



25 YEARS CONNECTED BY PURPOSE



OUR MISSION

is to attain distinguished leadership through a team of professionals delivering innovative, superior service to our customers.



BUSINESS PROFILE

Citizens Bank with its headquarters located at 231 -233 Camp Street and South Roads, Georgetown, had assets of \$54.9 billion at September 30, 2019.

Our one hundred and sixty-five (165) employees serve a customer base of more than fifty-five thousand, six hundred (55,600).

We provide retail and commercial banking services through our branch network of six (6) branches.

We also provide 24-hour services through ATM's which are located at each our six branches as well as at five (5) off-site locations.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty-Fifth Annual General Meeting of Citizens Bank Guyana Inc. will be held at 231 – 233 Camp Street & South Road, Georgetown on Tuesday, January 21, 2020 at 5.00 p.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 30 September 2019 and the Reports of the Directors and the Auditors thereon.

To consider and (if thought fit) pass the following Resolution:

- 1) "That the Audited Financial Statements for the year ended 30 September 2019 and the Reports of the Directors and Auditors thereon be adopted."
2. To consider the declaration of a final Dividend of \$2.25 as recommended by the Directors in addition to the interim Dividend of \$0.90 previously declared by them and (if thought fit) pass the following resolution:
 - 2) "That the Interim Dividend of \$0.90 already paid be confirmed and that a Final Dividend of \$2.25 as recommended by the Directors in respect to the year ended 30 September 2019 be approved and paid to the shareholders on the Company's Register at the close of business on January 21, 2020."
3. To elect Directors. The Directors retiring are Mr. Clifford B. Reis, Mr. Rakesh K. Puri and Mr. Paul A. Carto, who being eligible offer themselves for election.

To consider and (if thought fit) pass the following Resolutions:

- 3.1) "That the Directors be elected en-bloc."
- 3.2) "That Mr. Clifford B. Reis, Mr. Rakesh K. Puri and Mr. Paul A. Carto having retired and being eligible for election be and are hereby elected Directors of the Company."
4. To fix the remuneration of the Directors.

To consider and (if thought fit) pass the following Resolution:

- 4) "That the remuneration of \$1,463,111.00 per annum be paid to the Chairman; the remuneration of \$1,147,025.00 per annum be paid to each Non-Executive Director and that a Travelling Allowance for each Non-Executive Director be fixed at \$481,964.00; and that the additional sum of \$95,116.00 per annum be provided for additional remuneration for each Director serving on Technical Committees."

NOTICE OF ANNUAL GENERAL MEETING CONT'D

5. To re-appoint the incumbent Auditors.

To consider and (if thought fit) pass the following Resolution:

- 5) "That Messrs. Jack A. Alli, Sons & Company be and are hereby re-appointed Auditors for the period ending with the conclusion of the next Annual General Meeting."

6. To empower the Directors to fix the remuneration of the auditors.

To consider and (if thought fit) pass the following Resolution:

- 6) "That the Directors be and are hereby authorised to fix the remuneration of the Auditors at a figure to be agreed with them."

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

BY ORDER OF THE BOARD



Frances S. Parris
Corporate Secretary
Registered Office
231 – 233 Camp Street and South Road
Lacytown, Georgetown
December 13, 2019

NOTES:

1. Please bring this notice to gain entry to the meeting. Only Shareholders may attend.
2. Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder.
3. To be valid, the instrument appointing a proxy must bear a G\$10.00 revenue stamp, be completed and deposited with the Secretary, Citizens Bank Guyana Inc, 231- 233 Camp Street and South Road, Lacytown, Georgetown not less than forty-eight (48) hours before the time appointed for the meeting.
4. Any body corporate or association which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting.
5. A proxy form is attached for use, if desired.





FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Total assets	54,875,759	50,482,351	49,972,449	50,223,938	43,114,460
Loans and advances	29,789,808	25,527,124	28,181,255	29,159,713	30,680,174
Investments	3,502,225	4,323,888	4,197,825	1,638,988	757,158
Deposits	44,279,137	40,903,223	40,586,097	42,092,034	34,905,524
Revenue	3,421,514	3,159,879	3,553,400	3,265,865	3,707,916
Expenses and taxes	2,466,261	2,557,578	2,826,841	2,788,740	2,801,070
Profit after taxation	955,253	602,301	726,559	477,125	906,846
Shareholders' equity	9,322,590	8,644,276	8,212,757	7,599,693	7,239,062
Return on average assets (%)	1.8	1.2	1.5	1.0	2.1
Return on average equity (%)	10.6	7.1	9.2	6.5	13.2
Earnings per share (Dollars)	16.1	10.1	12.2	8.1	15.2

FINANCIAL HIGHLIGHTS

	2019 \$'000	2018 \$'000	Inc/(Dec) \$'000	% Change
BALANCE SHEET:				
Total assets	54,875,759	50,482,351	4,393,408	8.7
Loans and advances	29,789,808	25,527,124	4,262,684	16.7
Investments	3,502,225	4,323,888	(821,663)	(19.0)
Deposits	44,279,137	40,903,223	3,375,914	8.3
Shareholders' equity	9,322,590	8,644,276	678,314	7.8
RESULTS OF OPERATIONS:				
Revenue	3,421,514	3,159,879	261,635	8.3
Expenses	1,822,166	2,150,486	(328,320)	(15.3)
Profit before taxation	1,599,348	1,009,393	589,955	58.4
Taxation	644,095	407,092	237,003	58.2
Profit after taxation	955,253	602,301	352,952	58.6

RATIOS:

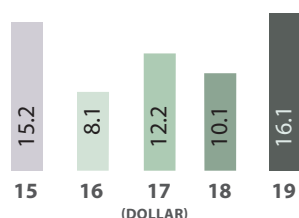
Return on average assets (%)	1.8	1.2	0.6	50.0
Return on average equity (%)	10.6	7.1	3.5	49.3
Earnings per share (Dollars)	16.1	10.1	6.0	59.4

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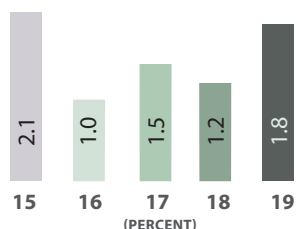
Shareholders	97	95	2	2.1
Deposit accounts	55,631	52,708	2,923	5.5
Employees	165	151	14	9.3
Locations	6	6	0	0.0

FINANCIAL HIGHLIGHTS (CONT'D)

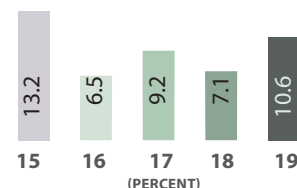
**EARNINGS
PER SHARE**



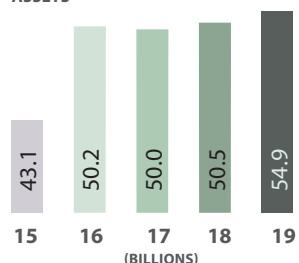
**RETURN ON
AVERAGE
ASSETS**



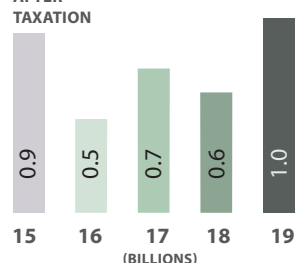
**RETURN ON
AVERAGE
EQUITY**



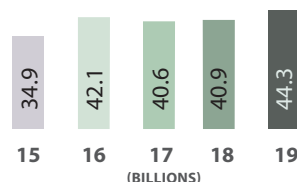
**TOTAL
ASSETS**



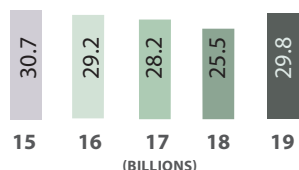
**PROFIT
AFTER
TAXATION**



DEPOSITS

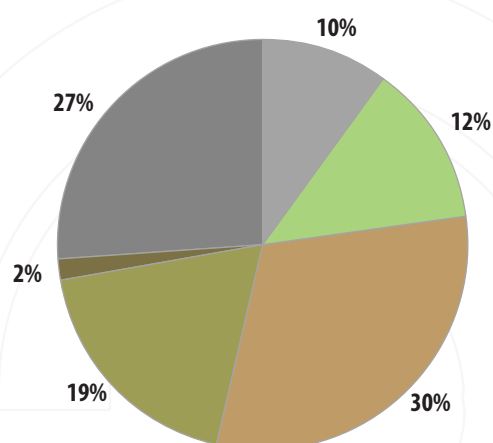


**LOANS &
ADVANCES**



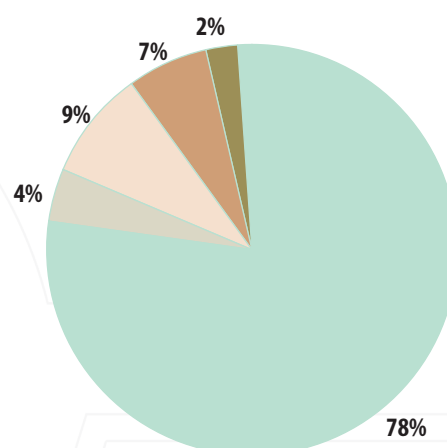
FINANCIAL HIGHLIGHTS (CONT'D)

DISTRIBUTION OF INCOME



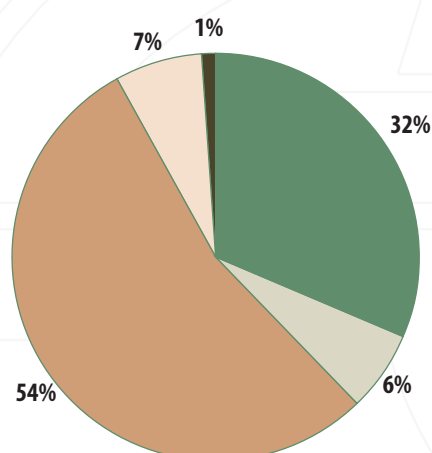
Interest Expenses	349
Personnel Expenses	444
Other Non Interest Expenses	1,029
Taxation	644
Dividends	54
Retained Earnings	902
	3,422

SOURCE OF INCOME



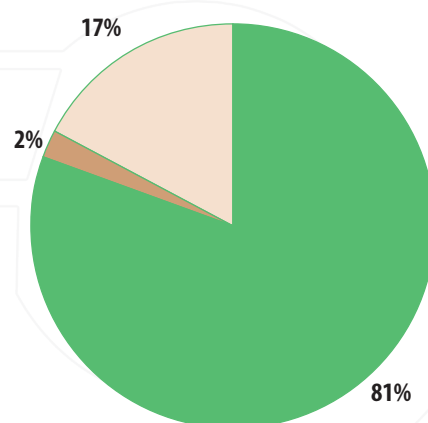
Loans and advances	2,681
Investment securities	134
Fees and commission income	302
Foreign exchange income	223
Other income	82
	3,422

ASSETS



Cash resources	17,313
Investments	3,502
Loans and advances	29,790
Property & equipment	3,659
Other assets	612
	54,876

LIABILITIES AND SHAREHOLDERS' EQUITY



Deposits	44,279
Other liabilities	1,274
Shareholders' equity	9,323
	54,876



BOARD OF DIRECTORS



YEARS CONNECTED BY PURPOSE



Left Page - from left to right:

Mr. Clifford B. Reis C.C.H
Chairman of the Board

Mr. George McDonald, A.A.
Director

Mr. Paul A. Carto, A.A.
Director

Mr. Michael H. Pereira
Director

Right page - from right to left:

Mr. Eton M. Chester, A.A., O.D.
Managing Director

Mr. Wilfred A. Lee A.A.
Director

Mr. Ronald G. Burch-Smith, LLB
Director

Mr. Rakesh K. Puri
Director

Ms. Deenawati Panday, LLB
Director

CORPORATE INFORMATION

DIRECTORS

Mr. Clifford B. Reis, C.C.H., F.I.Mgt.	Chairman/Managing Director – Banks DIH Limited
Mr. Eton M. Chester, A.A., O.D., B.Sc.	Managing Director – Citizens Bank Guyana Inc.
Mr. George G. McDonald, A.A., B.Sc.	Co-Managing Director/Marketing Director – Banks DIH Limited
Mr. Michael H. Pereira	Operations Director – Banks DIH Limited
Mr. Paul A. Carto A.A.	Human Resources Director – Banks DIH Limited
Mr. Wilfred A. Lee, A.A., Dip. M., B.Sc, MCIC	Consultant
Mr. Rakesh K. Puri	Managing Director – Continental Agencies Limited
Ms. Deenawati Panday, LLB	Attorney-at-Law
Mr. Ronald G. Burch-Smith, LLB, MSc	Attorney-at-Law

CORPORATE SECRETARY

Ms. Frances Sarah Parris, B.Sc.	General Manager – Citizens Bank Guyana Inc.
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REGISTERED OFFICE

231 – 233 Camp Street & South Road, Lacytown, Georgetown, Guyana

AUDITORS

Messrs. Jack A. Alli , Sons & Company
Chartered Accountants
145 Crown Street, Queenstown, Georgetown, Guyana

ATTORNEYS-AT-LAW

Messrs. Cameron & Shepherd
2 Avenue of the Republic, Georgetown, Guyana

Messrs. Hughes, Fields & Stoby
62 Hadfield Street, Georgetown, Guyana

Messrs. Boston & Boston
Duke Chambers, 2 Croal Street, Stabroek, Georgetown, Guyana

Messrs. Fields & Company
Equity Chambers, Suite #318, Sharon's Building, Charlotte & Kings Streets, Georgetown, Guyana



CHAIRMAN'S REPORT

WE REMAIN CONFIDENT THAT THE YEAR 2020 SHALL SEE THE CONTINUATION OF A BUOYANT ECONOMY. CITIZENS BANK GUYANA INC. REMAINS FIRM IN ITS COMMITMENT TO, AND INTENDS TO PLAY A PIVOTAL ROLE IN, THE DEVELOPMENT OF THE BANKING SECTOR AND THE GUYANA ECONOMY AND WILL CONTINUE TO INVEST IN OUR COUNTRY.



Mr. Clifford B. Reis
Chairman, Citizens Bank Guyana Inc.

ECONOMIC REVIEW

Global economies are projected to grow by 3.0% during fiscal 2019, the lowest level since 2008-2009. Over the past year, global growth has fallen sharply, and the weakening has been broad based affecting advanced economies including the United States of America, the Euro area and smaller Asian economies. The slowdown in activity has been even more pronounced across emerging markets and developing economies including Brazil, China, India, Mexico and Russia.

One of the common features of the weakening in growth is the notable slowdown in industrial output driven by multiple interrelated factors including a sharp downturn in car production and sales, weak business confidence amid growing tensions between the United States and China on trade and technology, and a slowdown in demand in China, driven by needed regulatory efforts to rein in debt and exacerbated by the increased trade tensions.

CHAIRMAN'S REPORT (CONT'D)

ECONOMIC REVIEW (CONT'D)

Advanced economies are projected to grow by 1.7% in fiscal 2019, while emerging and developing economies are projected to grow by 3.9% and remain the main engine of world economic growth.

The United States' economy is projected to grow at 2.4%, although investment remained sluggish, and employment and consumption are expected to be buoyant. The Euro area is expected to experience weaker growth in foreign demand and a drawdown of inventories, reflecting weak industrial production and is projected to grow by 1.2% in fiscal 2019.

The Guyana economy grew by 4.0% during the first six months of 2019 reflecting economic activities which were bolstered by the emerging oil and gas sector. Increases in the output of the financial and insurance sectors, construction, wholesale and retail trade, transportation and other services also contributed to the growth recorded.

The local economy is now projected to grow by 4.5% during fiscal 2019, fueled by anticipated growth in all the major productive sectors, including the emerging oil and gas sector.

Inflation during the first six months of 2019 was 1.6%, primarily due to increases in food prices, and is projected to measure approximately 2.5% for fiscal 2019 due to moderate increases in the price of food and fuel.

The value of the Guyana dollar relative to the United States dollar remained constant during the review period at US\$1.00 = G\$208.50, the same as at September 30, 2018.

BANKING SECTOR

During the first half of fiscal 2019, commercial banks and other licensed depository financial institutions reported slightly higher profits. However, there was a marginal decline in capital levels which may be attributed to a four percent (4%) increase in the level of non-performing loans when compared to June 2018. The consolidated average capital adequacy ratio computed at 30.0% is well above the prudential benchmark of 8.0% and suggests that the overall banking sector remained strong.

Total banking sector loans and advances, grew by 7.8% to \$245.0 billion at September 30, 2019 with private sector credit increasing by 6.9% to \$237.9 billion.

Deposits at the commercial banks increased by 7.2% to \$425.3 billion at September 30, 2019, with private sector deposits growing by 7.0% to \$350.6 billion; representing 82.4% of total banking sector deposits.

The level of liquidity within the banking sector remains very high with banks reporting consolidated reserve accounts balances which exceed the required reserve requirements by 76.3%, while liquid assets of the sector exceeded the requirements amount by 58.8%, further highlighting the excess liquidity within the sector.

The Bank of Guyana continues to auction Treasury Bills through its open market operation, as this remains the preferred method to sterilise the excess liquidity in the sector and, at September 30, 2019, outstanding Treasury Bills totalled \$70.8 billion with commercial banks holding \$61.6 billion or 87.0%.



CHAIRMAN'S REPORT (CONT'D)

BANKING SECTOR (CONT'D)

The 364-day Treasury Bill is the preferred tenor of the Bank of Guyana, and at September 30, 2019, the discount rate was 1.0%, the same as at September 30, 2018.

The weighted average lending rate declined slightly from 10.1% to 9.9% at September 30, 2019, while the average savings rate was 1.0% at September 30, 2019, the same as at September 30, 2018.

PERFORMANCE OF THE BANK

I am pleased to report that Citizens Bank Guyana Inc has had a successful year, recording profits after taxation of \$955.2 million, an increase of \$352.9 million or 58.6% when compared to the prior year.

This result was noteworthy given the existing market factors including, but not limited to high liquidity, and intense competition amongst lending institutions with a resultant decline in interest rates.

Our results were attained mainly through the growth and improvement of the overall quality of our loan portfolio, and the prudent management of our controllable expenses.

Growth of 8.3%, 8.7% and 9.5% were recorded for deposits, assets and revenue respectively.

Net Income for the year ended September 30, 2019 was \$3.1 billion compared to \$2.7 billion the prior year, an increase of \$393.2 million or 14.7% and Profit Before Taxation of \$1.6 billion compared to \$1.0 billion in the prior year, an increase of \$0.6 billion or 58.4%.

The annualised return on average assets was 1.8%, while the return on shareholders' equity was 10.6% compared to 1.2% and 7.1% respectively in the prior year.

The bank's loan portfolio remained sound and performed relatively well during the financial year with the bank working closely with our customers as we sought to minimise any negative impact on our portfolio that may have arisen due to varying challenges some borrowers may have encountered.

Non-performing loans at September 30, 2019 represented 8.9% of our total loan portfolio compared to 11.6% at September 30, 2018. The consolidated banking sector ratio for non-performing loans was 12.1% at September 30, 2019.

The Bank's shares were last traded on the local stock exchange at \$146.00 per share.

GROWTH INITIATIVES

In fiscal 2020, the Guyana economy is expected to record an improved performance with the commencement of oil production which will undoubtedly result in significant growth in this subsector and other major sectors. However, while the growth in the oil and energy sector will bring with it opportunities for the financial and other sectors, the local financial environment will continue to be characterised by intense competition amongst commercial banks and other financial institutions for the relatively limited lending and investing opportunities, and the resultant decline in interest rates.

Our initiatives will therefore have to be focused on utilising those presented opportunities and focusing on areas that we anticipate will ensure growth and stability as we offer our potential and existing clients unmatched products and customer service.

CHAIRMAN'S REPORT (CONT'D)

GROWTH INITIATIVES (CONT'D)

In 2020, the Bank will continue its efforts to prudently manage its expenses through improved operating efficiencies and the strict adherence to robust risk management policies and practices to assure the growth and stability of the Bank while remaining competitive which remains key to our continued success in a very dynamic sector.

The sales and marketing of our commercial and retail banking products, including commercial mortgages, consumer loans and mortgages will intensify during 2020 as well as the continuance of our customer service strategies.

During 2020, the Bank will renew our commitment to focus on our customers' convenience with the commencement of the construction of state-of-the-art buildings to relocate our Thirst Park and Bartica Branches, and which upon completion will ensure that our customers and staff conduct business in an enabling environment.

Technology continues to be a key driver of our financial and operational performances, and during 2020, we will continue to invest in, and utilise new technology to upgrade existing services and introduce a number of technology driven services which will not only improve our customers experience and convenience, but will ensure that our core and other Banking systems are protected, safe and secure.

Our success over the years is direct testimony to the commitment and motivation of our employees, who remain our principal and most valued asset. We will continue to invest in our effort to improve our Human Resource Management capability, thus ensuring that our employees remain motivated and well equipped to meet the changing requirements of our clients so that they will benefit from consistently high-level customer relationships and interactions.

The initiatives outlined above will ensure that our Bank meets the expanding financial needs of our valued customers making Citizens Bank one of the industry's leading financial services providers.

LOOKING FORWARD TO 2020

Global Growth for 2020 is projected at 3.4%, a modest increase over 2019. The projected growth relies importantly on financial market sentiment staying supportive, improved industrial output, conducive global policy from central banks and the buildup of policy stimulus in China. It is hope that there will be no negative implication from the escalating trade tensions or a disorderly Brexit.

Advanced economies are projected to grow by 1.7%, with the United States growing moderately by 2.1% reflecting a fiscal shift from expansionary to neutral as stimulus from the recently adopted two-year budget deal off sets the effects of the 2017 tax cuts, and the trade related policy uncertainty imparts further negative effects. The Euro area is projected to grow by 1.4% due to weak external demand, a softening of private consumption, a smaller fiscal impulse and the ongoing Brexit uncertainty.

Growth of 4.6% is projected for emerging markets and developing economies and remain the engine of global growth, but its growth is gradually softening largely reflecting structural slowdown in China and improvement in India owing to monetary policy easing, a reduction in corporate income tax rates and recent measures to address corporate and environmental regulatory uncertainty.





CHAIRMAN'S REPORT (CONT'D)

LOOKING FORWARD TO 2020 (CONT'D)

The Guyana economy is expected to extend the broad base expansion across major sectors during 2020, with the oil and gas sector experiencing rapid growth due to the much-anticipated commencement of oil production in early 2020. With the commencement of oil production, the medium and long-term outlook for Guyana will improve as revenue becomes available to support additional fiscal spending which will help to meet social and infrastructure needs and reduce both public debt and the current account deficit.

An enabling environment remains critical for the continued growth in our economy and we remain confident that the year 2020 shall see the continuation of a buoyant economy. Citizens Bank Guyana Inc. remains firm in its commitment to, and intends to play a pivotal role, in the development of the Banking sector and the Guyana economy and will continue to invest in our country. While the commencement of oil production will present both challenges and opportunities, it is our firm belief that the successful implementation of our strategies will mitigate those challenges and act on the opportunities presented, thus enabling us to achieve an improved performance for our stakeholders.

DIVIDEND

In 2018, shareholders benefited from a dividend of \$2.50 per share. The Bank paid an interim dividend of \$0.90 per share in May 2019. The Directors now recommend a final dividend of \$2.25 per share bringing the total dividend payment to \$3.15 per share for a total payout of \$187.4 million.

APPRECIATION

My fellow shareholders permit me to again extend my sincere appreciation to all our employees for their commitment, as well as my colleagues on the Board for their confidence and invaluable contributions during the financial year. I would also like to place on record our continued gratitude to our regulators for their advice and guidance over the year.

To our customers and shareholders, I wish to express my gratitude for their continuing loyalty, commitment and dedication to the success of our institution.

MANAGING DIRECTOR'S REPORT

TO MAINTAIN STABILITY AND GROWTH, CITIZENS BANK WILL REMAIN FOCUSED ON MANAGING EXPENSES AND ADHERING TO ROBUST RISK MANAGEMENT, INCLUDING ASSET QUALITY MAINTENANCE.



Mr. Eton Chester
Managing Director, Citizens Bank Guyana Inc.

OVERVIEW

I am pleased to report that the just concluded financial year ended September 30, 2019 saw Citizens Bank Guyana Inc. reporting profits after taxation of \$955.2 million, an increase \$352.9 million or 58.6% over the prior year.

Earnings per share were increased by 59.4% to \$16.1 compared to \$10.1 in 2018 while our book value per share increased by 7.8% to \$156.7 as at September 30, 2019 from \$145.3 at September 30, 2018.

During the year we were able to achieve key strategic objectives in terms of growth in loans, deposits, total assets, revenue and shareholders' equity.

RETURN ON AVERAGE ASSETS

The Bank's return on average assets, a key indicator of the utilisation of our assets, was 1.8% compared to 1.2% in 2018, an increase of 50.0%.

RETURN ON AVERAGE EQUITY

The return on average equity, a key measure of return on our capital employed, was 10.6% compared to 7.1% in 2018, an increase of 49.3%.

NET INTEREST INCOME AND OTHER INCOME

Net interest income was \$2.5 billion compared to \$2.2 billion for the prior year, representing an increase of \$0.3 billion or 9.8%. Increases in our loan portfolio and lower cost of deposits contributed to the growth in our net interest income. Interest





MANAGING DIRECTOR'S REPORT (CONT'D)

NET INTEREST INCOME AND OTHER INCOME (CONT'D)

income remains the single most significant contributor to the Bank's net operating income accounting for 82.3% compared to 86.3% for the prior year

Other income amounted to \$606.8 million compared to \$434.1 million for the prior period; an increase of \$172.7 million or 39.8%. Earnings from foreign currency transactions, the single most significant contributor to other income, were \$222.6 million compared to \$152.1 million for the prior period, an increase of \$70.5 million or 46.4%.

Net operating income increased by \$0.4 billion or 14.7% to \$3.1 billion compared to \$2.7 billion recorded in 2018.

NON-INTEREST EXPENSES

Non-interest expenses, which include personnel costs and other operating expenses amounted to \$1.511 billion compared to \$1.475 billion, a marginal increase of \$36.3 million. Increases in employees' emoluments and other staff costs, inflationary increase in goods and services, and general administrative expenses all contributed to the increase in non-interest expenses. We remain committed to the efficient use of our resources and controlling operating expenses within the company.

NET RECOVERY / IMPAIRMENT EXPENSES

Net recovery on impairment on financial assets amounted to \$39.0 million compared to an additional impairment of \$194.1 million in 2018. Total reserves for loan losses amounted to \$1.1 billion compared to \$1.5 billion. The general banking risk reserve, which represents statutory and other loss provisions that exceed the impairment provision, amounted to \$291.4 million compared to \$468.8 million at September 30, 2018.

During 2019, the Bank adopted IFRS 9 – Financial Instruments, which replaces IAS 39. The adoption of IFRS 9 changes the Bank's accounting for financial assets impairment from an incurred historical loss approach to a forward looking expected credit loss (ECL) approach, thus the allowance is based on the probability of default in the next twelve months, unless there is an increase in credit risk since origination. Details are included in the applicable notes to the financial statements.

Asset quality remained a focal point for the Bank and at September 30, 2019, non-accrual loans and advances totalled \$2.7 billion or 8.9% of total loans and advances compared to \$3.1 billion and 11.6% at September 30, 2018. The Banking sector ratio of non-accrual loans to total loans at September 30, 2019 stood at 12.1% during the review period.

Our delinquency and charge-off ratios are consistent with those that prevail in the sector and we continuously review our risk assessment of our loans and investments as we seek to improve the quality of our financial portfolio. Our non-accrual loans and advances are well collateralised and we anticipate further reductions in the new financial year

INVESTMENT SECURITIES

Net investments at September 30, 2019 were \$3.5 billion compared to \$4.3 billion at the prior financial year end. Investments in Government of Guyana Treasury Bills continue to account for the significant portion of our investment securities and at September 30, 2019 Government of Guyana Treasury Bills held amounted to \$2.2 billion or 65.7% of total investments.

Net Investments accounted for 10.5% of earning assets and 6.4% of total assets, compared to 14.5% and 8.6% respectively in 2018.

MANAGING DIRECTOR'S REPORT (CONT'D)

INVESTMENT SECURITIES (CONT'D)

Return on our investment securities was 1.8% in 2019 the same as in 2018, while interest income from investments represented 4.7% of interest income in 2019 compared to 3.5% in 2018.

LOANS AND ADVANCES

Net loans and advances increased by \$4.3 billion or 16.6% to \$29.8 billion from \$25.5 billion. Significant growth was recorded in lending to the mining, agriculture and household sectors which grew by 103.2%, 79.0% and 177.0% respectively. Loans for the real estate sector grew by 15.6%, the services sector 14.0% and the construction sector 10.8%. Our sectorial exposure showed marginal changes from the prior year.

Excess liquidity and continuing competition within the sector pushed interest rates downwards and during 2018, the yield recorded from our loans and advances declined to 10.1% from 10.5%. Income from loans and advances represented 95.3% of interest income in 2019, compared to 96.5% in 2018.

Loans and advances accounted for 89.5% of earning assets and 54.3% of total assets compared to 85.5% and 50.6% respectively in 2018.

CUSTOMERS' DEPOSITS

During 2019, customers' deposits grew by 8.3% and at September 30, 2019, total deposits stood at \$44.3 billion, an increase of \$3.4 billion over the prior year.

During the year savings deposits grew to \$20.0 billion and now represent 45.2% of our deposit base compared to 42.2% the prior year. Demand deposits grew to \$14.4 billion representing 32.5% of total deposits compared to 26.6% the prior year, while time deposits declined to \$9.8 billion to now represent 22.3% of our deposit liabilities compared to 31.2% in 2018.

Private sector, including household deposits account for \$43.6 billion or 98.5% of our deposit base. The effective rate on deposits was 0.9% in 2019 compared to 1.2% the prior year.

SHARE- HOLDERS' EQUITY

Shareholders' equity amounted to \$9.3 billion at September 30, 2019 compared to \$8.6 billion at September 30, 2018, after the transfer of net profits earned for the fiscal year 2019.

The Bank's capital adequacy ratios are computed in accordance with the Basle Committee guidelines adopted by the Bank of Guyana and at September 30, 2019 the Bank's ratio of capital to risk weighted assets was 30.0%. Our risk based capital exceeds the required minimum risk based capital to risk weighted assets of 8.0% and the proposed 12.0% with the implementation of Basle III, thus the bank is adequately capitalised and well positioned to increase its financial earning assets.

HUMAN RESOURCES

The key to our continuing success is the contribution of our employees, the most important asset of the Bank. During 2019, we continued the development of a diverse and competent team with employees participating in a number of training programs including Customer Care, Internal Audit and Compliance, Anti-money Laundering Activities, Investments and Credit Management, Sales and Marketing, and Personal Development and Supervisory Skills, ensuring that our employees remain engaged and equipped to provide a consistently high level of service to our stakeholders.



MANAGING DIRECTOR'S REPORT (CONT'D)

TECHNOLOGY During 2019, we completed our migration to EMV (chip) cards and began issuing our Visa EMV (chip) credit cards. Our Disaster Recovery and Business Continuity Site is now fully operational and will thus ensure minimal downtime for the Bank and its stakeholders in the event of a major disaster. The upgrade of our ATM network was completed making them compliant with the global standard for credit and debit cards based on the EMV (chip) card technology.

Additionally, during fiscal 2019, the Bank commenced participating in the e-clearings and electronic funds transfer (EFT) components of the National Payment System (NPS) bringing greater efficiency to the processing of customers transactions.

THE FUTURE To maintain stability and growth, Citizens Bank will remain focused on managing expenses and adhering to robust risk management, including asset quality maintenance. Human resource development and management, and continued good corporate governance and the utilisation of technology, are the key pillars upon which our company will achieve sustainable results.

The Guyana economy is expected to record significant growth during 2020, which growth will be driven by the oil and energy sector with oil production slated to commence during the first quarter of 2020. However, competition amongst the financial institutions is expected to intensify as the institutions compete for lending opportunities that will materialise as the economy expands.

Construction of new state-of-the-art buildings to relocate both our Thirst Park and Bartica branches will commence bringing much needed improvement to the delivery of service to our customers and bring future benefits for stakeholders.

During the first quarter of 2020, we will commence the issuance of our EMV Visa debit cards while our upgraded automatic telling machines (ATMs) will join the national switch simultaneously with the commencement of the issuance of our EMV Visa debit cards. Our e-banking service and card management system will be upgraded to offer additional features, including e-statements and contactless transactions to further improve our customers' experience.

We remain cautiously optimistic about our resilience to overcome any challenges and are confident that we have aligned our strategies and resources to deliver positive results to our shareholders, customers, employees and the communities in which we operate in the coming year.

APPRECIATION To our customers, I express my appreciation for their support and confidence, I thank the management and staff for their support, commitment and dedication. I wish to also express my gratitude to members of our Board for their oversight, guidance and support and look forward to their continued support during the coming year.

PRINCIPAL OFFICERS



Mr. Kwabina Griffith, B.Sc.
Senior Manager - MIS



Ms. Frances S. Parris, B.Sc.
General Manager/Corporate
Secretary



Ms. Pramila Persaud, FCCA
Senior Manager
Finance & Treasury



Ms. Margaret Loy
Assistant Manager - Registry



Ms. Rosemary Benjamin-Noble
LLB (Hons.) M.Ed
Senior Manager - Legal & Compliance

CITIZENS OUTREACH



Pinktober Cancer Walk



Donation to Dorian Hurricane Relief



Junior Saver Awards - CSEC & CAPE Performance



Junior Saver Awards - NCSA Performance

BRANCH MANAGERS



Standing: Natasha Prithwi-Hughes (New Amsterdam),
Therese McLeod, (Camp Street) Bibi Rehana Hussain
(Parika)

Sitting: Lytton Thompson (Linden), Jonelle King (Thirst
Park), Naline Bascom (Bartica)



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements, which follow, were prepared by the Management of Citizens Bank Guyana Inc.

While the form of the financial statements and the accounting policies followed are similar to those used by many banks and are prepared in conformity with the requirements of the Financial Institutions Act of 1995, the Companies Act 1991, the Securities Industries Act 1998 and in accordance with International Financial Reporting Standards, some amounts must of necessity be based on the best estimates and judgment of management.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorised, assets are safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, written policies and procedure manuals, and accountability for performance within appropriate and well-defined areas of responsibility. The system of internal control is supported by an Internal Audit function. The Bank Supervision Department of the Bank of Guyana conducts examinations of the Bank's operations in accordance with the Financial Institutions Act 1995.

Messrs Jack A. Alli, Sons & Company, independent Auditors appointed to report to the members of the Bank have examined our financial statements in accordance with International Standards on Auditing.

We have disclosed to the Auditors all matters known to us, which may materially affect the outcome of the financial statements presented. The Auditors have full and free access to the Board Audit Committee to discuss their findings as to the integrity of the Bank's financial reporting and the adequacy of the system of internal control.



ETON M. CHESTER
Managing Director



FRANCES SARAH PARRIS
General Manager/Corporate Secretary

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Citizens Bank Guyana Inc. recognises the importance of good corporate governance and corporate social responsibility in promoting and strengthening the trust of its stakeholders and the public. The Board believes that good corporate governance will enhance shareholder value and it is committed to maintaining the highest level of corporate governance.

In the execution of its duties and responsibilities, the Board is guided by the Laws of Guyana, the by-laws of Citizens Bank Guyana Inc., the recommendations of the Guyana Securities Council, the Guidelines contained in the various Supervision Guidelines issued by the Bank of Guyana (especially Supervision Guideline No.8 on Corporate Governance) and the Director's Handbook issued by the Bank of Guyana. The Board is also guided by Supervision Guideline 10 on its responsibilities for the Public Disclosure of Information.

The Board of Directors, which governs the Company, meets monthly and comprises eight Non-Executive Directors and the Managing Director. Directors' information is included on page 10 of this Annual Report.

The positions of the Chairman of the Board of Directors and the Managing Director are filled by separate individuals, Mr. Clifford B. Reis (Non-Executive) and Mr. Eton M. Chester (Executive Director), respectively.

The Company's Articles of Association stipulates that each Non-Executive Director must stand for re-election every three (3) years.

The Board of Directors has the following Committees:

- The Human Resources & Emoluments Committee, which is responsible for providing approval and oversight of all human resource activities including the formulation of human resource policies, the hiring and retention of the Managing Director and Senior Management and formalising the remuneration policy for all employees. The current members of the Committee are Mr. Paul A. Carto (Chairman), Mr. Rakesh K. Puri, Ms. Deenawati Panday and Mr. Eton M. Chester.
- The Credit Committee, which is responsible for developing credit policies and procedures, reviewing credits which exceed the approval authority delegated to Management, and generally overseeing and supporting efficient and effective lending portfolio management. The current members of the Committee are Messrs. Rakesh K. Puri (Chairman), Clifford B. Reis, Wilfred A. Lee, George G. McDonald and Eton M. Chester.
- The Marketing Committee, which is responsible for providing guidance in developing business and marketing plans and strategies and performing oversight of the implementation of these plans. This includes oversight of branching activities, advertising campaigns and product launching. The current members of the Committee are Messrs. George G. McDonald (Chairman), Wilfred A. Lee, Michael H. Pereira and Eton M. Chester.
- The Audit, Finance and Risk Management Committee, which is responsible for:
 - o Reviewing and developing operational policies and procedures to support the implementation of effective internal controls and risk management practices to ensure the safety and soundness of the operations of the Bank.
 - o Reviewing and developing budgets, business plans and strategies.
 - o Reviewing and monitoring the internal and external audit and examination process and compliance with all statutory and regulatory requirements.

A key responsibility of the Board of Directors is ensuring that the risks that are significant to the operation of the Bank are identified and appropriately mitigated and managed. This oversight is performed by the Board which reviews various indicators on a monthly basis. Additionally, the Audit, Finance and Risk Management Committee is specifically tasked with responsibility for overseeing risk management.

The Company has an Internal Audit Department. This Department monitors the implementation of internal controls and performs ongoing reviews to ensure full compliance with the Company's internal policies and procedures as well as with all statutory requirements. The Audit, Finance and Risk Management Committee performs an annual review of the work programmes of this Department. The report of the Internal Audit Department is reviewed by the Board on a monthly basis.



STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

The Bank's approach to the management of credit, liquidity, foreign exchange and interest rate risks are fully discussed in note 28 of the financial statements. In terms of operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, the Internal Audit Department provides independent assessment and validation through testing of key processes and controls across the Company. Operational risk may occur anywhere in the Company and not solely in the operations functions. Its effects may extend beyond financial losses and a sound internal governance structure enhances the effectiveness of the Company's operational risk management.

The current members of the Committee are Messrs. Wilfred A. Lee (Chairman), Clifford B. Reis, George G. McDonald, Ronald G. Burch-Smith, and Eton M. Chester.

- The Legal and Compliance Committee, which is responsible for:
 - o Reviewing and developing operational policies and procedures to support the implementation of effective practices to ensure the safety and soundness of the operations of the Bank in keeping with the requirements of Anti-Money Laundering and the Countering of the Financing of Terrorism (AML/CFT) legislation and international best practices.
 - o Reviewing and monitoring the progress of all legal matters.
 - o Reviewing and monitoring the internal AML compliance process and compliance with all statutory and regulatory requirements.

The Company has a Legal and Compliance Department. The duties of this Department include in-house provision of legal services and advice in support of all departments of the Bank, as may be required; serving as liaison with external attorneys on the Bank's behalf; implementation of the Bank's AML Compliance programme and departmental work programme, and provision of training in areas related to the compliance functions of the Bank. The Legal and Compliance Committee performs an annual review of the work programmes of this Department. This Department reports to the Board on a monthly basis.

The current members of the Committee are Ms. Deenawati Panday (Chairman), Mr. Michael H. Pereira, Mr. Paul A. Carto, Mr. Ronald G. Burch-Smith, and Mr. Eton M. Chester.

The day-to-day operations of the Bank are managed by the Managing Director with the assistance of a General Manager and a senior management team. This team, with combined experience that exceeds 120 years, has responsibility for the management and growth of the credit portfolio, branch operations and all supporting activities required for ensuring the prudent and effective management and security of the Bank's operations. Each member of the team has formal qualifications relevant to their area of responsibility and they each have in excess of eight years of experience in their respective fields. Information on the Management Team is included on page 20 of this Annual Report.

The performance of management is reviewed on an annual basis in keeping with the expectations of the Board. These expectations are defined primarily by work program objectives and budget targets. The compensation packages for all employees, including management officers, are commensurate with their responsibilities and experience. These packages comprise basic salary and allowances which are reviewed annually by the Board. Incentive payments are based on a combination of the overall performance of the Bank and individually assessed performances.

The Bank conducts all related party relationships and transactions in keeping with the principles of transparency and prudence. The Board of Directors remains committed to making complete disclosure of all related party transactions. Note 26 of the financial statements contains details of the related party disclosure.

The Board of Directors strongly endorses good corporate governance. The Company has sound governance practices since its incorporation and the Board of Directors will continue to maintain these practices, making improvements as necessary.

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and the Audited Financial Statements for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

The Bank provides a comprehensive range of banking services at six locations within Guyana. Our main office is located at Lot 231- 233 Camp Street and South Road, Lacytown, Georgetown and our branches are situated at Parika, Bartica, Thirst Park, Linden and New Amsterdam.

FINANCIAL HIGHLIGHTS

	2019 \$'000	2018 \$'000
Net Profit After Taxation	955,253	602,301
Dividend	53,542	41,644
Revenue Reserves	901,711	560,657
Proposed Dividend	133,855	107,084

DIVIDENDS

The Bank paid an interim dividend of \$0.90 per share in May 2019. The Directors now recommend a final dividend of \$2.25 per share bringing the total dividend payment to \$3.15 per share, compared to \$2.50 for 2018, for a total payout of \$187.4 million.

STATUTORY, GENERAL BANKING RISK AND REVENUE RESERVES

	2019 \$'000	2018 \$'000
Statutory reserves	594,913	594,913
General banking reserves	291,399	468,791
Revenue reserves	7,783,304	6,945,230

DIRECTORS

The Directors of the Bank during the year ended 30 September 2019 were:

Mr. Clifford B. Reis, C.C.H
Mr. Rakesh K. Puri
Mr. Wilfred A. Lee, A.A.

Mr. George G. McDonald, A.A.
Mr. Eton M. Chester, A.A., O.D.
Mr. Michael H. Pereira

Mr. Paul A. Carto A.A.
Ms. Deenawati Panday
Mr. Ronald G. Burch - Smith

Directors Mr. Clifford B. Reis, C.C.H., Mr. Rakesh K. Puri and Mr. Paul A. Carto, A.A., retired and being eligible, offer themselves for election.



REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS' AND THEIR ASSOCIATES' INTEREST

The interest of the Directors holding office at 30 September 2019 and their associates in the ordinary shares of the Company were as follows:

	ORDINARY SHARES		ORDINARY SHARES	
	2019 Beneficial Owned	2019 Beneficial Associates	2018 Beneficial Owned	2018 Beneficial Associates
Mr. Clifford B. Reis C.C.H	NIL	125,000	NIL	125,000
Mr. Wilfred A. Lee A.A.	NIL	NIL	NIL	NIL
Mr. Rakesh K. Puri	NIL	9,929,241	NIL	9,929,241
Mr. George G. Mc Donald A.A.	NIL	NIL	NIL	NIL
Mr. Michael H. Pereira	NIL	NIL	NIL	NIL
Mr. Paul A. Carto A.A	NIL	NIL	NIL	NIL
Ms. Deenawati Panday	NIL	NIL	NIL	NIL
Mr. Ronald G. Burch-Smith	NIL	NIL	NIL	NIL
Mr. Eton M. Chester A.A., O.D.	NIL	10,001	NIL	10,001

No other director or his known associates has any beneficial interest in any shares of Citizens Bank Guyana Inc.

DIRECTORS' FEES

	2019 \$'000	2018 \$'000
Mr. Clifford B. Reis C.C.H.	1,740	1,673
Mr. Wilfred A. Lee A.A.	1,424	1,369
Mr. Rakesh K. Puri	1,424	1,369
Mr. George G. Mc Donald A.A.	1,424	1,369
Mr. Michael Pereira	1,424	1,369
Mr. Paul A. Carto A.A.	1,424	1,369
Ms. Deenawati Panday	1,424	1,369
Mr. Ronald G. Burch-Smith (appointed 22 January 2018)	1,424	1,014

DIRECTORS' SERVICE CONTRACTS

Other than the standard service contracts under the Companies Act 1991, there are no other service contracts with the Directors proposed for election at the Annual General Meeting or any other Director.

CONTRACTS WITH DIRECTORS

There were no contracts of significance between the Bank and any of its Directors during the year.

SUBSTANTIAL SHAREHOLDERS

	2019 Amount	2019 %	2018 Amount	2018 %
Banks DIH Limited	30,340,557	51.0	30,340,557	51.0
Continental Agencies Limited	9,929,241	16.7	9,929,241	16.7
Hand-in-Hand Pension	5,802,885	9.8	5,802,885	9.8
Hand-in-Hand Group	4,205,356	7.1	4,205,356	7.1

A substantial shareholder is defined as a person or entity entitled to exercise or control the exercise of five percent (5%) or more of the voting power at any general meeting.

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

Messrs. Jack A. Alli, Sons & Company – Chartered Accountants, have informed the Bank of their willingness to continue in office as auditors. A resolution proposing their appointment and authorising the Directors to fix their remuneration will be submitted at the Annual General Meeting.

CONTRIBUTION OF EACH ACTIVITY TO OPERATING PROFIT

Banking services are considered as a single business operation which includes lending, investments, foreign exchange and deposit taking. The contribution or cost of these activities to operating profits is disclosed in notes, 16, 17 and 18 of the financial statements.

GEOGRAPHICAL ANALYSIS OF CONSOLIDATED REVENUE AND CONTRIBUTION TO RESULTS

The operations of the Bank are based in Guyana. However, several investments are held overseas from which income of \$104.0 million (2018 - \$41.9 million) was earned during the year.

INTRA GROUP DEBT

Banks DIH Limited, the parent company of Citizens Bank Guyana Inc has obligations (loans and guarantees) totalling \$246.1 million owing to the Bank at 30 September 2019 (2018 - \$392.8 million). Of the \$246.1 million obligation, \$102.4 million are guarantees while loans total \$143.7 million (2018: \$102.4 million were guarantees, while loans were \$290.4 million).

MATERIAL CONTRACTS AS AT 30 SEPTEMBER 2019

Citizens Bank Guyana Inc has existing lease agreements to lease from Banks DIH Limited premises situated at Thirst Park, Georgetown, 16 First Avenue, Bartica, 11-12 Republic Avenue & Crabwood Street, Linden and 18 Main & Kent Streets, New Amsterdam for the purpose of carrying on banking business.

Citizens Bank Guyana Inc has an existing lease agreement to lease from Continental Agencies Limited office space at premises situated at Regent and Alexander Streets, Bourda, Georgetown.

BY ORDER OF THE BOARD



FRANCES S. PARRIS
CORPORATE SECRETARY



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CITIZENS BANK GUYANA INC.

Opinion

We have audited the financial statements of Citizens Bank Guyana Inc. which comprise the statement of financial position of the Company as at 30 September 2019, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended for the Company, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 September 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act and the Financial Institutions Act.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The key audit matter described below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

REPORT OF THE INDEPENDENT AUDITORS (CONT'D)

Key audit matter

How our audit addressed the key audit matter

Impairment of financial assets

See notes 2.3, 2.4, 2.5, 3, 6, 7, 20, 28 and 30 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.

The Company has gross financial assets subject to impairment (investment securities carried at amortised cost and loans and advances) amounting to \$34.2 billion, or 62.4 percent of total assets. Against this gross amount, there is a provision for impairment of \$1.2 billion at the year end.

The Company adopted IFRS 9 Financial Instruments from 01 October 2018. The standard introduced new requirements around two main aspects relevant to financial instruments: classification and measurement and impairment. In relation to impairment, the standard prescribes a new forward-looking expected credit loss (ECL) impairment model, which takes into account reasonable and supportable forward-looking information and will generally result in the earlier recognition of impairment provision.

The introduction of the standard required the Company to build and implement a new model to measure the expected credit losses for relevant financial assets.

The methodology required by IFRS 9 in respect of impairment provisions is complex and involves significant judgement by management on matters such as:

- Criteria for a significant increase in credit risk, which impacts the stage that the asset is classified as;
- Inputs and techniques to determine probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- Influence of forward-looking factors;
- Expected recoveries from collateral.

The Company adopted the modified retrospective approach to transition to IFRS 9, resulting in an increase in the impairment provision as at 01 October 2018 of \$169 million.

Given the complexity of impairment methodology and significant reliance on management's judgement, the impairment of financial assets was considered a key audit matter.

Our procedures in relation to this key audit matter included, but were not limited to, the following:

- We reviewed the accounting policies adopted by the Company in relation to classification and measurement and impairment of financial instruments.
- We evaluated the criteria used by the Company in determining whether a significant increase in credit risk has occurred, and the definition of default applied.
- We tested the past due classifications applied by the Company's credit monitoring system by examining actual performance for a sample of accounts.
- We tested the completeness of financial assets included in the ECL calculation, having regard to the impact on classification arising with the introduction of IFRS 9.
- We evaluated the appropriateness of management's judgement relating to forward-looking information.
- We tested the opening equity adjustments to reserves arising on the adoption of IFRS 9.
- We tested, on a sample basis, data included in the model and the resulting PD, LGD and EAD estimates. For the sample selected, we tested the calculation of the ECLs.
- We tested the completeness of the credit-impaired financial assets identified by management by examining sources of objective evidence of credit impairment.
- For a sample of credit-impaired financial assets, we re-performed management's impairment calculations. We considered whether key judgements were appropriate given the prevailing economic, sectoral and individual circumstances. Collateral values were assessed against the reports of valuation experts and current market conditions.



REPORT OF THE INDEPENDENT AUDITORS (CONT'D)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

REPORT OF THE INDEPENDENT AUDITORS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

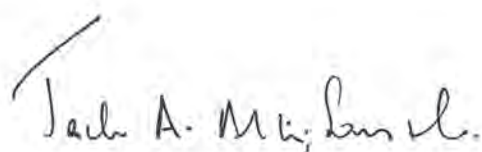
REPORT OF THE INDEPENDENT AUDITORS (CONT'D)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe such matters in our auditors' 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 benefit of such communication.

The engagement partner in charge of the audit resulting in this independent auditors' report is Khalil Alli.



JACK A. ALLI, SONS & CO.
145 Crown Street, Queenstown,
Georgetown, Guyana
13 December 2019

STATEMENT OF FINANCIAL POSITION

30 September 2019

Thousands of Guyana Dollars	Note	2019	2018
ASSETS			
Cash and balances with Bank of Guyana	4	12,619,068	12,721,701
Amounts due from other banks	5	4,694,019	3,754,775
Investment securities	6	3,502,225	4,323,888
Loans and advances	7	29,789,808	25,527,124
Property and equipment	8	3,534,835	3,590,783
Intangible asset	9	123,874	101,704
Taxation recoverable		143,505	143,505
Deferred taxation	10	42,873	11,755
Other assets	11	425,552	307,116
TOTAL ASSETS		54,875,759	50,482,351
LIABILITIES			
Customers' deposits	12	44,279,137	40,903,223
Deferred taxation	10	51,652	55,821
Taxation payable		522,094	289,408
Other liabilities	13	700,286	589,623
TOTAL LIABILITIES		45,553,169	41,838,075
SHAREHOLDERS' EQUITY			
Share capital	14	594,913	594,913
Statutory reserve	15	594,913	594,913
General banking risk reserve	15	291,399	468,791
Other reserves	15	58,061	40,429
Retained earnings		7,783,304	6,945,230
TOTAL SHAREHOLDERS' EQUITY		9,322,590	8,644,276
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,875,759	50,482,351

The notes on pages 39 to 93 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 12 December 2019


 Clifford B. Reis
 Director


 Eton M. Chester
 Director



STATEMENT OF INCOME

for the year ended 30 September 2019

Thousands of Guyana Dollars	Note	2019	2018
INTEREST INCOME	16	2,814,714	2,725,802
INTEREST EXPENSE	16	(349,487)	(481,013)
NET INTEREST INCOME		2,465,227	2,244,789
OTHER INCOME	17	606,800	434,077
TOTAL NET INCOME		3,072,027	2,678,866
OPERATING EXPENSES	18	(1,511,710)	(1,475,364)
NET MOVEMENT IN IMPAIRMENT OF FINANCIAL ASSETS	20	39,031	(194,109)
PROFIT BEFORE TAXATION		1,599,348	1,009,393
TAXATION CHARGE	21	(644,095)	(407,092)
PROFIT AFTER TAXATION		955,253	602,301
EARNINGS PER SHARE	22	\$16.06	\$10.12

The notes on pages 39 to 93 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2019

Thousands of Guyana Dollars	<u>2019</u>	<u>2018</u>
PROFIT AFTER TAXATION	<u>955,253</u>	<u>602,301</u>
OTHER COMPREHENSIVE INCOME:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Fair value loss on available-for-sale asset	0	(16,927)
Deferred tax credit on fair value loss	<u>0</u>	<u>6,771</u>
	<u>0</u>	<u>(10,156)</u>
TOTAL COMPREHENSIVE INCOME	<u>955,253</u>	<u>592,145</u>

The notes on pages 39 to 93 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

Thousands of Guyana Dollars

	Note	Share Capital	Statutory Reserve	General Banking Risk Reserve	Retained Earnings	Revaluation Reserve	Available-for-Sale Investments Reserve	Total
For the year ended 30 September 2018								
As at beginning of year		594,913	594,913	459,218	6,513,128	58,061	(7,476)	8,212,757
Total comprehensive income		0	0	0	602,301	0	(10,156)	592,145
Transfer to general banking risk reserve	15	0	0	9,573	(9,573)	0	0	0
Dividends paid	23	0	0	0	(160,626)	0	0	(160,626)
As at end of year		594,913	594,913	468,791	6,945,230	58,061	(17,632)	8,644,276
For the year ended 30 September 2019								
As at beginning of year		594,913	594,913	468,791	6,945,230	58,061	(17,632)	8,644,276
Impact of initial application of IFRS 9	30	0	0	(247,600)	113,655	0	17,632	(116,313)
As at beginning of year - restated		594,913	594,913	221,191	7,058,885	58,061	0	8,527,963
Total comprehensive income		0	0	0	955,253	0	0	955,253
Transfer to general banking risk reserve	15	0	0	70,208	(70,208)	0	0	0
Dividends paid	23	0	0	0	(160,626)	0	0	(160,626)
As at end of year		594,913	594,913	291,399	7,783,304	58,061	0	9,322,590

The notes on pages 39 to 93 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 September 2019

Thousands of Guyana Dollars	2019	2018
OPERATING ACTIVITIES		
Profit before taxation	1,599,348	1,009,393
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortisation	254,069	255,958
Gain on disposal of property and equipment	(576)	(4,059)
Fair value gain on FVPL investment security	43,176	0
Impact of adoption of IFRS 9	(168,889)	0
Net movement in impairment of loans and advances	(33,952)	204,362
Loans and advances	(4,228,732)	2,449,769
Net movement in impairment of investment securities	(5,079)	(10,253)
Reserve requirement with Bank of Guyana	(325,325)	137,996
Customers' deposits	3,375,914	317,126
Other assets	(118,436)	(43,675)
Other liabilities	110,663	(79,037)
Taxes paid	(394,120)	(566,763)
NET CASH INFLOW - OPERATING ACTIVITIES	108,061	3,670,817
INVESTING ACTIVITIES		
Additions to investment securities	(4,697,048)	(9,403,376)
Maturities of investment securities	5,480,614	9,270,639
Purchase of property and equipment	(160,650)	(94,833)
Purchase of intangible asset	(62,415)	(50,594)
Proceeds from sale of property and equipment	3,350	4,693
NET CASH INFLOW / (OUTFLOW) - INVESTING ACTIVITIES	563,851	(273,471)
FINANCING ACTIVITIES		
Dividends paid	(160,626)	(160,626)
NET CASH OUTFLOW - FINANCING ACTIVITIES	(160,626)	(160,626)
NET INCREASE IN CASH AND CASH EQUIVALENTS	511,286	3,236,720
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	11,815,006	8,578,286
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	12,326,292	11,815,006
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and non-restricted balance with Bank of Guyana	7,632,273	8,060,231
Amounts due from other banks	4,694,019	3,754,775
	12,326,292	11,815,006

The notes on pages 39 to 93 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

I. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

Citizens Bank Guyana Inc. (the 'Company') was incorporated in Guyana on 02 November 1993. Its registered office is situated at 231-233 Camp and South Road, Lacytown, Georgetown, Guyana. Banks DIH Limited, a company incorporated in Guyana, owns 51% of the Company's share capital.

The Company is licensed to carry on the business of banking under the provisions of the Financial Institutions Act 1995.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold property and investment securities measured at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRSs').

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement at the date of the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Pronouncements effective in current year

The following new standards, amendments, interpretation and improvements to existing standards have been published and are effective in the current year.

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 2	Amendment - Accounting for cash and equity settled awards
IAS 28	Amendment - Application of IFRS 9 to interests in associates and joint ventures
IAS 40	Amendment - Transfers of investment property
IFRIC 22	Foreign currency transactions and advance consideration
Annual improvements cycle (2014 - 2016):	
- IFRS 1	Removal of short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10
- IAS 28	Use of election to measure investments in associates or joint ventures at fair value through profit and loss

Of these pronouncements, IFRS 9 and IFRS 15 are of most relevance to the Company's financial reporting. The other pronouncements do not have a material impact on the Company's financial reporting.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (Cont'd)

Pronouncements effective in current period (Cont'd)

IFRS 9 - Financial instruments

The Company adopted IFRS 9 on 01 October 2018. The adoption of IFRS 9 has resulted in changes in the Company's accounting policies for classification and measurement of financial assets and liabilities and impairment of financial assets. The standard replaces the guidance contained in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Classification and measurement

IFRS 9 has three classification categories for financial assets: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. The FVPL category is the residual category if the criteria for FVOCI or amortised cost are not met.

With respect to equity instruments, these continue to be measured at fair value. Under IFRS 9, management makes an irrevocable election to present fair value gains and losses on equity investments in OCI. Where such an election is made, there is no subsequent reclassification of fair value gains and losses to statement of income following the derecognition of the investment.

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not change the carrying values of the financial assets and financial liabilities but did change their classifications as at 01 October 2018. The new classifications are described in note 2.4 and the impact on their previous classifications has been disclosed in note 30.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (Cont'd)

Pronouncements effective in current period (Cont'd)

IFRS 9 - Financial instruments (Cont'd)

Impairment

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39. In practice, the new rules mean that entities will have to record a day one loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired. IFRS 9 contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Where there has been a significant increase in credit risk, impairment is measured using the lifetime ECL, rather than the 12-month ECL.

The Company is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising on loan commitments and financial guarantees. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

The adoption of IFRS 9 resulted in changes to the accounting policy on impairment and adjustments to the amounts previously recognised in the financial statements. The new policy on impairment is described in note 2.5 and the impact on opening reserves is disclosed in note 30.

IFRS 15 - Revenue from contracts with customers

The Company adopted IFRS 15 on 01 October 2018. The standard does not cover contracts represented by financial instruments within the scope of IFRS 9. The majority of the Company's revenue sources is therefore unaffected by the new standard. The standard establishes a five-step model to account for revenue arising from contracts and it provides enhanced detail on the principle of recognising revenue to reflect the concept that revenue should be recognised when the control of services is transferred to the customer at a value that is expected to be received. In assessing the impact, the Company determined that there was an immaterial impact arising on its revenue recognition.

Pronouncements effective in future periods

The following new standards, amendments, interpretation and improvements to existing standards have been published and are effective in future financial years.

IFRS 16	Leases
IFRS 17	Insurance contracts
IFRS 9	Amendments - Prepayment features with negative compensation
IAS 19	Amendments - Plan amendment, curtailment or settlement
IAS 28	Amendments - Long-term interests in associates and joint ventures
IFRS 3	Amendments - Definition of business
IFRIC 23	Uncertainty over income tax treatments
Annual improvements cycle (2015 - 2017):	
- IFRS 3	Measurement of interest in joint operation when control is obtained
- IFRS 11	Re-measurement when an entity obtains joint control of a business that is a joint operation
- IAS 12	Income tax consequences of payments on financial instruments
- IAS 23	Borrowing costs eligible for capitalisation

Of these pronouncements, those that are relevant to the Company's financial reporting are described below.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (Cont'd)

Pronouncements effective in future periods (Cont'd)

IFRS 16 - Leases

The standard will be effective for the financial period beginning on 01 October 2019. It replaces IAS 17 and removes the classification of leases as either operating or finance leases. A single model is introduced for lessee accounting that requires assets and liabilities for all leases with a term of more than 12 months to be recognised, and the depreciation of lease assets to be shown separately from interest on lease liabilities in the statement of income.

Management has determined that this standard will be applicable to its operating leases for properties. These leases will give rise to a right-of-use asset equivalent to the present value of future lease payments, initial direct costs and estimated costs for restoring the property to the condition required by the terms and conditions of the leases. A lease liability will also be recorded equivalent to the present value of future lease payments. Subsequent to initial recognition, the right-of-use asset will be depreciated while the lease liability will be adjusted for payments made and interest arising.

Efforts are currently underway to quantify the financial impacts of these changes arising from the new standard. The Company will apply IFRS 16 in the financial year beginning on 01 October 2019.

IFRIC 23 - Uncertainty over income tax treatments

The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. The Company is currently assessing the impact of this interpretation.

2.2 Foreign Currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Guyana Dollars, which is the Company's functional currency.

Transactions and balances

Transactions involving foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions (arising on trading or otherwise) and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. Translation differences arising on non-monetary financial assets, such as equity holdings classified as FVOCI, are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial Assets and Liabilities - Recognition and Derecognition

Recognition

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to the issuance or purchase

Derecognition

The Company, in some instances, renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Company derecognises the original financial asset and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognised in the statement of income as a gain or loss on derecognition.

In cases other than modification, a financial asset is derecognised when the contractual rights to the cash flows from the asset have expired; or when the Company transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third party; or the Company has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risks and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Company has retained substantially all of the risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of income.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the statement of income.

2.4 Financial Assets and Liabilities - Classification and Measurement

Policy from 01 October 2018

Classification of financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss);
- those to be measured at amortised cost.

The classification requirements for debt and equity instruments are described below.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial Assets and Liabilities - Classification and Measurement (Cont'd)

Classification - Debt instruments

The classification debt instruments depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Where the business model is to hold assets to collect contractual cash flows or collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured as FVPL.

Measurement - Debt instruments

There are three measurement approaches for debt instruments depending on the classification of the financial assets.

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the statement of income using the effective interest rate method. Any gain or loss arising on decognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the statement of income using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is measured at FVPL is recognised in statement of income in the period in which it arises. Assets held for trading are classified as FVPL.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial Assets and Liabilities - Classification and Measurement (Cont'd)

Classification and measurement - Equity instruments

Equity instruments are instruments that meet the definition of equity; that is, instruments do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company measures all equity instruments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in the statement of income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in the statement of income.

Policy until 30 September 2018

Investment Securities

The Company classifies its investment securities into the following categories: 'held-to-maturity' and 'available-for-sale'. Management determines the classification of an investment security at the time of purchase.

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. Held-to-maturity investment securities are carried at amortised cost.

Available-for-sale assets are non-derivative securities that are either designated in this category or not classified in any category of financial asset. Available-for-sale securities are measured at fair value. Unrealised gains and losses arising from changes in the fair value in available-for-sale securities are recognised in other comprehensive income net of applicable deferred tax. When available-for-sale securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the statement of income as an impairment expense on investment securities.

Loans and Advances

Loans and advances to customers are stated at amortised cost net of an allowance for impairment losses. These are financial assets with fixed or determinable payments that are not quoted in an active market.

Policies applicable to both periods

Financial liabilities - Classification and Measurement

In both the current and period periods, financial liabilities are classified as subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial Assets and Liabilities - Classification and Measurement (Cont'd)

Loans and Advances (Cont'd)

Criteria for non-performing

In accordance with the Bank of Guyana's Supervision Guideline 5 "*Loan Portfolio Review, Classification, Provisioning, and Other Related Requirements*" (SG 5), the Company classifies loans and advances as 'non-performing' when:

- (a) for a loan or an account with fixed repayment dates -
 - (i) principal or interest is due and unpaid for three months or more; or
 - (ii) interest charges for three months or more have been capitalised, refinanced, or rolled-over.
- (b) for an overdraft or an account without fixed repayment dates -
 - (i) approved limit has been exceeded for three months or more; or
 - (ii) credit line has expired for three months or more; or
 - (iii) interest charges for three months or more have not been covered by deposits; or
 - (iv) the account has developed a hardcore which was not converted into a term loan after three months or more.

A non-performing account may be restored to a performing status when all arrears of principal and interest have been paid or when it otherwise becomes well-secured and full collection is expected within three months.

Loans which have been refinanced, rescheduled, rolled-over, or otherwise modified because of weaknesses in the borrower's financial position or the non-repayment of the debt as arranged are classified as renegotiated. Facilities are only renegotiated if the Company is satisfied that the financial position of the borrower can service the debt under the new conditions. Per the SG 5, commercial loans are not renegotiated more than twice over the life of the original loan while mortgages or personal loans are not renegotiated more than twice in a five-year period.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Impairment of Financial Assets

Policy from 01 October 2018

Expected Credit Loss (ECL) Model

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments classified at amortised cost and FVOCI and with the exposures arising from loan commitments and guarantees. The Company recognises a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount determined from possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is calculated by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

- PD is an estimate of the likelihood of default over the next 12 months or over the remaining lifetime of the obligation.
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by counterparty, type of claim and availability of collateral. It is expressed as a percentage loss per unit of exposure at the time of default.
- EAD is based on the amounts that the Company expects to be owed at the time of default, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdowns on commitments and accrued interest from missed payments.

The ECL is determined by projecting PD, LGD and EAD for future months and for each individual exposure. The multiplication of the three components results in the ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective rate.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data.

The 12-months and lifetime LGDs are determined based on the factors which impact the recoveries post default including collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

The 12-month and lifetime EADs are determined based on expected payment profile.

Forward-looking macroeconomic information is also included in determining these factors.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Impairment of Financial Assets (Cont'd)

Expected Credit Loss (ECL) Model (Cont'd)

There are no differences in the estimation techniques or significant assumptions for the ECL calculations as at 01 October 2018 and 30 September 2019.

Three-stage method

The ECL impairment model uses a three-stage approach based on the extent of credit deterioration since origination.

Stage 1: 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2: When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.

Stage 3: Financial assets that have an objective evidence of impairment are included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

Definition of default and credit - impaired assets

The Company defines a financial asset as in default, which is fully aligned with the definition of credit-impaired, when it meets either quantitative or qualitative criteria, as defined below.

Quantitative criteria - The Company considers that default on a financial asset has occurred when the borrower is more than 90 days past due on contractual payments.

Qualitative criteria - The Company considers a financial instrument to be in default if there are clear indicators that the borrower is in significant financial difficulty and therefore unlikely to pay. Some indicators are: bankruptcy of the borrower; breach of financial covenants; borrower is in long-term forbearance.

The criteria for default have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently in the Company's ECL calculations.

An instrument is considered to no longer be in default (i.e. to be 'cured') when it no longer meets any of the default criteria for a consecutive period of twelve months.

Assessment of significant increase in credit risk

The Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers macroeconomic outlook, management judgement, and delinquency. There is a rebuttal presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue. The Company has not chosen to rebut this presumption.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Impairment of Financial Assets (Cont'd)

Expected Credit Loss (ECL) Model (Cont'd)

Forward-looking information

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its ECL model, the Company incorporates forward-looking information on macroeconomic performance, specifically GDP growth.

Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. Where a modification does not result in derecognition, the date of origination continues to be used to determine significant increase in credit risk. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date. The modification date is also the date of origination for this new asset.

Modifications of the contractual terms of financial assets may result in derecognition of the original asset when the changes to the terms are considered substantial. The original financial asset is derecognised and the new asset is recognised at fair value; any difference arising is recognised in the statement of income.

Write-off policy

The Company writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where, based on the net realisable value of any collateral, there is no reasonable expectation of full recovery, write-off may occur earlier. The Company recognises the statutory provisions contained in Supervision Guideline 5 relative to the write off of accounts classified as 'Loss'.

Guarantees and credit commitments

Financial guarantees are initially measured at fair value and subsequently measured at the higher of the loss allowance and the premium received on initial recognition. Loan commitments are measured as the amount of the loss allowance. For financial guarantees and loan commitments, the loss allowance is recognised as a provision. Based on the historical experience and collateral pledged, the company considers the risk of loss in the event of default to be low and consequently, the ECL to be immaterial.

Cash resources

Cash and balances with the Bank of Guyana and amounts due from other banks are within the scope of IFRS 9 impairment approach. However, based on the historical experience and the nature of the counterparties, the Company considers the risk of default to be low and consequently, the ECL to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Impairment of Financial Assets (Cont'd)

Policy until 30 September 2018

International Accounting Standard 39

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('loss event') and that loss event (events) adversely affects the amount or timing of future cash flows from the asset.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the Company about the following loss events:

- significant financial difficulties of the counterparty;
- actual delinquencies;
- adverse change in the payment status of the counterparty;
- bankruptcy or reorganisation by the counterparty.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of the expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the asset.

The Company first assesses whether objective evidence of impairment exists individually for financial assets. If the Company determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Write-offs and Recoveries

When an asset is uncollectible, it is written off against the related provision for loan impairment. In accordance with SG 5, an account classified as 'Loss' for three months is written off. Recoveries in part or in full of amounts previously written-off are credited to income.

Policy applicable to both periods

Supervision Guideline 5

The Company is required to consider the need for impairment of financial assets in accordance with IFRS, as well as the provisioning requirements of the Bank of Guyana as set out in SG 5. Where the impairment provision required under SG 5 is greater than that required under IAS 39, the excess is dealt with as an appropriation of retained earnings to a general banking risk reserve.

The Company is required to conduct a loan review of at least 70 percent of its portfolio including large accounts and off-balance sheet commitments, and all past-due and non-performing accounts.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Impairment of Financial Assets (Cont'd)

Supervision Guideline 5 (Cont'd)

The following information is considered in the review:

- a) original terms and purpose of facility against current balance and status;
- b) financial information on the borrower;
- c) evaluation of the project being financed;
- d) status of collateral including recent valuation, legal assignments and insurance;
- e) past record of the borrower; and
- f) performance of other members of the group (if applicable).

Following the review of portfolio, accounts are classified into one of five categories being Pass, Special Mention, Substandard, Doubtful or Loss.

The provision levels stipulated in SG 5 are as follows.

Classification	Provision
Pass	0%
Special Mention	0%
Substandard	
- portion secured by cash, cash substitutes, government securities or government guarantees	0%
-others	20%
Doubtful	50%
Loss	100%

Each of the five categories has specific classification criteria based on facility performance, collateral status and financial condition of borrower. Additionally, a general provision equivalent to 1 percent of the portfolio not reviewed is required.

2.6 Guarantees and Letters of Credit

The Company's potential liability under guarantees and letters of credit is reported as a contingent liability given that there are equal and offsetting claims against its customers in the event of a call on these commitments. Where there is doubt on the asset cover against these contingent liabilities, a provision for impairment is established.

2.7 Leases

Leases entered into by the Company are operating leases. Payments made under operating leases are charged to the statement of income on a straight line basis over the period of the lease.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash-in-hand, balances held with other banks and the non-restricted balance with the Bank of Guyana, items in course of collection and investment securities with original maturity of less than three months.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, except for freehold property held as at 30 September 2016 which is stated at revalued amount less accumulated depreciation. Freehold land is not depreciated. Other fixed assets are depreciated on a straight-line method at rates estimated to write off the assets over their expected useful economic lives.

The current rates of depreciation are as follows:

Freehold building	2%
Furniture, fixtures and equipment	10 - 33 1/3%
Motor vehicles	20%
Leasehold improvements	Over the period of the lease

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or at least at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to income when incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.10 Intangible Asset (Computer Software)

The costs of acquiring, customising and installing computer software are capitalised and amortised over their estimated useful economic life of five years on a straight line basis. Costs associated with maintenance of computer software are expensed as incurred.

2.11 Repossessed Assets

Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell, and reported within "Other Assets".

2.12 Share Capital and Dividends

Ordinary shares with discretionary dividends are classified as equity.

Dividends are recognised as a deduction from shareholders' equity in the period in which they are approved by shareholders or, as in the case of interim dividends, when paid by the directors as authorised under the Company's by-laws.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Interest Income and Expense

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees that are integral to the effective interest rate.

In accordance with Bank of Guyana Supervision Guideline 5, interest income on 'non-performing' accounts (note 2.4) is not accrued unless it is well-secured and full collection of arrears is expected within 3 months. Any uncollected interest is reversed from income at the time the facility is classified as 'non-performing'.

2.14 Fees and Commission Income

The recognition of fees and commission is determined by the purpose of the fee or commission and the basis of accounting for any associated financial instrument. Income earned on completion of a significant act is recognised when the act is completed. Income earned from the provision of services is recognised as revenue as the services are provided.

2.15 Taxation

The tax expense for the year comprises of current and deferred tax and is recognised in the statement of income or the other comprehensive income, as appropriate.

The current corporate tax charge is identified on the basis of the tax laws enacted at the reporting date. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company provides for deferred tax using the liability method for all temporary differences arising between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes. The currently enacted tax rate is used to determine deferred corporation tax.

The principal temporary differences arise from depreciation on property and equipment, revaluations of certain assets and impairment provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Retirement Benefit Plan

The Company offers a defined contribution pension arrangement to eligible employees. The Company's contributions are charged to the statement of income in the year to which they relate.

2.17 Segment Reporting

The Company is managed as a single unit engaged in commercial banking and its operations are located only in Guyana.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also exercises judgement in applying the Company's accounting policies. Areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment are described in this note.

From 01 October 2018 (IFRS 9)

Impairment Losses on Financial Assets

The measurement of the expected credit loss allowance for financial assets under IFRS 9 is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The ECL provisions generated by the models adopted are influenced by a number of factors, changes in which can result in different outcomes.

Some of the significant judgements and estimates that influence the outcome of the ECL provisions are:

- Choice of criteria for determining significant increase in credit risk;
- Choice of models and assumptions for the measurement of ECL;
- Recoverable values from collateral and time to recovery;
- Pattern of future cash flows;
- Basis for establishing forward-looking overlay adjustments; and
- Basis for establishing groups of similar financial assets for ECL purposes.

Until 30 September 2018 (IAS 39)

Impairment Losses on Financial Assets

To identify impairment in the Company's loan and investment portfolios, judgements are made as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans and investment securities. Estimating the quantum and timing of future recoveries involves significant judgement. The size of receipts will depend on the future performance of the borrower / issuer and the value of security, both of which will be affected by future economic conditions; additionally, collateral may not be readily marketable. The actual amount of future cash flows and the date they are received may differ from these estimates, and consequently, actual losses incurred may differ from those recognised in these financial statements.

Held-to-Maturity Investments

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement for which management evaluates its intention and ability to hold such investments to maturity.



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

4. CASH AND BALANCES WITH BANK OF GUYANA

	<u>2019</u>	<u>2018</u>
Cash in hand	921,148	1,069,886
Balance with Bank of Guyana in excess of reserve requirement	<u>6,711,125</u>	<u>6,990,345</u>
Included in cash and cash equivalents	7,632,273	8,060,231
Reserve requirement with Bank of Guyana	<u>4,986,795</u>	<u>4,661,470</u>
	<u>12,619,068</u>	<u>12,721,701</u>

The Company is required to maintain a monetary reserve with the Bank of Guyana which is based on customers' deposits and other specified liabilities.

5. AMOUNTS DUE FROM OTHER BANKS

	<u>2019</u>	<u>2018</u>
Items in course of collection	65,331	35,947
Deposits held with foreign banks	<u>4,628,688</u>	<u>3,718,828</u>
	<u>4,694,019</u>	<u>3,754,775</u>

Deposits held with foreign banks include amounts due on demand or held for fixed periods not exceeding 90 days.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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6. INVESTMENT SECURITIES

Debt instruments at amortised cost (2018 - classified as Held-to-Maturity)

Issued in Guyana:

Government securities

2,179,138

2,693,643

Corporate securities

26,330

51,526

Issued out of Guyana:

Government securities

247,122

354,554

Corporate securities

861,485

1,231,081

3,314,075

4,330,804

Less provision for impairment (IAS 39) - note 20

0

(208,008)

Less provision for impairment (IFRS 9) - note 20

(56,120)

0

3,257,955

4,122,796

Fair value through Profit or Loss

(2018 - classified as Available-for-Sale Securities)

Issued out of Guyana:

Corporate securities

244,270

201,092

Total Investment Securities

3,502,225

4,323,888

7. LOANS AND ADVANCES

Overdrafts

1,631,688

1,880,632

Term loans

15,711,803

11,526,372

Mortgages

10,539,772

10,258,576

Non-accrual accounts

2,749,101

3,131,236

30,632,364

26,796,816

Accrued interest receivable

307,004

249,684

Less provision for impairment (IAS 39) - note 20

0

(1,519,376)

Less provision for impairment (IFRS 9) - note 20

(1,149,560)

0

29,789,808

25,527,124



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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8. PROPERTY AND EQUIPMENT

	Freehold Land and Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Motor Vehicles	Work in Progress	Total
<i>Cost</i>						
As at 01 October 2018	2,838,757	1,538	1,498,231	80,765	0	4,419,291
Additions	31,000	0	42,205	13,349	74,096	160,650
Disposals	0	(93)	(15,904)	(13,796)	0	(29,793)
As at 30 September 2019	2,869,757	1,445	1,524,532	80,318	74,096	4,550,148
<i>Accumulated Depreciation</i>						
As at 01 October 2018	(75,794)	(419)	(684,561)	(67,734)	0	(828,508)
Depreciation charge	(45,288)	(375)	(161,149)	(7,012)	0	(213,824)
Written back on disposals	0	73	13,410	13,536	0	27,019
As at 30 September 2019	(121,082)	(721)	(832,300)	(61,210)	0	(1,015,313)
<i>Net Carrying Amount</i>						
As at 30 September 2019	2,748,675	724	692,232	19,108	74,096	3,534,835
<i>Cost</i>						
As at 01 October 2017	2,766,088	95	1,492,248	79,860	0	4,338,291
Additions	72,669	1,443	17,191	3,530	0	94,833
Disposals	0	0	(11,208)	(2,625)	0	(13,833)
As at 30 September 2018	2,838,757	1,538	1,498,231	80,765	0	4,419,291
<i>Accumulated Depreciation</i>						
As at 01 October 2017	(30,506)	(41)	(536,519)	(60,520)	0	(627,586)
Depreciation charge	(45,288)	(378)	(158,616)	(9,839)	0	(214,121)
Written back on disposals	0	0	10,574	2,625	0	13,199
As at 30 September 2018	(75,794)	(419)	(684,561)	(67,734)	0	(828,508)
<i>Net Carrying Amount</i>						
As at 30 September 2018	2,762,963	1,119	813,670	13,031	0	3,590,783

In September 2016 the Company revalued its freehold land and building based on a valuation carried out by Patterson Associates on the basis of open market value, with the exception of its Head Office which was completed during financial year ended 30 September 2017. The revaluation surplus is restricted from distribution as a cash dividend.

If the freehold land and building was stated on a historical cost basis, the carrying value would be \$2,747,079 (2018 - \$2,691,942) at the year end.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

9. INTANGIBLE ASSET

Computer Software

Cost

As at beginning of year
Additions
Disposals

2019

2018

519,000

468,406

62,415

50,594

(10,689)

0

As at end of year

570,726

519,000

Accumulated Amortisation

As at beginning of year
Charges
Written back on disposals

(417,296)

(375,459)

(40,245)

(41,837)

10,689

0

As at end of year

(446,852)

(417,296)

Net Carrying Amount

As at end of year

123,874

101,704

10. DEFERRED TAXATION

Deferred tax assets arising on:

ECL on financial assets
Loss on investment security

42,873

0

0

11,755

42,873

11,755

Deferred tax liabilities arising on:

Accelerated tax depreciation
Gain on revaluation of property

35,567

39,523

16,085

16,298

51,652

55,821

Portion of deferred tax balances expected to materialise
after more than 12 months:

Deferred tax assets
Deferred tax liabilities

36,225

11,755

46,785

30,283



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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11. OTHER ASSETS

	2019	2018
Accrued interest receivable	15,153	9,167
Reposessed assets	78,511	62,999
Prepayments	238,546	203,812
Miscellaneous	93,342	31,138
	<u>425,552</u>	<u>307,116</u>

12. CUSTOMERS' DEPOSITS

Demand deposits	14,386,226	10,903,364
Savings deposits	19,960,380	17,215,333
Time deposits	9,770,598	12,553,908
	<u>44,117,204</u>	<u>40,672,605</u>
Accrued interest payable	161,933	230,618
	<u>44,279,137</u>	<u>40,903,223</u>

Sectoral Analysis:

	Personal	Commercial	Government	Total
<i>As at 30 September 2019</i>				
Demand deposits	3,968,509	10,311,475	106,272	14,386,256
Savings deposits	16,359,460	3,539,845	97,583	19,996,888
Time deposits	1,198,115	8,233,856	464,022	9,895,993
	<u>21,526,084</u>	<u>22,085,176</u>	<u>667,877</u>	<u>44,279,137</u>
<i>As at 30 September 2018</i>				
Demand deposits	3,206,904	6,488,875	1,207,615	10,903,394
Savings deposits	10,164,928	6,943,030	139,802	17,247,760
Time deposits	1,974,350	7,936,113	2,841,606	12,752,069
	<u>15,346,182</u>	<u>21,368,018</u>	<u>4,189,023</u>	<u>40,903,223</u>

13. OTHER LIABILITIES

	2019	2018
Accruals	122,191	138,917
Items in the course of payment	251,058	191,746
Deferred income	128,423	114,735
Miscellaneous	198,614	144,225
	<u>700,286</u>	<u>589,623</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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14. SHARE CAPITAL	2019	2018
<i>Authorised</i>		
83,000,000 ordinary shares of no par value		
<i>Issued and Fully Paid</i>		
59,491,300 ordinary shares of no par value	594,913	594,913

15. RESERVES

Statutory Reserve

The Financial Institutions Act 1995 requires registered institutions to transfer annually a minimum of 15% of profit after taxation to a reserve until the balance on this statutory reserve is equal to the paid up capital of the institution.

General Banking Risk Reserve

This reserve represents statutory and other loss provisions that exceed the impairment provision and that are appropriated from retained earnings.

Revaluation Reserve

The surplus arising on revaluation of freehold land and building, net of deferred tax, is transferred to this reserve.

Available-for-Sale Investments Reserve

Up to 30 September 2018, this reserve reflected the accumulated fair value gains and losses, net of deferred tax, arising on available-for-sale investment securities.

16. NET INTEREST INCOME	2019	2018
Interest Income:		
Loans and advances	2,681,152	2,630,223
Investment securities - earned in Guyana	29,489	53,643
Investment securities - earned out of Guyana	104,073	41,936
	2,814,714	2,725,802
Interest Expense:		
Demand deposits	10,358	9,205
Savings deposits	145,823	143,976
Time deposits	193,306	327,832
	349,487	481,013



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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17. OTHER INCOME

	2019	2018
Fee and commission income	301,723	234,673
Gains on foreign exchange trading	222,572	152,064
Revaluation gains	0	26,795
Gains of FVPL financial asset	43,176	0
Sundry income	39,329	20,545
	<u>606,800</u>	<u>434,077</u>

18. OPERATING EXPENSES

Staff costs (note 19)	443,859	416,173
Depreciation and amortisation	254,069	255,958
Operating lease rental	65,513	61,504
Auditors' remuneration (including expenses)	13,306	11,805
General administrative expenses	542,167	541,004
Other operating costs	192,796	188,920
	<u>1,511,710</u>	<u>1,475,364</u>

19. STAFF COSTS

Wages and salaries	368,528	352,807
Social security costs	27,611	25,655
Pension costs	10,701	9,047
Other staff costs	37,019	28,664
	<u>443,859</u>	<u>416,173</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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20. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9	Loans and Advances (Mortgages)	Loans and Advances (Term Loans)	Loans and Advances (Overdrafts)	Investment Securities (AC)	2019 Total
Stage 1: 12 month ECL					
Balance as at 01 October 2018	21,305	32,892	3,337	6,022	63,556
ECL on new instruments issued	8,341	35,614	418	256	44,629
ECL of transfers between categories	1,241	263	(1,419)	0	85
Other credit loss movements	(9,037)	(23,559)	0	0	(32,596)
Balance as at 30 September 2019	21,850	45,210	2,336	6,278	75,674
Stage 2: Lifetime ECL					
Balance as at 01 October 2018	28,960	14,086	0	0	43,046
ECL on new instruments issued	2,115	3,112	0	0	5,227
ECL of transfers between categories	8,551	3,162	0	0	11,713
Other credit loss movements	(11,213)	(10,987)	0	0	(22,200)
Balance as at 30 September 2019	28,413	9,373	0	0	37,786
Stage 3: Lifetime ECL credit-impaired					
Balance as at 01 October 2018	174,384	1,116,085	289,153	210,049	1,789,671
Amounts written off	(7,488)	(242,352)	(246,850)	(154,872)	(651,562)
Additional provision	56,333	151,735	0	0	208,068
Reversal of provision	(70,878)	(140,762)	(36,982)	(5,335)	(253,957)
Balance as at 30 September 2019	152,351	884,706	5,321	49,842	1,092,220
Total ECL					
Balance as at 01 October 2018	224,649	1,163,063	292,490	216,071	1,896,273
Balance as at 30 September 2019	202,614	939,289	7,657	56,120	1,205,680



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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20. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

Impairment of Loans and Advances - IAS 39

2018

Individually assessed:

Balance as at beginning of year	1,401,699
Amounts written off in the year	(240,606)
Additional provision for the year	409,685
Reversal of provision in the year	(218,946)
Balance as at end of year	1,351,832

Collectively assessed:

Balance as at beginning of year	153,921
Additional provision for the year	13,623
Balance as at end of year	167,544
Total on impairment provision on loans and advances:	1,519,376

Impairment of Investment Securities - IAS 39

Balance as at beginning of year	218,261
Additional provision for the year	7,920
Reversal of provision in the year	(18,173)
Total on impairment provision on investment securities:	208,008

Total Impairment Provisions as at 30 September 2018 - IAS 39

1,727,384

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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21. TAXATION

The provisional charge for taxation in the financial statements is made up as follows:

	2019	2018
Current tax	626,762	402,962
Deferred tax	17,289	(3,149)
Prior year adjustments	44	7,279
	<u>644,095</u>	<u>407,092</u>
Reconciliation of the Company's profit before taxation to the theoretical amount using the basic rate of tax:		
Profit before taxation	1,599,348	1,009,393
Corporation tax on profit at 40% (2018 - 40%)	639,739	403,757
Income not subject to tax	(97,062)	(88,410)
Expenses not deductible for tax purposes	131	12,358
Property and withholding taxes	79,997	72,285
Prior year adjustments	44	7,279
Other	21,246	(177)
	<u>644,095</u>	<u>407,092</u>

22. EARNINGS PER SHARE

Profit attributable to shareholders	955,253	602,301
Weighted average number of ordinary shares (thousands)	59,491	59,491
Basic earnings per share	<u>\$16.06</u>	<u>\$10.12</u>

23. DIVIDENDS PAID

Prior year final dividend paid \$1.80 per share (2018 - \$2.00)	107,084	118,982
Interim dividend paid \$0.90 per share (2018 - \$0.70)	53,542	41,644
	<u>160,626</u>	<u>160,626</u>

A final dividend in respect of 2019 of \$2.25 per share (2018 - \$1.80 per share), amounting to \$133,855 (2018 - \$107,084) is to be proposed at the annual general meeting on 21 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

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24. COMMITMENTS

	2019	2018
Undrawn credit facilities	856,856	909,209
Capital commitments for property and equipment		
Authorised but not contracted for	857,604	637,711
Authorised and contracted for	2,071	33,071
Capital commitments for intangible assets		
Authorised but not contracted for	67,497	46,740
Authorised and contracted for	25,027	27,427

25. CONTINGENCIES

Litigations

As at the year end there were certain legal proceedings outstanding against the Company. No provision has been made as management is of the opinion that such proceedings are either without merit or will result in an insignificant loss to the Company.

Guarantees

	2019	2018
Guarantees	1,114,506	844,268

Tax Assessments

On 20 December 2018, the Company received Notices of Assessment ("Assessments") from the Guyana Revenue Authority claiming additional corporation taxes of \$534,416 as a result of the disallowance of the Company's claim for deduction for impairment losses on financial assets in relation to the years of income ended 30 September, 2010 to 2012, and 2014 to 2016, inclusive.

The accounting policy on impairment losses on financial assets, as described in Note 2.4 to these financial statements, recognizes the Company's obligation to comply with provisioning requirements contained in International Financial Reporting Standards (IFRS) and in the Supervision Guidelines issued by the Bank of Guyana. For purposes of its corporation tax computations, the Company's impairment losses on financial assets as determined under IFRS, were claimed as deductions in accordance with Section 16(1)(e) of the Income Tax Act, which provides for the deduction of provisions for bad and doubtful debts incurred in a trade or business.

Accordingly, the Company on 04 January 2019 filed Notices of Objection to these assessments under the provisions of the Income Tax Act. The Guyana Revenue Authority acknowledged the objection and that the tax in dispute is being held in abeyance until the objection is determined. The objection remains undetermined to the present. The Company has been advised by its attorneys that its objection is well founded.

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26. RELATED PARTY TRANSACTIONS

(a) Loans, advances and other credit commitments

A number of transactions were entered into with related parties during the course of the year. The related parties include major shareholders, key management personnel and other organisations controlled or significantly influenced by key management personnel. Loans and advances to employees of the Company are extended at preferential rates.

The total loans, advances and other credit commitments, as shown in the tables below, aggregate to 3 percent (2018 - 4 percent) of the total exposure to all customers. Additionally the total loans, advances and other credit commitments extended to the five related parties with the highest exposures as at the year end amount to \$584,893 (2018 - \$794,392) or 7 percent (2018 - 10 percent) of the capital base.

2019	Parent Company	Other Major Shareholders	Directors	Other Key Management	Other Related Parties	Total
Loans and advances as at beginning of year	290,421	0	85,067	70,851	391,304	837,643
Advanced in the year	0	0	79,661	68,728	204,542	352,931
Repaid in the year	(146,675)	0	(26,386)	(44,164)	(269,180)	(486,405)
Loans and advances as at end of year	143,746	0	138,342	95,415	326,666	704,169
Guarantees as at end of year	102,351	1,065	27,264	5,751	15,443	151,874
Interest income	19,304	0	9,483	4,284	33,904	66,975

2018	Parent Company	Other Major Shareholders	Directors	Other Key Management	Other Related Parties	Total
Loans and advances as at beginning of year	954,210	0	15,341	77,402	311,042	1,357,995
Reclassification	0	0	29,991	0	(29,991)	0
Advanced in the year	0	0	61,538	1,000	434,253	496,791
Repaid in the year	(663,789)	0	(21,803)	(7,551)	(324,000)	(1,017,143)
Loans and advances as at end of year	290,421	0	85,067	70,851	391,304	837,643
Guarantees as at end of year	102,351	0	26,945	5,751	8,520	143,567
Interest income	52,190	0	3,336	3,239	33,858	92,623

(b) Customers' deposits

2019	Parent Company	Other Major Shareholders	Directors	Other Key Management	Other Related Parties	Total
Balance as at beginning of year	5,994,317	735,828	145,070	24,552	6,171,295	13,071,062
Deposits during the year	31,147,018	4,778,722	521,139	145,373	15,805,919	52,398,171
Withdrawals in the year	(29,050,204)	(4,589,008)	(545,739)	(149,722)	(15,454,001)	(49,788,674)
Balance as at end of year	8,091,131	925,542	120,470	20,203	6,523,213	15,680,559
Interest expense	11,007	3,690	1,575	257	116,573	133,102



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26. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Customers' deposits (Cont'd)

2018	Parent Company	Other Major Shareholders	Directors	Other Key Management	Other Related Parties	Total
Balance as at beginning of year	5,687,565	769,440	115,680	27,810	5,391,085	11,991,580
Reclassification	0	0	124	0	(124)	0
Deposits during the year	38,731,515	8,520,930	403,451	90,495	15,598,677	63,345,068
Withdrawals in the year	(38,424,763)	(8,554,542)	(374,185)	(93,753)	(14,818,343)	(62,265,586)
Balance as at end of year	5,994,317	735,828	145,070	24,552	6,171,295	13,071,062
Interest expense	11,512	4,004	1,595	302	110,169	127,582

(c) Key Management Compensation

	2019	2018
Short term benefits	78,792	76,844
Post employment benefits	3,501	2,901
	82,293	79,745

(d) Other Related Party Transactions

Property rent charges from parent company	64,138	53,620
Property rent charges from other related party	4,516	4,490
Professional services provided by other related parties	5,704	176
Insurance services provided by major shareholder and other related party	40,150	41,522
Expenses settled on behalf of key management	11,550	0

27. DIRECTORS' EMOLUMENTS

Emoluments, including expenses, paid in respect of services of directors and included in key management compensation:

	2019	2018
Clifford B. Reis	1,740	1,673
Rakesh K. Puri	1,424	1,369
Wilfred A. Lee	1,424	1,369
George McDonald	1,424	1,369
Michael H. Pereira	1,424	1,369
Paul A. Carto	1,424	1,369
Deenawati Panday	1,424	1,369
Ronald Burch-Smith (appointed 22 January 2018)	1,424	1,014
	11,708	10,901

No emoluments were paid to the executive director for his service as a director to the Company.

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of Financial Instruments

Financial instruments carried at the reporting date include cash resources (cash, balances with Bank of Guyana and amounts due from other banks), investment securities, loans and advances, accrued interest and other receivables, customers' deposits, and other liabilities.

As at 30 September 2019, the measurement categories and carrying amounts of the financial assets and liabilities in accordance with IFRS 9 are as follows:

	IFRS 9	
	Measurement Category	Carrying Amount
Cash resources	Amortised cost	17,313,087
Investment securities	FVPL	244,270
	Amortised cost	3,257,955
Loans and advances	Amortised cost	29,789,808
Other financial assets	Amortised cost	108,495
Customer deposits	Amortised cost	44,279,137
Other financial liabilities	Amortised cost	571,863

The categories applicable to financial instruments under IFRS 9 are described in note 2.4. The categories applicable under IAS 39 up to 30 September 2018 are described below.

Financial assets classified as held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that management has the positive intent and ability to hold to maturity. The Company's investment securities are largely classified as held-to-maturity.

Financial assets classified as loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. The Company's cash resources, loan assets and accrued interest and other receivables are classified as loans and receivables.

Financial assets classified as available-for-sale are non-derivative instruments that are either designated in this category or not classified in any of the other categories. The Company had one available-for-sale investment security in the year.

Financial liabilities which are not classified as fair value through the profit and loss are classified as financial liabilities measured at amortised cost. A financial liability which is acquired principally for the purpose of selling in the short-term or derivatives are categorised as fair value through the profit and loss. The Company holds no such financial liabilities. As such, the Company's customers' deposits and other liabilities are classified as financial liabilities measured at amortised cost.

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Categories of Financial Instruments (Cont'd)

Risks arising from Financial Instruments

Financial risks are inherent to the operations of the Company and management of these risks is central to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk, interest rate risk and foreign exchange risk. The objective of the Company's risk management policies and efforts is to minimise the effects of the risks inherent to its operations. Risk management is an ongoing process which involves the identification, assessment and monitoring of risks through the application of various approaches which are guided by the Company's policies.

These risks are continuously monitored at both the executive and directorate levels. Management engages in the daily monitoring of risks and provides the Board of Directors with monthly reports which analyse exposures to the various elements of risk. The main financial risks affecting the Company are discussed in the following parts to this note.

Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, through its holding of cash resources, investment securities and loans and advances. It can also arise from guarantees and letters of credit provided by the Company or credit commitments given.

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amounts. For guarantees and letters of credit, the maximum exposure to credit risk is the amount that the Company would have to pay if the guarantees and letters of credit were to be called upon. For credit commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table presents the maximum exposure to credit risk arising from financial instruments, before taking account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

	2019	2018
<i>On statement of financial position:</i>		
Cash and balances with Bank of Guyana	12,619,068	12,721,701
Amounts due from other banks	4,694,019	3,754,775
Investment securities	3,257,955	4,122,796
Loans and advances	29,789,808	25,527,124
Other financial assets	108,495	40,305
	50,469,345	46,166,701
<i>Off statement of financial position:</i>		
Guarantees	1,114,506	844,268
Credit commitments	856,856	909,209
	1,971,362	1,753,477
Maximum exposure to credit risk	52,440,707	47,920,178

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Credit risk is managed to achieve a sustainable and superior risk-reward performance while maintaining exposures within acceptable risk parameters. The Company's policies and processes for managing credit risk are described below for each of its major financial assets.

Management of loans and advances, including off balance sheet exposures

The granting of credit through loans, advances, guarantees and letters of credit is one of the Company's major sources of income and is therefore one of its most significant risks. The Company therefore dedicates considerable resources towards controlling it effectively including a specialised Credit Department responsible for reviewing loan applications and monitoring granted loan facilities within the policies and guidelines established by the Board of Directors.

In executing its lending activities, the following measures are relied upon to mitigate the risk of default:

- (a) Credit applications are initially reviewed by an officer of the Company's Credit Department during which details of the purpose of the facility, the financial standing of the applicant and the collateral available as security are obtained. The applicant's ability to repay the sums required are assessed based on information collected and an initial recommendation made by the Credit Department.
- (b) The Company usually requires that collateral be lodged. Forms of acceptable collateral include cash, real estate, securities, machinery or equipment. The Company has established policies that guide its loan to value based on the type of collateral lodged. During the review of the loan application, an independent valuation of the collateral to be lodged is obtained, where possible.
- (c) Any recommended loan applications are then subject to the approval from either senior management or the Board of Directors depending on the level of the amount applied for. There are internally pre-set limits which dictate the level of approval required.
- (d) The Company's exposure to any single borrower is limited by the applicable provisions of the Financial Institutions Act. Additionally, the Company monitors exposure to industry segments to avoid over-exposure to any one sector.
- (e) The Credit Department is required to carry out weekly reviews of any past due or impaired facilities. For all other facilities, quarterly reviews are carried out by the Credit Department.
- (f) Independent valuations of collateral lodged against facilities are carried out at least every three years, where possible. Where securities are lodged as collateral, management monitors their market performance for indicators of impairment.
- (g) Oversight from the Credit Committee of the Board of Directors.
- (h) The Company's risk management practices provides information to assist with the identification of changes in credit risk of loans and advances; estimation of recoverable amounts from collateral and the likely exposure at default.



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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Management of investment securities and amounts due from other banks

Managing the credit risks associated with investment securities and cash balances with other banks differs in an important respect from loans originated by the Company in that the counterparties involved are usually government bodies or established financial institutions. Within the Company, management of the portfolio of investment securities and cash balances with other banks is the responsibility of the Finance and Treasury Department.

The Board of Directors of the Company is required to approve all acquisitions of investment securities or the use of new financial institutions for the placement of cash resources. Thereafter re-investments into investment securities or use of banking facilities with financial institutions is at the discretion of management. The Company's acquisition of investment securities is guided by the 'single borrower' limits contained in the Financial Institutions Act.

Collateral is not usually collected on investment securities issued by government bodies or secured on government assets. Corporate investment securities are usually secured on the assets of the issuer. Valuations are not usually carried out on these assets given the corporate standing of the issuers. Collateral is not usually collected on amounts due from other banks as funds are only placed with institutions that are deemed to be financially sound.

Management continuously monitors the financial standing of issuers of investment securities and holders of cash balances. This practice provides necessary information to determine any changes in credit risk, thereby triggering ECL provisions.

Credit risk concentration

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company's five most significant credit concentrations (excluding government securities, cash and cash equivalents) expressed as a percentage of the Company's capital base is shown below.

	2019	2018
Counterparty 1	20.3%	15.3%
Counterparty 2	15.7%	11.7%
Counterparty 3	10.3%	11.5%
Counterparty 4	9.3%	10.0%
Counterparty 5	9.3%	9.6%

The analyses of credit risk concentrations presented in the following tables are based on the industry in which the counterparty is engaged and its geographic location.

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Credit risk concentration (Cont'd)

The tables below analyse the Company's exposure to credit risk on its financial instruments by industry sector.

As at 30 September 2019

	Households	Services	Real Estate	Manufacturing
On statement of financial position:				
Cash and balances with Bank of Guyana	0	0	0	0
Amounts due from other banks	0	0	0	0
Investment securities	0	18,764	0	0
Loans and advances	2,418,886	8,839,461	12,757,230	1,383,409
Other financial assets	0	0	0	0
	2,418,886	8,858,225	12,757,230	1,383,409
Off statement of financial position:				
Guarantees	380,369	498,857	0	185,234
Credit commitments	292,198	319,255	0	55,990
	672,567	818,112	0	241,224
Total	3,091,453	9,676,337	12,757,230	1,624,633
Individual instruments or group of related instruments aggregating to more than 10% of capital base	0	4,199,171	0	631,110

As at 30 September 2018

On statement of financial position:				
Cash and balances with Bank of Guyana	0	0	0	0
Amounts due from other banks	0	0	0	0
Investment securities	0	43,536	0	0
Loans and advances	873,069	7,727,215	11,031,947	1,894,983
Other financial assets	0	0	0	0
	873,069	7,770,751	11,031,947	1,894,983
Off statement of financial position:				
Guarantees	0	359,732	0	99,201
Credit commitments	69,928	415,619	0	124,270
	69,928	775,351	0	223,471
Total	942,997	8,546,102	11,031,947	2,118,454
Individual instruments or group of related instruments aggregating to more than 10% of capital base	0	2,289,504	0	727,472



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Mining & Quarry	Construction	Agriculture	Government	Financial	Other	Total
0	0	0	0	12,619,068	0	12,619,068
0	0	0	0	4,694,019	0	4,694,019
0	0	0	2,383,985	855,206		3,257,955
949,029	2,812,472	629,321	0	0	0	29,789,808
0	0	0	2,172	12,981	93,342	108,495
949,029	2,812,472	629,321	2,386,157	18,181,274	93,342	50,469,345
0	50,046	0	0	0	0	1,114,506
94,543	94,556	314	0	0	0	856,856
94,543	144,602	314	0	0	0	1,971,362
1,043,572	2,957,074	629,635	2,386,157	18,181,274	93,342	52,440,707
0	997,898	0	2,015,514	16,292,180	0	24,135,873
0	0	0	0	12,721,701	0	12,721,701
0	0	0	0	3,754,775	0	3,754,775
0	0	0	3,003,948	1,075,312		4,122,796
467,138	2,537,215	351,517	0	0	644,040	25,527,124
0	0	0	2,259	6,924	31,122	40,305
467,138	2,537,215	351,517	3,006,207	17,558,712	675,162	46,166,701
0	43,545	0	0	0	341,790	844,268
5,000	62,396	0	0	0	231,996	909,209
5,000	105,941	0	0	0	573,786	1,753,477
472,138	2,643,156	351,517	3,006,207	17,558,712	1,248,948	47,920,178
0	937,213	0	2,489,534	15,342,224	0	21,785,947

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Credit risk concentration (Cont'd)

The tables below analyse the Company's exposure to credit risk on its financial instruments by geographic region.

As at 30 September 2019	Guyana	Caricom	North America	Europe	Total
On statement of financial position:					
Cash and balances with					
Bank of Guyana	12,619,068	0	0	0	12,619,068
Amounts due from other banks	65,331	34,427	2,444,308	2,149,953	4,694,019
Investment securities	2,197,902	204,847	632,721	222,485	3,257,955
Loans and advances	29,789,808	0	0	0	29,789,808
Other financial assets	95,152	430	7,169	5,744	108,495
	44,767,261	239,704	3,084,198	2,378,182	50,469,345
Off statement of financial position:					
Guarantees	1,114,506	0	0	0	1,114,506
Credit commitments	856,856	0	0	0	856,856
	1,971,362	0	0	0	1,971,362
Total	46,738,623	239,704	3,084,198	2,378,182	52,440,707

As at 30 September 2018

On statement of financial position:					
Cash and balances with					
Bank of Guyana	12,721,701	0	0	0	12,721,701
Amounts due from other banks	35,946	28,419	1,464,196	2,226,214	3,754,775
Investment securities	2,737,179	310,305	0	1,075,312	4,122,796
Loans and advances	25,527,124	0	0	0	25,527,124
Other financial assets	33,019	414	0	6,872	40,305
	41,054,969	339,138	1,464,196	3,308,398	46,166,701
Off statement of financial position:					
Guarantees	844,268	0	0	0	844,268
Credit commitments	909,209	0	0	0	909,209
	1,753,477	0	0	0	1,753,477
Total	42,808,446	339,138	1,464,196	3,308,398	47,920,178

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Financial assets subject to impairment

The Company monitors the quality of its financial assets through use of an internal grading system representing management's best estimate of the credit risk for the counterparty based on information presently available. The grades used are as follows:

Grade	Description
1	High grade - very strong likelihood of the asset being recovered.
2	Standard grade - good likelihood of the asset being recovered.
3	Special monitoring grade - concern over counterparty's ability to make payments when due.
4	Sub-standard grade - past due or individually impaired.

The following tables analyse the credit risk exposure of financial instruments for which an ECL allowance is recognised.

MORTGAGES

Grade	30 SEP 2019			01 OCT 2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
1	3,021,388	0	0	3,021,388	3,108,721
2	5,059,200	1,896,194	0	6,955,394	4,581,503
3	126,256	0	0	126,256	67,319
4	0	0	982,771	982,771	3,092,253
Gross	8,206,844	1,896,194	982,771	11,085,809	10,849,796
ECL loss allowance	21,850	28,413	152,351	202,614	224,649
Carrying amount	8,184,994	1,867,781	830,420	10,883,195	10,625,147

TERM LOANS

Grade	30 SEP 2019			01 OCT 2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
1	1,277,726	0	0	1,277,726	2,384,592
2	11,677,015	1,506,576	0	13,183,591	5,989,941
3	43,126	0	0	43,126	609
4	0	0	3,556,201	3,556,201	5,529,844
Gross	12,997,867	1,506,576	3,556,201	18,060,644	13,904,986
ECL loss allowance	45,210	9,373	884,706	939,289	1,163,063
Carrying amount	12,952,657	1,497,203	2,671,495	17,121,355	12,741,923

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Financial assets subject to impairment (Cont'd)

	OVERDRAFTS				
	30 SEP 2019			01 OCT 2018	
Grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
1	491,389	0	0	491,389	906,553
2	1,129,192	0	0	1,129,192	974,078
3	11,107	0	0	11,107	0
4	0	0	161,227	161,227	411,087
Gross	1,631,688	0	161,227	1,792,915	2,291,718
ECL loss allowance	2,336	0	5,321	7,657	292,490
Carrying amount	1,629,352	0	155,906	1,785,258	1,999,228

	INVESTMENT SECURITIES (AC)				
	30 SEP 2019				01 OCT 2018
Grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
1	3,198,939	0	0	3,198,939	4,033,437
2	0	0	0	0	0
3	0	0	0	0	0
4	0	0	115,136	115,136	297,367
Gross	3,198,939	0	115,136	3,314,075	4,330,804
ECL loss allowance	6,278	0	49,842	56,120	216,071
Carrying amount	3,192,661	0	65,294	3,257,955	4,114,733

Grade	TOTAL				
	30 SEP 2019			01 OCT 2018	
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
1	7,989,442	0	0	7,989,442	10,433,303
2	17,865,407	3,402,770	0	21,268,177	11,545,522
3	180,489	0	0	180,489	67,928
4	0	0	4,815,335	4,815,335	9,330,551
Gross	26,035,338	3,402,770	4,815,335	34,253,443	31,377,304
ECL loss allowance	75,674	37,786	1,092,220	1,205,680	1,896,273
Carrying amount	25,959,664	3,364,984	3,723,115	33,047,763	29,481,031



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Financial assets subject to impairment (Cont'd)

Commentary on movement in ECL provision

The opening ECL is greater than the IAS 39 impairment provisions by \$168,889 or 9%, reflecting the differences in the methodologies of the two approaches.

The reasons for changes in the ECL loss provision between 01 October 2018 and 30 September 2019 are:

Stage 1 ECL: an increase of \$12,118 or 19%:

- Growth in the portfolio which resulted in increase in allowances during the year;
- Transfers from other stages due to improved credit risk performance.

Stage 2 ECL: a decrease of \$5,260 or 12%:

- Early / partial repayments and maturities of facilities which resulted in assets and related allowances being derecognised during the year.

Stage 3 ECL: a decrease of \$697,451 or 39%:

- Write-off of loss facilities totalling to \$651,562;
- Improvements in the credit risk profile of customers.

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30 September 2019

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Financial assets subject to impairment (Cont'd)

Additional analysis of the impairment provision by industry is shown in the table below.

As at 30 September 2019	Households	Services	Real Estate	Manufacturing
Investment securities, loans and advances	2,418,886	8,858,225	12,757,230	1,383,409
Credit-impaired accounts, including non-performing accounts	260,755	2,391,139	1,376,754	130,064
Provision for impairment (IFRS 9)	113,922	543,387	260,385	36,291
As at 30 September 2018				
Investment securities, loans and advances	873,069	7,770,751	11,031,947	1,894,983
Impaired accounts, including non-performing accounts	91,461	2,415,404	1,689,965	386,971
Provision for impairment (IAS 39)	36,931	611,517	171,949	269,927

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30 September 2019

Mining & Quarry	Construction	Agriculture	Government	Financial	Other	Total
949,029	2,812,472	629,321	2,383,985	855,206	0	33,047,763
107,033	93,824	366,960	88,805	0	0	4,815,334
56,328	46,967	99,846	42,275	6,279	0	1,205,680
467,138	2,537,215	351,517	3,003,948	1,075,312	644,040	29,649,920
130,676	105,190	369,229	90,073	155,768	250,152	5,684,889
54,686	53,763	87,587	44,250	155,768	241,006	1,727,384

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Financial instruments not subject to impairment (Cont'd)

There are investment securities with a carrying value of \$244,270 which is not subject to impairment as it is classified as FVPL.

Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Company prepares a valuation of the collateral obtained as part of the loan origination process. This valuation is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over properties
- Charges over premises, vehicles, equipment and inventory

Investments in debt securities and government instruments are generally unsecured.

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period.

A portion of the Company's loans and advances has sufficiently low 'loan to value' ratios, which results in no loss allowance being recognised in accordance with the expected credit loss model. The carrying amount of such instruments is \$13,316,541 as at 30 September 2019.

The Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Company will take possession of collateral to mitigate potential credit losses. The fair value of collateral held for Financial assets that are credit-impaired amounted to \$4,904,455 as at 30 September 2019.

The Company's policy is to advertise collateral to the public in an effort to recover outstanding sums.

During the year the Company obtained collateral from defaulting counterparties. The nature and carrying amounts of assets obtained, which are still held at the reporting date, are shown in the table below.

	2019	2018
Real Estate	36,978	71,240
Equipment	0	1,995

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Collateral (Cont'd)

Modified facilities

The Company sometimes modifies the terms of loans and advances due to commercial renegotiations, or for distressed loans, with a view of maximising recovery. Renegotiations are usually considered upon request or where it is judged that a defaulting borrower will be better able to service outstanding debt under revised conditions.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 to Stage 2 to Stage 1. This is only the case for assets which have performed in accordance with the new terms for 12 consecutive months or more. The gross carrying amount of such assets held as at 30 September 2019 was \$81,183.

Written-off financial assets

During the year, the Company wrote off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off was \$651,562.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Applicable to the year ended 30 September 2018

The table below analyses the credit quality of financial instruments which are neither past due nor impaired.

As at 30 September 2018	High	Standard	Special Monitoring	Total
Cash and balances with Bank of Guyana	12,721,701	0	0	12,721,701
Amounts due from other banks	3,754,775	0	0	3,754,775
Investment securities	3,768,956	264,481	0	4,033,437
Loans and advances	6,399,863	11,545,523	67,928	18,013,314
Other assets	8,768	31,190	347	40,305
	26,654,063	11,841,194	68,275	38,563,532
Guarantees	324,543	519,512	213	844,268
Credit commitments	425,156	483,953	100	909,209
	749,699	1,003,465	313	1,753,477
Total	27,403,762	12,844,659	68,588	40,317,009

Financial assets that are past due but not impaired

An age analysis of financial assets that are past due but not individually impaired is set out in the following table. The Company's sole exposure to past due assets is from among its loans and advances.

For the purposes of this analysis an asset is considered past due and included below when any payment due under the strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment of principal or interest or both overdue.



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (Cont'd)

Financial assets that are past due but not impaired (Cont'd)

	Up to 30 days	Between 30-60 days	More than 60 days	Total	Collateral
As at 30 September 2018					
Loans and advances	2,343,655	1,302,007	0	3,645,662	5,204,402

Impaired financial assets

An analysis of the financial assets that have been individually assessed as impaired is shown in the table below.

	Original Carrying Amount	Impairment Provision	Revised Carrying Amount	Collateral
As at 30 September 2018				
Loans and advances	5,387,522	1,351,830	4,035,692	7,147,690
Investment securities	297,367	208,008	89,359	0

Renegotiated facilities

During the prior year the Company renegotiated the terms of financial assets with a carrying value of \$1,793,664, which would otherwise have been past due or impaired. The renegotiations were primarily refinancing of facilities or rescheduling of payments.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity Risk

This is the risk that the Company will be unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to meet its obligations is inherent in banking obligations and can be impacted by a range of institution specific and market-wide events.

Management of Liquidity Risk

The Audit, Finance and Risk Management Committee of the Board of Directors is responsible for approving the Company's risk management policies and practices. Management is responsible for implementing those approved policies and practices.

The Company's liquidity management process is monitored by the Finance and Treasury function and includes the following measures:

- (a) Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. Projections of cash flow profiles and expected maturities of financial instruments are relied upon to monitor future cash flows.
- (b) Funds are borrowed on the inter-bank market to meet day-to-day shortfalls.
- (c) A portfolio of highly marketable assets (including government securities) is maintained that can be sold or used as collateral for funding in the event of any unforeseen interruption to cash flow.
- (d) Statutory liquidity ratios are regularly monitored.
- (e) The Company is required to retain a balance of cash at the Bank of Guyana to meet any unforeseen and significant shortfalls in liquidity. The amount to be deposited at the Bank of Guyana is dependent on the level of liabilities held in the form of customers' deposits.

Given the nature of the Company's operations, most of its financial liabilities are not demanded on the earliest date that repayment is due.



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity Risk (Cont'd)

Contractual maturity of assets and liabilities

The following tables summarise the liquidity risk of the Company by analysing the assets and liabilities into relevant maturity groupings, based on the remaining period from the reporting date to contractual maturity date.

As at 30 September 2019	Within 3 months	Over 3 months but not over 6 months	Over 6 months but not over 12 months	Over 1 year but not over 5 years	Over 5 years	Total
Assets						
Cash and balances with						
Bank of Guyana	12,619,068	0	0	0	0	12,619,068
Amounts due from other banks	4,694,019	0	0	0	0	4,694,019
Investment securities	1,118,240	158,317	1,984,486	0	241,182	3,502,225
Loans and advances	1,250,290	777,485	2,459,315	6,758,550	18,544,168	29,789,808
Other assets	425,567	0	3,845,072	0	0	4,270,639
Total assets	20,107,184	935,802	8,288,873	6,758,550	18,785,350	54,875,759
Liabilities						
Customers' deposits	36,963,784	3,126,206	4,076,009	113,138	0	44,279,137
Other liabilities	700,286	0	522,094	51,652	0	1,274,032
Total liabilities	37,664,070	3,126,206	4,598,103	164,790	0	45,553,169
Net liquidity gap	(17,556,886)	(2,190,404)	3,690,770	6,593,760	18,785,350	

As at 30 September 2018

Assets						
Cash and balances with						
Bank of Guyana	12,721,701	0	0	0	0	12,721,701
Amounts due from other banks	3,754,775	0	0	0	0	3,754,775
Investment securities	889,208	2,754,015	430,732	0	249,933	4,323,888
Loans and advances	1,356,327	838,385	707,737	5,331,082	17,293,593	25,527,124
Other assets	307,127	0	3,835,981	0	11,755	4,154,863
Total assets	19,029,138	3,592,400	4,974,450	5,331,082	17,555,281	50,482,351
Liabilities						
Customers' deposits	33,222,888	2,851,048	4,329,670	499,617	0	40,903,223
Other liabilities	589,623	0	289,408	8,620	47,201	934,852
Total liabilities	33,812,511	2,851,048	4,619,078	508,237	47,201	41,838,075
Net liquidity gap	(14,783,373)	741,352	355,372	4,822,845	17,508,080	

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity Risk (Cont'd)

Contractual maturity of financial liabilities

The tables below present the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows of financial liabilities including future payments of interest.

As at 30 September 2019	Within 3 months	Over 3 months but not over 6 months	Over 6 months but not over 12 months	Over 1 year but not over 5 years	Over 5 years	Total
On statement of financial position:						
Customers' deposits	36,977,344	3,173,181	4,180,281	115,879	0	44,446,685
Other financial liabilities	571,863	0	0	0	0	571,863
Off statement of financial position:						
Guarantees	412,199	94,344	388,880	219,083	0	1,114,506
Credit commitments	856,856	0	0	0	0	856,856
	38,818,262	3,267,525	4,569,161	334,962	0	46,989,910
As at 30 September 2018						
On statement of financial position:						
Customers' deposits	33,232,853	2,871,594	4,411,479	527,662	0	41,043,588
Other financial liabilities	474,888	0	0	0	0	474,888
Off statement of financial position:						
Guarantees	48,582	127,798	410,826	257,062	0	844,268
Credit commitments	909,209	0	0	0	0	909,209
	34,665,532	2,999,392	4,822,305	784,724	0	43,271,953

Foreign Exchange Risk

Foreign currency exposure arises from the Company's holding of foreign denominated assets and liabilities. The risk is that the carrying value of a financial instrument will fluctuate unfavourably because of changes in foreign exchange rates.

The Audit, Finance and Risk Management Committee of the Board of Directors is responsible for approving the Company's risk management policies and practices. Management is responsible for implementing those approved policies and practices.

Management of the Company reviews and manages the risk of unfavourable exchange rate movements by constant monitoring of market trends. The Company holds a large percentage of its foreign - denominated assets and liabilities in stable currencies and maintains net currency exposures within acceptable limits.

The aggregate amounts of assets and liabilities denominated in foreign currencies are shown in the tables below, along with the pre-tax impact of a reasonably possible change in the exchange rate (all changes in exchange rates reflect a strengthening against the Guyana Dollar).



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign Exchange Risk (Cont'd)

	Assets	Liabilities	Net Position	% change	Impact on profit increase/ (decrease)	Impact on OCI increase/ (decrease)
As at 30 September 2019						
United States Dollar	5,556,005	3,007,062	2,548,943	1.0%	25,489	0
Trinidad & Tobago Dollar	277,114	0	277,114	1.0%	2,771	0
Eastern Caribbean Dollar	161,940	0	161,940	1.0%	1,619	0
Other	44,781	2,295	42,486	1.0%	425	0
As at 30 September 2018						
United States Dollar	5,597,959	2,516,997	3,080,962	1.0%	30,810	0
Trinidad & Tobago Dollar	228,299	0	228,299	1.0%	272	2,011
Eastern Caribbean Dollar	267,556	0	267,556	1.0%	2,676	0
Other	56,391	3,745	52,646	1.0%	526	0

Interest Rate Risk

The Company is exposed to certain risks associated with fluctuations in the prevailing levels of interest rates. Interest rate risk arises from movements in interest rates where the Company's assets and liabilities have varying repricing dates.

The Audit, Finance and Risk Management Committee of the Board of Directors is responsible for approving the Company's risk management policies and practices. Management is responsible for implementing those approved policies and practices.

Management manages this risk by a number of measures, including selection of assets which best match the maturity of liabilities and the offering of deposit opportunities that match the maturity profile of assets. Maturity gap profiles and interest rate sensitivity analyses are relied upon to manage this risk.

The Company holds a minimal amount of floating rate instruments and therefore has limited exposure to the cash flow risk that could arise.

The tables below set out the Company's exposure to interest rate risk by categorising the Company's assets and liabilities, by the earlier of contractual repricing or maturity dates.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Interest Rate Risk (Cont'd)

As at 30 September 2019	Up to 1 year	Over 1 year but not over 5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with					
Bank of Guyana	0	0	0	12,619,068	12,619,068
Amounts due from other banks	2,476,986	0	0	2,217,033	4,694,019
Investment securities	3,016,773	0	241,182	244,270	3,502,225
Loans and advances	4,180,085	6,758,550	18,544,169	307,004	29,789,808
Other assets	0	0	0	4,270,639	4,270,639
Total assets	9,673,844	6,758,550	18,785,351	19,658,014	54,875,759
Liabilities					
Customers' deposits	39,424,974	113,139	0	4,741,024	44,279,137
Other liabilities	0	0	0	1,274,032	1,274,032
Total liabilities	39,424,974	113,139	0	6,015,056	45,553,169
Interest sensitivity gap	(29,751,130)	6,645,411	18,785,351		

As at 30 September 2018

Assets					
Cash and balances with					
Bank of Guyana	0	0	0	12,721,701	12,721,701
Amounts due from other banks	26,520	0	0	3,728,255	3,754,775
Investment securities	3,872,863	0	249,933	201,092	4,323,888
Loans and advances	2,652,765	5,331,082	17,293,593	249,684	25,527,124
Other assets	0	0	0	4,154,863	4,154,863
Total assets	6,552,148	5,331,082	17,543,526	21,055,595	50,482,351
Liabilities					
Customers' deposits	37,027,774	499,617	0	3,375,832	40,903,223
Other liabilities	0	0	0	934,852	934,852
Total liabilities	37,027,774	499,617	0	4,310,684	41,838,075
Interest sensitivity gap	(30,475,626)	4,831,465	17,543,526		

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Interest Rate Risk (Cont'd)

The table below summarises the average effective interest rates for monetary financial instruments:

	2019 %	2018 %
Assets		
Investment securities	1.8	1.8
Loans and advances	10.1	10.5
Liabilities		
Customers' deposits	0.9	1.2

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to the shareholders and benefits to other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and maintain a prudent relationship between the capital base and the underlying risks of the business.

In pursuing these objectives, the Company has regard to capital requirements imposed by the Bank of Guyana. These requirements measure capital adequacy as a percentage of capital resources to risk weighted assets (Risk Asset Ratio). Risk weighted assets are a function of risk weights stipulated by the Bank of Guyana applied to the Company's assets. The Risk Asset Ratio should not be less than 8% with a Tier I component of not less than 4%.

The table below summarises the composition of regulatory capital and the ratios of the Company as at the date of the statement of financial position. The Company complied with the Bank of Guyana's capital requirements throughout the current year and prior year.

	2019	2018
Regulatory Capital		
Tier I Capital:		
Share capital	594,913	594,913
Statutory reserve	594,913	594,913
Retained earnings	7,783,304	6,945,230
Tier II Capital:		
Revaluation reserve	58,061	58,061
Available-for-sale investments reserve	0	(17,632)
Prescribed deduction	(123,874)	(101,704)
	<u>8,907,317</u>	<u>8,073,781</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Capital Management (Cont'd)

	2019	2018
Risk-weighted Assets		
On-balance sheet	30,183,222	25,909,611
Off-balance sheet	557,253	422,134
	<u>30,740,475</u>	<u>26,331,745</u>
Regulatory ratios		
Tier I capital ratio	<u>29.2%</u>	<u>30.9%</u>
Total capital ratio	<u>29.0%</u>	<u>30.7%</u>

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The sections that follow provide an analysis of the fair values of the Company's assets and liabilities based on the following hierarchy contained in IFRS 13:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset that are not based on observable market data (that is unobservable inputs)

Asset carried at fair value

The Company's FVPL investment security (2018 - available-for-sale investment security) is carried at fair value based on a quoted price from an active market. It would therefore be classified as Level 1.

Assets and liabilities not carried at fair value

The table below shows the fair values of assets and liabilities which are not carried at fair value on the statement of financial position but for which disclosure of fair value is required.

	IFRS13 Level	2019 Carrying Amount	2019 Fair Value	2018 Carrying Amount	2018 Fair Value
Assets:					
Investment securities	Level 2	3,257,955	3,290,546	4,122,796	4,144,396
Loans and advances	Level 2	29,789,808	30,407,677	25,527,124	26,843,536

The fair values of investment securities and loans and receivables are based on net present values using discount rates reflective of market rates for similar assets.

The fair values of other financial assets and liabilities approximate to their carrying amounts given short term to maturity.



NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

29. SEGMENTAL INFORMATION

Sources of Income

The various sources of income earned by the Company are shown in notes 16 and 17.

Geographical Information

The analysis of the Company's revenue between earnings in Guyana and earnings out of Guyana is shown in note 16 to these financial statements. There are no assets, other than financial instruments, located out of Guyana.

The geographic analysis of the Company's financial instruments held at the year end is shown in note 28 to these financial statements.

Major Customers

There was no revenue deriving from transactions with a single customer that amounted to 10 percent or more of the Company's revenue.

30. ADOPTION OF IFRS 9

The impact arising on the adoption of IFRS 9 is set out in the sections below.

Classification and measurement of financial instruments

As at 01 October 2018, with the adoption of IFRS 9, the measurement category and carrying amount of the financial assets and liabilities, in accordance with IAS 39 and IFRS 9, are compared as follows:

	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Cash resources	Amortised cost (Loans and Receivables)	16,476,476	Amortised cost	16,476,476
Investment securities	FVOCI (Available for Sale)	201,092	FVPL	201,092
	Amortised cost (Held to Maturity)	4,122,796	Amortised cost	4,114,733
Loans and advances	Amortised cost (Loans and Receivables)	25,527,124	Amortised cost	25,366,298
Other financial assets	Amortised cost (Loans and Receivables)	40,305	Amortised cost	40,305
Customer deposits	Amortised cost	40,903,223	Amortised cost	40,903,223
Other financial liabilities	Amortised cost	474,888	Amortised cost	474,888

The Company held an instrument classified as available for sale under IAS 39. Under IFRS 9, the instrument did not meet the 'solely payments of principal and interest' (SPPI) requirement for the FVOCI election. As a result the instrument was classified as FVPL from the date of initial adoption of IFRS 9.

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30 September 2019

Thousands of Guyana Dollars

30. ADOPTION OF IFRS 9 (Cont'd)

Reconciliation of statement of financial position from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial instruments, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 01 October 2018.

	IAS 39 Carrying Amount 30 Sep 2019	Reclassifications	Remeasurements	IFRS 9 Carrying Amount 01 Oct 2018
Amortised Cost				
Cash and balances with Bank of Guyana	12,721,701	0	0	12,721,701
Amounts due from other banks	3,754,775	0	0	3,754,775
Investment securities	4,122,796	0	(8,063)	4,114,733
Loans and advances	25,527,124	0	(160,826)	25,366,298
Other financial assets	40,305	0	0	40,305
Fair Value (AFS)				
Investment securities	201,092	(201,092)	0	0
Fair Value (FVPL)				
Investment securities	0	201,092	0	201,092
Amortised Cost				
Customers' deposits	40,903,223	0	0	40,903,223
Other financial liabilities	474,888	0	0	474,888

NOTES TO THE FINANCIAL STATEMENTS

30 September 2019

Thousands of Guyana Dollars

30. ADOPTION OF IFRS 9 (Cont'd)

Reconciliation of statement of financial position from IAS 39 to IFRS 9 (Cont'd)

	IAS 39 Carrying Amount 30 Sep 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount 01 Oct 2018
Non-financial asset				
Deferred tax asset	11,755	(11,755)	64,331	64,331
Equity				
General banking risk reserve	468,791	0	(247,600)	221,191
Other reserves	40,429	17,632	0	58,061
Retained earnings	6,945,230	5,877	107,778	7,058,885

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model as at 01 October 2018:

	IAS 39 Carrying Amount 30 Sep 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount 01 Oct 2018
Impairment on:				
Investment securities (HTM)	208,008	0	8,063	216,071
Loans and advances (AC)	1,519,376	0	160,826	1,680,202

With the increase in the IFRS 9 ECL provision as at 01 October 2018, there was a reduction in the required general banking risk reserve by \$247,600.

CORRESPONDENT BANKS

United States Dollar (USD) TRANSACTIONS

BNY MELLON, NY
225 Liberty Street
New York, NY 10286

ABA# 021000018
SWIFT: IRVTUS3N
A/C No. 8901413550 (USD)

CROWN AGENTS BANK LIMITED

St Nicholas House
St Nicholas Road
Sutton, Surrey SM1 1EL
United Kingdom

SWIFT: CRASGB2L
A/C No. 33076101 (USD)

Canadian Dollar (CAD) TRANSACTIONS

CROWN AGENTS BANK LIMITED

St Nicholas House
St Nicholas Road
Sutton, Surrey SM1 1EL
United Kingdom

SWIFT: CRASGB2L
IBAN: GB88CRAS40528733076901
A/C No. 33076901 (CAD)

Pound Sterling (GBP) TRANSACTIONS

CROWN AGENTS BANK LIMITED

St Nicholas House
St Nicholas Road
Sutton, Surrey SM1 1EL
United Kingdom

SWIFT: CRASGB2L
IBAN: GB41CRAS40528733076001
A/C No. 33076001 (GBP)

Euro (EUR) TRANSACTIONS

CROWN AGENTS BANK LIMITED

St Nicholas House
St Nicholas Road
Sutton, Surrey SM1 1EL
United Kingdom

SWIFT: CRASGB2L
IBAN: GB08CRAS40528733076401
A/C No. 33076401 (EUR)

Jamaican Dollar (JMD) TRANSACTIONS

SAGICOR BANK JAMAICA LIMITED

17 Dominica Drive
New Kingston
Kingston 5
Jamaica

A/C No. 0341330000159 (JMD)





PRODUCTS AND SERVICES

REGULAR CHEQUING ACCOUNT

Minimum opening balance \$25,000
No Interest
No service charge if minimum balance is over \$25,000
ATM access..... 24 hours
Monthly Statements
Special conditions apply

PREMIUM CHEQUING ACCOUNT

Minimum opening balance \$200,000
Competitive interest accrues on lowest daily balance over \$200,000 and credited monthly
No service charge if minimum balance is over \$200,000
ATM access ... 24 hours
Monthly Statements
Special conditions apply

CORPORATE CHEQUING ACCOUNT

Minimum opening balance \$500,000
Competitive interest accrues on lowest daily balance over \$500,000 and credited monthly
No service charge if minimum balance is over \$500,000
Monthly Statements
Special conditions apply

JACKPOT SAVINGS ACCOUNT

Minimum opening balance \$3,000
Competitive interest accrues on minimum quarterly balance and credited twice yearly
Accounts with balances in excess of \$10,000 qualify for a chance to win prizes in Jackpot Draws
ATM access ... 24 hours
Monthly Statements

EXCEL SAVINGS ACCOUNT

Minimum opening balance \$200,000
Competitive interest accrues on minimum monthly balance and credited quarterly
No service charge if minimum balance is over \$200,000
ATM access 24 hours

GOLDEN GRAND SAVINGS ACCOUNT

(Special Account for Senior Citizens)
Minimum opening balance \$1,000
Interest rate above Jackpot Savings rate
Interest accrues on minimum quarterly balance and credited twice yearly
No service charges
No charges on foreign transfers
ATM access ... 24 hours
Monthly Statements

JUNIOR SAVERS ACCOUNT

(Special account for Children)
Minimum opening balance \$1,000
Receive gift on opening of account
Interest rate above Jackpot Savings rate
Interest accrues on minimum quarterly balance and credited twice yearly
No service charges
Special Incentives for educational achievements
ATM access ... 24 hours
Monthly Statements

MONEY MARKET ACCOUNT

Minimum opening balance \$1,000,000
Competitive interest rate accrues on daily collected balances over \$1,000,000 and credited monthly
ATM access ... 24 hours
Monthly Statements

CERTIFICATE OF DEPOSIT

Minimum deposit \$50,000
Available for standard periods of 90 and 365 days (other terms can be negotiated)
Interest rate is negotiable and guaranteed for a fixed period
Interest accrues daily and is paid at maturity

RETAIL BANKING SERVICES

Consumer Loans
Mortgage Loans
Money Lines and Overdrafts
Sweep transfers for Chequing Accounts
Standing Orders for regular periodic payments

CORPORATE BANKING SERVICES

Commercial Loans and Mortgages
Overdrafts
Sweep transfers for Chequing Accounts
Lines of Credit
Bonds and Guarantees
Letters of Credit
Collections
Banker's Acceptances
Loan Syndication
Payroll Services
Standing Orders

POINT-OF-SALE TERMINALS

(VISA Merchant Acquiring)
Merchants with VISA Point-of-Sale terminals can accept payment by all VISA branded cards (credit & debit)

MONEY CARD

All Citizens Bank personal account holders can get their own personal money card to access our automated teller machines to withdraw funds, transfer funds between accounts and request account balances. Deposits can also be done at some of these machines.

INTERNATIONAL CREDIT CARDS

(For Personal or Corporate Use)

VISA Classic Credit Cards:
Limits US\$300 – US\$5,000
Available for co-applicants

VISA Gold Credit Cards:
Limits US\$5,000 – US\$50,000
Available for co-applicants

VISA Business Credit Cards:
Limits US\$5,000 – US\$50,000
Available with individual or shared limits

FOREIGN EXCHANGE SERVICES

Competitive Exchange Rates
Wire Transfers (incoming and outgoing)
Foreign Currency Accounts (USD, GBP, CAD and EURO) - Special conditions apply

WESTERN UNION MONEY TRANSFER AGENCY

Send and receive Western Union Money Transfers at any of our Branches.

UTILITY BILL PAYMENT SERVICES

Pay your utility bills at any of our Branches
Telephone (GTT+ and Digicel) bills
Water (GWI) bills
Electricity (GPL) bills
No Charges apply

NIGHT DEPOSITORY SERVICES

Secure bags
Secure fire proof chute



NOTES



CITIZENS BANK PROXY FORM

This form is for use by shareholders only.

I/We

of

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

of

or, failing him/her

of

as my/our proxy to vote for my/our behalf at the annual general meeting of the Company to be held on 21 January 2020 and at any adjournment thereof.

Signed this day of 2020. Signature

(Strike out which is not desired)

1. To receive the Report of the Directors and the Audited Financial Statements for the year ended 30 September 2019.

IN FAVOUR OF

AGAINST

2. To approve the declaration of a dividend.

IN FAVOUR OF

AGAINST

3. To Elect Directors

Mr. Clifford B. Reis, C.C.H.

Mr. Rakesh K. Puri.

Mr. Paul A. Carto A.A.

IN FAVOUR OF

AGAINST

4. To fix the remuneration of the Directors.

IN FAVOUR OF

AGAINST

5. To re-appoint the incumbent Auditors.

IN FAVOUR OF

AGAINST

6. To empower the Directors to fix the remuneration of the Auditors.

IN FAVOUR OF

AGAINST

Please give the following information in block capitals:

Full name:

Address:

Initials and Surname of any joint holder(s)

Notes:

1. Unless otherwise instructed, the proxy will, at his/her discretion, vote as he/she thinks fit or abstain from voting.

2. Votes by proxy may be given only on a poll.

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

MAIN OFFICE

Lot 231-233 Camp Street
& South Road,
Lacytown, Georgetown, Guyana.
Telephone: (592) 226-1705
E-mail: info@citizensbankgy.com
Website: www.citizensbankgy.com

BRANCH OFFICES

Lot 298 Parika Highway,
East Bank Essequibo, Guyana.
Telephone: (592) 260-4005

Lot 16 First Avenue,
Bartica, Essequibo, Guyana.
Telephone: (592) 455-3012

Thirst Park, Georgetown,
Guyana.
Telephone: (592) 223-7659

Lot 11-12 Republic Avenue,
and Crabwood Street
Linden, Guyana.
Telephone: (592) 444-2938

Lot 18 Main & Kent Streets,
New Amsterdam,
Berbice, Guyana.
Telephone: (592) 333-4475