INDEPENDENT AUDITOR'S REPORT

To The Members Of
GUYANA BANK FOR TRADE AND INDUSTRY
LIMITED AND SUBSIDIARY
(Subsidiary Of Secure International Finance Company Incorporated)

**ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

OPINION

We have audited the consolidated financial statements of the Guyana Bank for Trade and Industry Limited and subsidiary, which comprise the consolidated statement of financial position as at 31 December, 2016, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 43 to 101.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Guyana Bank for Trade and Industry Limited and subsidiary as at 31 December, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its' subsidiary within the meaning of the Financial Institutions Act 1995 and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2016. These matters are selected from the matters communicated with those charged with governance, but are not intended to represent all the matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

LOANS AND ADVANCES
(REFER TO NOTE 13)

Loans and advances are recorded net of provision-$45,525,688,000. Provision is computed under two methods, one based on the requirement of the Financial Institutions Act 1995 and the other based on the requirements of the International Financial Reporting Standards. Under the requirements of the Financial Institutions Act 1995, provisioning is made based on the classification of loans and advances as per the Bank of Guyana's Supervisory Guideline number 5. In relation to the latter, provision is computed based on amortized cost. Where there are differences between the two computations, the difference is transferred to or from the General Banking Reserve to or from Retained Earnings. Differences arise because there are two separate basis used in computing provisions Both computations are significant to our audit and the judgments used by management are rechecked for completeness. ►

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER:

Our audit tests were carried out on samples for both provision computed as at 31 December 2016 to ensure that they comply with the requirements of both the Bank of Guyana's Supervisory Guideline and the International Financial Reporting Standards.

For loans and advances, our audit checks were not limited to but focused on the following procedures:

- Verifying the approval systems.
- Verifying that all loans and advances are secured, active and are monitored in accordance with the Supervisory guidelines number 5 and 13 and evaluating management's compliance with these guidelines. We also verified whether these loans and advances were classified based on the criteria outlined in these guidelines.
- Assessing the control environment for the processing and monitoring of loans and advances.
- Certain loans and advances were also selected for direct confirmation.
- Ensuring provisions as per the Financial Institutions Act 1995 and the International Financial Reporting Standards were test checked for accuracy.

INVESTMENTS
(REFER TO NOTE 12)

At 31 December 2016 investments are stated at G$22,174,875,000. The bank's investments in structured financial instruments represent 64% of the total amount of its total financial instruments. These investments are valued based on quoted prices in active markets. The remaining 36% of investments are valued based on entity developed internal models by the directors. At 31 December 2016, there is no significant measurement uncertainty involved in these valuations. As a result, the valuation of these investments was significant to our audit.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER:

Our procedures include the following:

- Ensuring valuation methodologies are consistent with the accounting policies.
- Ensuring fair value classification, measurement and disclosures are in accordance with International Financial Reporting Standards;
- Ensuring internal valuation model used by the Directors is complete;
- Ensuring additions and disposals were approved;
- Obtaining market prices.

PROPERTY AND EQUIPMENT
(REFER TO NOTE 14 (A)

Property and equipment are stated at a net book value of G$7,063,354,000. No revaluation of property and equipment was done during the year.

Property and equipment are considered Key Audit Matters as significant management judgment was used to select depreciation rates for each item of property and equipment. In addition, an annual impairment review of all property and equipment was done which involved significant management judgment.

We found that the assumptions used by management in relation to the carrying value of all property and equipment were in line with our expectations.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER:

- Testing depreciation rates for all property and equipment to ensure consistency with accounting standards;
- Assessing the methodology used by the directors to carry out their impairment review;
- Verifying assets physically in current and prior years on a sample basis for existence;
- Verifying approval system by the Directors and management on acquisition, disposal and management. ►

GOING CONCERN

The Bank's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank and its subsidiary or to cease operations, or has no realistic alternative but to do so. As part of our audit of the consolidated financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Bank's ability to continue as a going concern.

OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises all the information in the consolidated 2016 annual report other than the consolidated financial statements and our auditor's report thereon (''the other information'')

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

In connection with our audit of the bank and its subsidiary's financial statement, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the bank and its subsidiary's financial statements or our knowledge obtained in 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 the other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors/Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Directors/Management is responsible for overseeing the Bank and its subsidiary's financial reporting process.

In preparing the Group financial statements, the Directors are responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee assists the Directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements. ►

- As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group'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 Group 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements comply with the requirements of the Financial Institutions Act 1995 and the Companies Act 1991.

The engagement partner responsible for the audit resulting in this independent auditor's report is Ramesh Lal.

TSD LAL & CO

CHARTERED ACCOUNTANTS

Date: March 7, 2017

77 Brickdam,
Stabroek, Georgetown
Guyana

GUYANA BANK FOR TRADE AND INDUSTRY LIMITED AND SUBSIDIARY
(Subsidiary of Secure International Finance Company Incorporated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	COMPANY 2016 $'000	COMPANY 2015 $'000	GROUP 2016 $'000	GROUP 2015 $'000
Interest income	4	5,994,759	5,666,850	5,957,319	5,625,227
Interest expense	5	(912,303)	(906,091)	(912,303)	(906,091)
Net interest income		5,082,456	4,760,759	5,045,016	4,719,136
Other income	6	1,133,937	1,382,809	2,351,821	1,384,304
Net interest and other income		6,216,393	6,143,568	7,396,837	6,103,440
Operating expenses	7	(2,798,512)	(2,833,348)	(3,965,375)	(2,893,075)
Loan provisioning net of recoveries		(899,152)	(620,656)	(899,152)	(620,656)
Associate company: share of profit/(loss)	12	143	(3,470)	143	(3,470)
Profit before taxation		2,518,872	2,686,094	2,532,453	2,586,239
Taxation	10(a)	(475,413)	(673,639)	(499,951)	(673,639)
Profit after taxation		**2,043,459**	**2,012,455**	**2,032,502**	**1,912,600**
Attributable to: Equity holders of the parent		2,043,459	2,012,455	2,032,502	1,912,600
Basic earnings per share in dollars	9	51.09	50.31	50.81	47.82

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

GUYANA BANK FOR TRADE AND INDUSTRY LIMITED AND SUBSIDIARY
(Subsidiary of Secure International Finance Company Incorporated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME CONT'D FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	COMPANY 2016 $'000	COMPANY 2015 $'000	GROUP 2016 $'000	GROUP 2015 $'000
Profit for the year		**2,043,459**	**2,012,455**	**2,032,502**	**1,912,600**
Other Comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit asset	10(b)	(1,440)	14,728	(1,440)	14,728
		(1,440)	14,728	(1,440)	14,728
Items that may be reclassified subsequently to profit or loss					
Loss arising on revaluation of:-					
Available for sale financial assets	10(b)	(85,255)	(49,458)	(85,255)	(49,458)
Share of comprehensive loss of associate company	10(b)	(1,583)	(4,269)	(1,583)	(4,269)
		(86,838)	(53,727)	(86,838)	(53,727)
Other comprehensive loss net of tax		(88,278)	(38,999)	(88,278)	(38,999)
Total comprehensive income for the year		**1,955,181**	**1,973,456**	**1,944,224**	**1,873,601**
Attributable to:					
Equity holders of the parent		1,955,181	1,973,456	1,944,224	1,873,601

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY

	Notes	Share Capital G$ 000	Retained Earnings G$ 000	Other Reserve G$ 000	Statutory Reserve G$ 000	Revaluation Reserve G$ 000	General Banking Risk Reserve G$ 000	Total G$ 000
Balance at 1 January 2015		**800,000**	**10,270,200**	**30,821**	**800,000**	**18,963**	**42,679**	**11,962,663**
Changes in equity 2015								
Dividends	28	-	(680,000)	-	-	-	-	(680,000)
Total comprehensive income for the year		-	2,012,455	(38,999)	-	-	-	1,973,456
Transfer to/(from) reserve	20(d)	-	(656,174)	-	-	-	656,174	-
Balance at 31 December 2015		**800,000**	**10,946,481**	**(8,178)**	**800,000**	**18,963**	**698,853**	**13,256,119**
Changes in equity 2016								
Dividends	28	-	(680,000)	-	-	-	-	(680,000)
Total comprehensive income for the year		-	2,043,459	(88,278)	-	-	-	1,955,181
Transfer to/(from) reserve	20(d)	-	685,446	-	-	-	(685,446)	-
Balance at 31 December 2016		**800,000**	**12,995,386**	**(96,456)**	**800,000**	**18,963**	**13,407**	**14,531,300**

GROUP

	Notes	Share Capital G$ 000	Retained Earnings G$ 000	Other Reserve G$ 000	Statutory Reserve G$ 000	Revaluation Reserve G$ 000	General Banking Risk Reserve G$ 000	Total G$ 000
Balance at 1 January 2015		**800,000**	**10,274,326**	**30,821**	**800,000**	**18,963**	**42,679**	**11,966,789**
Changes in equity 2015								
Dividends	28	-	(680,000)	-	-	-	-	(680,000)
Total comprehensive income for the year		-	1,912,600	(38,999)	-	-	-	1,873,601
Transfer to/(from) reserve	20(d)	-	(656,174)	-	-	-	656,174	-
Balance at 31 December 2015		**800,000**	**10,850,752**	**(8,178)**	**800,000**	**18,963**	**698,853**	**13,160,390**
Changes in equity 2016								
Dividends	28	-	(680,000)	-	-	-	-	(680,000)
Total comprehensive income for the year		-	2,032,502	(88,278)	-	-	-	1,944,224
Transfer to/(from) reserve	20(d)	-	685,446	-	-	-	(685,446)	-
Balance at 31 December 2016		**800,000**	**12,888,700**	**(96,456)**	**800,000**	**18,963**	**13,407**	**14,424,614**

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

GUYANA BANK FOR TRADE AND INDUSTRY LIMITED AND SUBSIDIARY
(Subsidiary of Secure International Finance Company Incorporated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	COMPANY 2016 $'000	COMPANY 2015 $'000	GROUP 2016 $'000	GROUP 2015 $'000
ASSETS					
Cash resources	11	21,743,139	18,635,603	21,743,259	18,635,703
Investments	12	22,174,875	19,998,134	22,174,859	19,998,118
Loans and advances	13	45,525,688	48,022,063	45,067,612	48,022,063
Property and equipment	14(a)	7,063,354	6,977,642	7,074,359	6,990,985
Investment property	14(b)	-	-	379,163	650,677
Deferred tax	10	315,341	300,768	315,341	300,768
Defined benefit asset	24	30,463	31,401	30,463	31,401
Other assets	15	1,581,536	2,254,764	1,583,118	1,526,494
TOTAL ASSETS		**98,434,396**	**96,220,375**	**98,368,174**	**96,156,209**
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits	17	82,893,741	82,304,989	82,893,741	82,304,989
Other liabilities	18	1,009,355	659,267	1,049,819	690,830
TOTAL LIABILITIES		**83,903,096**	**82,964,256**	**83,943,560**	**82,995,819**
SHAREHOLDERS' EQUITY					
Equity attributable to equityholders of the parent company					
Share capital	19	800,000	800,000	800,000	800,000
Retained earnings		12,995,386	10,946,481	12,888,700	10,850,752
Other reserve	20(a)	(96,456)	(8,178)	(96,456)	(8,178)
Statutory reserve	20(b)	800,000	800,000	800,000	800,000
Revaluation reserve	20(c)	18,963	18,963	18,963	18,963
General banking risk reserve	20(d)	13,407	698,853	13,407	698,853
TOTAL SHAREHOLDERS' EQUITY		**14,531,300**	**13,256,119**	**14,424,614**	**13,160,390**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**98,434,396**	**96,220,375**	**98,368,174**	**96,156,209**

The Directors approved these financial statements for publication on March 7 2017.

On behalf of the Board:

Mr. Robin Stoby, S.C.,
Chairman

Mr. John Tracey,
Chief Executive Officer and Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	COMPANY		GROUP	
	2016	2015	2016	2015
	G$ 000	G$ 000	G$ 000	G$ 000
Operating activities				
Profit before taxation	2,518,872	2,686,094	2,532,453	2,586,239
Adjustments for:				
Share of (profit)/loss of Associate Company	(143)	3,470	(143)	3,470
Depreciation: Property and Equipment	351,195	380,727	354,433	382,748
Investment Property	-	-	5,664	4,855
Loss on sale of property and equipment	36,008	104,877	36,008	104,877
Loss on disposal of investment properties	-	-	8,598	2,349
Net decrease/(increase) in customers' loans	2,496,375	(3,345,654)	2,954,451	(3,345,654)
Net increase in customers' deposits	588,752	1,776,482	588,752	1,779,679
(Increase)/decrease in other assets	871,512	(639,054)	141,660	(562,937)
Increase/(decrease) in other liabilities	454,058	(2,499,938)	462,958	(2,468,357)
Decrease/(increase) in defined benefit asset	938	(27,283)	938	(27,283)
Increase in required reserve with Bank of Guyana	(258,422)	(261,929)	(258,422)	(261,929)
Cash provided by/(used in) operating activities	**7,059,145**	**(1,822,208)**	**6,827,350**	**(1,801,943)**
Taxation				
Taxes paid/adjusted	(792,240)	(668,303)	(816,417)	(670,653)
Net cash provided by/(used in) operating activities	**6,266,905**	**(2,490,511)**	**6,010,933**	**(2,472,596)**
Investing activities				
Proceeds from sale of property and equipment	244	-	257,744	-
Investments(net)	(2,264,876)	1,559,234	(2,264,892)	1,559,234
Additions to property and equipment	(473,159)	(423,197)	(474,158)	(434,865)
Additions to investment properties	-	-	(493)	(6,147)
Net cash provided by/(used in) investing activities	**(2,737,791)**	**1,136,037**	**(2,481,799)**	**1,118,222**
Financing activities				
Dividends paid	(680,000)	(680,000)	(680,000)	(680,000)
Net cash used in financing activities	**(680,000)**	**(680,000)**	**(680,000)**	**(680,000)**
Net increase/(decrease) in cash and cash equivalents	2,849,114	(2,034,474)	2,849,134	(2,034,374)
Cash and short term funds at beginning of year	9,144,661	11,179,135	9,144,761	11,179,135
Cash and short term funds at end of year (Note 11)	**11,993,775**	**9,144,661**	**11,993,895**	**9,144,761**

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

NOTES TO THE FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

The Bank was incorporated on the 27 November 1987 in Guyana as a limited liability company under the Companies Act, Chapter 89:01 and continued under the Companies Act 1991 and is licensed as bankers under the Financial Institutions Act 1995.

On 30 November, 1987 the Government of Guyana acquired the assets and liabilities of the Guyana banking operations of Barclays Bank PLC and vested these assets and liabilities on 1 December 1987 in the Guyana Bank for Trade and Industry Limited.

On 1 January 1990 the Guyana Bank for Trade and Industry Limited merged with Republic Bank (Guyana) Limited taking over their assets and liabilities at the net values at that date.

On 15 December 1995 a rights issue of 1 share for every share held was made at G$30.00 each. All shares were taken up increasing the issued capital to $800 million. Secure International Finance Company Incorporated owns 61% of the Bank's shares. Secure International Finance Company Incorporated is a wholly owned subsidiary of Edward Beharry & Company Limited. Both companies are incorporated in Guyana.

2. NEW AND REVISED STANDARDS AND INTERPRETATIONS

Amendments effective for the current year end

New and Amended Standards	**Effective for annual periods beginning on or after**
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Joint Arrangements	1 January 2016
IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation And Amortization	1 January 2016
IAS 16 & IAS 41 Agriculture: Bearer Plants	1 January 2016
IAS 27 Separate Financial Statements	1 January 2016
IFRS 10 & IAS 28 Sale or Contribution of Assets Between Investor and Associate or Joint Venture	1 January 2016
Disclosure Initiative Amendments to IAS 1	1 January 2016
IFRS 10, IFRS 12 & IAS 28 Applying Consolidation Exceptions	1 January 2016
Annual Improvements 20122014 Cycle	1 July 2016

2. NEW AND REVISED STANDARDS AND INTERPRETATIONS CONT'D

Pronouncements effective in future period for early adoption

	Effective for annual periods beginning on or after
New and Amended Standards	
IAS 12 Income taxes	1 January 2017
IFRS 7 Financial Instruments: Disclosures	1 January 2017
IFRS 2 Share based Payment: Classification and measurement of share based transactions	1 January 2018
IFRS 4 Insurance contracts: Applying IFRS 9 ''Financial Instrument'' with ''IFRS 4 ''Insurance Contracts''	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 9 Additions for Financial Liability Accounting	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

THE BANK HAS NOT OPTED FOR EARLY ADOPTION.

The standards and amendments that are expected to have a material impact on the Bank's accounting policies when adopted are explained below.

IAS 12: Income Taxes

The amendments to IAS 12: Income Tax is to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted. The amendments were issued to clarify recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that:

- The carrying amount of an asset does not limit the estimation of probably future profits; and that;
- when comparing deductible temporary differences with future taxable profits, the futuretaxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences;

The Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact. ▸

2. NEW AND REVISED STANDARDS AND INTERPRETATIONS CONT'D

IFRS 9 FINANCIAL INSTRUMENT

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Early adoption must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The standard contains specific transitional provisions for:

i) classification and measurement of financial assets;
ii) impairment of financial assets; and
iii) hedge accounting.

The Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard provides a single, principles based five step model to be applied to all contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

New and revised interpretation

	Effective for annual periods beginning on or after
Available for early adoption	
IFRS 22 Foreign Currency Transactions	
and Advance Consideration	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of "available for sale" investments, property and equipment, and conform with International Financial Reporting Standards. The principal accounting policies are set out below.

(b) INTEREST INCOME

Interest income for all interest bearing financial instruments except for those classified as available for sale or designated at fair value through profit or loss is recognized in the income statement on an accrual basis using the effective interest yield method.

The effective interest yield is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest income on 'available for sale' investments is accrued applying the nominal interest rate.

(b) NON INTEREST INCOME

Interest income is not recognized on non accrual loans.

The Bank earns fee income from a diverse range of services provided to its customers.

Income earned from the provision of services is recognized as revenue as the services are provided.

Fees and commissions are recognized as earned. Examples of these types of accounts are:

- ATM - transaction charge for use of ATM service
- Commitment Fees - negotiation, application fees for new loan accounts
- Drafts and Transfers - cost of drafts, telegraphic transfer
- Ledger Fees - charge for new cheque books
- Safe Custody - annual rental of safe deposit boxes
- Telephone Banking - transaction cost

RENTAL INCOME

Income from rental of property to Guyana Americas Merchant Bank Inc. and N.A.L.I.C.O/ N.A.F.I.C.O are recognized on an accrual basis. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(c) LOANS AND ADVANCES

It is the Bank's policy to provide for impaired loans on a consistent basis in accordance with the Financial Institutions Act (FIA) 1995 and established International Accounting Standards and practices.

Loans and advances to customers include loans and advances originated by the Bank and are classified as Financial Assets at amortised cost.

Loans and advances are recognized when cash is advanced to borrowers and are derecognized when borrowers repay their obligations or when written off.

The aggregate provisions, which are made during the year, (less recoveries for amounts previously written off) are charged against operating profit.

Upon classification of a loan to a non accrual status, interest is not taken up in income on an accrual basis. In subsequent periods, interest is only recognised to the extent payments are received.

(d) LOAN IMPAIRMENT

Losses for impaired loans are recognized promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred.

Impairment losses are calculated on individual loans and on loans assessed collectively.

Throughout the year, the Bank assesses on a case by case basis whether there is any objective evidence that a loan is impaired. The following factors are considered in so doing,

- the Bank's aggregate exposure to the customer;
- the viability of the customer's business model and its capability to trade successfully out of financial difficulties and generate sufficient cash flow to service its debt obligations;
- the amount and timing of expected receipts and recoveries;
- the slow legal process as it relates to the registration and realization of security;
- the realizable value of security (or other credit mitigants) and likelihood of successful repossessions;
- the likely deduction of any cost involved in recovery of amounts outstanding;
- national or local economic conditions that correlate with defaults on the assets of the Bank (eg an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Bank.) ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) LOAN IMPAIRMENT CONT'D

The Bank's policy requires a review of the level of impairment allowances on individual facilities at least half yearly. This normally includes a review of collateral held (including reconfirmation of its enforceability) and an assessment of actual and anticipated receipts.
This approach is generally applied to the following types of portfolios:

- Personal Loan Financing: Quality Lifestyle Loans: low income mortgage loans, residential mortgage loans, automobile, consumer care, personal and Single Parent loans.
- Business financing: Commercial Loan Plan: corporate, manufacturing, agriculture, rice farming and trading & services loans.

COLLATERAL

It is the Bank's policy that all facilities are fully and tangibly secured. However, under the current Quality Lifestyle Loan Plan some loans such as the Consumer Care, Personal and Automobile Loans are issued against Bills of Sale over moveable assets, which are not considered as tangible collateral, hence these facilities can be considered as unsecured. In exceptional cases, depending on the customer's credit history, size and type of product and duration of credit, facilities may also be unsecured.

CLASSIFICATION

The Bank follows the prescriptions of the Financial Institutions Act 1995 and classifies loans and overdrafts into the following categories:

Grade 1: represents commercial loans and overdrafts demonstrating financial condition, risk factors and capacity to repay that are good to excellent; Quality Lifestyle loans with low to moderate loan to value ratios; and generally reflect accounts which are not impaired and are up to date in repayments or operating within approved limits as per the Bank's policy guidelines.

Grade 2: represents satisfactory risk and includes credit facilities which require closer monitoring or which operate outside product guidelines, or which require various degrees of special attention, where the collateral is not fully in place; where current market conditions are affecting a sector or industry; and that are progressively between 30 and 90 days past due.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) LOAN IMPAIRMENT CONT'D

CLASSIFICATION CONT'D

Grade 3: represents overdrafts with approved limits which have been exceeded between 90 and 180 days for reasons such as shortfall in the borrower's cash flow and are being monitored, or which are between 9 and 179 days expired.

Grade 3 also represents loans for which principal and interest is due and unpaid between 90 and 179 days or, where interest charges for three to five months have been capitalized for reasons such as primary source of repayment has become insufficient, and where appropriate, mortgages in arrears by greater than 90 days where the value of the collateral is sufficient to repay both principal and interest in the event the account is identified for recovery action.

Grade 4: represents loans and advances accounts which are considered uncollectible or for which the collection of the full debt is improbable; accounts which have shown little or no improvement over the twelve months period prior to its present classification; principal or interest is due and unpaid for twelve months or more; or an account which may have some recovery value but it is not considered practical nor desirable to defer writeoff, for example, where litigation becomes protracted.

The Financial Institutions Act 1995 requires that a Financial Institution shall report in its monthly statement of assets and liabilities, the outstanding balance of its loan portfolio considered to be past due and those considered to be non performing.

The Act further states that the principal balance (and not the amount of delinquent payments) shall be used in calculating the aggregate amount of past due or non performing accounts.

PAST DUE

A loan is classified as past due when:

(i) **Principal or interest is due and unpaid for one month to less than three months or**

(ii) **Interest charges for one to two months have been capitalized, refinanced or rolled over** ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) **LOAN IMPAIRMENT CONT'D**

CLASSIFICATION CONT'D

PAST DUE CONT'D

An overdraft is classified as past due when

(i) The approved limit has been exceeded for one month to less than three months.
(ii) The interest charges for one month to two months have not been covered by deposits.
(iii) The account had turnovers which did not conform to the business Cycle.

NON PERFORMING LOANS

For individually assessed accounts, loans are required to be designated as non performing as soon as there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment includes observable data such as when contractual payments of principal or interest are 90 days overdue. Portfolios of loans are designated as non performing if facilities are 90 days or more overdue.

Loan Accounts reported as past due are reclassified and reported as non performing when:

Loans

(i) Principal or interest is due and unpaid for three months or more, or
(ii) Interest charges for three months or more have been capitalized, refinanced or rolled over.

Overdrafts

(i) The approved limit has been exceeded for three months or more into a term loan after three months or more.
(ii) Interest charges for three months or more have not been covered by deposits.
(iii) The account has developed a hardcore which was not converted. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) **LOAN IMPAIRMENT CONT'D**

LOAN LOSSES

The Financial Institutions Act 1995 prescribes that a loan be classified as loss where one or more of the following conditions apply:

(i) An account is considered uncollectible.
(ii) An account classified as doubtful with little or no improvement over the twelve month period.
(iii) The unsecured portion of a loan with fixed repayment dates when:

1. Principal or interest is due and unpaid for twelve months or more, or
2. Interest charges for twelve months or more have been capitalized, refinanced or rolled over

(iv) The unsecured portion of an overdraft when

1. The approved limit has been exceeded for six months or more, or
2. Interest charges for six months or more have not been covered by deposits, or
3. The account has developed a hard core which was not converted into a term loan after 12 months or more.

Loans and advances under this category include accounts which are considered uncollectible or for which the collection of the debt is highly improbable; accounts which have shown little or no improvement over the twelve months period prior to its present classification; principal or interest is due and unpaid for twelve months or more; or an account which may have some recovery value but it is not considered practical nor desirable to defer writeoff, for example, where litigation becomes protracted.

The Bank follows the prescriptions of the Financial Institutions Act 1995 and writes off such a loan three months after being so classified unless it shows a definite and significant improvement which indicates recovery within the next six months.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) **LOAN IMPAIRMENT CONT'D**

PROVISIONING

Provisioning for each classification categories is made based on the following minimum level:

CLASSIFICATION	LEVEL OF PROVISION
GRADE 1	0%
GRADE 2	0%
GRADE 3	0 – 20%
PAST DUE	20%
NON PERFORMING	100%

A general provision of 1% of the portion of the loan portfolio not individually assessed is also made.

RENEGOTIATED LOANS

The Bank's policy in relation to renegotiated loans is in accordance with the Financial Institutions Act (FIA) of 1995 Supervision Guideline No. 5, paragraph No. 14.

This Act states that a renegotiated facility may be a facility which has been refinanced, rescheduled, hived off, rolled over, or otherwise modified because of weaknesses in the borrower's financial position or the nonservicing of the debt as arranged, where it has been determined by the Bank that the terms of the renegotiated loan are such as to remedy the specific difficulties faced by the borrower.

A credit facility may also be renegotiated upon the request by the client, followed by a subsequent analysis and approval by the Bank's approving committee; which may be due to the occurrence of one or both of the following conditions:

- The merging of total liabilities into one credit facility.
- The refinancing of a loan to facilitate the accessing of additional financing. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) **LOAN IMPAIRMENT CONT'D**

RENEGOTIATED LOANS CONT'D

Renegotiated credit facilities are permitted subjected to the following conditions:

- The existing financial position of the borrower can service the debt under the new conditions.
- An account classified as doubtful or loss shall not be renegotiated unless an upfront cash payment is made to cover, at the least, unpaid interest or there is an improvement in the collateral taken which will make the renegotiated account, including unpaid interest, a well secured account.
- A commercial facility shall not be renegotiated more than twice over the life of the original facility and mortgage or personal loans not more than twice in a five year period.

A renegotiated facility shall not be reclassified upward for a minimum of one year following the new arrangements.

Renegotiating of selected credit facilities can be facilitated upon approval granted by the Bank of Guyana/Ministry of Finance on the occurrence of natural disasters or exceptional circumstances.

IMPAIRMENT LOSSES

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying value.

The General Banking Risk Reserve Account is computed in accordance with the Financial Institutions Act. It carries the excess in the provisioning arrived at by the application of the requirements of the Financial Institutions Act over the impairment computed in accordance with the International Financial Reporting Standards.

The carrying amount of impaired loans on the financial statement is reduced through the use of a provisioning account in accordance with the Financial Institutions Act.
Any loss is charged to the statement of income. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(d) **LOAN IMPAIRMENT CONT'D**

RENEGOTIATED LOANS CONT'D

ASSETS ACQUIRED IN EXCHANGE FOR LOANS

Non financial assets acquired in exchange for loans in order to achieve an orderly realization are recorded as "Assets Held for Sale". No depreciation is provided in respect of such assets.

(e) FOREIGN CURRENCIES

Transactions in currencies other than Guyana dollars are recorded at the official or cambio rates of exchange prevailing on the dates of the transaction.

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the official or Cambio rates prevailing on that date.

Nonmonetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the profit or loss and other comprehensive income for the period, except for exchange differences arising on non monetary assets and liabilities where the changes in fair value are recognized directly in equity.

(f) PROPERTY, EQUIPMENT AND DEPRECIATION

Freehold land and buildings held for use in the supply of services or for administrative purposes are stated in the financial statement at their revalued amounts.
Revalued amounts are taken as the fair value at the date of revaluation less any subsequent accumulated impairment losses and any subsequent accumulated depreciation.

Any revaluation increase arising on the revaluation of such land, buildings and equipment is credited to revaluation reserve.

Depreciation on revalued buildings and equipment is charged to profit or loss. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(f) PROPERTY, EQUIPMENT AND DEPRECIATION CONT'D

Depreciation of property and equipment is calculated on the straight line method at rates sufficient to write off the cost or valuation of these assets to their residual values over their estimated useful lives as follows:

Buildings	**50 years**
Furniture and equipment	**4 to 10 years**

Assets are reviewed for impairment whenever there is objective evidence to indicate that the carrying amount of an asset is greater than its estimated recoverable amount, and is written down immediately to its recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss and other comprehensive income.

(g) ACCEPTANCES, GUARANTEES AND LETTERS OF CREDIT

The Bank's potential liability under acceptances, guarantees and letters of credit is reported as a contingent liability.

(h) BALANCES EXCLUDED FROM THE ACCOUNTS

The financial statements do not include certain balances where, in the opinion of management, the Bank bears no financial responsibility as it acts merely as an intermediary. These balances are instead disclosed as a note on the accounts.

(i) PENSION PLAN

At 1 January, 2004 the defined benefit plan was changed to a defined contribution plan. However, employees in the scheme as of 31 December, 2003 will receive benefits accrued to them under the defined benefit plan up to 31 December, 2003. For service after 31 December, 2003 pensions and contributions will be in accordance with he defined contribution plan. This also applies to new employees, who joined the scheme after 1 January, 2004. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(i) PENSION PLAN CONT'D

The Contribution Plan is administered by an insurance company under the terms of a trust deed dated 1 January, 1999 which makes it responsible to ensure that contributions are adequate to meet the liabilities of the plan. The Bank's total contribution to the pension plan for the year amounted to G$77,376,000 (2015-G$79,272,506).

DEFINED BENEFIT SCHEME

Pension accounting costs are assessed using the Projected Unit Credit Method as required by International Accounting Standard 19 Employee Benefits (Revised).

There is 1 (2015-2) employee remaining in this scheme.

(j) STATUTORY RESERVE

The Financial Institutions Act 1995 requires that a minimum of 15% of the net profit after deduction of taxes in each year must be transferred to a statutory reserve account until the balance on this reserve is not less than the paid up capital. This reserve is not distributable.

This reserve account is now equal to the 'paid up' capital.

(k) RESERVE REQUIREMENT

Bank of Guyana requires each commercial Bank to maintain a current account with a balance of 12% of their time and demand liabilities calculated on a weekly basis.

(l) REVALUATION RESERVE

Surplus on revaluation of property and equipment (land, buildings and equipment) is credited to this account. This reserve is not distributable.

(m) OTHER RESERVE

Fair value adjustments of "available for sale" investments as discussed in (p) below are taken to this account as well as the Bank's share of reserve of its associate company. This reserve is not distributable. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(n) TAXATION

Income tax expense represents the sum of tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Bank's liability for current tax is calculated using tax rates that have been enacted in Guyana at the reporting date.

DEFERRED TAX

Deferred tax is recognized on the differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted or substantively been enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the company intends to settle its current tax assets and liabilities on a net basis. ►

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(o) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized on the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instruments.

These instruments are intended to be held on a continuing basis and are recognized when the Bank enters into contractual arrangements with counterparties to purchase securities.

Financial instruments carried on the statement of financial position include investment securities, loans and overdrafts, receivables, customer's deposits, payables, accruals borrowing and cash resources. The recognition methods adopted for loans and overdrafts and investment securities are disclosed in the individual policy statements.

OTHER RECEIVABLES

'Other receivables' are measured at amortised cost. Appropriate allowances for estimated unrecoverable amounts are recognized in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is based on management's evaluation of the collectability of the receivables.

CASH AND SHORT TERM FUNDS

For the purpose of presentation in the statement of cash flows, cash and short term funds comprised of cash and due by and to banks, deposits with Bank of Guyana in excess of the required reserve and cheques and other items in transit, bills discounted, bankers' acceptances with original maturities of three months or less.

DEPOSITS AND OTHER PAYABLES

These are measured at amortised cost.

DERECOGNITION

'Other receivables' and 'cash and short term funds' are derecognized when the right to receive cash flows from the asset has expired.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expired. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(p) FINANCIAL INVESTMENTS

The Bank classifies its investment portfolio into the following categories: "held to maturity investments" and "available for sale financial assets". Management determines the appropriate classification at the time of purchase based on the purpose for which the investment securities were acquired. The classification is reviewed annually.

"Held to maturity investments" are those with fixed or determinable payments and fixed maturity for which the Bank has the positive intent and ability to hold to maturity. "Held to maturity investments" are measured at amortised cost using the effective interest rate method. Any gain or loss on these investments is recognized in the statement of profit or loss and other comprehensive income when the assets are derecognized or impaired.

"Available for sale financial assets" are initially recognized at cost and adjusted to fair value at subsequent periods.

Gains or losses on "available for sale financial assets" are recognized in the statement of comprehensive income until the asset is sold or otherwise disposed, at which time previously recognized gains or losses are transferred to the statement of profit or loss and other comprehensive income for that period.

AVAILABLE FOR SALE FINANCIAL ASSETS

In classifying investment securities as available for sale, the Bank has determined that these securities do not meet the criteria for loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

(q) PROVISIONS

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(q) PROVISIONS CONT'D

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) NON CURRENT ASSETS HELD FOR SALE

A noncurrent 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 carrying amount and fair value less costs to sell. Fair values of these assets are determined by independent valuators.

(s) IMPAIRMENT OF TANGIBLE ASSETS

At the end of the financial period, the Bank reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. ►

NOTES TO THE FINANCIAL STATEMENTS

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(t) DIVIDENDS

Dividends that are proposed and declared are recorded as an appropriation of retained earnings in the statement of changes in equity in the period in which they have been approved. Dividends that are proposed and declared after the financial year end are disclosed as a note to the financial statements.

(u) INVESTMENT IN ASSOCIATE COMPANY

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or in joint control over those policies.

The results and assets and liabilities of the associate are Incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in associate is carried in the statement of financial position at cost as adjusted for post acquisition changes in the Bank's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associate in excess of the Bank's interest in the associate (which includes any long term interests that, in substance, form part of the Bank's net investment in the associate) are not recognized, unless the Bank has incurred legal or constructive obligations or made payments on behalf of the associate.

(v) SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing similar products and services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products, or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(v) SEGMENT REPORTING CONT'D

The Bank analyses its operations by both business and geographic segments. The primary format is business reflecting retail and commercial banking and treasury. Its secondary format is that of geographic segments reflecting the primary economic environments in which the bank has exposure.

(w) EARNINGS PER SHARE

Basic earnings per share attributable to ordinary equity holders of the Bank's equity is calculated by dividing profit or loss attributable to ordinary equity holders of the Bank's equity by the weighted number of ordinary shares outstanding during the period.

(x) INTANGIBLE ASSET

Intangible assets are recognized at amortized cost and tested annually for impairment

SOFTWARE

The software is for a period of 5 years and will be amortized at a rate of 20% over the useful life of the software.

(y) CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved through share ownership. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra group transactions, balances, income and expenses are eliminated in full on consolidation. ▸

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(y) CONSOLIDATION CONT'D

Non controlling interest in the net assets of consolidated subsidiary is identified separately from the group's equity therein. Non controlling interest consists of the amount of those interests at the date of the original business combination and non controlling interest's share of changes in equity since the date of the combination

Profit and losses applicable to the non controlling interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the non controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

(i) The consolidated accounts incorporate the accounts as at December 31, 2016 of the following:

Name of Company	Country of registration	% shareholding	Main business
GBTI Property Holdings Inc	Guyana	100	Real estate mgt and gold trading

The financial statement of GBTI Property Holdings Inc in summary form as at December 31, 2016 is presented below:

Statement of Financial Position

	2016 G$	2015 G$
Total assets	765,916,948	1,143,342,000
Total liabilities	864,947,935	1,231,416,000
Equity	16,000	16,000
Accumulated loss	(99,046,987)	(88,090,000)

(ii) ASSOCIATE COMPANY

The Guyana Bank for Trade and Industry Limited owns 40% of the share capital of the Guyana Americas Merchant Bank Inc. The company's main business is in investment management. ►

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(z) INVESTMENT PROPERTY

Investment properties, which are held to earn rentals and or capital appreciation are stated at cost less accumulated depreciation at each reporting date.

After initial recognition, investment properties are measured at cost.

Depreciation is charged on premises using the straight line method at 2% per annum. No depreciation is charged on work in progress.

3.2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

It is the directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimated

Critical accounting estimates and judgements in applying accounting policies

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Bank on a regular basis reviews its portfolio of loans and advances with a view of assessing impairment. This is done in addition to what is required under the Financial Institutions Act 1995 with respect to provisioning. Certain judgements are made that reflect the Bank's assessment of several critical factors that can influence future cash flows.

AVAILABLE FOR SALE FINANCIAL ASSETS

In classifying investment securities as available for sale, the Bank has determined that these securities do not meet the criteria for loans and receivables, held to maturity investments or financial assets at fair value through profit or loss and are valued at fair value. ►

3.2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONT'D

Critical accounting estimates and judgements in applying accounting policies cont'd

HELD TO MATURITY FINANCIAL ASSETS

The directors have reviewed the Bank's "Held to Maturity" assets in the light of its capital maintenance and liquidity requirements and have confirmed the Bank's positive intention and ability to hold these assets to maturity.

USEFUL LIVES OF PROPERTY AND EQUIPMENT

Management reviews the estimated useful lives of property and equipment at the end of each year to determine whether the useful lives of property and equipment should remain the same.

IMPAIRMENT OF FINANCIAL ASSETS

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

		COMPANY		GROUP	
		2016	**2015**	**2016**	**2015**
		G$ 000	G$ 000	G$ 000	G$ 000
4	**Interest Income**				
	Loans and advances	4,480,320	4,543,419	4,480,320	4,501,796
	Investment securities:-				
	-Available for sale	1,379,605	953,038	1,379,605	953,038
	-Held to maturity	31,334	34,688	31,334	34,688
	Other	103,500	135,705	66,060	135,705
		5,994,759	**5,666,850**	**5,957,319**	**5,625,227**
5	**Interest Expense**				
	Savings deposits	571,200	547,511	571,200	547,511
	Term deposits	307,501	322,972	307,501	322,972
	Other	33,602	35,608	33,602	35,608
		912,303	**906,091**	**912,303**	**906,091**
6	**Other Income**				
	Commissions	513,086	454,543	513,086	455,388
	Exchange trading and revaluation gains	612,711	918,308	612,711	918,308
	Rental and other income	8,140	9,958	1,226,024	10,608
		1,133,937	**1,382,809**	**2,351,821**	**1,384,304**
7	**Operating Expenses**				
	Staff costs (Note 8)	1,360,641	1,373,297	1,367,692	1,384,521
	Depreciation	351,194	380,727	360,096	387,603
	General administrative expenses	389,035	386,939	389,035	404,294
	Marketing and public relations	73,628	55,258	73,628	55,440
	Auditors' renumeration	9,983	8,200	9,983	8,950
	Director's fees	12,541	12,804	12,541	12,804
	Other operating expenses	500,826	520,492	1,651,736	543,832
	Property taxes	100,664	95,631	100,664	95,631
		2,798,512	**2,833,348**	**3,965,375**	**2,893,075**
8	**Salaries and Other Staff Costs**				
	Salaries and wages	842,097	849,395	849,148	854,791
	Other staff costs	441,168	447,358	441,168	450,457
	Pension	77,376	76,544	77,376	79,273
		1,360,641	**1,373,297**	**1,367,692**	**1,384,521**
9	**Basic Earnings Per Share**				
	Calculated as follows:				
	Profit after taxation	2,043,459	2,012,455	2,032,502	1,912,600
	Number of ordinary shares issued and fully paid	40,000,000	40,000,000	40,000,000	40,000,000
	Basic earnings per share in dollars	51.09	50.31	50.81	47.82

10(a) Taxation

	COMPANY 2016 G$ 000	COMPANY 2015 G$ 000	GROUP 2016 G$ 000	GROUP 2015 G$ 000
Current:- Corporation tax	510,997	688,262	510,997	688,262
Minimum tax at 2% of turnover	-	-	24,538	-
Prior year adjustment	(21,011)	-	(21,011)	-
Deferred Tax	(14,573)	(14,623)	(14,573)	(14,623)
	475,413	**673,639**	**499,951**	**673,639**
Reconciliation of Tax Expense and Accounting Profit				
Accounting profit	2,518,872	2,686,094	2,532,453	2,586,239
Share of Associate Company's (profit)/loss	(143)	3,470	(143)	3,470
	2,518,729	2,689,564	2,532,310	2,589,709
Corporation tax at 40%	1,007,492	1,075,826	1,012,924	1,035,884
Add:				
Tax effect of expenses not deductible in determining Taxable Profits				
Depreciation for Accounting Purposes	140,478	152,291	140,478	152,291
Collectively assessed impairment allowance	2,308	1,798	2,308	1,798
Other	2,379	-	2,379	38,401
Property tax	40,266	38,253	40,266	38,253
	1,192,922	1,268,167	1,198,354	1,266,626
Deduct:				
Tax effect of depreciation for tax purposes	115,503	119,703	115,503	119,703
Other	2,515	1,540	7,947	-
Tax Exempt Income	563,907	458,661	563,907	458,661
Corporation Tax	510,997	688,262	510,997	688,262
Prior year adjustment	(21,011)	-	(21,011)	-
Minimum tax at 2 % of turnover	-	-	24,538	-
Deferred Tax	(14,573)	(14,623)	(14,573)	(14,623)
	475,413	673,639	499,951	673,639
Components of deferred tax asset				
Property and equipment	327,526	313,328	327,526	313,328
Defined benefit asset	(12,185)	(12,560)	(12,185)	(12,560)
	315,341	300,768	315,341	300,768

Movement in temporary differences

	COMPANY AND GROUP Defined benefit liability/(assets) G$ 000	Property and equipment G$ 000	Total G$ 000
At 1 January 2015	1,647	284,498	286,145
Movement during the year:-			
Statement of profit or loss and other comprehensive income	(14,207)	28,830	14,623
At 31 December 2015	(12,560)	313,328	300,768
Movement during the year:-			
Statement of profit or loss and other comprehensive income	375	14,198	14,573
At 31 December 2016	(12,185)	327,526	315,341

10(b) Disclosure of tax effects relating to each component of other comprehensive income and statement of changes in equity

	COMPANY AND GROUP 2016			COMPANY AND GROUP 2015		
	Before tax amount G$'000	Tax(expense)/ benefit G$'000	Net of tax amount G$'000	Before tax amount G$'000	Tax(expense)/ benefit G$'000	Net of tax amount G$'000
Remeasurement of defined benefit pension plan	2,400	(960)	1,440	24,547	9,819	14,728
Loss arising on available for sale financial asset	(85,255)	-	(85,255)	(49,458)	-	(49,458)
Share of other comprehensive loss of associate company	(1,583)	-	(1,583)	(4,269)	-	(4,269)
	(84,438)	(960)	(85,398)	(29,180)	9,819	(38,999)

NOTES TO THE FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2016	2015	2016	2015
	G$ 000	G$ 000	G$ 000	G$ 000
11 Cash Resources				
Cash in hand	1,892,383	2,520,030	1,892,503	2,520,130
Balance with Bank of Guyana in excess of required reserves	2,580,357	1,092,515	2,580,357	1,092,515
Balances with other banks	5,922,008	4,922,594	5,922,008	4,922,594
Cheques and other items in transit	1,599,027	609,522	1,599,027	609,522
Total Cash and Short Term Funds	11,993,775	9,144,661	11,993,895	9,144,761
Reserve requirement with Bank of Guyana	9,749,364	9,490,942	9,749,364	9,490,942
Total Cash Resources	**21,743,139**	**18,635,603**	**21,743,259**	**18,635,703**
12 Investments				
Available for Sale				
Government of Guyana Treasury Bills	7,445,646	5,618,327	7,445,646	5,618,327
Securities Issued by/ Guaranteed by Foreign Governments	6,141,175	7,686,276	6,141,175	7,686,276
Corporate Bonds	8,041,654	6,102,484	8,041,654	6,102,484
Investment in subsidiary's shares	16	16	-	-
	21,628,491	**19,407,103**	**21,628,475**	**19,407,087**
Held to Maturity				
Unlisted Investments	298,710	341,918	298,710	341,918
	21,927,201	**19,749,021**	**21,927,185**	**19,749,005**
Investment in Associate Company				
Non Current Asset - Associate Company	**247,674**	**249,113**	**247,674**	**249,113**
The Bank holds 40% (2015-40%) of the share capital of the Guyana Americas Merchant Bank Inc.				
Associate company				
At 1 January	249,113	174,352	249,113	174,352
Additional Capital	-	82,500	-	82,500
Share of profit/(loss) of associate company	143	(3,470)	143	(3,470)
	249,256	253,382	249,256	253,382
Share of investment reserve of associate company	(1,582)	(4,269)	(1,582)	(4,269)
At 31 December	247,674	249,113	247,674	249,113
Total Investments	**22,174,875**	**19,998,134**	**22,174,859**	**19,998,118**

12 **Investment-(Cont'd)**

Associate Company- cont'd
The financial statements of Guyana Americas Merchant Bank Inc. in summary form as at 31 December is presented below:

	COMPANY AND GROUP	
Statement of Income	**2016**	**2015**
	G$ 000	**G$ 000**
Income	69,205	46,956
Profit/ (loss) after taxation	4,021	(8,674)
Statement of Financial Position		
Total assets	653,395	652,773
Tax liability	8,479	4,777
Equity and liabilities		
Capital and reserves	641,937	645,535
Current liabilities	11,458	7,238
Total equity and liabilities	653,395	652,773

13 **Loans and Advances**

	COMPANY		GROUP	
	2016	**2015**	**2016**	**2015**
	G$ 000	**G$ 000**	**G$ 000**	**G$ 000**
Accrual loans and advances	37,089,025	38,475,149	36,630,949	38,475,149
Non accrual loans and advances	11,805,644	12,413,232	11,805,644	12,413,232
	48,894,669	50,888,381	48,436,593	50,888,381
Impairment allowances	(3,368,981)	(2,866,318)	(3,368,981)	(2,866,318)
Net loans and advances	**45,525,688**	**48,022,063**	**45,067,612**	**48,022,063**
Impairment allowances				
Collectively assessed impairment				
At 1 January	148,437	133,943	148,437	133,943
Movement during the year	(5,769)	14,494	(5,769)	14,494
At 31 December	142,668	148,437	142,668	148,437
Individually assessed impairment				
At 1 January	2,717,881	2,330,037	2,717,881	2,330,037
Write-offs on loans	(390,720)	(274,307)	(390,720)	(274,307)
Increase in the year	899,152	662,151	899,152	662,151
At 31 December	3,226,313	2,717,881	3,226,313	2,717,881
Total at 31 December	**3,368,981**	**2,866,318**	**3,368,981**	**2,866,318**

NOTES TO THE FINANCIAL STATEMENTS

14 (a) **Property and Equipment**

	COMPANY				
	Land and buildings G$ 000	Equipment G$ 000	Capital work-in-progress G$ 000	Total G$ 000	2015 Total G$ 000
Cost/Valuation					
At 1 January	6,887,957	2,711,828	125,301	9,725,086	9,437,070
Additions	-	6,993	466,166	473,159	423,197
Disposals	-	(201,190)	(34,577)	(235,767)	(135,181)
Transfers	25,402	166,533	(191,935)	-	-
At 31 December	**6,913,359**	**2,684,164**	**364,955**	**9,962,478**	**9,725,086**
Comprising:					
Cost	6,892,065	2,684,164	364,955	9,941,184	9,703,792
Valuation	21,294	-	-	21,294	21,294
	6,913,359	**2,684,164**	**364,955**	**9,962,478**	**9,725,086**
Accumulated Depreciation					
At 1 January	947,917	1,799,527	-	2,747,444	2,397,021
Charge for the year	132,374	218,821	-	351,195	380,727
Write back on disposals	-	(199,515)	-	(199,515)	(30,304)
At 31 December	**1,080,291**	**1,818,833**	-	**2,899,124**	**2,747,444**
Net book values:					
At 31 December 2016	**5,833,068**	**865,331**	**364,955**	**7,063,354**	
At 31 December 2015	**5,940,040**	**912,301**	**125,301**		**6,977,642**

14 (a) **Property and Equipment-Cont'd**

	GROUP				
	Land and buildings G$ 000	Equipment G$ 000	Capital work-in-progress G$ 000	2016 Total G$ 000	2015 Total G$ 000
Cost/Valuation					
At 1 January	6,887,958	2,725,746	126,647	9,740,351	9,438,417
Additions	-	7,992	466,166	474,158	434,865
Disposals	-	(201,190)	(34,577)	(235,767)	(132,832)
Transfers	25,402	166,533	(191,935)	-	-
At 31 December	**6,913,360**	**2,699,081**	**366,301**	**9,978,742**	**9,740,450**
Comprising:					
Cost	6,892,066	2,699,081	366,301	9,957,448	9,719,156
Valuation	21,294	-	-	21,294	21,294
	6,913,360	**2,699,081**	**366,301**	**9,978,742**	**9,740,450**
Accumulated depreciation					
At 1 January	947,917	1,801,548	-	2,749,465	2,397,022
Charge for the year	132,374	222,059	-	354,433	382,748
Write back on disposals	-	(199,515)	-	(199,515)	(30,305)
At 31 December	**1,080,291**	**1,824,092**	-	**2,904,383**	**2,749,465**
Net book values:					
At 31 December 2016	**5,833,069**	**874,989**	**366,301**	**7,074,359**	
At 31 December 2015	**5,940,041**	**924,198**	**126,647**		**6,990,985**

Refer to note 29 for details of revaluation of property and equipment.

	COMPANY AND GROUP	
Intangible assets	2016 G$ 000	2015 G$ 000
Net Book Value of acquired software (included in equipment)	652,275	462,349

14 (b) **Investment Property**

2016	Premises G$'000	WIP Vlissengen Road Property G$'000	Total G$'000	Total 2015 G$'000
COST				
At 1 January	247,231	408,702	655,933	652,136
Additions	493	-	493	6,147
Transfers	142,360	(142,360)	-	-
Disposals/write off	-	(266,342)	(266,342)	(2,349)
At 31 December	390,084	-	390,084	655,934
ACCUMULATED DEPRECIATION				
At 1 January	5,257	-	5,257	402
Charge for the year	5,664	-	5,664	4,855
At 31 December	10,921	-	10,921	5,257
NET BOOK VALUES				
At 31 December	379,163	-	379,163	
At 31 December	241,974	408,702		650,677

15 Other Assets

	COMPANY 2016 G$ 000	COMPANY 2015 G$ 000	GROUP 2016 G$ 000	GROUP 2015 G$ 000
Interest and commissions accrued	695,080	540,737	695,080	540,737
Prepaid expenses	93,673	87,209	93,673	87,631
Prepaid stationery/inventory	27,908	26,011	27,908	503,356
Sundry receivables	112,700	76,563	112,700	79,103
Agriculture diversification fund	16,266	12,258	16,266	12,258
Assets classified as held for sale (See note 16)	150,953	27,535	150,953	27,535
Taxes recoverable	297,558	99,274	297,558	99,274
Other	187,398	1,385,177	188,980	176,600
	1,581,536	**2,254,764**	**1,583,118**	**1,526,494**

16 Assets classified as held for sale
Properties on hand

	COMPANY 2016	COMPANY 2015	GROUP 2016	GROUP 2015
At 1 January	27,535	28,247	27,535	28,247
Additions	125,218	-	125,218	-
Disposals	(1,800)	(712)	(1,800)	(712)
At 31 December	**150,953**	**27,535**	**150,953**	**27,535**

17 Deposits

	COMPANY 2016	COMPANY 2015	GROUP 2016	GROUP 2015
Demand	20,485,829	19,167,448	20,485,829	19,167,448
Savings	45,056,889	43,010,525	45,056,889	43,010,525
Term	17,351,023	20,127,016	17,351,023	20,127,016
	82,893,741	**82,304,989**	**82,893,741**	**82,304,989**

18 Other Liabilities

	COMPANY 2016	COMPANY 2015	GROUP 2016	GROUP 2015
Agriculture diversification fund (a)	174,391	174,391	174,391	174,391
Due to banks	26	11	26	11
Accrued interest on deposits	150,141	136,601	150,141	136,601
Unpresented drafts	26,164	248,445	26,164	248,445
Accrued expenses	140,678	49,859	140,678	78,749
Taxation	-	103,970	-	103,970
Others	517,955	(54,010)	558,419	(51,336)
	1,009,355	**659,267**	**1,049,819**	**690,831**

(a) On June 14, 2011, the Bank entered into a contract with the Ministry of Agriculture to carry out the implementation of a Financial Facility of US$1.7M which was funded by the Inter American Development Bank (IDB). The Financial Facility aims to increase Guyana's export growth rate in the agricultural sector by making financial resources through loans and grants available to eligible beneficiaries in three (3) clusters of non traditional agricultural exports, aquaculture, fruits and vegetables, and livestock (beef).

In 2011, two (2) tranches of funds totalling US$1,130,090 were disbursed to the Bank. Interest earned on the loans are exempted from Corporation Tax. The Financial Facility comes to an end on 31.08.2021 The Bank and the Ministry of Agriculture have agreed to an interest rate of 5% to 8% per annum.

	COMPANY AND GROUP 2016	COMPANY AND GROUP 2015
19 Share Capital		
Authorised		
Number of ordinary shares	50,000,000	50,000,000
	G$ 000	**G$ 000**
Issued and fully paid		
40,000,000 ordinary shares	800,000	800,000

These shares are all ordinary shares with equal voting rights and no par value

20 Reserves

	2016	2015
(a) Other Reserve		
(i) Available for sale investment:-		
At 1 January	33,295	68,025
Movement	(86,695)	(34,730)
At 31 December	(53,400)	33,295
(ii) Share of reserve of associate company:-		
At 1 January	(41,473)	(37,204)
Share of comprehensive income	(1,583)	(4,269)
At 31 December	(43,056)	(41,473)
Total	**(96,456)**	**(8,178)**
(b) Statutory Reserve		
At 1 January and 31 December	**800,000**	**800,000**

This reserve is computed in accordance with the Financial Institutions Act.

	2016	2015
(c) Revaluation Reserve		
At 1 January and 31 December	**18,963**	**18,963**

This represents revaluation increase of land, buildings and equipment

	2016	2015
(d) General Banking Risk Reserve		
At 1 January	698,853	42,679
Movement	(685,446)	656,174
At 31 December	**13,407**	**698,853**

21 **Capital Risk Management**

The Group manages its capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of equity, comprising issued capital, reserves and retained earnings.

Capital Adequacy

The Group monitors its Capital Adequacy with reference to the risk-based capital adequacy guidelines issued by the Bank of Guyana in keeping with the BASEL convention. The guidelines evaluate Capital Adequacy based upon the perceived risk associated with balance sheet assets, as well as certain off balance sheet exposures, and stipulate a minimum ratio of qualifying capital (Tier 1 and Tier 11) to risk-weighted assets of 8%.

GBTI remains well capitalised with the Bank's Tier 1 Capital Adequacy Ratio standing at 25.70% as at 31 December, 2016.

Total Tier 1 and Tier 11 Capital was 25.70% of risk-adjusted assets at 31 December , 2016 compared to 21.87% at the end of the previous year.

The Group did not have a fixed rate or range to distribute dividends but its dividends policy is based on the performance of the Bank and future development plans.

Gearing ratio

The gearing ratio at the year end was as follows:

	COMPANY		GROUP	
	2016 G$ 000	2015 G$ 000	2016 G$ 000	2015 G$ 000
Debt (i)	82,893,741	82,304,989	82,893,741	82,304,989
Cash and cash equivalents	(21,743,139)	(18,635,703)	(21,743,259)	(18,635,703)
Net debt	61,150,602	63,669,286	61,150,482	63,669,286
Equity (ii)	14,531,300	13,256,119	14,424,614	13,160,390
Net debt to equity ratio	4.21:1	4.80:1	4:24:1	4.84:1

(i) Debt is defined as long-term and short-term funds.

(ii) Equity includes all capital and reserves of the Bank.

22. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT OBJECTIVES CONT'D

The Group's Management monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risk, interest rate risk and credit risk which are approved by the Board of Directors.

The Group's Management reports monthly to the Board of Directors on matters relating to risk and management of risk.

(a) MARKET RISK

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates.The Group uses gap analysis, interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest rate and foreign currency risk.There has been no change in the Bank's exposure to market risks or the manner in which it manages these risks.

PRICE RISK

(i) OTHER PRICE RISK

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. Management continually identifies the risk and diversifies the portfolio in order to minimize the risk.

Crossborder risk though relatively minimal, exists in relation to investments in Caricom Sovereign Bonds and such risk is mitigated by the application of prudent selection and stringent monitoring of the Group's investment portfolio by its intermediary Guyana Americas Merchant Bank Inc.

The Group does not actively trade in equity investments ▸

22. FINANCIAL RISK MANAGEMENT CONT'D

(a) MARKET RISK CONT'D

(ii) INTEREST RATE SENSITIVITY ANALYSIS

The table below analyses the sensitivity of interest rates exposure for both financial assets and liabilities at the end of the reporting period. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

Apart from the foregoing with respect to the other financial assets and liabilities, it was not possible to determine the expected impact of a reasonable possible change in interest rates on profit or equity as other factors such as credit risks, market risks, political and disaster risks can affect the value of the assets and liabilities.

The impact on the profit for the year is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table

	GROUP		
		Impact on profit for the year	
	Increase/ Decrease in basis point	2016 Increase/(Decrease)	2015 Increase/(Decrease)
		G' 000	G' 000
Local Currency	+/-50	103,426	89,665
Foreign Currencies	+/-50	64,090	62,559

(iii) **Interest rate risk**

The Group is exposed to interest rate risk but the Group's sensitivity to interest is immaterial as its financial instruments are substantially at fixed rates. The Group's exposures to interest rate risk on financial assets and financial liabilities are listed below:

		GROUP Maturing 2016				
	Average Interest rate	Within 1 year G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Non-interest bearing G$ 000	Total G$ 000
Assets						
Cash resources	0.00 to 2.00	5,922,128	-	-	15,821,131	21,743,259
Investments	6.80	10,266,619	2,542,968	9,365,272	-	22,174,859
Loans and advances (net)	9.16	19,531,564	9,991,958	15,544,090	-	45,067,612
Other assets	-	-	-	-	1,583,118	1,583,118
		35,720,311	**12,534,926**	**24,909,362**	**17,404,249**	**90,568,848**
Liabilities						
Deposits	1.46	62,407,912	-	-	20,485,829	82,893,741
Other liabilities		-	-	-	1,049,819	1,049,819
		62,407,912	**-**	**-**	**21,535,648**	**83,943,560**
Interest sensitivity gap		**(26,687,601)**	**12,534,926**	**24,909,362**		

		GROUP Maturing 2015				
	Average Interest rate %	Within 1 year G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Non-interest bearing G$ 000	Total G$ 000
Assets						
Cash resources	0.00 to 2.45	4,922,594	-	-	13,713,109	18,635,703
Investments	3.91	8,583,105	3,379,852	8,035,161	-	19,998,118
Loans and advances (net)	10.07	26,293,690	10,324,318	11,404,055	-	48,022,063
Other assets	-	-	-	-	1,526,494	1,526,494
		39,799,389	13,704,170	19,439,216	15,239,603	88,182,378
Liabilities						
Deposits	1.35	63,137,541	-	-	19,167,448	82,304,989
Other liabilities		-	-	-	690,831	690,831
		63,137,541	-	-	19,858,279	82,995,820
Interest sensitivity gap		**(23,338,152)**	**13,704,170**	**19,439,216**		

22 **Financial Risk Management - (cont'd)**

(a) **Market Risk- (cont'd)**

(iv) Currency risk

The Group's exposure to the effects of fluctuations in foreign currency exchange rates arose mainly from investments and foreign bank balances. The currencies which the Bank is mainly exposed to are Euro , United States Dollars, Pounds Sterling and Canadian Dollars.

The aggregate amount of assets and liabilities denominated in currencies other than Guyana dollars are shown:

	GROUP					
	Euro €	**US $**	**GBP £**	**Cdn $**	**Others**	**Total**
	G$ 000	**G$ 000**	**G$ 000**	**G$ 000**	**G$ 000**	**G$ 000**
31 December 2016						
Assets	22,539	22,751,888	3,526	6,630	171,492	22,956,075
Liabilities	2,444	5,552,557	4,390	229	-	5,559,620
31 December 2015						
Assets	137,525	20,230,131	62,342	15,420	172,090	20,617,508
Liabilities	5,615	5,901,584	5,152	274	-	5,912,625

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 2.5% increase and decrease in the Guyana dollar (GYD) against the relevant currencies. 2.5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2.5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the foreign currency strengthens 2.5% against the GYD. For a 2.5% weakening of the relevant foreign currency against the Guyana dollar, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Euro Impact		US Dollar Impact		£ Sterling Impact		Canadian Dollar Impact	
	2016	2015	2016	2015	2016	2015	2016	2015
	$M	$M	$M	$M	$M	$M	$M	$M
Profit or (loss)	0.50	3.30	429.98	358.21	(0.02)	1.43	1.60	0.38

22 Financial Risk Management - (cont'd)

(b) **Liquidity risk**

The Group maintains a diversified and stable funding base comprising core retail and corporate customer deposits and institutional balances, coupled with wholesale funding and portfolios of liquid assets which are diversified by currency and maturity, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Group's policy is to maintain a strong liquidity position and to manage the liquidity profile of assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations met when due.

It is unusual for banks to have the maturities of its assets and liabilities completely matched since business transacted is often of uncertain term and differing types.As such the matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group.

The information given below relates to the major financial assets and liabilities based on the remaining period at 31 December to the contractual maturity dates.

GROUP
Maturing
2016

	Within 1 year					
	On Demand G$ 000	Due in three months G$ 000	Due within 3 to 12 months G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Total G$ 000
Cash resources	18,774,395	317,645	735,525	1,915,694	-	21,743,259
Investments	840,354	2,101,042	3,499,944	3,825,279	11,908,240	22,174,859
Loans & advances (net)	5,305,740	4,363,157	10,236,712	9,991,958	15,170,045	45,067,612
Other assets	1,583,118	-	-	-	-	1,583,118
	26,503,607	**6,781,844**	**14,472,181**	**15,732,931**	**27,078,285**	**90,568,848**
Liabilities						
Deposits	65,542,744	12,165,313	5,185,684	-	-	82,893,741
Other liabilities	1,049,819	-	-	-	-	1,049,819
	66,592,563	**12,165,313**	**5,185,684**	**-**	**-**	**83,943,560**
Net assets/(liabilities)	**(40,088,956)**	**(5,383,469)**	**9,286,497**	**15,732,931**	**27,078,285**	

GROUP
Maturing
2015

	Within 1 year					
	On Demand G$ 000	Due in 3 mths G$ 000	Due 3 - 12 mths G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Total G$ 000
Assets						
Cash resources	16,691,006	1,944,697	-	-	-	18,635,703
Investments	832,662	1,029,378	6,721,065	3,379,852	8,035,161	19,998,118
Loans & advances (net)	7,993,283	2,944,529	14,996,998	10,324,318	11,762,935	48,022,063
Other assets	1,526,494	-	-	-	-	1,526,494
	27,043,445	5,918,604	21,718,063	13,704,170	19,798,096	88,182,378
Liabilities						
Deposits	62,177,984	16,440,142	3,686,863	-	-	82,304,989
Other liabilities	690,830	-	-	-	-	690,830
	62,868,814	16,440,142	3,686,863	-	-	82,995,819
Net assets/(liabilities)	**(35,825,369)**	**(10,521,538)**	**18,031,200**	**13,704,170**	**19,798,096**	**5,186,559**

22. FINANCIAL RISK MANAGEMENT CONT'D

(c) CREDIT RISK

Credit risk exposures arise principally in lending and investment activities. Credit risk also occurs in off balance sheet financial instruments such as guarantees and letters of credit. This risk relates to the possibility that a counter party will cause a financial loss to the Group by failing to discharge an obligation. The Group's lending and investing activities are conducted with various counterparties and in pursuing these activities the Bank is exposed to credit risk. These are the principal areas of activity for the Group and it is expected that such exposures will continue to exist for the foreseeable future. The management of credit risks is of utmost importance and an appropriate organizational structure has been put in place to ensure that this function is effectively discharged. Management carefully manages its exposure to credit risk through appropriate policies, procedures, practices and audit functions together with approved limits.

CREDIT RISK MANAGEMENT

In its management of credit risk, the organisational structure supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), the Chief Executive Officer, Head of Credit; Senior Management of Risk and Compliance and the Internal Audit Function.

To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The Board's Credit Committee focuses primarily on credit risk appetite and in so doing sanction amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management.

The Chief Executive Officer along with the Senior Manager of Risk monitors the effectiveness of credit procedures and policies and may direct changes to strategies to improve the effectiveness of policies. Policies are established and communicated through the Bank’s written Credit Policy Manual. This document sets out in detail the current policies Governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Major areas of focus are: General Credit Criteria; Credit Risk Rating; Controls Risk Mitigants over the Credit Portfolio and Credit Concentration among others. The Bank's policies and procedures are dedicated to controlling and monitoring risk from such activities. Compliance with credit policies and exposure limits is reviewed by the Internal Auditors on a continuous basis. ►

22. FINANCIAL RISK MANAGEMENT CONT'D

(c) CREDIT RISK (CONT'D)

RISK LIMIT CONTROL AND MITIGATION POLICY

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Bank's of borrowers, industry and country segments. The Bank monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Group.

(a) SINGLE BORROWER AND BANK BORROWER EXPOSURE LIMITS

Limits established by regulatory authorities have been Incorporated into the credit policies where concentration is restricted by limiting credit amounts to a fraction of the capital base. This is supported by a stringent reporting requirement and is further enhanced by policies requiring periodic review of all commercial credit relationships.

(b) INDUSTRY EXPOSURE LIMITS

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for the Bank for this purpose. The model utilises a scale incorporating scores of 1 to 8 with 1 being the least risky. These have been consolidated into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a smaller limit being assigned to the more risky industries.

THESE POLICIES INCLUDE BUT ARE NOT LIMITED TO:

I Conducting interviews to obtain an overall impression of the applicant's ability to manage its finances and service the credit facility.

II. Collateral offered is subjected to inspection/field visit to enable the Group to decide whether it concurs with the valuator's opinion. Valuations are assessed conservatively and reviewed regularly with the support of empirical evidence.

III. Adherence to a loan to equity ratios policy that conforms to the tenets of sound banking.

iv. Loans and overdrafts are generally collateralised with some or all of the following:

- Cash
- Mortgages
- Debentures
- Bills of Sale
- Guarantees
- Assignment of Traded Shares
- Assignment of Salary or Crop proceeds
- Assignment of Insurance Policies
- Promissory Notes

22. FINANCIAL RISK MANAGEMENT CONT'D

(c) CREDIT RISK (CONT'D)

RISK LIMIT CONTROL AND MITIGATION POLICY CONT'D

v. Security structures and legal conditions are reviewed from time to time to ensure they continue to fulfil their intended purpose and remain in line with current banking practice.

vi. Generally, funds are not disbursed unless mortgages or debentures are duly executed in the High Court.

vii. Loan Officers are required to continually track loans recommended or approved by themselves to ensure projects are implemented as conceptualized, approved and scheduled; repayments are made in accordance with loan agreements; potential problems are identified and appropriate actions are taken to avoid the performance of the loans being adversely affected; and generally to maintain and improve the healthiness of the Bank's credit portfolio

viii. Credit exposure is controlled by lending limits that are reviewed and approved by the Credit Committee and the Board of Directors.

ix. Ongoing training is conducted for Credit Officers to enhance their skills and tech niques in assessing credit.

x. Compliance with the ''single borrower'' or ''group borrower's'' limit as set out in the Financial Institutions Act (1995), other regulatory guidelines and the Group's own prudential judgements.

xi. Authorized lending limits utilizing the hierarchical structure of the Group.

xii. Generation of daily and monthly management exception reports.

xiii. The avoidance of being one of multiple lenders to a borrower. In the event this occurs, the Group seeks to rank in priority to the other lenders.

xiv. Monthly credit meetings are conducted to review loans and overdrafts at varying degrees of default so that actions are taken in a timely manner.

xv. Nonperforming accounts are provided for or written off in accordance with accepted banking principles and the Financial Institutions Act (1995).

xvi. Interest on nonaccrual/impaired accounts is not taken to income.

xvii. Observation of the market trends, both local and global, which may be affecting a particular industry or sector.

xviii. Diversification of the Group's lending portfolio so as to spread the risk and stabilise financial results. ►

22. FINANCIAL RISK MANAGEMENT

(c) CREDIT RISK (CONT'D)

CREDIT RISK MEASUREMENT

As part of the ongoing process of prudent risk management, the Group's policy is to risk rate credit facilities at the time of approval and on a regular basis. The Credit Classification System is in place to assign risk indicators to credits in the portfolio and engages the traditional categories utilized by regulatory authorities. ▸

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

	COMPANY	
	2016	**2015**
	Maximum exposure	**Maximum exposure**
	G' 000	**G' 000**
Cash and short term funds	11,993,775	9,144,661
Deposit with Bank of Guyana	9,749,364	9,490,942
Investments:		
Available for sale	21,628,491	19,407,103
Held to maturity	298,710	341,918
Loans and advances	45,525,688	48,022,063
Total	**89,196,028**	**86,406,687**
Customer liability under acceptances,guarantees and letters of credit	**2,489,679**	1,976,738
	2,489,679	1,976,738
Total credit risk exposure	**91,685,707**	**88,383,425**

The above table represents a worst case scenario of credit risk exposure to the Bank without taking account of any collateral held or other credit enhancements attached.

Credit quality loans & advances	GROUP	
	2016	**2015**
	G$ 000	G$ 000
Neither past due nor impaired	33,738,502	32,598,949
Past due but not impaired	2,892,447	5,613,698
Impaired	11,805,644	12,675,734
	48,436,593	50,888,381

22. FINANCIAL RISK MANAGEMENT

(c) CREDIT RISK (CONT'D)

CREDIT RISK MEASUREMENT (CONT'D)

There are a variety of reasons why certain loans and advances designated as 'past due' are not regarded as impaired. Unless other information is available to the contrary, all loans and advances between 90 and 180 days are not considered impaired as they may be well-secured. In addition, renewals may be delayed due to pending submission of required documentation and as such do not reflect any concern on the creditworthiness of the borrower. Further, past due loans and advances secured in full by cash collateral are not considered impaired, and where appropriate, neither are mortgages in arrears by greater than 90 days where the value of the collateral is sufficient to repay both principal and interest in the event the account is identified for recovery action.

Loans and advances which were past due but not impaired as at 31 December can be assessed by reference to the Bank's credit grading system. The following information is based on that system.

	2016 G$000	2015 G$000
Grade 1 Satisfactory risk	**34,196,578**	**32,598,949**
	==========	=========
Grade 2 Monitor list		
Past Due up to 29 days	**1,275,706**	**2,971,378**
Past Due up 3059 days	**1,023,007**	**1,840,242**
Past Due 6089 days	**593,734**	**802,078**
	2,892,447	**5,613,698**
	=========	=========

The security held for these loans are the same as those stated in Note 22 (c) (ii).

(d) IMPAIRED LOANS AND ADVANCES

The Bank's rating process for credit facilities extends across its Branches and is designed to detect exposure requiring greater management attention based on a higher probability of default and potential loss. Management particularly focuses on facilities with delinquencies 90 days and above with a view to taking action such as working with the borrowers to restore their performing status, or instituting legal or recovery action if considered necessary. ►

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT

(d) IMPAIRED LOANS AND ADVANCES (CONT'D)

The Bank's risk response strategy also includes regular evaluation of the adequacy of provision allocated for impaired loans and advances by conducting detailed half yearly reviews of the total loan portfolio, comparing performance and delinquency statistics with historical trends and prevailing economic conditions.

The Bank's policy in its reviews of the level of impairment allowances for loans and advancesincludes a review of collateral held (e.g. reconfirmation of its enforceability) and an assessment of actual and anticipated receipts. For significant commercial and corporate debts, specialized credit committees with experience in insolvency and specific market factors are used to determine likely losses.

Reduction or reversals on calculated impairment allowances are recognized when the Bank has reasonable evidence that the established estimate of loss has been reduced.

Impaired loans and advances by product type (includes corporate facilities)

	COMPANY AND GROUP	
	2016 G$ 000	2015 G$ 000
Grade 3 - Sub-standard		
- Past due 90 - 179 days	511,348	1,634,259
Grade 4 - Doubtful and loss		
- Past due 180 - 359 days	2,407,792	3,950,412
- Past due 360 days and over	8,886,504	7,091,063
	11,294,296	11,041,475
Total impaired loans and advances	11,805,644	12,675,734
Impaired loans and advances by product type (includes corporate facilities)		
Quality lifestyle loans	353,698	368,924
Commercial loans and advances (includes corporate facilities)	11,451,946	12,306,810
	11,805,644	12,675,734

The tables below depict the Bank's expsoure to credit risk based on the geographic region where financial instruments are held.

	GROUP					
As at December 2016	**Guyana**	**Caricom**	**North America**	**Europe**	**Others**	**Total**
	G$' 000	G$' 000	G$' 000	G$' 000	G$' 000	G$' 000
On Statement of Financial Position						
Cash resources	15,821,249	3,742,725	1,923,844	255,441	-	21,743,259
Investments	9,028,485	11,805,112	-	-	1,341,262	22,174,859
Loans and advances (net)	43,715,386	1,352,226	-	-	-	45,067,612
Other assets	1,583,118	-	-	-	-	1,583,118
	70,148,238	**16,900,063**	**1,923,844**	**255,441**	**1,341,262**	**90,568,848**
Off Statement of Financial Position						
Acceptances,guarantees and letters of credit	2,384,064	-	105,615	-	-	2,489,679
	2,384,064	**-**	**105,615**	**-**	**-**	**2,489,679**
Total	**72,532,302**	**16,900,063**	**2,029,459**	**255,441**	**1,341,262**	**93,058,527**
As at December 2015						
On Statement of Financial Position						
Cash resources	13,712,790	2,822,126	1,912,720	187,528	219	18,635,383
Investments	7,252,109	11,194,496	-	-	1,551,513	19,998,118
Loans and advances (net)	46,521,313	1,500,750	-	-	-	48,022,063
Other assets	1,526,494	-	-	-	-	1,526,494
	69,012,706	15,517,372	1,912,720	187,528	1,551,732	88,182,058
Off Statement of Financial Position						
Acceptances,guarantees and letters of credit	1,875,899	-	100,839	-	-	1,976,738
	1,875,899	-	100,839	-	-	1,976,738
Total	**70,888,605**	**15,517,372**	**2,013,559**	**187,528**	**1,551,732**	**90,158,796**

22 **Financial Risk Management - (cont'd)**

(e) Investment securites

The Group utilizes external ratings such as international credit rating agencies or their equivalent in managing credit risk exposures for investments.

The table below represents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation.

	GROUP			
31 December 2016	**Treasury Bills G$'000**	**Available for Sale Securities G$'000**	**Held to Maturity Securities G$'000**	**Total G$'000**
A- to AAA	-	3,197,541	-	3,197,541
BBB- to BBB+	-	1,004,759	-	1,004,759
Lower than BBB-	-	4,285,452	-	4,285,452
Unrated	8,234,280	4,905,888	546,939	13,687,107
	8,234,280	**13,393,640**	**546,939**	**22,174,859**
31 December 2015				
A- to AAA	-	2,080,270	-	2,080,270
BBB- to BBB+	-	1,978,305	-	1,978,305
Lower than BBB-	-	4,489,043	-	4,489,043
Unrated	6,806,109	4,045,617	598,770	11,450,496
	6,806,109	**12,593,235**	**598,770**	**19,998,114**

The carrying value of past due or impaired loans and advances whose terms have been re-negotiated.

	COMPANY AND GROUP	
	2016 G$ 000	**2015 G$ 000**
Renegotiated loans/overdrafts	6,093,794	4,292,268

Commitment fees

There has been no deferral of commitment fees on the grounds that the amount calculated for possible deferral has been deemed immaterial.

22 **Financial Risk Management - (cont'd)**

(f) Diversification of exposure

The Group provides a wide range of financial services to borrowers in over 7 (seven) sectors within Guyana. As a result, its portfolio of financial instruments with credit risk is highly diversified with no exposure to individual borrowers and group borrowers totalling more than 25% and 40% respectively of the Bank's capital base.

The major activity of the Bank is in providing Banking Services to commercial, industrial and domestic consumers.The risk is spread over a cross-section of clients. At the reporting date there were no significant concentrations of credit risk for loans. There is no special collateral requirement relating to concentration of risks.

The carrying amount reflected below represents the Group's maximum exposure to credit risk for such loans.

	COMPANY	
	2016	2015
	G$ 000	G$ 000
Loans and Advances		
Agriculture	5,803,655	6,379,647
Services and distribution	24,542,209	25,682,384
Manufacturing	3,788,917	4,391,107
Household	13,542,565	12,726,151
Mining and quarrying	1,217,323	1,971,594
	48,894,669	51,150,883
Impairment allowances	(3,368,981)	(3,128,820)
Net loans and advances	45,525,688	48,022,063
Concentration of deposits		
Deposits		
State entities	15,419,120	18,165,504
Commercial sector	14,480,897	12,190,470
Personal sector	47,290,045	46,702,628
Other enterprises	4,280,056	3,879,234
Non residents	1,423,623	1,367,153
	82,893,741	82,304,989

23 Contingencies

(i) Contingent liabilities

(a) Pending litigations

The Group is the claimant in several litigation matters involving defaulting customers. The Directors are of the view that no provision for any contingency is necessary.

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

	COMPANY AND GROUP							
	2016				2015			
	Under 3 mths	3 to 12 months	Over 12 mths	Total	Under 3 mths	3 to 12 months	Over 12 mths	Total
	G$'000	G$'000	G$'000	G$'000	G$'000	G$'000	G$'000	G$'000
State entities	-	-	26	26	-	-	26	26
Commercial sector	803,072	538,436	1,023,647	2,365,155	472,426	309,497	623,241	1,405,164
Personal sector	14,463	83,235	26,800	124,498	27,008	54,362	490,178	571,548
	817,535	621,671	1,050,473	2,489,679	499,434	363,859	1,113,445	1,976,738

24 **Defined Benefit Asset**

The most recent actuarial valuation of the plan assets and the present value of the defined benefit asset were carried out as at 31 December, 2016 by Bacon Woodrow & de Souza Limited. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

	COMPANY AND GROUP	
	2016	2015
	G$ 000	G$ 000
(a) Amounts in the statement of financial position:		
Defined benefit obligation	691,361	603,633
Fair value of plan assets	(721,824)	(635,034)
Surplus	(30,463)	(31,401)
Effect on asset ceiling	-	-
Defined benefit asset	(30,463)	(31,401)
(b) Changes in the present value of the defined benefit obligation		
Defined benefit obligation at the start of the year	603,633	538,345
Current service cost	80,543	78,494
Interest cost	27,023	24,108
Past service cost/(credit)	-	-
Remeasurements		
- Experience adjustments	(13,538)	(32,407)
Members' contribution	-	-
Benefit Improvements	-	-
Actuarial gain	-	-
Benefits paid	(6,300)	(5,267)
Defined benefit obligation at the end of the year	**691,361**	**603,273**
(c) Changes in the fair value of the plan assets		
Plan assets at start of year	635,034	542,463
Interest income	30,190	26,058
Return on plan assets, excluding interest income	(15,890)	(7,500)
Bank contributions	78,790	79,280
Benefits paid	(6,300)	(5,267)
Plan assets at the end of the year	**721,824**	**635,034**
Actual return on plan assets		-
(d) Asset allocation		
Deposit adminstration contract	662,905	577,189
Annuity policies	58,919	57,845
Fair value of plan asset at the end of the year	**721,824**	**635,034**

The value of the plan's assets is equal to the face value of the deposit adminstration contract provided by the insurance company provider, NALICO plus an estimate of the value of the plan's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligation The value of these policies is not quoted and is reliant on NALICO's financial strength.

The plan's assets are invested in a strategy agreed with the plan's trustees which is largely driven by statuto constraints and asset availability. There are no asset-liability matching strategies used by the plan other th the decision to purchase immediate annuity policies to match pensions in payments

	2016	2015
	G$ 000	G$ 000
24 Defined Benefit Asset- (cont'd)		
(e) Expense recognised in profit or loss		
Current service cost	80,543	78,494
Net interest on net defined benefit asset	(3,167)	(1,950)
Past service cost	-	-
Net pension cost	77,376	76,544
(f) Re-measurements recognised in other comprehensive income		
Experience (gains)/losses)	2,352	(24,547)
Effect of asset ceiling	-	-
Total amount recognised in other comprehensive income	2,352	(24,547)
(g) Reconciliation of opening and closing balance sheet entries		
Defined benefit asset at prior year end	(31,401)	(4,118)
Unrecognised gain charged to retained earnings	-	-
Opening defined benefit asset	(31,401)	(4,118)
Net pension cost	77,376	76,544
Re-measurements recognised in other comprehensive income	2,352	(24,547)
Bank's contributions paid	(78,790)	(79,280)
Closing defined benefit asset	(30,463)	(31,401)

(h) Summary of principal assumptions as at 31 December	2016	2015
	Per annum	Per annum
	%	%
Discount rate	4.5	4.5
Average individual salary increases	4.5	4.5
Future pension increases	0.0	0.0

Assumptions regarding future morality are based on published morality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December are as follows:

	2016	2015
Life expectancy for current pensioner in years		
- Male (aged 60)	18	18
- Female (aged 55)	26.9	26.9
Life expectancy for current members age 40 in years		
- Male (aged 60)	18	18
- Female (aged 55)	269	26.9

(i) Sensitivity analysis

Since the majority of the plan's liabilities are defined contribution in nature and pensions in payment are insured, the surplus or deficit in the Plan is not very sensitive to the actuarial assumptions used in the calculations.

(j) Funding

The Bank meets the cost of funding the pension plan. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay G$80.7M to the pension plan during 2017.

(k) Experience history	2012	2013	2014	2015	2016
	G$ 000	G$ 000	G$ 000	G$ 000	G$ 000
	Restated				
Defined benefit obligation	393,113	464,702	538,345	603,633	691,361
Fair value of plan assets	(398,497)	(464,060)	(542,463)	(635,034)	(721,824)
(Deficit)/profit	(5,384)	642	(4,118)	(31,401)	(30,463)
Experience adjustment on plan liabilities	(4,613.0)	-	-	-	-
Experience adjustment on plan assets	(6,825.0)	-	-	-	-

		COMPANY AND GROUP	
		2016	2015
		G$ 000	G$ 000
25	**Balances excluded from the accounts**	9,942	9,942

Monies received on behalf of customers and deposited in the External Payments Deposits Scheme with the Bank of Guyana, in accordance with the terms of agreement signed with each customer which specifically exclude the Group from any liability.

26 **Related party transactions and balances**

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.Such transactions were executed at rates of interest and charges that are similar to transactions involving third parties in the normal course of business. Transactions were both secured and unsecured.

Employees in the Group are granted loans, advances and other banking services at preferential rates.

	GROUP	
(a) Group companies	2016 G$ 000	2015 G$ 000
(i) Loans and advances		
Balances at end of year	2,614,961	4,342,623
Interest income	223,541	252,158
(ii) Deposits		
Balance at end of year	2,983,156	2,725,400
Interest expense	39,904	33,973
(iii) Commissions	6,094	2,043
(iv) Insurance coverage	7,401,274	7,413,774
(v) Insurance premiums paid	41,278	41,387
The nature of these contracts relate to policies held for fire insurance, cash on premises, public liability,fidelity guarantee, employers liability, computer all risk, cash-in-transit and various risks		
(vi) Rental of locations-NALICO	1,800	1,800
(vii) All pension payments have been secured by annuities from Nalico.See note 24(d)		
(b) Parent Company		
Deposits		
Balance at end of year	531	1,632
Interest expense	-	-
(c) Associate Company		
(i) Deposits		
Balance at end of year	36,102	14,815
Interest expense	-	-
(ii) Investments		
Investments effected through associate company (fair value)	1,625,439	2,185,351

26 **Related party transactions and balances - (cont'd)**

(c) **Associate Company-(cont'd)**

	GROUP	
	2016 G$ 000	2015 G$ 000
(iii) Fees paid to associate company- Guyana Americas Merchant Bank Inc.	2,496	2,496
(iv) Annual rental income received- Guyana Americas Merchant Bank Inc.	5,602	5,602
(d) **Subsidiary Company**		
(i) Loans and advances		
Balances at end of year	832,120	1,199,853
(ii) Rental paid	9,000	9,000

(e) **Key management personnel**

(i) **Compensation**
The Group's 48 (2015 -48) key management personnel comprise its Directors, its Chief Executive Officer and Managers.The remuneration paid to key management for the year was as follows:

	GROUP	
	2016 G$ 000	2015 G$ 000
Short-term employee benefits	299,403	235,173
Post-employment benefits	22,384	18,868
	321,787	254,041

(ii) **Directors emoluments**
Amounts represents fees paid to individuals in respect of their services as directors (included in key ammangement compensation)

Chairman	3,630	3,630
Executive Director	1,210	1,210
Non- Executive Director	7,700	8,470
	12,540	13,310
(iii) **Loans and advances**	238,263	502,535
Balance at end of year		
	14,140	25,183
Interest income		
(iv) **Deposits**	201,848	141,159
Balance at end of year		
Interest expense	2,606	3,364

Employees of the Bank are granted loans at concessionary rates of interest.

No provision was made for loan losses to related parties.

26 **Related party transactions and balances - (cont'd)**

	GROUP	
	2016	2015
	G$ 000	G$ 000
(v) Messrs. Hughes Fields & Stoby		
Fees	580	580

Messrs. Hughes, Fields & Stoby provides a range of legal services to the Group which include the preparation, filing and registration of mortgages, debentures and bills of sale; preparation and filing of cancellation of mortgages and debentures; conveyance of transported properties, and transfer of titles; issues demand letters; represents the Group in actions filed by the Group against defaulting customers, as well as in actions filed against the Group; follows through on the entering of judgements obtained and levy proceedings commenced; and generally provides legal advice on miscellaneous Group related matters.The fees charged for these services are paid directly to Messrs. Hughes, Fields and Stoby by the customer.

	COMPANY AND GROUP	
	2016	2015
	G$ 000	G$ 000
27 Capital commitments		
Capital commitments not provided for in the financial statements	448,253	228,429
28 Dividends		
Amounts recognised as distributions to shareholders in the year:		
Final dividend for year ended 31 December 2016 G$11 per share (2015- G$11.00)	440,000	440,000
Interim dividend of G$6 per share (2015 - G$6.00)	240,000	240,000
	680,000	680,000
Proposed final dividend of G$11.00 per share (2015 - G$11.00)	440,000	440,000

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in the financial statements.

29 **Fair value estimation**

Fair value measurement recognised in the statement of financial position.

Level 1- Fair value determination is with reference to quoted prices in active markets for identical assets and liabilities. Quotation from recognised stock exchange was used to value investments under this ranking.

Level 2- Fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly(i.e as prices) or indirectly(i.e derived from prices).

The following assets and liabilities are carried at amortised cost. However, fair values have been stated for disclosure purposes

		GROUP 2016			GROUP 2015	
	IFRS 13 Level	Carrying amount G$'000	Fair value G$'000	IFRS 13 Level	Carrying amount G$'000	Fair value G$'000
ASSETS						
Investment property	2	379,163	379,163	2	650,677	650,677
Cash resources	1	21,743,259	21,743,259	1	18,635,703	18,635,703
Investments:						
- Held to maturity	2	298,710	298,710	2	341,918	341,918
Loans and advances	2	45,067,612	45,067,612	2	48,022,063	48,022,063
Other assets	2	1,583,118	1,583,118	2	1,526,494	1,526,494
Defined benefit assets	2	30,463	30,463	2	31,401	31,401
		69,102,325	69,102,325		69,208,256	69,208,256
LIABILITIES						
Deposits	2	82,893,741	82,893,741	2	82,304,989	82,304,989
Other liabilities	2	1,049,819	1,049,819	2	690,830	690,830
		83,943,560	83,943,560		82,995,819	82,995,819

29. FAIR VALUE ESTIMATION (CONT'D)

Valuation techniques and assumptions applied for the purposes of measuring fair value.

The fair values of financial assets and liabilities were determined as follows:

a) Investment properties fair values were measured primarily at cost less accumulated depreciation. Management's judgment was used to determine that fair value approximates the carrying value.

(b) Loans and advances are net of specific and other provisions for impairment.

The fair value of loans and advances is based on expected realisation of outstanding balances taking into account the bank's history with respect to delinquencies.

(c) Financial instruments where the carrying amounts are equal to fair value:
Due to their short term maturity, the carrying amounts of certain financial instruments are assumedto approximate their fair values. These include cash resources, customer's deposits accounts, other assets, defined benefit assets and ther liabilities.

(d) Defined benefit assets were measured by management on the advice from the actuary.

ASSETS CARRIED AT FAIR VALUE
PROPERTY AND EQUIPMENT

Land and buildings vested in the bank on 1 December 1987 were revalued in 1988 by professional valuers and the surplus arising out of this revaluation is shown as Revaluation Reserve.

Equipment taken over on the merger with Republic Bank (Guyana) Limited was previously valued by their Directors on 1 June 1985 and the surplus is also included in the Revaluation Reserve.

A revaluation of land, building and erections of the properties was done in 2014 by Mr. David Patterson from Patterson Associates, a qualified valuer, which resulted in no change. The revalued amount approximated the carrying value in the financial statements.

All valuations were based on open market value. The most significant input of these valuation approaches is the value or replacement cost per square foot which is considered to be observable. The valuation of property is classified as a level 2.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 and 2 based on the degree to which the value is observable. ►

29. FAIR VALUE ESTIMATION (CONT'D)

INVESTMENTS

	GROUP	
	2016 G$000	2015 G$000
Available for sale		
Level 1	16,722,603	13,788,776
Level 2	7,445,646	5,618,327
	24,168,249	19,407,103

30 **Segment Information**

The accounting policies of the operating segments are the same as those describe in note 3.1(v) of the summary of significant accounting policies except that pension expenses for each operating segments are recognised and measured on the basis of cash payments to the pension plan.The Group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses.

The Group accounts for intersegment revenue and transfers as if the revenue or transfers were with third parties at current market prices.

The Group's reportable segments are strategic business units that offer different products and services.They are managed separately because each business requires different technologies and marketing strategies. Most of the business were acquired as individual units, and the management at the time of the acquisition was retained.

Operating segments are being identified on the basis of internal reports maintained by components of the Group that are regularly reviewed by management in order to allocate resources to the segments and to assess their performance.

Effective from 1 January 2016 the Group's business has been classified primarily into three main segments, namely Retail Commercial Banking,Treasury and Gold Trading (by class of business).

The table below shows segment information by class of business

	GROUP 2016			
	Retail and Commercial Banking $'000	Treasury $'000	Gold Trading $'000	Total $'000
Interest income	4,442,880	1,514,439	-	5,957,319
Interest expense	(912,303)	-	-	(912,303)
Net interest income	3,530,577	1,514,439	-	5,045,016
Loan impairment expense	(999,931)	-	-	(999,931)
Loan impairment recoveries	100,779	-	-	100,779
	2,631,425	1,514,439	-	4,145,864
Other income	512,226	612,711	1,226,884	2,351,821
Share of profit of associate company	-	143	-	143
Operating expenses	2,752,851	-	1,212,524	3,965,375
Profit before taxation	390,800	2,127,293	14,360	2,532,453
Segment assets				
Cash resources	21,743,259	-	-	21,743,259
Investments:-				
Available for sale	-	21,628,475	-	21,628,475
Held to maturity	-	298,710	-	298,710
Non current assets-sssociate company		247,674	-	247,674
Loans and advances	45,067,612	-	-	45,067,612
Property and equipment	7,063,254	-	11,105	7,074,359
Investment property	-	-	379,163	379,163
Deferred tax assets	315,341	-	-	315,341
Other assets	-	1,583,118	-	1,583,118
Defined benefit asset	30,463	-	-	30,463
Total segment assets	74,219,929	23,757,977	390,268	98,368,174
Segment liabilities				
Deposits:-				
Demand	20,485,829	-	-	20,485,829
Savings	45,056,889	-	-	45,056,889
Term	17,351,023	-	-	17,351,023
Due to banks	26	-	-	26
Taxation	-	-	10,096	10,096
Other	1,032,188	-	7,509	1,039,697
Total segment liabilities	83,925,955	-	17,605	83,943,560

30 Segment information (cont'd)

	GROUP 2015		
	Retail and Commercial Banking	Treasury	Total
	$'000	$'000	$'000
Interest income	5,454,834	170,393	5,625,227
Interest expense	(906,091)	-	(906,091)
Net interest income	4,548,743	170,393	4,719,136
Loan impairment expense	(650,000)	-	(650,000)
Loan impairment recoveries	29,344	-	29,344
	3,928,087	170,393	4,098,480
Other income	1,384,304	-	1,384,304
Share of loss of associate company	-	(3,470)	(3,470)
Operating expenses	(2,893,075)	-	(2,893,075)
Profit before taxation	**2,419,316**	**166,923**	**2,586,239**
Segment assets			
Cash resources	-	18,635,703	18,635,703
Investments:-			
Available for sale	-	19,407,087	19,407,087
Held to maturity	-	341,918	341,918
Non current assets-associate company	-	249,113	249,113
Loans and advances	48,022,063	-	48,022,063
Property and equipment	-	6,990,985	6,990,985
Investment property	-	650,677	650,677
Deferred tax assets	-	300,768	300,768
Defined benefit asset	-	31,401	31,401
Other assets	-	1,526,494	1,526,494
Total segment assets	**48,022,063**	**48,134,146**	**96,156,209**
Segment liabilities			
Deposits:-			
Demand	19,167,448	-	19,167,448
Savings	43,010,524	-	43,010,524
Term	20,127,016	-	20,127,016
Due to banks	11	-	11
Taxation	103,970	-	103,970
Other	586,850	-	586,850
Total segment liabilities	**82,995,819**	**-**	**82,995,819**

30 **Segment information-(cont'd)**

(a) The classification shown below is followed by a secondary classification into geographical segments.

	Additions to non current assets			
	Company		Group	
	2016	**2015**	**2016**	**2015**
	G$ 000	**G$ 000**	**G$ 000**	**G$ 000**
Retail and commercial lending	473,159	423,197	473,159	423,197
Other	-	-	999	11,668
	473,159	423,197	474,158	434,865

(b) Revenue from major services

The following is an analysis of the Group's revenue from its major services

	Group	
	2016	**2015**
	G$ 000	**G$ 000**
Retail and commercial lending	4,442,880	5,454,834
Treasury	1,514,439	170,393
	5,957,319	5,625,227

(c) Geographical information

(i) The Group operates in three principal geographical area-retail commercial banking, treasury and gold trading.

The Group's revenue derived from operations from external customers and information about its non current assets by geographical location are detailed below

	GROUP			
	Revenue		Non Current Assets	
	2016	**2015**	**2016**	**2015**
	G$ 000	**G$ 000**	**G$ 000**	**G$ 000**
Treasury(corporate office)	4,061,701	3,503,728	-	-
Retail and commercial banking(other branches)	2,041,739	3,505,803	7,074,359	6,990,985
Other- gold trading and rental	2,205,700	-	379,163	650,677
	8,309,140	7,009,531	7,453,522	7,641,662

Revenue by geographic location

2016	**Guyana**	**Caricom**	**Others**	**Total**
	G$ 000	G$ 000	G$ 000	G$ 000
Interest income	4,671,251	1,073,914	212,154	5,957,319
Other income	2,351,821	-	-	2,351,821
Total revenue	7,023,072	1,073,914	212,154	8,309,140

2015	**Guyana**	**Caricom**	**Others**	**Total**
	G$ 000	G$ 000	G$ 000	G$ 000
Interest income	4,559,427	1,025,863	39,937	5,625,227
Other income	1,384,304	-	-	1,384,304
Total revenue	5,943,731	1,025,863	39,937	7,009,531

Major customer

There were no revenues earned from an individual or group of customers that exceeded 10% of total revenues.

31 Analysis of financial assets and liabilities by measurement basis

COMPANY

ASSETS 2016	Held to Maturity G$ 000	Loans and Receivables G$ 000	Available for Sale G$ 000	Financial Assets and Liabilities at amortised cost G$ 000	Total G$ 000	2015 Total G$ 000
Cash resources	-	-	-	21,743,139	21,743,139	18,635,603
Investments	298,710	-	21,876,165	-	22,174,875	19,998,118
Loans & advances (net)	-	45,525,688	-	-	45,525,688	48,022,063
Other assets	-	-	-	1,581,536	1,581,536	2,254,764
Total assets	298,710	45,525,688	21,876,165	23,324,675	91,025,238	88,910,548
2015	**341,918**	**48,022,063**	**19,656,212**	**20,890,367**	**88,910,560**	**88,320,063**
LIABILITIES						
2016						
Deposits	-	-	-	82,893,741	82,893,741	82,304,989
Other liabilities	-	-	-	1,009,355	1,009,355	659,267
Total liabilities	-	-	-	**83,903,096**	**83,903,096**	**82,964,256**
2015	-	-	-	**82,964,256**	**82,964,256**	**83,687,712**

GROUP

ASSETS 2016	Held to Maturity G$ 000	Loans and Receivables G$ 000	Available for Sale G$ 000	Financial Assets and Liabilities at amortised cost G$ 000	Total G$ 000	2015 Total G$ 000
Cash resources	-	-	-	21,743,259	21,743,259	18,635,703
Investments	298,710	-	21,876,149	-	22,174,859	19,998,114
Loans & advances (net)	-	45,067,612	-	-	45,067,612	48,022,063
Other	-	-	-	1,583,118	1,583,118	1,526,494
Total Assets	**298,710**	**45,067,612**	**21,876,149**	**23,326,377**	**90,568,848**	**88,182,374**
2015	**341,918**	**48,022,063**	**19,656,196**	**20,162,197**	**88,182,374**	**87,667,894**
LIABILITIES						
2016						
Deposits	-	-	-	82,893,741	82,893,741	82,304,989
Other	-	-	-	1,049,819	1,049,819	690,830
Total liabilities	-	-	-	**83,943,560**	**83,943,560**	**82,995,819**
2015	-	-	-	**82,995,819**	**82,995,819**	**83,684,498**

32 Pending litigations

There are several pending litigations against the company. These matters are currently receiving the attention of the high court and the outcome cannot be determined at this date.

33 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on March 7, 2017