.), PG Dip. CIPR, B Soc Sc (Mgmt.) (Credit)*

Manager
Marketing and Communications

**Michelle Johnson**

Ndidi Jones

*Dip. (Sociology), LLB, LEC, LLM (Merit), CPAML*

Senior Manager
Head Office

**Ndidi Jones**

Jannis London

*MBA, B Soc Sc (Mgmt.), AICB, Dip. (Bkg.)*

Branch Sales Manager
Linden Branch

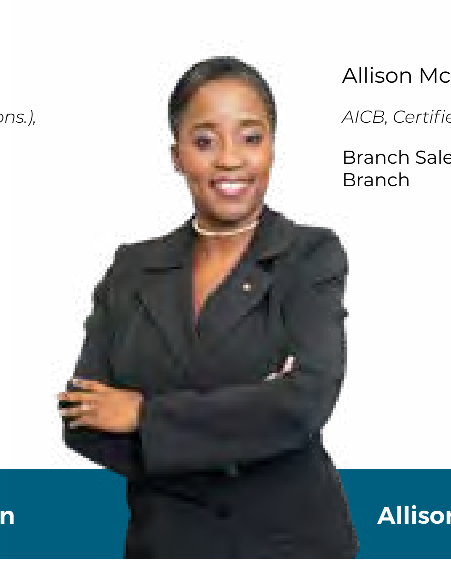
**Jannis London**

Christine Mc Gowan

*LLM (Merit), LLB (Dist.), LEC (Hons.), AMLCA, CPAML*

Manager
Legal Services

**Christine Mc Gowan**



Allison Mc Lean-King

*AICB, Certified Credit Professional*

Branch Sales ManagerDiamond
Branch

**Allison Mc Lean-King**

Shrimanie Mendonca

*BSc (Biology), PG Dip. (Edu.), M Ed*

Manager
Human Resources

**Shrimanie Mendonca**

Yugisther Mohabir

*MCSA*

Manager
End User Services

**Yugisther Mohabir**

Jadoonauth Persaud

*MBA, Dip. (Bkg. and Fin.)*

Regional Manager
Commercial and Retail Banking

**Jadoonauth Persaud**

Michael Ram

*AICB*

Manager
Enterprise Risk

**Michael Ram**

# Management

Guitree Ramsamooj

*CAT, Certified Credit Professional*

Branch Sales Manager
Anna Regina Branch

**Guitree Ramsamooj**

Carla Roberts

*BSc (Acct.)*

Corporate Manager
Corporate Business Centre

**Carla Roberts**

Oral Rose

*Dip. (Marketing), B Soc Sc (Dist.) (Mgmt.), AMLCA*

Manager
Internal Audit

**Oral Rose**

Imran Saccoor

*MBA, Dip. (Marketing)*

Branch Sales Manager
New Amsterdam Branch

**Imran Saccoor**

Randulph Sears

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

Branch Sales Manager
Water Street Branch

**Randulph Sears**

Joel Singh

*AICB*

Branch Sales Manager
D'Edward Branch

**Joel Singh**

Vanessa Thompson

*MBA, B Soc Sc (Mgmt.), FCCA*

Manager
Planning and Financial Control

**Vanessa Thompson**

Joann Williams

*BA (English)*

Assistant Manager
Human Resources

**Joann Williams**

Diane Yhun

Credit Manager
Corporate Business Centre

**Diane Yhun**

# Statement of **Corporate Governance Practices**

Corporate governance provides the framework for ensuring accountability, transparency and fairness in companies. To have a good corporate governance structure, rules, systems and practices are developed that define the way companies are directed and controlled. The need for sound corporate governance becomes even more critical when a company operates in challenging times, such as the current pandemic, which has had significant impact on several economies. The need for sound corporate governance is in part due to its correlation with the strength of an entity and its ability to withstand the challenges of doing business. Not surprisingly in these times, shareholders and stakeholders of companies continue to pay attention to whether companies have good corporate governance principles.

The value and importance of good corporate governance continue to be recognised by Republic Bank (Guyana) Limited and its Board of Directors is committed to consistently maintaining corporate governance at the highest standards. The Board constantly explores ways to further strengthen its corporate governance regime, and in-keeping with international best practices, the Governance and Nomination Sub-Committee of the Board of Directors was formed in January 2020.

In addition to recognised best practices, the Bank is 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 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 on 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. 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 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 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.

## Governance and nomination committee

The members of the Nomination Committee are:

**Chairperson**

Mrs. Anna-María García-Brooks

**Members**

Ms. Yolande Foo

Mr. Shameer Hoosein

Mr. Richard Vasconcellos

This committee meets at least twice a year and is charged with ensuring the Bank's high standard of corporate governance is maintained. It is charged with recommending, for the adoption of the Board of Directors, policies that will strengthen the Bank's corporate governance framework. It is also responsible for ensuring the professional development of Directors and making recommendations to enhance performance of the Board by establishing a formal and transparent process for selection of Directors.

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

# Statement of Corporate Governance Practices

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 seventeen years, has general oversight of the Bank's credit portfolio, branch network and general operations. Two members of Senior Management have Master's degrees in Business Administration while the other is qualified in Business Management making the team extremely qualified to offer leadership to the management team.

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

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

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

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

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

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

Signed on behalf of the Board

**Nigel M. Baptiste**
Chairman


# investing
## in everyone’s safety

we are proud to be a part of the human capacity for good,
and to support noble initiatives by individuals and organisations
through contributions and drives, in the midst of a global pandemic.

CORPORATE SOCIAL RESPONSIBILITY

# The Power to **Make A Difference**

## Standing with communities we serve

From its inception, the Power to Make A Difference programme has grown steadily as the chronicle of how the Republic Group, in expanding its reach, successfully partners with diverse communities in the Caribbean, South America and Ghana in the pursuit of sustainable development, greater social inclusion and acceptance, and instilling the inspiration to succeed in present and future generations.

We join the fight with various stakeholders to safeguard the health and wellness of millions

## COMMUNITY CARE

As the Group's regional footprint continued to grow, so too has this signature narrative and approach to corporate social responsibility. With new markets and communities in the Caribbean welcomed into the Republic family in 2020, it became increasingly apparent how their heartfelt and diverse stories of challenge and triumph would define the Power to Make A Difference.

They too become part and parcel of a social investment initiative that continues to serve nations for over a decade and further testimony of the brave spirit within us all that compels people from different walks of life to continuously work together as the best way of building successful communities.

Emboldened by the opportunities to achieve, and inspired by the work of our partners, the Republic Group stands by the community as the foundation of what the Power to Make A Difference has always been, and will always be based upon.

## The Power to Unite COVID-19 Community Care Initiatives

When the Republic Group launched the latest phase of the Power to Make A Difference for 2019/2020, little did anyone know then of the challenges that awaited in the form of the COVID-19 global pandemic. Affected but undaunted, the Republic Group stayed the course, rallying with the governments, communities, and individuals it is privileged to serve, and returning to the rudiments of the Power to Make A Difference programme and the primary concern for the wellbeing of others, especially those in the greatest need.

In the face of this new normal, the Power to Make A Difference remained resolute in the focus on supporting programmes that promote youth empowerment through education, literacy, the arts and culture, and sport; advocate the rights of the differently able and socially marginalised; assist the vulnerable and at-risk; preserve and protect social, cultural, and physical environments, and augment the sense of urgency in the way our teams volunteer in the service of others.

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

# CARE & HELP

Guided by the pillars the **Power to Care**, the **Power to Help**, the **Power to Learn**, and the **Power to Succeed**, the Group further explored new ways of building its social responsibility capacity in an especially trying time. While the pandemic significantly impacted all of the programmes and partners that we have pledged our support to, it did not diminish that ongoing commitment and the decades-old promise to work together to achieve and to persevere.

This is the **Power to Unite**. With it, the Republic Group joined the fight with various stakeholders to better safeguard the health and wellness of millions.

In keeping with these initiatives, the Bank partnered with the Ministry of Public Health to provide much needed medical supplies, portable ventilators and personal protective equipment, which in effect, helped to treat patients, while also serving as a confidence booster for the general public.

## The Power to Care and The Power to Help

While the pandemic meant that many of the Bank's mainstay programmes were adversely affected, members of staff throughout the branch network seized the opportunity to become actively involved in supporting the community during a challenging time.

Teams across the nation collaborated with a variety of organisations in the branches' respective communities to invest both financial and human resources in projects that were largely focussed on literacy and care for the elderly at a number of primary and secondary schools and senior citizens homes respectively.

During the period, the Bank also joined forces with the Step By Step School for Autistic Children in support of the School's yearly remuneration for two tutors and airline travel for two visits by two specialised medical practitioners. The School continues to be a beacon of hope for the community with the ongoing progress demonstrated by the students and many reports of marked improvements in the children's communication and learning abilities.

The Bank added a new chapter to its partnership with the adolescent mothers of Women Across Differences whose programmes help reduce the risks of unplanned pregnancy for adolescent mothers and provide new mothers with the educational and vocational skill sets to have a better quality of life through training programmes on sexual reproductive health and family planning, self-development, career and life skills building.

## The Power to Learn and The Power to Succeed

Similarly, the Bank continued to eke out ways of staying the course in its ongoing support of youth empowerment through the arts and culture, namely, in its sponsorship of the 12th Annual Republic Bank Mashramani Panorama Steel Band Competition, which celebrates the creative expressions of the steel pan as its music provides inspiration and avenues for empowerment for young achievers, while sustaining national art forms and our culture for future generations.

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

# LEARN & SUCCEED

Held over the course of two days, the competition celebrates musical excellence in the minor categories (i.e. soloists, duets, jazz ensembles) and the major categories, featuring both youth and large band competitions.

Now in its 12th year, there has been a resuscitation of the art form, with a growing number of persons involved in playing the instrument and a greater appreciation for steel pan music, further reinforcing the Bank's passion for and focus on pan development in Guyana.

In a spirit of community preservation, the Bank maintained its sponsorship of the Promenade Gardens, in collaboration with the Mayor and Councillors of the City of Georgetown for the past 16 years, for the restoration and ongoing maintenance of the Promenade Gardens.

Another mainstay of the Bank's investment in providing opportunities for young achievers, the University of Guyana Scholarship programme allowed Ms. Kenita Shabiki Roberts, the 2020 recipient the means to pursue a Bachelor of Social Science Degree in Environmental Sciences at the University of Guyana, Turkeyen Campus.

The Republic Bank scholarship is open to students pursuing studies with the University in subject areas the Bank recognises as key local sectors. These include Agriculture and Forestry, Earth and Environment Science, Technology and Natural Sciences, Finance, Entrepreneurship and Supply Chain Management.

## Working toward a brighter tomorrow

Despite the challenges presented by the pandemic, across all the markets we serve, at every level, that True Blue spirit continued to define the Power to Make A Difference. Even as the Group partnered with various organisations to help those in need, at the branch level, many teams rallied together to help even more members within their communities. Their efforts helped consolidate a wider push to work together to get as many back on their feet as completely and quickly as possible.

Looking at an unsure future, the Republic Group is assured of one thing. Whether we engage the community through new products and services, expand the value that we bring to stakeholders, or redefine the roles we play in building stronger communities, we will continue to work with our partners and stakeholders to safeguard lives and wellbeing and promote sustainable development. The Power to Make A Difference is our commitment to stand up for the people we serve and stand beside them in creating a brighter tomorrow – now more than ever.

# simplifying life's **transactions**

we focussed on a digital banking on boarding process for retail and commercial customers through such services as interbank transfers, online and mobile services.

## FINANCIAL STATEMENTS

# 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 judgements, these represent the best estimate and judgement 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 conducts 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**
Managing Director

**Christine A. Mc Gowan**
Corporate Secretary

# The Table of **Contents**

# Independent Auditor's 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, 2020, 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, 2020, and its financial performance and its cash flows for the year then ended 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities 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, 2020. 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**<br>Advances, net of credit loss provisions, comprise 40% of the Bank's total assets – refer to Note 5; while Investment securities, net of credit loss provisions, comprise 7% of the Bank's total assets – refer to Note 6.<br><br>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. | We evaluated and tested the Bank's process and documented policy for credit loss provisions.<br><br>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;<br><br>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<br><br>We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment. |

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| 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. | For credit loss provisions calculated on a collective basis, we performed the following:<br><br>The model used to compute Stages 1 and 2 provisions were reviewed for inconsistencies in data and formulas checked for accuracy;<br><br>Customers' risk ratings were reviewed to ensure accuracy of ratings;<br><br>The models prepared were reviewed to ensure compliance with the Manual governing the models and IFRS 9;<br><br>Information in the model loads and portfolio loads (worksheet in the ECL models) were compared for consistency;<br><br>Total loans and investment securities as per the models were compared to the management accounts to ensure accuracy; and<br><br>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**<br>Investment securities, related interest receivable and Government Treasury Bills comprise 21% of the Bank's total assets – refer to Note 6.<br><br>Investment securities are carried at amortised cost while fair values have been disclosed in Note 23. Of these assets, $11,027 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.<br><br>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. | 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:<br><br>An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines;<br><br>Testing of the inputs used, including cash flows and other market-based data;<br><br>An evaluation of the reasonableness of other assumptions applied such as credit spreads; |

# Independent Auditors' Report

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| 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. | The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation;<br><br>An assessment of management's impairment analysis; and<br><br>Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Bank's exposure to financial instrument valuation risk. |
| **REGULATORY ENVIRONMENT**<br>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.<br><br>The Bank has assigned the responsibility of AML/CFT to officers throughout its network and established various controls to ensure AML/CFT compliance.<br><br>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:<br><br>A review of the policies and procedures in place including approval of those policies by those charged with governance;<br><br>A review of training completed by Bank personnel including those charged with governance;<br><br>Testing of customer documentation and transactions; and<br><br>Review of the Bank's compliance with reporting requirements.<br><br>A review of the work programme and work done by the Internal Audit Department was carried out including retesting of the audit working papers.<br><br>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 included in the Annual Report. 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 or 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 IFRS, 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 ISA 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 ISA, 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.

# Independent Auditors' Report

- 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, 2020, 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

# Statement of **Financial Position**

As at September 30, 2020. Expressed in thousands of Guyana dollars ($'000)

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | **4,131,191** | 2,876,344 |
| Statutory deposit with Bank of Guyana | 2 d | **16,463,214** | 16,871,143 |
| Due from banks | 4 | **48,955,861** | 24,128,166 |
| Treasury Bills | 6 c | **30,027,231** | 32,935,836 |
| Investment interest receivable | | **190,665** | 213,228 |
| Advances | 5 | **81,868,455** | 78,793,633 |
| Investment securities | 6 a | **13,517,366** | 14,835,914 |
| Premises and equipment | 7 a | **7,122,296** | 7,175,942 |
| Intangible assets | 7 b | **50,839** | 73,491 |
| Right-of-use assets | 8 a | **29,535** | – |
| Goodwill | 9 | **1,228,222** | 1,228,222 |
| Pension asset | 10 a | **–** | 31,700 |
| Deferred tax assets | 11 a | **405,975** | 367,056 |
| Other assets | 12 | **1,345,616** | 630,750 |
| **TOTAL ASSETS** | | **205,336,466** | **180,161,425** |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| Due to banks | | **14,425** | 138,207 |
| Customers' chequing, savings and deposit accounts | 13 a | **175,348,977** | 153,605,091 |
| Pension liability | 10 a | **160,600** | – |
| Lease liabilities | 8 b | **29,314** | – |
| Taxation payable | | **510,030** | 1,061,407 |
| Deferred tax liabilities | 11 b | **361,450** | 386,382 |
| Accrued interest payable | | **51,840** | 19,440 |
| Other liabilities | 14 | **4,252,617** | 2,327,196 |
| **TOTAL LIABILITIES** | | **180,729,253** | **157,537,723** |
| **EQUITY** | | | |
| Stated capital | 15 | **300,000** | 300,000 |
| Statutory reserves | 16 a | **300,000** | 300,000 |
| General banking risk reserve | 16 b | **842,898** | 844,581 |
| Retained earnings | | **23,164,315** | 21,179,121 |
| **TOTAL EQUITY** | | **24,607,213** | **22,623,702** |
| **TOTAL LIABILITIES AND EQUITY** | | **205,336,466** | **180,161,425** |

The accompanying notes on pages 67 to 140 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on October 19, 2020 and signed on its behalf by:

**Amral F. Khan**
Managing Director

**Roy E. Cheong**
Director, Chairman Audit Committee

**Christine Mc Gowan**
Corporate Secretary

# Statement of **Income**

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000)

| | Notes | **2020** | 2019 |
|---|---|---|---|
| Interest income | 17 a | **9,576,085** | 9,083,475 |
| Interest expense | 17 b | **(692,789)** | (588,076) |
| **Net interest income** | | **8,883,296** | 8,495,399 |
| Other income | 17 c | **2,848,334** | 3,152,038 |
| | | **11,731,630** | 11,647,437 |
| Credit loss expense on financial assets | 18 | **(366,548)** | (86,270) |
| Operating expenses | 17 d | **(6,038,642)** | (5,586,916) |
| **Net profit before taxation** | | **5,326,440** | 5,974,251 |
| Taxation – Current | | **(1,806,097)** | (2,055,691) |
| Taxation – Deferred | | **(25,749)** | (72,779) |
| **Total taxation expense** | 19 | **(1,831,846)** | **(2,128,470)** |
| **Net profit after taxation** | | **3,494,594** | **3,845,781** |
| **Earnings per stock unit ($)** | | **11.65** | **12.82** |

The accompanying notes on pages 67 to 140 form an integral part of these financial statements.

# Statement of **Comprehensive Income**

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000)

| | 2020 | 2019 |
|---|---|---|
| **Net profit after taxation** | **3,494,594** | **3,845,781** |
| **Other comprehensive income:** | | |
| *Items of other comprehensive income that will not be reclassified to the statement of income in subsequent periods (net of tax):* | | |
| Re-measurement loss on defined benefit plans | **(224,000)** | (10,600) |
| Income tax related to above | **89,600** | 4,240 |
| **Total items that will not be reclassified to the income statement in subsequent periods:** | **(134,400)** | **(6,360)** |
| **Other comprehensive loss for the year, net of tax** | **(134,400)** | **(6,360)** |
| **Total comprehensive income for the year, net of tax** | **3,360,194** | **3,839,421** |

The accompanying notes on pages 67 to 140 form an integral part of these financial statements.

# Statement of **Changes in Equity**

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000)

| | Stated capital | Statutory reserves | General banking risk reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **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 16 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** |
| Profit for the year | – | – | – | 3,494,594 | **3,494,594** |
| Other comprehensive loss | – | – | – | (134,400) | **(134,400)** |
| Total comprehensive income for the year | – | – | – | 3,360,194 | **3,360,194** |
| Transfer from general banking risk reserve (Note 16 b) | – | – | (1,683) | – | **(1,683)** |
| Dividends | – | – | – | (1,375,000) | **(1,375,000)** |
| **Balance at September 30, 2020** | **300,000** | **300,000** | **842,898** | **23,164,315** | **24,607,213** |

# Statement of **Cash Flows**

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000)

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Net profit before taxation | | **5,326,440** | 5,974,251 |
| **Adjustments for:** | | | |
| Depreciation of premises and equipment and right-of-use assets | 7 and 8 a | **470,491** | 473,445 |
| Credit loss expense on financial assets | | **366,548** | 86,270 |
| (Gain)/ loss on sale of premises and equipment | | **(6,588)** | 7,909 |
| Increase in employee benefits | | **(31,700)** | (28,600) |
| Increase in advances | | **(3,096,125)** | (9,257,826) |
| Increase in customers' deposits | | **21,743,886** | 8,950,178 |
| Decrease/(increase) in statutory deposit with Bank of Guyana | | **407,929** | (692,761) |
| Increase in other assets and investment interest receivable | | **(692,303)** | (110,075) |
| Increase in other liabilities and accrued interest payable | | **1,957,821** | 130,104 |
| Net cash provided by operating activities before tax | | **26,446,399** | 5,532,895 |
| Taxes paid | | **(2,408,437)** | (1,663,249) |
| **Cash provided by operating activities** | | **24,037,962** | **3,869,646** |
| **Investing activities** | | | |
| Purchase of investment securities | | **(879,738)** | (1,063,492) |
| Redemption of investment securities | | **1,897,465** | 2,020,539 |
| Purchase of Treasury Bills | | **(32,167,200)** | (33,080,650) |
| Redemption of Treasury Bills | | **35,080,650** | 33,282,750 |
| Additions to premises and equipment | | **(385,021)** | (571,778) |
| Proceeds from sale of premises and equipment | | **15,585** | 6,523 |
| **Cash provided by investing activities** | | **3,561,741** | **593,892** |
| **Financing activities** | | | |
| (Decrease)/increase in balances due to other banks | | **(123,782)** | 21,170 |
| Repayment of principal portion of lease liabilities | 8 b | **(18,379)** | – |
| Dividends paid | | **(1,375,000)** | (1,380,000) |
| **Cash used in financing activities** | | **(1,517,161)** | **(1,358,830)** |
| **Net increase in cash and cash equivalents** | | **26,082,542** | **3,104,708** |
| **Cash and cash equivalents at beginning of year** | | **27,004,510** | **23,899,802** |
| **Cash and cash equivalents at end of the year** | | **53,087,052** | **27,004,510** |
| **Cash and cash equivalents at end of year are represented by:** | | | |
| Cash on hand | | **4,131,191** | 2,876,344 |
| Due from banks | 4 | **48,955,861** | 24,128,166 |
| | | **53,087,052** | **27,004,510** |

# Statement of Cash Flows

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000)

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Supplemental information:** | | | |
| Interest received during the year | | **9,062,980** | 8,970,904 |
| Interest paid during the year | | **660,389** | 587,486 |
| Dividends received | | **10,707** | 2,485 |

The accompanying notes on pages 67 to 140 form an integral part of these financial statements.

# Notes to the **Financial Statements**

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 1 Corporate information

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

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

Banking operations began on February 16, 1837, by the British Guiana Bank which had been incorporated on November 11, 1836. On November 17, 1913, operations were sold to the Royal Bank of Canada. Assets and Liabilities of the Guyana operations of the Royal Bank of Canada were acquired by the Government of Guyana on November 29, 1984, and vested in the National Bank of Industry and Commerce Limited on December 1, 1984. In October 1997, the Bank became a subsidiary of Republic Bank Limited of Trinidad and Tobago, now Republic Financial Holdings Limited and subsequently changed its name to Republic Bank (Guyana) Limited on June 5, 2006. As at September 30, 2020, 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, Cayman Islands, Ghana, St. Maarten, Anguilla and the British Virgin 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 (FVPL) 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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

### 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, 2019, except for the adoption of new standards and interpretations below.

The Bank applied IFRS 16 Leases for the first time. The nature and effect of changes as a result of the adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have any impact on the financial statements of the Bank. These are also described in more detail below. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

*IFRS 16 Leases (effective January 1, 2019)*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Bank is a lessor.

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.

The adoption of IFRS 16 Leases resulted in operating leases recognised as right-of-use assets and lease liabilities in the statement of financial position, with related depreciation expenses on the right-of-use assets and interest expense on lease liabilities. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied available practical expedients wherein it used a single discount rate to a portfolio of leases with reasonably similar characteristics, applied the short-term leases exemptions to leases with lease terms that ends within 12 months of the date of initial application, excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

# 2 Significant accounting policies *(continued)*

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

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

*IFRS 16 Leases (effective January 1, 2019) (continued)*

Right-of-use assets of $47.7 million and lease liabilities of $46.7 million were recognised and presented in the statement of financial position as at October 1, 2019. The adoption of IFRS 16 had no impact on the Bank's retained earnings and no material impact on its capital adequacy ratio.

The lease liabilities as at October 1, 2019, can be reconciled to the operating lease commitments as of September 30, 2019, as follows:

| | $'000 |
|---|---|
| Operating lease commitments as at September 30, 2019 | 50,480 |
| Weighted average incremental borrowing rate as at October 1, 2019 | 7.13% |
| Discounted operating lease commitments as at October 1, 2019 | 46,881 |
| Less: | |
| Commitments relating to short-term leases | (160) |
| Commitments relating to leases of low-value assets | – |
| Add: | |
| Lease payments relating to renewal periods not included in operating lease commitments as at October 1, 2019 | – |
| Lease liabilities as at October 1, 2019 | 46,721 |

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.

The adoption and amendment to this interpretation had no impact on the financial statements of the Bank.

*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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

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

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

*IFRS 9 Financial Instruments – Amendments to IFRS 9 (effective January 1, 2019) (continued)*

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.

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

*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.

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.

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

*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.

# 2 Significant accounting policies *(continued)*

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

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

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

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.

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

*IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2019)*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank as there is no transaction where joint control is obtained.

*IFRS 11 Joint Arrangements – Amendments to IFRS 11 (effective January 1, 2019)*

An entity that participates in, but does not have joint control of a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank as there is no transaction where a joint control is obtained.

*IAS 12 Income Taxes – Amendments to IAS 12 (effective January 1, 2019)*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Bank's current practice is in line with these amendments, they had no impact on the financial statements of the Bank.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

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

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

*IAS 23 Income Tax Borrowing Costs – Amendments to IAS 23 (effective January 1, 2019)*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Bank's current practice is in line with these amendments, they had no impact on the financial statements of the Bank.

*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.

*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 are 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.

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

*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.

# 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) (continued)*

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.

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

*IAS 1 Presentation of Financial Statements – Amendments to IAS 1 (effective January 1, 2023)*

The Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

*IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2022)*

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

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

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

*IAS 16 Property, Plant and Equipment – Amendments to IAS 16 (effective January 1, 2022)*
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

*IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37 (effective January 1, 2022)*
The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are "directly related to contract activities", but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

*IFRS 17 Insurance Contracts (effective January 1, 2023)*
IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), 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)

# 2 Significant accounting policies *(continued)*

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

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

*IFRS 17 Insurance Contracts (effective January 1, 2023) (continued)*

- 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 consolidated statement of income, but are recognised directly on the consolidated 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, 2020:

| IFRS | Subject of amendment |
|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective January 1, 2022) |
| IFRS 9 | Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (effective January 1, 2022) |
| IAS 41 | Agriculture – Taxation in fair value measurements (effective January 1, 2022) |

**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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

**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 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.

**f Financial assets and liabilities**

**Under IFRS 9**

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

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

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

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.

# 2 Significant accounting policies *(continued)*

**f Financial assets and liabilities** *(continued)*

**Under IFRS 9** *(continued)*

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

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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

**f Financial assets and liabilities** *(continued)*

**Under IFRS 9** *(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 2019, 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.

# 2 Significant accounting policies *(continued)*

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

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

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 effective 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.

*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 rate
- 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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

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

***Derecognition other than for substantial modification*** *(continued)*

*Financial assets (continued)*

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.

**i Impairment of financial assets**

i Overview of the ECL principles

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

The Bank uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 21.2.7. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 21.2.

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 21.2.7.

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.

# 2 Significant accounting policies *(continued)*

## i Impairment of financial assets *(continued)*

### i Overview of the ECL principles *(continued)*

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 21.2). 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.

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 21.2.5.

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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

### i **Impairment of financial assets** *(continued)*

#### ii The calculation of ECLs *(continued)*

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.

*Stage 3*
For loans and investments considered credit-impaired (as set out in Note 21.2.8), 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.

# 2 Significant accounting policies *(continued)*

**i Impairment of financial assets** *(continued)*

ii The calculation of ECLs *(continued)*

*POCI (continued)*

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 21.2.5, 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.

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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 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

There was little correlation between the overall performance of the economy and historic loss trends. It was therefore not possible to directly correlate macro economic 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.

# 2 Significant accounting policies *(continued)*

**l Write-offs**

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

**m Leases (Policy applicable as of October 1, 2019)**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments).

The Bank applies the short-term lease recognition exemption to its short-term leases of property (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of IT equipment that is considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

**m Leases (Policy applicable as of October 1, 2019)** *(continued)*

Bank as a Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

## 2 Significant accounting policies *(continued)*

### 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.

### 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. Re-measurements 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 remains under the full control of the appointed Trustees.

The full results of the valuation exercise are disclosed in note 10 to these financial statements.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

**q Employee benefits** *(continued)*

ii Profit sharing scheme

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

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

**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.

# 2 Significant accounting policies *(continued)*

**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 are recorded using the 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 asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

*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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 2 Significant accounting policies *(continued)*

**x Segment reporting**

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

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

**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 27 (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).

## 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 10)*
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, National Insurance Scheme (NIS) ceiling increases, pension increases and the rate of return on the assets of the Plan.

*Goodwill (Note 9)*
The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at September 30, 2020, 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 11)*
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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 3 Significant accounting judgements and estimates in applying the Bank's accounting policies *(continued)*

*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.

*Leases (Note 8)*
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation of the leased asset).

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's standalone credit rating, or to reflect the terms and conditions of the lease).

## 4 Due from banks

| | **2020** | 2019 |
|---|---|---|
| Bank of Guyana – excess of statutory deposit | **30,445,842** | 17,067,537 |
| Other banks | **18,510,019** | 7,060,629 |
| | **48,955,861** | **24,128,166** |

# 5 Advances

**a Advances**

| 2020 | Retail lending | Commercial and corporate lending | Mortgages | Overdrafts | Total |
|---|---|---|---|---|---|
| Performing advances | 9,967,856 | 34,196,013 | 31,080,862 | 4,726,427 | **79,971,158** |
| Non-performing advances | 1,370,333 | 832,300 | 1,539,123 | – | **3,741,756** |
| | 11,338,189 | 35,028,313 | 32,619,985 | 4,726,427 | **83,712,914** |
| Unearned interest | (1,763,233) | – | – | – | **(1,763,233)** |
| Accrued interest | – | 837,504 | 200,457 | 819 | **1,038,780** |
| | 9,574,956 | 35,865,817 | 32,820,442 | 4,727,246 | **82,988,461** |
| Allowance for ECLs – Note 5 c | (48,918) | (422,004) | (271,462) | (31,158) | **(773,542)** |
| | 9,526,038 | 35,443,813 | 32,548,980 | 4,696,088 | **82,214,919** |
| Unearned loan origination fees | (221,876) | (57,727) | (66,861) | – | **(346,464)** |
| **Net advances** | **9,304,162** | **35,386,086** | **32,482,119** | **4,696,088** | **81,868,455** |

| 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)** |
| Accrued interest | – | 441,453 | 61,659 | – | **503,112** |
| | 7,874,285 | 35,304,862 | 28,717,076 | 8,077,430 | **79,973,653** |
| 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** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 5 Advances *(continued)*

### b Loans by remaining term to maturity

| | **2020** | 2019 |
|---|---|---|
| Within three months | **356,221** | 536,622 |
| Between three and six months | **905,497** | 776,596 |
| Between six months and one year | **8,611,702** | 8,794,495 |
| Between one to five years | **11,816,053** | 12,502,726 |
| More than five years | **60,178,982** | 56,183,194 |
| | **81,868,455** | **78,793,633** |

### 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 21.2.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 21.2.6.

| 2020 | Retail lending | Commercial and corporate lending | Mortgages | Overdrafts | Total |
|---|---|---|---|---|---|
| **Gross loans** | 9,574,956 | 35,865,817 | 32,820,442 | 4,727,246 | **82,988,461** |
| Stage 1: 12 Month ECL | (45,260) | (228,602) | (79,801) | (30,194) | **(383,857)** |
| Stage 2: Lifetime ECL | (1,703) | (12,012) | (17,117) | (964) | **(31,796)** |
| Stage 3: Credit Impaired | | | | | |
| Financial Assets – Lifetime ECL | (1,955) | (181,390) | (174,544) | – | **(357,889)** |
| | **9,526,038** | **35,443,813** | **32,548,980** | **4,696,088** | **82,214,919** |
| ***Stage 1: 12 Month ECL*** | | | | | |
| ECL allowance as at | | | | | |
| October 1, 2019, under IFRS 9 | 54,856 | 170,692 | 87,553 | 41,896 | **354,997** |
| ECL on new instruments issued | | | | | |
| during the year | 26,038 | 132,859 | 370 | – | **159,267** |
| Other Credit Loss movements, | | | | | |
| repayments etc. | (35,634) | (74,949) | (8,122) | (11,702) | **(130,407)** |
| **At September 30, 2020** | **45,260** | **228,602** | **79,801** | **30,194** | **383,857** |

# 5 Advances *(continued)*

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

| 2020 | Retail lending | Commercial and corporate lending | Mortgages | Overdrafts | Total |
|---|---|---|---|---|---|
| ***Stage 2: Lifetime ECL*** | | | | | |
| ECL allowance as at | | | | | |
| October 1, 2019, under IFRS 9 | 1,444 | 15,338 | 8,370 | 354 | **25,506** |
| ECL on new instruments issued | | | | | |
| during the year | 705 | 7,688 | 676 | – | **9,069** |
| Other Credit Loss movements, | | | | | |
| repayments etc. | (446) | (11,014) | 8,071 | 610 | **(2,779)** |
| **At September 30, 2020** | **1,703** | **12,012** | **17,117** | **964** | **31,796** |
| ***Stage 3: Credit Impaired Financial Assets - Lifetime ECL*** | | | | | |
| ECL allowance as at | | | | | |
| October 1, 2019, under IFRS 9 | 6,524 | 187,526 | 162,914 | 672 | **357,636** |
| Charge-offs and write-offs | (255,458) | (49,274) | (47,045) | (672) | **(352,449)** |
| Credit Loss Expense | 323,778 | 83,100 | 67,110 | – | **473,988** |
| Recoveries | (72,889) | (39,962) | (8,435) | – | **(121,286)** |
| **At September 30, 2020** | **1,955** | **181,390** | **174,544** | **–** | **357,889** |
| **Total** | **48,918** | **422,004** | **271,462** | **31,158** | **773,542** |

Of the Total ECL of $773.5 million, 53.7 % was on a collective basis and 46.3% was on an individual basis.

| 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)** |
| **Total** | **7,811,461** | **34,931,306** | **28,458,239** | **8,034,508** | **79,235,514** |

# Notes to the Financial Statements

For the year ended September 30, 2020. 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 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** |
| ***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 | 287,937 | 139,813 | 72,924 | (21,720) | **478,954** |
| 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.

# 5 Advances *(continued)*

## d Provision for loan losses by economic sectors

| 2020 | Gross amount | Non-performing | Specific provision | Expected credit loss | Net advances |
|---|---|---|---|---|---|
| Government and government bodies | 8 | – | – | – | 8 |
| Financial sector | 38,028 | – | – | (257) | 37,771 |
| Energy and mining | 386,226 | 8,097 | (38,563) | (2,612) | 353,148 |
| Agriculture | 1,615,528 | 33,870 | (9,431) | (10,927) | 1,629,040 |
| Transport, storage and communication | 1,487,330 | 31,182 | – | (10,060) | 1,508,452 |
| Distribution | 12,064,281 | 429,395 | (65,940) | (81,600) | 12,346,136 |
| Real estate mortgages | 31,281,319 | 1,539,123 | (174,544) | (96,918) | 32,548,980 |
| Manufacturing | 1,920,625 | 40,266 | (12,505) | (12,991) | 1,935,395 |
| Construction | 1,744,030 | 36,564 | – | (11,796) | 1,768,798 |
| Hotel and restaurant | 23,178 | – | – | (157) | 23,021 |
| Personal | 7,784,927 | 1,370,333 | (1,955) | (46,963) | 9,106,342 |
| Non-residents | 419,696 | – | – | (2,839) | 416,857 |
| Other services | 20,481,529 | 252,926 | (54,951) | (138,533) | 20,540,971 |
| | **79,246,705** | **3,741,756** | **(357,889)** | **(415,653)** | **82,214,919** |

| 2019 | Gross amount | Non-performing | Specific provision | 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** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 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 being experienced 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 $838.6 million as at September 30, 2020, with a corresponding ECL of $121.8 million.

The Bank offered a moratorium to customers in good standing which included a postponement of monthly instalments, including the principal and interest for a period of 1-6 months beginning on the date of acceptance with interest continuing to accrue during the period of the moratorium. These loans amounted to $21,822 million as at September 30, 2020. The financial impact of the moratorium was not material and these loans were not determined to be restructured.

**f** The undiscounted fair value of collateral that the Bank holds relating to loans individually determined to be impaired at September 30, 2020, amounts to $6,878.9 million (2019: $6,728.3 million). The collateral consists of cash, securities and properties.

**g Collateral realised**

During the year, the Bank realised collateral amounting to $7.0 million (2019: $32.1 million).

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

| | **2020** | 2019 |
|---|---|---|
| Government | **10,310,536** | 12,510,012 |
| Other services | **10,009,948** | 4,872,714 |
| Manufacturing | **3,959,910** | 4,204,912 |
| Distribution | **3,782,976** | 2,448,901 |
| | **28,063,370** | **24,036,539** |

# 6 Investment securities

| | | 2020 | 2019 |
|---|---|---|---|
| a | **Debt instruments at amortised cost** | | |
| | Government securities | **10,947,474** | 13,014,540 |
| | Corporate bonds | **2,569,892** | 1,797,174 |
| | | **13,517,366** | **14,811,714** |
| | **Designated at fair value through profit or loss** | | |
| | Equity | **–** | 24,200 |
| | **Total investment securities** | **13,517,366** | **14,835,914** |
| b | **Investment securities by remaining term to maturity** | | |
| | Within three months | **–** | 125,771 |
| | Between six months and one year | **838,644** | – |
| | Between one and five years | **9,731,247** | 11,447,475 |
| | More than five years | **2,947,475** | 3,262,668 |
| | | **13,517,366** | **14,835,914** |
| c | **Treasury Bills by remaining term to maturity** | | |
| | Within three months | **12,385,572** | 14,319,725 |
| | Between three and six months | **5,049,199** | 9,994,998 |
| | Between six months and one year | **12,592,460** | 8,621,113 |
| | | **30,027,231** | **32,935,836** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 6 Investment securities *(continued)*

**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.

| 2020 | Stage 1 12 Month ECL | Stage 2 Lifetime ECL | Stage 3 Credit impaired financial assets – Lifetime ECL | Purchased or originated credit-impaired POCI | Total |
|---|---|---|---|---|---|
| Gross exposure | 1,073,574 | 12,504,959 | – | 48,412 | **13,626,945** |
| ECL | (1,005) | (90,998) | – | (17,576) | **(109,579)** |
| **Net Exposure** | **1,072,569** | **12,413,961** | **–** | **30,836** | **13,517,366** |
| ECL allowance as at October 1, 2019, under IFRS 9 | 580 | 94,677 | 35,626 | – | **130,883** |
| ECL on new instruments issued during the year | – | 32,824 | – | – | **32,824** |
| Other Credit Loss movements, repayments and maturities | 425 | (36,503) | – | – | **(36,078)** |
| ECL on old instruments issued converted to debt that was restructured | – | – | (35,626) | 17,576 | **(18,050)** |
| **At September 30, 2020** | **1,005** | **90,998** | **–** | **17,576** | **109,579** |

| 2019 | Stage 1 12 Month ECL | Stage 2 Lifetime ECL | Stage 3 Credit impaired financial assets – Lifetime ECL | Purchased or originated credit-impaired POCI | 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** |
| Translation adjustments | - | - | – | – | **–** |
| 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)*

**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

| 2020 | Capital works in progress | Freehold premises | Equipment, furniture and fittings | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At beginning of year | 337,360 | 6,323,984 | 4,296,824 | **10,958,168** |
| Additions at cost | 355,076 | 15,224 | 14,721 | **385,021** |
| Disposal of assets | – | – | (79,603) | **(79,603)** |
| Transfer of assets | (378,337) | 647 | 377,690 | **-** |
| | **314,099** | **6,339,855** | **4,609,632** | **11,263,586** |
| **Accumulated depreciation** | | | | |
| At beginning of year | – | 978,882 | 2,803,344 | **3,782,226** |
| Charge for the year | – | 106,150 | 323,819 | **429,969** |
| Disposal of assets | – | – | (70,905) | **(70,905)** |
| | **-** | **1,085,032** | **3,056,258** | **4,141,290** |
| **Net book value** | **314,099** | **5,254,823** | **1,553,374** | **7,122,296** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 7 a Premises and equipment *(continued)*

| 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** |

| | 2020 | 2019 |
|---|---|---|
| **b Intangible assets** | | |
| **Cost** | | |
| At beginning of year | **675,519** | 668,406 |
| Additions at cost | **-** | 8,214 |
| Disposal | **(1,357)** | (1,101) |
| | **674,162** | **675,519** |
| **Accumulated depreciation** | | |
| At beginning of year | **602,028** | 573,636 |
| Charge for the year | **22,651** | 29,493 |
| Disposal | **(1,356)** | (1,101) |
| | **623,323** | **602,028** |
| **Net book value** | **50,839** | **73,491** |
| **c Capital commitments** | | |
| Contracts for outstanding capital expenditure not provided for in the financial statements | **422,291** | **250,002** |

# 8 Leases

## a Right-of-use assets

| 2020 | Leasehold premises |
|---|---|
| **Cost** | |
| Effect of adoption of IFRS 16 beginning of year | 47,693 |
| Additions at cost | – |
| Transfer of assets | – |
| | 47,693 |
| **Accumulated depreciation** | |
| At beginning of year | – |
| Charge for the year Note 17 d | 18,158 |
| Disposal of assets | – |
| Fully depreciated assets written off | – |
| | 18,158 |
| **Net book value** | **29,535** |

Leasehold premises generally have lease terms between 3 and 50 years.

## b Lease liabilities (Note 21.3.1 and 25)

| 2020 | Non current | Current | Total |
|---|---|---|---|
| Effect of adoption of IFRS 16 | 47,693 | – | **47,693** |
| Additions at cost | – | – | **–** |
| Accretion of interest expense Note 17 b | 1,218 | – | **1,218** |
| Less: Payments | (19,597) | – | **(19,597)** |
| | **29,314** | **–** | **29,314** |

The maturity analysis of lease liabilities is disclosed in Note 25 which is already contained in the liquidity risk Note 21.3.1

| 2020 | Fixed payments | Variable payments | Total |
|---|---|---|---|
| **Payments** | | | |
| Fixed rent | 19,597 | – | **19,597** |
| | **19,597** | **–** | **19,597** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 8 Leases *(continued)*

**b Lease liabilities (Note 21.3.1 and 25)** *(continued)*

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| 2020 | Within five years | More than five years | Total |
|---|---|---|---|
| Extension options expected not to be exercised | 51,150 | – | **51,150** |
| Termination options expected to be exercised | – | – | **–** |
| | **51,150** | **–** | **51,150** |

## 9 Goodwill

| | 2020 | 2019 |
|---|---|---|
| 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, 2020 using the 'value in use' method. Based on the results of this review, no impairment expense was required.

## 10 Employee benefits

| | 2020 | 2019 |
|---|---|---|
| **a The amounts recognised in the statement of financial position are as follows:** | | |
| Present value of defined benefit obligation | **2,478,600** | 2,124,000 |
| Fair value of plan assets | **(2,318,000)** | (2,155,700) |
| **Net (asset)/liability recognised in the statement of financial position** | **160,600** | **(31,700)** |

# 10 Employee benefits *(continued)*

| | | 2020 | 2019 |
|---|---|---|---|
| **b** | **Changes in the present value of the defined benefit obligation are as follows:** | | |
| | Opening defined benefit obligation | **2,124,000** | 1,943,300 |
| | Current service cost | **77,400** | 77,600 |
| | Interest cost | **115,200** | 105,600 |
| | Members' contributions | **39,000** | 38,000 |
| | Remeasurements | | |
| | - Experience adjustments | **(94,700)** | 7,600 |
| | - Actuarial (gains)/losses from changes in demographic assumptions | **277,300** | – |
| | Benefits paid | **(59,600)** | (48,100) |
| | **Closing defined benefit obligation** | **2,478,600** | **2,124,000** |
| **c** | **Changes in the fair value of plan assets are as follows:** | | |
| | Opening fair value of plan assets | **2,155,700** | 1,957,000 |
| | Interest income | **120,800** | 110,100 |
| | Return on plan assets, excluding interest income | **(41,400)** | (3,000) |
| | Bank contributions | **109,000** | 107,200 |
| | Members' contributions | **39,000** | 38,000 |
| | Benefits paid | **(59,600)** | (48,100) |
| | Expense allowance | **(5,500)** | (5,500) |
| | **Closing fair value of plan assets** | **2,318,000** | **2,155,700** |
| | **Actual return on plan assets** | **79,400** | **107,100** |
| **d** | **The amounts recognised in the Statement of Income are as follows:** | | |
| | Current service cost | **77,400** | 77,600 |
| | Net interest on net defined benefit liability | **(5,600)** | (4,500) |
| | Administration expenses | **5,500** | 5,500 |
| | **Net pension cost** | **77,300** | **78,600** |
| **e** | **Reconciliation of opening and closing statement of financial position entries:** | | |
| | Defined benefit obligation at prior year end | **(31,700)** | (13,700) |
| | Unrecognised gain/(loss) charged to retained earnings | **–** | – |
| | Opening defined benefit obligation | **(31,700)** | (13,700) |
| | Net pension cost | **77,300** | 78,600 |
| | Re-measurements recognised in Other Comprehensive Income | **224,000** | 10,600 |
| | Premiums paid by the Bank | **(109,000)** | (107,200) |
| | **Closing defined benefit obligation/(asset)** | **160,600** | **(31,700)** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 10 Employee benefits *(continued)*

| | | 2020 | 2019 |
|---|---|---|---|
| **f** | **Liability profile** | | |
| | The defined benefit obligation is allocated between the Plan's members as follows: | | |
| | - 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 | | |
| **g** | **Re-measurements recognised in Other Comprehensive Income** | | |
| | Experience loss | **224,000** | 10,600 |
| | **Total included in Other Comprehensive Income** | **224,000** | **10,600** |

**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, 2020, would have changed as a result of a change in the assumptions used.

| | 1% per annum decrease | 1% per annum increase |
|---|---|---|
| - Discount rate | 539,000 | (412,000) |
| - Future salary increases | (285,000) | 361,000 |

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2020, by $64.0 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, 2020**

| | 2020 % | 2019 % |
|---|---|---|
| Discount rate | **5.50** | 5.50 |
| Rate of salary increase | **5.50** | 5.50 |
| NIS ceiling rates | **5.00** | 5.00 |

# 10 Employee benefits *(continued)*

**i Summary of principal actuarial assumptions as at September 30, 2020** *(continued)*

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, 2020, are as follows:

| | 2020 | 2019 |
|---|---|---|
| Life expectancy at age 65 for current pensioner in years: | | |
| - Male | **17.5** | 14.6 |
| - Female | **21.4** | 18.4 |
| Life expectancy at age 65 for current members age 40 in years: | | |
| - Male | **18.5** | 14.6 |
| - Female | **22.5** | 18.4 |
| **j Plan asset allocation as at September 30** | | |
| Local equities | **501,900** | 458,900 |
| Overseas equities | **178,300** | 164,000 |
| Cash and cash equivalents | **1,474,800** | 1,361,500 |
| Mortgages | **163,000** | 171,300 |
| **Fair value of scheme assets at end of year** | **2,318,000** | **2,155,700** |

**k Funding**

The Bank meets the balance of the cost of funding the defined benefit Pension Scheme and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Scheme and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $111.0 million to the Pension Scheme during 2020/2021.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 11 Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

**a Deferred tax assets**

| | Opening balance 2019 | Impact of IFRS 9 | Credit /(Charge) Statement of income | Credit /(Charge) Other comprehensive income | Closing balance 2020 |
|---|---|---|---|---|---|
| Pension liability | – | – | (25,360) | 89,600 | **64,240** |
| Fee and commission income | 176,752 | – | (38,167) | – | **138,585** |
| Leased assets | – | – | 88 | – | **88** |
| ECL on loans and investments | 190,304 | – | 12,758 | – | **203,062** |
| | **367,056** | **–** | **(50,681)** | **89,600** | **405,975** |

**b Deferred tax liabilities**

| | Opening balance 2019 | Impact of IFRS 9 | Charge /(Credit) Statement of income | Charge /(Credit) Other comprehensive income | Closing balance 2020 |
|---|---|---|---|---|---|
| Pension asset | 12,680 | – | (12,680) | – | **–** |
| Premises and equipment | 373,702 | – | (12,252) | – | **361,450** |
| Leased assets | – | – | – | – | **–** |
| | **386,382** | **–** | **(24,932)** | **–** | **361,450** |

## 12 Other assets

| | 2020 | 2019 |
|---|---|---|
| Accounts receivable and prepayments | **1,345,611** | 305,125 |
| Items in transit | **–** | 262,542 |
| Other assets | **5** | 63,083 |
| | **1,345,616** | **630,750** |

# 13 Customers' chequing, savings and deposit accounts

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

| 2020 | Demand | Savings | Time | Total |
|---|---|---|---|---|
| State | 24,101,967 | 1,923,072 | 360,781 | **26,385,820** |
| Corporate and commercial | 32,421,729 | 2,754,769 | 425,934 | **35,602,432** |
| Personal | 42,322,310 | 50,312,861 | 5,161,989 | **97,797,160** |
| Other financial institutions | 3,440,032 | 628,622 | 1,817,282 | **5,885,936** |
| Other | 9,376,131 | 299,401 | 2,097 | **9,677,629** |
| | **111,662,169** | **55,918,725** | **7,768,083** | **175,348,977** |

| 2019 | Demand | Savings | Time | Total |
|---|---|---|---|---|
| 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** |

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

| | 2020 | 2019 |
|---|---|---|
| Within three months | **2,063,058** | 2,149,360 |
| Between three and six months | **1,229,754** | 1,320,840 |
| Between six months and one year | **4,241,512** | 2,953,354 |
| More than one year | **233,759** | – |
| | **7,768,083** | **6,423,554** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 14 Other liabilities

| | 2020 | 2019 |
|---|---|---|
| Drafts and settlements | **599,546** | 1,388,212 |
| Accrued expenses | **705,366** | 146,030 |
| Office accounts | **469,959** | 231,659 |
| Deferred income | **5,081** | 11,612 |
| Dividends payable | **75,798** | 123,140 |
| Other | **2,396,867** | 426,543 |
| | **4,252,617** | **2,327,196** |

## 15 Stated capital

| | 2020 | 2019 |
|---|---|---|
| **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** |

## 16 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. The remaining balance represents the difference between IFRS 9 provision and regulatory reserve requirement.

# 17 Operating profit

| | | 2020 | 2019 |
|---|---|---|---|
| a | **Interest income** | | |
| | Advances | **8,579,030** | 7,869,609 |
| | Investment securities | **682,744** | 789,547 |
| | Liquid assets | **314,311** | 424,319 |
| | | **9,576,085** | **9,083,475** |
| b | **Interest expense** | | |
| | Customers' chequing, savings and deposit accounts | **691,571** | 588,076 |
| | Lease liabilities | **1,218** | – |
| | | **692,789** | **588,076** |
| c | **Other income** | | |
| | Credit and related fees | **170,766** | 113,683 |
| | Net exchange trading income | **1,064,183** | 1,370,193 |
| | Loan recoveries | **121,286** | 241,530 |
| | Dividends | **10,707** | 2,485 |
| | Deposit and related fees | **692,657** | 1,077,616 |
| | Payments and transfers | **247,008** | 342,366 |
| | Gains from sale of premises and equipment | **6,588** | – |
| | Other operating income | **535,139** | 4,165 |
| | | **2,848,334** | **3,152,038** |
| d | **Operating expenses** | | |
| | Staff costs | **2,409,464** | 2,193,404 |
| | Staff profit share | **312,752** | 401,043 |
| | General administrative expenses | **1,412,664** | 1,241,181 |
| | Lease rental expenses | **37,688** | 19,677 |
| | Property related expenses | **601,322** | 695,913 |
| | Property tax | **245,271** | 194,299 |
| | Loss on sale of premises and equipment | **–** | 7,909 |
| | Depreciation expense | **452,333** | 473,445 |
| | Depreciation expense right-of-use assets – Note 8 | **18,158** | – |
| | Communication | **254,915** | 125,721 |
| | Advertising and public relations expenses | **246,100** | 199,089 |
| | Directors' fees | **27,309** | 15,390 |
| | Auditors' fees | **20,666** | 19,845 |
| | | **6,038,642** | **5,586,916** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 18 Credit loss expense

| | 2020 | 2019 |
|---|---|---|
| Advances | **387,852** | 298,411 |
| Debt instruments measured at amortised cost | **(21,304)** | (212,141) |
| | **366,548** | **86,270** |

## 19 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:

| | 2020 | 2019 |
|---|---|---|
| Accounting profit | **5,326,440** | 5,974,251 |
| Tax at applicable statutory tax rates (40%) | **2,130,576** | 2,389,700 |
| *Tax effect of items that are adjustable in determining taxable profit:* | | |
| Tax exempt income | **(364,610)** | (378,172) |
| Depreciation | **188,197** | 189,378 |
| Donations | **874** | 1,311 |
| Property tax | **98,108** | 77,720 |
| Wear and tear allowance | **(128,005)** | (155,164) |
| Expected Credit Loss (Stages 1 and 2) | **12,758** | (74,712) |
| Loss/(gain) on sale of premises and equipment | **(2,635)** | 3,420 |
| Gain on sale of shares | **(78,320)** | – |
| Defined benefit obligation | **(12,680)** | (11,440) |
| Deferred fee income | **(38,167)** | 13,650 |
| Current tax | **1,806,097** | 2,055,691 |
| Deferred tax | **25,749** | 72,779 |
| **Total taxation** | **1,831,846** | **2,128,470** |

## 20 Related parties

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

**Outstanding balances**

| | 2020 | 2019 |
|---|---|---|
| **Loans, investments and other assets** | | |
| Fellow subsidiaries | **883,662** | 486,990 |
| Directors and key management personnel | **86,901** | 82,959 |
| Other related parties | **547,694** | 467,714 |
| | **1,518,257** | **1,037,663** |
| No provisions have been made against amounts due from related parties. | | |
| Amounts due from the five parties with the highest exposures totalled $587.7 million (2019: $501.4 million) and represents 2.39% (2019: 2.22%) of the Bank's capital base. | | |
| **Deposits and other liabilities** | | |
| Fellow subsidiaries | **442,021** | 330,433 |
| Directors and key management personnel | **252,245** | 266,487 |
| Other related parties | **5,213,610** | 4,909,794 |
| | **5,907,876** | **5,506,714** |
| **Interest and other income** | | |
| Directors and key management personnel | **2,539** | 3,227 |
| Other related parties | **4,549** | 11,544 |
| | **7,088** | **14,771** |
| **Interest and other expense** (excluding key management compensation) | | |
| Fellow subsidiaries | **117,434** | 133,444 |
| Directors and key management personnel | **27,078** | 5,433 |
| Other related parties | **2,054** | 7,692 |
| | **146,566** | **146,569** |
| **Proportion of related parties exposure to total customer exposure** | **0.78%** | **0.72%** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 20 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**

| | **2020** | 2019 |
|---|---|---|
| Short-term benefits | **99,138** | **99,929** |

| Loans | Balance at the beginning of year | Loans during the year | Repayments | Balance at the end of year |
|---|---|---|---|---|
| **2020** | | | | |
| Other related parties | 99,004 | 21,450 | (29,461) | 90,993 |
| | **99,004** | **21,450** | **(29,461)** | **90,993** |
| 2019 | | | | |
| Other related parties | 90,066 | 17,659 | (19,242) | 88,483 |
| | **90,066** | **17,659** | **(19,242)** | **88,483** |

## 21 Risk management

### 21.1 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;
- 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.

# 21 Risk management *(continued)*

## 21.1 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:

## 21.2 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 informs 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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.2 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.

#### 21.2.1 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:

| | **2020 Gross maximum exposure** | 2019 **Gross maximum exposure** |
|---|---|---|
| Statutory deposit with Bank of Guyana | **16,463,214** | 16,871,143 |
| Due from banks | **48,955,861** | 24,128,166 |
| Treasury Bills | **30,027,231** | 32,935,836 |
| Investment interest receivable | **190,665** | 213,228 |
| Investment securities | **13,517,366** | 14,811,714 |
| Loans and advances to customers | **81,868,455** | 78,793,633 |
| **Total** | **191,022,792** | **167,753,720** |
| Undrawn commitments | **9,279,206** | 9,417,819 |
| Guarantees and indemnities | **2,316,983** | 1,940,716 |
| Letters of credit | **264,702** | 264,702 |
| **Total** | **11,860,891** | **11,623,237** |
| **Total credit risk exposure** | **202,883,683** | **179,376,957** |

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.

# 21 Risk management *(continued)*

## 21.2 Credit risk *(continued)*

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

**Collateral and other credit enhancements**

The Bank maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash or securities, charges over real estate properties, inventories and trade receivables and mortgages over residential properties and chattels. The Bank also obtains appropriate guarantees for loans from parent companies, owners/stockholders, directors or other parties.

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

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. As at September 30, 2020, $3.9 million (2019: $10.2 million) in repossessed properties are still in the process of being disposed of.

### 21.2.2 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:

| | **2020** | 2019 |
|---|---|---|
| Guyana | **182,789,164** | 169,893,928 |
| Trinidad and Tobago | **1,589,319** | 1,211,755 |
| Barbados | **57,708** | 58,383 |
| Eastern Caribbean | **2,492** | 4,440 |
| United States | **15,254,622** | 7,202,636 |
| Other countries | **3,190,378** | 1,005,815 |
| | **202,883,683** | **179,376,957** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.2 Credit risk *(continued)*

#### 21.2.2 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:

| | **2020** | 2019 |
|---|---|---|
| Government and government bodies | **58,427,931** | 63,942,408 |
| Financial sector | **51,367,790** | 26,139,020 |
| Energy and mining | **385,744** | 289,079 |
| Agriculture | **1,600,151** | 3,407,668 |
| Electricity and water | **479** | 124,466 |
| Transport, storage and communication | **2,489,502** | 2,604,670 |
| Distribution | **13,426,097** | 14,703,207 |
| Real estate mortgages | **34,725,712** | 29,289,911 |
| Manufacturing | **2,151,579** | 2,664,075 |
| Construction | **2,296,805** | 1,674,078 |
| Hotel and restaurant | **405,021** | 254,356 |
| Personal | **15,362,818** | 18,401,359 |
| Non-residents | **419,696** | 148,674 |
| Other services | **19,824,358** | 15,733,986 |
| | **202,883,683** | **179,376,957** |

Included above is $0.04 million (2019: $126.8 million) representing Public Non-Financial Institutions.

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

| | **2020** | 2019 |
|---|---|---|
| Government | **122.03** | 145.58 |
| Central Bank | **148.36** | 150.01 |
| Counterparty 3 | **50.85** | 55.30 |
| Counterparty 4 | **17.09** | 18.59 |
| Counterparty 5 | **9.95** | 10.82 |

# 21 Risk management *(continued)*

## 21.2 Credit risk *(continued)*

### 21.2.3 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.

### 21.2.4 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.

### 21.2.5 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 judgemental 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 judgemental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.2 Credit risk *(continued)*

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

*Overdrafts*

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

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

*Investment securities*

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

*Internal rating*

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

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

A description of the internal credit ratings 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. |

# 21 Risk management *(continued)*

## 21.2 Credit risk *(continued)*

### 21.2.6 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 21.2.7), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

### 21.2.7 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
- Past due not yet relegated credit facilities

### 21.2.8 Analysis of gross carrying amount and corresponding ECLs is as follows:

| Advances | 2020 % | 2019 % |
|---|---|---|
| Stage 1 | **4.76** | 6.65 |
| Stage 2 | **90.72** | 88.81 |
| Stage 3 | **4.52** | 4.54 |

In response to COVID-19, the Bank undertook a review of its loan portfolios determining high risk sectors and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology and definition of default remained consistent with prior periods. Calculation inputs, including forward-looking information, together with the determination of the staging of exposures were however, revised.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.2 Credit risk *(continued)*

21.2.8 Analysis of gross carrying amount and corresponding ECLs is as follows: *(continued)*

| 2020 | Retail lending | Commercial and corporate lending | Mortgages | Overdrafts | Total |
|---|---|---|---|---|---|
| **Stage 1** | | | | | |
| Gross loans | 628,625 | 1,131,235 | 2,101,233 | 97,000 | **3,958,093** |
| ECL | (45,260) | (228,602) | (79,801) | (30,194) | **(383,857)** |
| | **583,365** | **902,633** | **2,021,432** | **66,806** | **3,574,236** |
| Percentage of ECL/Gross loans | 7.2 | 20.2 | 3.8 | 31.1 | **9.7** |

| 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** |

The increase in ECLs of Stage 1 portfolios was driven by movements between stages as a result of increases in credit risk, despite a 25.6% decrease in the gross size of the portfolio.

| 2020 | Retail lending | Commercial and corporate lending | Mortgages | Overdrafts | Total |
|---|---|---|---|---|---|
| **Stage 2** | | | | | |
| Gross loans | 7,575,998 | 33,902,281 | 29,180,086 | 4,630,246 | **75,288,611** |
| ECL | (1,703) | (12,012) | (17,117) | (964) | **(31,796)** |
| | **7,574,295** | **33,890,269** | **29,162,969** | **4,629,282** | **75,256,815** |
| Percentage of ECL/Gross loans | 0.02 | 0.04 | 0.06 | 0.02 | **0.04** |

# 21 Risk management *(continued)*

## 21.2 Credit risk *(continued)*

21.2.8 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 | – | **0.04** |

The increase in ECLs of Stage 2 portfolios was driven by a 6% increase in the gross size of the portfolio, movements between stages as a result of increases in credit risk.

| **2020** | Retail lending | Commercial and corporate lending | Mortgages | Overdrafts | Total |
|---|---|---|---|---|---|
| **Stage 3** | | | | | |
| Gross loans | 1,370,333 | 832,300 | 1,539,123 | – | **3,741,756** |
| ECL | (1,955) | (181,390) | (174,544) | – | **(357,889)** |
| | **1,368,378** | **650,910** | **1,364,579** | **–** | **3,383,867** |
| Percentage of ECL/Gross loans | 0.1 | 21.8 | 11.3 | – | **9.6** |

| **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 | – | **9.8** |

The increase in ECLs of Stage 3 portfolios was driven by a 3.2% increase in the gross size of the portfolio, movements between stages as a result of increases in write-offs.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.2 Credit risk *(continued)*

21.2.8 Analysis of gross carrying amount and corresponding ECLs is as follows: *(continued)*

*Investment Securities*

| | **2020 %** | 2019 % |
|---|---|---|
| Stage 1 | **7.88** | 7.14 |
| Stage 2 | **92.12** | 91.94 |
| Stage 3 | **0.00** | 0.92 |

| **2020** | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
|---|---|---|---|---|---|
| Gross balance | 1,073,574 | 12,504,959 | – | 48,412 | **13,626,945** |
| ECL | (1,005) | (90,998) | – | (17,576) | **(109,579)** |
| | **1,072,569** | **12,413,961** | **–** | **30,836** | **13,517,366** |
| Percentage of ECL/Gross loans | 0.09 | 0.73 | – | 36.3 | **0.80** |

| 2019 | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **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** |

The decrease in ECLs was driven by a 8.8% decrease in the gross size of the portfolio – maturities.

### 21.3 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.

# 21 Risk management *(continued)*

## 21.3 Liquidity risk *(continued)*

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 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.

### 21.3.1 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, 2020* | | | | | |
| Customers' chequing, savings and deposit accounts | 175,344,501 | 4,242 | 234 | – | **175,348,977** |
| Due to banks | 14,425 | – | – | – | **14,425** |
| Lease liabilities | 29,314 | – | – | – | **29,314** |
| Other liabilities | 4,252,617 | – | – | – | **4,252,617** |
| **Total undiscounted financial liabilities** | **179,640,857** | **4,242** | **234** | **–** | **179,645,333** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.3 Liquidity risk *(continued)*

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

**Financial liabilities – on statement of financial position**

| | On demand | Up to one year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| *As at September 30, 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 – off statement of financial position**

| **2020** | On demand | Up to one year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Guarantees and indemnities | – | 909,734 | 523,173 | 884,076 | **2,316,983** |
| Letters of credit | – | 264,702 | – | – | **264,702** |
| **Total** | **–** | **1,174,436** | **523,173** | **884,076** | **2,581,685** |

| 2019 | On demand | Up to one year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| 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** |

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

### 21.4 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.

# 21 Risk management *(continued)*

## 21.4 Market risk *(continued)*

### 21.4.1 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.

### 21.4.2 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, 2020, on its non-trading monetary assets and liabilities and forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Guyana dollar, with all other variables held constant.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.4 Market risk *(continued)*

#### 21.4.2 Currency risk *(continued)*

| 2020 | GYD | TTD | USD | STG | OTHER | Total |
|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | | |
| Cash | 4,097,478 | 218 | 21,563 | 3,800 | 8,132 | **4,131,191** |
| Statutory deposit with Bank of Guyana | 16,463,214 | – | – | – | – | **16,463,214** |
| Due from banks | 32,556,650 | 13,305 | 14,429,235 | 33,628 | 1,923,043 | **48,955,861** |
| Treasury Bills | 30,027,231 | – | – | – | – | **30,027,231** |
| Advances | 77,890,621 | – | 3,977,834 | – | – | **81,868,455** |
| Investment securities | 8,174,543 | – | 5,342,823 | – | – | **13,517,366** |
| Interest receivable | 134,302 | – | 56,363 | – | – | **190,665** |
| **TOTAL FINANCIAL ASSETS** | **169,344,039** | **13,523** | **23,827,818** | **37,428** | **1,931,175** | **195,153,983** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Due to banks | 14,425 | – | – | – | – | **14,425** |
| Customers' chequing, savings and deposit accounts | 155,696,419 | – | 19,244,741 | 27,699 | 380,118 | **175,348,977** |
| Interest payable | 51,757 | – | 82 | 1 | – | **51,840** |
| **TOTAL FINANCIAL LIABILITIES** | **155,762,601** | **–** | **19,244,823** | **27,700** | **380,118** | **175,415,242** |
| **NET CURRENCY RISK EXPOSURE** | **13,581,438** | **13,523** | **4,582,995** | **9,728** | **1,551,057** | **19,738,741** |
| **Reasonably possible change in currency rate (%)** | – | 1 | 1 | 1 | 1 | – |
| **Effect on profit before tax** | **–** | **135** | **45,830** | **97** | **15,511** | **61,573** |

# 21 Risk management *(continued)*

## 21.4 Market risk *(continued)*

### 21.4.2 Currency risk *(continued)*

| 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** |
| **Reasonably possible** | | | | | | |
| **change in currency** | | | | | | |
| **rate (%)** | – | 1 | 1 | 1 | 1 | **-** |
| **Effect on profit before tax** | **-** | **78** | **11,029** | **15** | **220** | **11,342** |

## 21.5 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.

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 21 Risk management *(continued)*

### 21.5 Operational risk *(continued)*

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.

### 21.6 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.

## 22 Capital management

The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $1,983.5 million to $24,607.2 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 2020 of $1,275 million represents 31.48% 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, 2020, is 25.83% (2019 – 25.09%) and its capital adequacy ratio (Tier 1 and Tier 2) is 26.37% (2019 – 25.51%). At September 30, 2020, the Bank exceeded the minimum levels required.

The Bank's regulatory capital is as follows:

| | **2020** | 2019 |
|---|---|---|
| **Tier 1** | | |
| Stated capital | **300,000** | 300,000 |
| Reserve fund | **300,000** | 300,000 |
| General banking risk reserves in excess of statutory requirement | **380,114** | 335,157 |
| Retained earnings | **22,189,315** | 20,104,121 |
| Goodwill | **(1,228,222)** | (1,228,222) |
| **Total** | **21,941,207** | **19,811,056** |

## 22 Capital management *(continued)*

The Bank's regulatory capital is as follows: *(continued)*

| | 2020 | 2019 |
|---|---|---|
| **Tier 2** | | |
| Securities revaluation reserves | **-** | - |
| General banking risk reserves – statutory requirement | **462,784** | 509,424 |
| **Total** | **462,784** | **509,424** |

## 23 Fair value

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 23 Fair value *(continued)*

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:

| 2020 | Carrying value | Fair value | Unrecognised gain/(loss) |
|---|---|---|---|
| **Financial assets** | | | |
| Cash, due from banks and Treasury Bills | 83,114,283 | 83,114,283 | – |
| Statutory deposit with Bank of Guyana | 16,463,214 | 16,463,214 | – |
| Investment securities | 13,517,366 | 13,689,385 | 172,019 |
| Advances | 81,868,455 | 82,244,840 | 376,385 |
| Investment interest receivable | 190,665 | 190,665 | – |
| **Financial liabilities** | | | |
| Due to banks | 14,425 | 14,425 | – |
| Customers' chequing, savings and deposit accounts | 175,348,977 | 175,281,858 | (67,119) |
| Accrued interest payable | 51,840 | 51,840 | – |
| **Total unrecognised change in unrealised fair value** | | | **481,285** |

| 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** |

# 23 Fair value *(continued)*

## 23.1 Fair value and fair value hierarchies

### 23.1.1 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, 2020.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Investment securities | | | | |
| **2020** | **2,662,587** | **11,026,798** | **–** | **13,689,385** |
| 2019 | 1,741,492 | 13,196,375 | 137,197 | **15,075,064** |
| **Financial assets for which fair value is disclosed** | | | | |
| Advances | | | | |
| **2020** | **–** | **–** | **81,868,455** | **81,868,455** |
| 2019 | – | – | 78,793,633 | **78,793,633** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 23 Fair value *(continued)*

### 23.1 Fair value and fair value hierarchies *(continued)*

#### 23.1.1 Determination of fair value and fair value hierarchies *(continued)*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial liabilities for which fair value is disclosed** | | | | |
| Customers' current, savings and deposit accounts | | | | |
| **2020** | **–** | **–** | **175,348,977** | **175,348,977** |
| 2019 | – | – | 153,605,091 | **153,605,091** |

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

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets designated at fair value through profit or loss | – | – | – | **–** |
| Debt instruments at amortised cost | 2,662,587 | 11,026,798 | – | **13,689,385** |
| | **2,662,587** | **11,026,798** | **–** | **13,689,385** |

| 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets designated at fair value through profit or loss | – | 24,200 | – | **24,200** |
| Debt instruments 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** |

# 23 Fair value *(continued)*

## 23.1 Fair value and fair value hierarchies *(continued)*

### 23.1.1 Determination of fair value and fair value hierarchies *(continued)*

**Description of significant unobservable inputs to valuation**

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2020, are as shown below:

| | Valuation technique | Significant unobservable inputs | Range (weighted average) |
|---|---|---|---|
| **Advances** | Discounted Cash Flow Method | Growth rate for cash flows for subsequent years | 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%) |

### 23.1.2 Transfers between Level 1 and 2

For the year ended September 30, 2020, no assets valued were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2020, there were no Level 3 financial instruments measured at fair value.

# 24 Segmental information

## 24.1 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.

## 24.2 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:

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 24 Segmental information *(continued)*

### 24.2 Geographical information *(continued)*

| 2020 | Guyana | Trinidad and Tobago | Other countries | Total |
|---|---|---|---|---|
| Interest income | 9,487,887 | 26,495 | 61,703 | **9,576,085** |
| Interest expense | (692,789) | – | – | **(692,789)** |
| Net interest income | 8,795,098 | 26,495 | 61,703 | **8,883,296** |
| Other income | 2,848,334 | – | – | **2,848,334** |
| Net interest and other income | 11,643,432 | 26,495 | 61,703 | **11,731,630** |
| Total assets | 185,936,773 | 1,512,046 | 17,887,647 | **205,336,466** |
| Total liabilities | 180,272,811 | 429,350 | 27,092 | **180,729,253** |
| Cash flow from operating activities | 24,037,962 | – | – | **24,037,962** |
| Cash flow from/(used in) investing activities | 4,437,387 | 11,407 | (887,053) | **3,561,741** |
| Cash flow from/(used in) financing activities | (1,520,960) | 114,861 | (111,062) | **(1,517,161)** |

| 2019 | Guyana | Trinidad and Tobago | Other countries | Total |
|---|---|---|---|---|
| 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 | 10,422,950 | 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)** |

### 24.3 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.

# 25 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, 2020, to the contractual maturity date. See Note 21.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

| 2020 | Within 12 months | After 12 months | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | 4,131,191 | – | **4,131,191** |
| Statutory deposit with Bank of Guyana | 16,463,214 | – | **16,463,214** |
| Due from banks | 48,955,861 | – | **48,955,861** |
| Treasury Bills | 30,027,231 | – | **30,027,231** |
| Investment interest receivable | 190,665 | – | **190,665** |
| Advances | 9,873,420 | 71,995,035 | **81,868,455** |
| Investment securities | 838,644 | 12,678,722 | **13,517,366** |
| Premises and equipment | – | 7,122,296 | **7,122,296** |
| Right-of-use assets | – | 29,535 | **29,535** |
| Intangible assets | – | 50,839 | **50,839** |
| Goodwill | – | 1,228,222 | **1,228,222** |
| Deferred tax assets | – | 405,975 | **405,975** |
| Other assets | 1,345,616 | – | **1,345,616** |
| | **111,825,842** | **93,510,624** | **205,336,466** |
| **LIABILITIES** | | | |
| Due to banks | 14,425 | – | **14,425** |
| Customers' chequing, savings and deposit accounts | 175,348,743 | 234 | **175,348,977** |
| Pension liability | – | 160,600 | **160,600** |
| Lease liabilities | – | 29,314 | **29,314** |
| Taxation payable | 510,030 | – | **510,030** |
| Deferred tax liabilities | – | 361,450 | **361,450** |
| Accrued interest payable | 51,840 | – | **51,840** |
| Other liabilities | 4,252,617 | – | **4,252,617** |
| | **180,177,655** | **551,598** | **180,729,253** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 25 Maturity analysis of assets and liabilities *(continued)*

| 2019 | Within 12 months | After 12 months | Total |
|---|---|---|---|
| **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** |

## 26 Dividends paid and proposed

| | 2020 | 2019 |
|---|---|---|
| **Declared and paid during the year** | | |
| Equity dividends on ordinary stock units: | | |
| Final dividend for 2019: $3.58 (2018: $3.00) | **1,075,000** | 900,000 |
| First dividend for 2020: $1.00 (2019: $1.60) | **300,000** | 480,000 |
| **Total dividends paid** | **1,375,000** | **1,380,000** |
| **Proposed for approval at Annual General Meeting (not recognised as a liability as at September 30)** | | |
| Equity dividends on ordinary stock units: | | |
| Final dividend for 2020: $3.25 (2019: $3.58) | **975,000** | **1,075,000** |

## 27 Contingent liabilities

**a Litigation**

As at September 30, 2020, 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.

| | 2020 | 2019 |
|---|---|---|
| **b Customers' liability under acceptances, guarantees, indemnities and letters of credit** | | |
| Guarantees and indemnities | **2,316,983** | 1,940,716 |
| Letters of credit | **264,702** | 264,702 |
| | **2,581,685** | **2,205,418** |
| **c Sectoral information** | | |
| State | **779,697** | 846,510 |
| Corporate and commercial | **1,801,988** | 1,358,908 |
| | **2,581,685** | **2,205,418** |

# Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Guyana dollars ($'000), except where otherwise stated

## 27 Contingent liabilities *(continued)*

**d Pledged assets**

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

| | Carrying amount | | Related liability | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Statutory deposit | **16,463,214** | **16,871,143** | **175,348,977** | **153,605,091** |

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

**e Non-cancellable operating lease commitments**

| | **2020** | 2019 |
|---|---|---|
| Less than one year | **28,651** | 19,677 |
| Between one to five years | **12,085** | 28,016 |
| More than five years | **-** | 2,787 |
| | **40,736** | **50,480** |

## 28 External payment deposit scheme

| | **2020** | 2019 |
|---|---|---|
| | **47,400** | **47,400** |

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

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