

**BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2018

AND

INDEPENDENT AUDITOR'S REPORT

**MAURICE SOLOMON & CO.
CHARTERED ACCOUNTANTS / MANAGEMENT CONSULTANTS**

**BANK OF BARODA (GUYANA) INC
(SUBSIDIARY OF BANK OF BARODA (INDIA))
31 MARCH, 2018**

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Maurice Solomon & Co.

Chartered Accountants/Management Consultants



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK OF BARODA (GUYANA) INC. (SUBSIDIARY OF BANK OF BARODA (INDIA))

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bank of Baroda (Guyana) Inc., which comprise the Statement of Financial Position as at 31 March 2018, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out in pages 8 to 40.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects of the financial position of Bank of Baroda (Guyana) Inc. as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Financial Institutions Act 1995 and the Companies Act 1991.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Bank of Baroda (Guyana) Inc. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Board for Accountants' 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 judgment, were of most significance in our audit of the financial statements of the current period. The key audit matters noted hereunder were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit procedures addressed the key audit matter
<p>Impairment Provision for Loans and Mortgages</p> <p>Loans and mortgages amounting to \$5,036,948 (after impairment provision) represent thirty five (35) percent of the total assets of the Bank as shown in the Statement of Financial Position (page 4).</p> <p>The methodologies required by IFRS and Bank of Guyana in respect of impairment provisions involve significant judgment by management on matters such as :</p> <ul style="list-style-type: none">• Loan classification as impaired;• Valuation and realization of collaterals pledged;• Amount and timing of cash flows.	<p>Our procedures in relation to this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none">• We evaluated and tested the Bank's process and documented policy for mortgage loss provisioning.• For loan loss provisions calculated on an individual basis, we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.• We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment in conformity with the Bank of Guyana Supervision Guidelines.

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<p>With a high degree of significant judgment involved in assessing the mortgage impairment provision and in conformity with supervision guideline 5, mortgage impairment was considered a key audit matter.</p>	<ul style="list-style-type: none"> • For mortgage loss provisions calculated on a collective basis, we reviewed management's inherent risk provisions estimate, with a focus on the reasonableness of the factors applied and assumptions used, considering the economic changes in Guyana. • Finally, we focused on the adequacy of the Bank's financial statement disclosures regarding mortgage and the related provisions.
<p>Regulatory Environment</p> <p>The Bank operates in a highly regulated environment and non-compliance with laws and regulations, particularly the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act could result in the Bank facing penalties and other administrative sanctions by Bank of Guyana and Financial Intelligence Unit (FIU).</p> <p>The Compliance Officer is responsible to establish various controls to ensure that the Bank is AML/CFT compliant with governing regulations.</p>	<p>Our procedures in relation to this key audit matter included, but were not limited to, the following:</p> <p>We evaluated and tested the Bank's internal controls with emphasis on compliance with AML/CFT policy. This includes:</p> <ul style="list-style-type: none"> • A review of policies and procedures in place including approval of those policies by those charged with governance. • Adequate training and refresher programmes for new and existing bank personnel including those charged with governance. • Testing of transactions to ensure AML/CFT requirements are carried out by bank personnel. • Reporting to Financial Intelligence Unit (FIU) in conformity with the requirements of the AML/CFT Act.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, The Companies Act 1991, the Financial Institutions Act 1995, Bank of Guyana supervision guidelines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

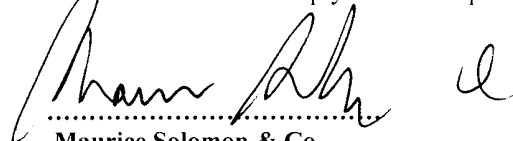
As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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.

Reports on Other Legal and Regulatory Requirements

The financial statements comply with the requirement of the Financial Institution Act 1995 and the Companies Act 1991.



Maurice Solomon & Co.
Chartered Accountants


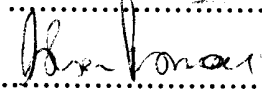
27th April, 2018

BANK OF BARODA (GUYANA) INC
(SUBSIDIARY OF BANK OF BARODA (INDIA))
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2017/2018 G\$ 000	2016/2017 G\$ 000
ASSETS			
Cash Resources			
Cash and due by banks	8	3,846,555	4,467,399
Deposits with Bank of Guyana	8	2,542,544	3,521,439
		6,389,099	7,988,838
Investments			
Treasury Bills	9	2,472,150	2,935,900
Loans and Advances	10	5,036,948	6,050,846
		7,509,098	8,986,746
Property and equipment	11	174,128	183,625
Deferred tax	5	45,738	68,650
Tax recoverable		64,815	83,989
Other assets	12	253,938	274,865
		538,619	611,129
		14,436,816	17,586,713
EQUITIES AND LIABILITIES			
Capital and reserves			
Share capital		750,000	750,000
Retained earnings		1,759,237	1,665,721
Statutory reserve		326,400	309,897
		2,835,637	2,725,618
Deposits			
Demand		2,713,989	2,509,400
Savings		2,191,250	2,161,287
Term		6,498,745	9,854,930
		11,403,984	14,525,617
Other	13	197,195	335,478
		14,436,816	17,586,713

These financial statements were approved by the Board of Directors on 25th April, 2018.

On behalf of the Board:


..... Chief Executive Officer and Director

..... Director

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

BANK OF BARODA (GUYANA) INC
(SUBSIDIARY OF BANK OF BARODA (INDIA))
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

		2017/2018	2016/2017
	Notes	G\$ 000	G\$ 000
Interest income			
Loans and advances		548,176	692,094
Investments: Treasury Bills	9(b)	54,277	159,028
Local bank deposits		46,290	42,859
Foreign bank deposits		29,517	38,347
		<u>678,260</u>	<u>932,328</u>
Interest expense			
Savings deposits		49,841	87,314
Term deposits		260,198	257,613
Other		45	48
		<u>310,084</u>	<u>344,975</u>
Net interest income		368,176	587,353
Other income	6	169,653	201,522
Net interest and other income		<u>537,829</u>	<u>788,875</u>
Non-interest expenses			
Salaries and other staff costs		89,423	89,292
Premises and equipment		78,269	77,135
Provision for Bad Debt		12,126	316,901
Bad Debt Write Off		42,514	-
Other		53,906	81,229
		<u>276,239</u>	<u>564,557</u>
Profit before Taxation	7	261,590	224,318
Taxation	5	<u>(151,571)</u>	<u>(63,905)</u>
Profit after taxation		<u>110,019</u>	<u>160,413</u>
Total Comprehensive Income for the year		<u>110,019</u>	<u>160,413</u>

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

**BANK OF BARODA (GUYANA) INC
(SUBSIDIARY OF BANK OF BARODA (INDIA))
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital	Retained Earnings	Statutory Reserve	Total
	GS 000	GS 000	GS 000	GS 000
Balance at 1 April 2016	750,000	1,529,370	285,835	2,565,205
Changes in equity 2016/2017				
Total Comprehensive income for the year	-	160,413	-	160,413
Transfer	-	(24,062)	24,062	-
Balance as at 31 March 2017	<u>750,000</u>	<u>1,665,721</u>	<u>309,897</u>	<u>2,725,618</u>
Balance at 1 April 2017	750,000	1,665,721	309,897	2,725,618
Changes in equity 2017/2018				
Total Comprehensive income for the year	-	110,019	-	110,019
Transfer	-	(16,503)	16,503	-
Balance as at 31 March 2018	<u>750,000</u>	<u>1,759,237</u>	<u>326,400</u>	<u>2,835,637</u>

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

BANK OF BARODA (GUYANA) INC
(SUBSIDIARY OF BANK OF BARODA (INDIA))
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	2017/2018	2016/2017
	<u>G\$ 000</u>	<u>G\$ 000</u>
Operating activities		
Profit before Taxation	261,590	224,318
Adjustment for:		
Depreciation	17,751	17,110
Gain on disposal of non-current	<u>(526)</u>	<u>-</u>
Operating profit before working capital changes	278,815	241,428
Decrease in loans and advances	1,013,898	959,252
Increase/(decrease) in customers' deposits	(3,121,633)	443,550
(Increase)/ decrease in other assets	20,927	(77,428)
(Decrease) in other liabilities	(138,283)	(57,249)
(Increase)/ decrease in required reserve with Bank of Guyana	<u>978,895</u>	<u>(1,043,794)</u>
Cash provided by operating activities	(967,382)	465,759
Taxation		
Taxes paid/adjusted (net)	<u>(110,487)</u>	<u>(155,528)</u>
Net cash provided by operating activities	<u>(1,077,868)</u>	<u>310,231</u>
Investing activities		
Movement in treasury bills	463,750	1,560,020
Proceeds from the sale of non-current assets	1,800	-
Additions to property and equipment	<u>(8,526)</u>	<u>(10,113)</u>
Net cash provided by investing activities	<u>457,024</u>	<u>1,549,907</u>
Net increase in cash and short term funds	(620,844)	1,860,138
Cash and short term funds at beginning of year	4,467,399	2,607,261
Cash and short term funds at end of year	<u><u>3,846,555</u></u>	<u><u>4,467,399</u></u>

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

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

1. INCORPORATION AND BUSINESS ACTIVITIES

The company was registered as a banking institution in Guyana on 1 March 1999 and commenced operations on 25 May 1999. The registered office of the company is Lot 10 Regent and Avenue of the Republic, Georgetown, Guyana.

The company is licensed to carry on the business of banking operations in accordance with the provisions of the Financial Institutions Act 1995.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

- a) *Standards, amendments and interpretations that are not yet effective in current year and either not relevant or with has no material impact on the Institution's financial reporting.*

IAS 12 Income Taxes 1 January 2019

IAS 19 Employee Benefits 1 January 2019

IAS 23 Borrowing Costs 1 January 2019

IAS 28 Investments in Associates and Joint Ventures (clarifying certain fair value measurements) 1 January 2019

IFRS 3 Business Combinations 1 January 2019

IFRS 9 Financial Instruments (Amendments regarding prepayment features with negative compensation and modifications of financial liabilities) 1 January 2019

IFRS 11 Joint Arrangements 1 January 2019

IFRS 16 Leases 1 January 2019

IFRS 17 Insurance Contracts 1 January 2021

- b) *The standards and amendments adopted and has material impact on the Institution's financial reporting.*

IAS 1 Presentation of Financial Statements

IAS 7 Statement of Cash Flows January 2017

IAS 16 Property, Plant and Equipment

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 36 Impairment of Assets

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 9 Financial Instruments 1 January 2018

IFRS 12 Disclosure of Interests in Other Entities 1 January 2017

IFRS 13 Fair Value Measurement

IFRS 15 - Revenue from Contracts with customers

IFRS 7 Financial Instruments Disclosures

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- c) *The standards and amendments that are effective in the current year and expected to have to no material impact on the Trust's financial reporting.*

Clarification of acceptable methods of depreciation and amortisation
(amendments to IAS 16 & IAS 38)

IAS 28 Investments in Associates and Joint Ventures (clarifying certain fair value
measurements) 1 January 2018

IAS 39 Financial Instruments: Recognition and Measurement

IAS 32 Financial Instruments: Presentation

IAS 32 Offsetting Financial Assets and Liabilities

IAS 36 Recoverable Amount Disclosures for Non Financial Assets

IAS 38 Intangible Assets (Amendments regarding the clarification of acceptable methods of
depreciation and amortisation)

IAS 40 Investment Property (Amendments to clarify transfers or property to, or from,

IFRS 1 First-time Adoption of International Financial Reporting Standards Amendments 1
January 2018

IFRS 2 Share-based Payment Amendments 1 January 2018

IFRS 4 Insurance Contract: Applying IFRS 9 "Financial Instrument" with "IFRS 4"

IFRS 14 - Regulatory Deferral Accounts

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. Summary of Significant Accounting Policies

3.1 Accounting convention

The financial statements have been prepared under the historical cost convention and conform with the International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana. The principal accounting policies are set out below.

3.2 Interest Income:

Interest Income for all interest bearing financial instruments is recognized in the statement of income on an accrual basis using the effective interest yield method. The effective interest yield is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

3.3 Non-Interest Income:

The Bank earns fee income from a diverse range of services provided to its customers. Income earned from the provision of services is recognized as revenue as the services are provided. Fees and commissions are recognized as earned. Examples of these types of accounts are:

- Commitment Fees - negotiation, application Fees for new loan accounts
- Drafts and Transfers - cost of Drafts, telegraphic transfer
- Ledger Fees - charge for new cheque book
- Safe Custody - annual rental of Safe deposit boxes

3.4 Foreign currency transactions

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

At each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the official or Cambio rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised in the statement of comprehensive income.

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. Summary of Significant Accounting Policies (Cont'd)

3.5 Property, Plant and equipment

Property, Plant and equipment are stated generally at historical cost, except for those measured at fair value, when they are tested for impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

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

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

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the statement of net income during the financial period in which they are incurred.

Freehold building and computer equipment are depreciated on straight line method to write off the assets over their useful estimated lives. All other property and equipment are depreciated on the reducing balance method at rates sufficient to write off the cost of these assets to their residual values over their estimated useful lives as follows:-

Freehold Building	2%
Computer Equipment	33 (1/3) %
Equipment including furniture and fixtures	10 - 20 %
Motor Vehicles	20%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. Summary of Significant Accounting Policies (Cont'd)

3.6 Financial Instruments

a) Classification

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

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

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

Cash and short term funds

Cash and short term funds comprise of cash and due by and to banks and deposits with Bank of Guyana in excess of the required reserve.

These are readily convertible to a known amount of cash, with maturity dates of less than three (3) months.

Other Receivables

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

Deposits and Other Payables

Other payables' are measured at amortised cost.

Derecognition

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

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

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. Summary of Significant Accounting Policies (Cont'd)

3.6 Financial Instruments

b) Investments

The bank classifies its investments portfolio into the following category:

"Held to maturity investments".

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

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

Derecognition of provisions

Provisions are derecognized when it is no longer probable that an outflow of economic resources will be required to settle the obligation.

Reporting Divisions

The bank's operations are considered a single business unit with certain operations carried out within Guyana and outside of Guyana.

c) Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

Impairment losses on loans and advances:

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statement.

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. Summary of Significant Accounting Policies (Cont'd)

c) Critical accounting judgments and key sources of estimation

Useful lives of plant and equipment:

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

Impairment of financial assets:

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

Held to maturity:

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

3.7 Loans and advances

Loans and advances to customers comprise of loans and advances originated by the bank and are classified as financial assets at amortised cost.

All loans and advances are recognised when cash is advanced to borrowers and are derecognised when borrowers repay their obligation and when the loan is written off. Loans are written off when all necessary legal procedures have been completed and the amount of the loss is finally determined.

Upon classification of a loan of non-accrual status, interest ceased to accrue and all previously accrued and unpaid interest is reversed in the current period.

Loans and advances are generally returned to accrual status when the timely both principal and interest is reasonably assured and all delinquent principal and collection of interest payments are brought current.

a) *Loan Impairment*

It is the Bank's policy to provide for impaired loans on a consistent basis in accordance with the Financial Institutions Act (FIA) 1995 and established International Accounting Standards and Practices. Loans and advances to customers include loans and advances originated by the Bank and are classified as Financial Assets at amortised cost. Loans and advances are recognized when cash is advanced to borrowers and are derecognized when borrowers repay their obligations or when written off.

Losses for impaired loans are recognized promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on loans assessed collectively.

BANK OF BARODA (GUYANA) INC.
(SUBSIDIARY OF BANK OF BARODA (INDIA))
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

3. Summary of Significant Accounting Policies (Cont'd)

3.7 Loans and advances (Cont'd)

b) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Classification

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

Pass Due

A loan is classified as past due when:

- (i) Principal or interest is due and unpaid for one month to less than three months or
- (ii) Interest charges for one to two months have been capitalized, refinanced or rolled over.

Non- Performing Loans

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

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

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

Loan losses

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

- (i) An account is considered uncollectible.
- (ii) An account classified as doubtful with little or no improvement over the twelve months period.
- (iii) The unsecured portion of a loan with fixed repayment dates when:-
 - 1) Principal or interest is due and unpaid for twelve months or more, or
 - 2) Interest charges for twelve months or more have been capitalized, refinanced or rolled over
 - 3) Principal or interest is due and unpaid for twelve months or more, or
 - 4) Interest charges for twelve months or more have been capitalized, refinanced or rolled over.

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

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3. Summary of Significant Accounting Policies (Cont'd)

3.7 Loans and advances (Cont'd)

b) Provisions

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

<u>Classification</u>	<u>Level of Provision</u>
Pass	0%
Special Mention	0%
Sub-standard	0-20%
Pass Due	20%
Non Performing	100%

c) Renegotiated Loans:

The Bank's policy in relation to renegotiated loans is in accordance with the Financial Institutions Act (FIA) of 1995 - Supervision Guideline No.5, paragraph No.14. This Act states that a renegotiated facility may be a facility which has been refinanced, rescheduled, hived-off, rolled-over, or otherwise modified because of weakness in the borrower's financial position or the non-servicing of the debt as arranged, where it has been determined by the Bank that the terms of the renegotiated loan are such as to remedy the specific difficulties faced by the borrower.

3.8 Revenue Recognition

Loans and Investments

Interest income is accounted for on the accrual basis for investments and for all loans other than non-accrual loans using the effective interest rate method. When a loan is classified as non-accrual, any previously accrued but unpaid interest thereon is reversed against income in the current period. Thereafter, interest income is recognised only after the loan reverts to performing status.

3.9 Cash and cash equivalents

cash and cash equivalents comprise of cash on hand and short term highly liquid investments that are both readily convertible into known amounts of cash and so maturity that they present insignificant risk of changes in value due to changing near to interest rates.

3.10 Taxation

Tax expense for the period comprises current and deferred Tax. Tax is recognised in the statement of net income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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3. Summary of Significant Accounting Policies (Cont'd)

3.10 Taxation (cont'd)

Current Tax

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

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

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

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

3.11 Acceptances, Guarantees and Letters of Credit

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

3.12 Balances excluded from the accounts

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

BANK OF BARODA (GUYANA) INC.
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3. Summary of Significant Accounting Policies (Cont'd)

3.13 Statutory Reserve

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

3.14 Reserve Requirement

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

4. Financial Risk Management

The Bank's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's performance.

Management is responsible for the overall risk management approach and for approving the risk strategies and principles.

The Bank's management monitor and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks.

The Bank's risks are measured using methods which reflect the expected loss likely to arise in normal circumstances.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer to meet its obligations under a contract. It arises principally from lending.

- Balances due by Banks include balances held with correspondent Banks. These Banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due.

The related risk is therefore considered very low.

- Investments in Government of Guyana Treasury Bills and the Statutory deposits with the Bank of Guyana are assets for which the likelihood of default is extremely low and have therefore been considered virtually risk-free by the Directors.

The other cash resource is held with financial institutions and the directors have been advised that the risk exposure to the Bank is considered minimal on account of the fact that this investment is for a very short duration, and the institutions have been assessed by the directors to be creditworthy.

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4. Financial Risk Management (Cont'd)

Credit Risk (cont'd)

The objective of the bank's credit risk management is to optimally manage its credit risk exposure so as to:

- Not adversely affect its profitability and continue as a going concern.
- Comply with the requirements of the prevailing laws and bank regulations.

The bank has a standard policies and procedures dedicated to controlling and monitoring risk from such activities.

Compliance with credit policies and exposure limits is reviewed on a continuous basis. These policies include but are not limited to:

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

ii) Loans and overdrafts are generally collateralised with some or all of the following:

- Cash
- Mortgages
- Bill of Sale
- Guarantees
- Promissary Notes

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

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5. Taxation

Reconciliation of tax expense and accounting profit

	2017/2018 G\$ 000	2016/2017 G\$ 000
Accounting Profit	261,590	224,318
Corporation tax at 40%	104,636	89,727
Add:		
Others	(432)	24,841
Management Fees	-	5,920
Property tax	21,352	8,345
Capital Gains Tax	72	-
Depreciation for accounting purposes	7,100	6,844
	132,729	135,677
Deduct:		
Tax effect of depreciation for tax purposes	(4,070)	(4,264)
	128,659	131,413
Tax period basis	25,273	(28,205)
	153,931	103,208
Deferred taxation	(2,360)	(39,303)
	151,571	63,905
Taxation:		
-Current	128,659	131,413
-Deferred	22,912	(67,508)
	151,571	63,905
Components of deferred tax liabilities/(assets)	2017/2018 G\$ 000	2016/2017 G\$ 000
Property and Equipment	(46,169)	(43,809)
Income	432	(24,841)
	(45,738)	(68,650)

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5. Taxation cont'd

Movement in temporary differences

	<u>Tax Period Basis G\$ 000</u>	<u>Property and Equipment G\$ 000</u>	<u>Total G\$ 000</u>
At 31 March 2016	3,364	(4,506)	(1,142)
Movement during the year	(28,205)	(39,303)	(67,508)
At 31 March 2017	<u>(24,841)</u>	<u>(43,809)</u>	<u>(68,650)</u>
Movement during the year	<u>25,273</u>	<u>(2,360)</u>	<u>22,912</u>
At 31 March 2018	<u><u>432</u></u>	<u><u>(46,169)</u></u>	<u><u>(45,738)</u></u>
		<u>2017/2018 G\$ 000</u>	<u>2016/2017 G\$ 000</u>

6. Other Income

Exchange earned	4,906	5,125
Commission Earned	16,473	93,183
Profit on disposal	526	-
Profit on exchange	123,848	93,006
Incidental charges	11,730	10,208
Bad Debt Recoveries	12,170	-
	<u><u>169,653</u></u>	<u><u>201,522</u></u>

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	2017/2018 G\$ 000	2016/2017 G\$ 000
7. Profit before taxation	<u>261,590</u>	<u>224,318</u>

After charging:

Auditor's remuneration	1,500	800
Depreciation	17,751	17,110
Provision for impairment (Note 10(a))	<u>12,126</u>	<u>316,901</u>

	2017/2018 G\$ 000	2016/2017 G\$ 000
8. (a) Cash and due by banks		

Cash	108,187	30,234
Balances with other banks	<u>3,738,368</u>	<u>4,437,165</u>
	<u>3,846,555</u>	<u>4,467,399</u>

(b) Deposits with Bank of Guyana

Statutory deposit and other balances	<u>2,542,544</u>	<u>3,521,439</u>
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	31.03.2018		31.03.2017	
	Fair Value G\$ 000	Cost G\$ 000	Fair Value G\$ 000	Cost G\$ 000
9. (a) Investments				
Treasury Bills	<u>2,472,150</u>	<u>2,472,150</u>	<u>2,935,900</u>	<u>2,935,900</u>

These are Government of Guyana treasury bills and were valued at amortised cost which approximates the fair value.

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9. *Investment cont'd*

	2017/2018 G\$ 000	2016/2017 G\$ 000
(b) Income from Investment		
Treasury Bills	54,277	159,028

10. Loans and Advances

	2017/2018 G\$ 000	2016/2017 G\$ 000
Mortgages	3,653,319	4,594,834
Demand Loans	81,984	98,220
Term	86,268	103,758
Overdrafts	1,544,134	1,548,602
Staff Loan	3,226	3,918
Others	12,138	33,508
	5,381,069	6,382,840
Provision for impairment (a)	(344,121)	(331,994)
	5,036,948	6,050,846

(a) Provision for Impairment

Individually assessed:		25,514
	318,607	(13,387)
At beginning	331,994	15,093
Movement	12,127	316,901
	344,121	331,994
At End	344,121	331,994

BANK OF BARODA (GUYANA) INC.
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11. Property and Equipment

	Freehold Land and Buildings G\$ 000	Leasehold Structure G\$ 000	Furniture and Fittings G\$ 000	Motor Vehicles G\$ 000	2017/2018 Total G\$ 000	2016/2017 Total G\$ 000
Cost						
At April 1, 2017	257,312	5,185	72,083	15,505	350,085	339,972
Additions	-	-	1,126	7,400	8,526	10,113
Disposals	-	-	(76)	(5,280)	(5,356)	-
At March 31, 2018	257,312	5,185	73,133	17,625	353,255	350,085
Accumulated Depreciation						
At April 1, 2017	100,943	3,109	51,073	11,333	166,458	149,348
Charge for the year	7,819	518	9,414	-	17,751	17,110
Depreciation Written Back	-	-	(76)	(5,006)	(5,082)	-
At March 31, 2018	108,762	3,627	60,411	6,327	179,127	166,458
Net book values						
At March 31, 2018	148,550	1,558	12,722	11,298	174,128	-
At March 31, 2017	156,369	2,076	21,010	4,172	-	183,627

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12. Other Assets

	31.03.2018 G\$ 000	31.03.2017 G\$ 000
Interest and commission accrued	234,476	252,586
Prepayments and others	19,462	22,279
	<u>253,938</u>	<u>274,865</u>

13. Other Liabilities

Accruals and others	51,786	207,337
Accrued interest on deposits	145,409	128,141
	<u>197,195</u>	<u>335,478</u>

14. Share Capital

Authorised:

Number of Ordinary Shares	<u>750,000,000</u>	<u>750,000,000</u>
Issued and Fully Paid 750,000,000 Ordinary Shares	<u>750,000</u>	<u>750,000</u>

Ordinary Shares Held By:

Bank of Baroda (India)	74,999,998	74,999,998
Chairman	1	1
A K Gupta	1	1
	<u>75,000,000</u>	<u>75,000,000</u>

These are all ordinary shares with equal voting rights, a right to dividend and par value of \$10.

15. Balances excluded from the accounts

<u>3,538</u>	<u>3,538</u>
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Monies received on behalf of customers and deposited in the External Payments Deposits Scheme with the Bank of Guyana, in accordance with the terms of agreement signed with each customer which specifically exclude the Bank from any liability.

BANK OF BARODA (GUYANA) INC.
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31 MARCH 2018

16. Capital Risk Management

The Bank manages its capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Bank's overall strategy remains unchanged from the previous year.

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

Gearing Ratio

The gearing ratio at the year end was as follows:

	31.03.2018 G\$ 000	31.3.2017 G\$ 000
Debt (i)	11,403,984	14,525,617
Cash & Treasury Bills	(8,861,249)	(10,924,738)
Net Debt	2,542,735	3,600,879
Equity (ii)	2,835,637	2,725,618
Net Debt to Equity Ratio	0.89:1	1.32:1

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

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

17. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 of the financial statements.

BANK OF BARODA (GUYANA) INC.
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18. Financial risk management

Financial risk management objectives.

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

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

(a) Market risk

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

(i) Interest rate risk

The Bank is exposed to interest rate risk but the Bank's sensitivity to interest is immaterial as its financial instruments are substantially at fixed rates.

The table below summarises the bank's exposure to interest rate risks:

Maturing 31.03.2018					
	Interest Rate %	Within 1 Year G\$ 000	Over 5 Years G\$ 000	Non-Interest bearing G\$ 000	Total G\$ 000
Assets					
Cash resources	1.1 - 1.3	3,846,555	-	2,542,545	6,389,100
Investments	2.15 - 2.25	2,472,150	-	-	2,472,150
Loans and advances (net)	6.8 - 18	1,727,725	3,309,223	-	5,036,948
Tax recoverable		-	-	64,817	64,817
Other assets		-	-	253,938	253,938
		<u>8,046,430</u>	<u>3,309,223</u>	<u>2,861,300</u>	<u>14,216,953</u>
Liabilities					
Demand Deposits		-	-	2,713,989	2,713,989
Term Deposits	1 - 1.25	4,517,239	1,981,506	-	6,498,745
Savings	1	2,191,250	-	-	2,191,250
Other		-	-	197,195	197,195
		<u>6,708,489</u>	<u>1,981,506</u>	<u>2,911,184</u>	<u>11,601,179</u>
Interest sensitivity gap		<u>1,337,941</u>	<u>1,327,717</u>		

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

18. Financial Risk Management Cont'd

(i) Interest rate risk cont'd

Maturing 31.03.2017					
	Interest Rate %	Within 1 Year G\$ 000	Over 5 Years G\$ 000	Non-Interest bearing G\$ 000	Total G\$ 000
Assets					
Cash resources	1.4 - 1.5	4,467,399	3,521,439	-	7,988,838
Investments	2.15 - 2.22	2,935,900	-	-	2,935,900
Loans and advances (net)	6.8 - 16	2,571,072	3,479,774	-	6,050,846
Tax recoverable	-	-	-	83,989	83,989
Other assets	-	-	-	274,865	274,865
		9,974,371	7,001,213	358,854	17,334,438
Liabilities					
Demand Deposit	-	-	-	2,509,400	2,509,400
Term Deposit	1 - 1.25	9,852,424	2,506	-	9,854,930
Savings	1	2,161,287	-	-	2,161,287
Other	-	-	-	335,478	335,478
		12,013,711	2,506	2,844,878	14,861,095
Interest sensitivity gap		(2,039,340)	6,998,707		

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2018

18. Financial Risk Management Cont'd

(a) Market risk cont'd

(ii) Currency risk

Assets and liabilities in foreign currencies

The Bank's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from foreign bank balances. The currencies which the Bank is mainly exposed to are EURO, United States Dollars, Pounds, Sterling, Canadian dollars, and Indian Rupees.

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

	Euro \$'000	USD \$'000	£ \$'000	Rupees \$'000	CAD \$'000	Total \$'000
As at 31 March 2018						
Assets	201	2,064,060	830	(16,676)	-	2,048,416
As at 31 March 2017						
Assets	3,273	2,174,078	2,507	83	26	2,179,967

Foreign currency sensitivity analysis

The following table details the company's sensitivity to a 2.5% increase and decrease in Guyana dollars (G\$) against the United States dollars (US\$).

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

	2017/2018 G\$ 000	2016/2017 G\$ 000
Profit	51,210	54,352

(iii) Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. Management continually identifies the risk and diversifies the portfolio to minimise the risks. The Bank does not actively trade in equity instruments.

The Bank's exposure to price risk is not material to the financial statements.

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18. Financial risk management (continued)

(b) Liquidity Risk

The Bank's policy is to maintain a strong liquidity position and to manage the liquidity profile of assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations met when due. It is unusual for banks to have the maturities of its assets and liabilities completely matched since business transacted is often of uncertain term and differing types. As such the matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

The information given below relates to the major financial assets and liabilities based on the remaining period at 31 March 2018 to the contractual maturity dates.

	Maturing					
	31.03.2018					
	Within One Year					
	On Demand	Due in 3	Due in 3-12			
	GS 000	Months	Months	1 to 5 years	Over 5 years	Total
		GS 000	GS 000	GS 000	GS 000	GS 000
ASSETS						
Cash resources	3,846,555	-	-	2,542,545	-	6,389,100
Investments	-	-	2,472,150	-	-	2,472,150
Loans and advances (net)	-	71,350	112,342	1,544,033	3,309,223	5,036,948
Other assets	253,938	-	-	-	-	253,938
Tax Recoverable	0	-	-	64,817	-	64,817
	4,100,493	71,350	2,584,492	4,151,395	3,309,223	14,216,953
LIABILITIES						
Demand deposits	2,713,989	-	-	-	-	2,713,989
Term deposits	-	1,710,531	2,806,708	1,981,506	-	6,498,745
Saving deposits	2,191,250	-	-	-	-	2,191,250
Other liabilities	197,195	-	-	-	-	197,195
	5,102,434	1,710,531	2,806,708	1,981,506	-	11,601,179
Net assets/(liabilities)	(1,001,941)	(1,639,181)	(222,216)	2,169,889	3,309,223	2,615,774

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18. Financial risk management (cont'd)

(b) Liquidity Risk (cont'd)

	Maturing				
	31.03.2017				
	On Demand	Due in 3	Due in 3-12	Over 5	Total
	G\$ 000	Months	Months	years	G\$ 000
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
ASSETS					
Cash resources	4,467,399	-	-	3,521,439	7,988,838
Investments	-	-	2,935,900	-	2,935,900
Loans and advances (net)	-	1,295,437	33,844	1,241,791	3,479,774
Other assets	274,865	-	-	-	274,865
Tax Recoverable	-	-	-	83,989	83,989
	4,742,264	1,295,437	2,969,744	4,847,219	3,479,774
	17,334,438				
LIABILITIES					
Demand deposits	2,509,400	-	-	-	2,509,400
Term deposits	-	1,299,823	8,552,601	2,506	9,854,930
Saving deposits	2,161,287	-	-	-	2,161,287
Other liabilities	335,478	-	-	-	335,478
	5,006,165	1,299,823	8,552,601	2,506	-
	14,861,095				
Net assets/(liabilities)	(263,901)	(4,386)	(5,582,857)	4,844,713	3,479,774
	2,473,343				

(c) Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers, client, or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount or risk it is willing to accept for individual counterparties and for geographical and industry concentrations and by monitoring exposures in relation to such limits.

The Bank structures the level of credit it undertakes by placing limits on the amounts of risk accepted in relation to one borrower or group of borrowers and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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18. Financial risk management (continued)

(c) Credit Risk Measurement

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

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

	Maximum Exposure	
	31.03.2018 G\$ 000	31.03.2017 G\$ 000
Cash and Due by Banks	3,846,555	4,467,399
Deposit with Bank of Guyana	2,542,545	3,521,439
Treasury Bills	2,472,150	2,935,900
Loans and Advances	5,036,948	6,050,846
Total	13,898,198	16,975,584
Customer liability under bill collections, guarantees and letters of credit.	16,808	213,810
Total credit risk exposure	13,915,006	17,189,394

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

<u>Credit Quality</u>	31.03.2018 G\$ 000	31.03.2017 G\$ 000
<u>Loans and Advances</u>		
Neither past due nor impaired	3,763,056	4,618,688
Pass due but not impaired	129,061	119,781
Impaired	1,488,951	1,644,371
	5,381,068	6,382,840

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18. Financial risk management (continued)

(c) Credit Risk Measurement (cont'd)

Loans and advances which were pass due but not impaired

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

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

	31.03.2018 G\$ 000	31.03.2017 G\$ 000
Grade 1- Satisfactory risk	3,763,056	4,618,688
Grade 2- Monitor risk		
- Pass due up to 90 days	129,061	119,781

The security held for these loans are the same as those stated in Note 18 (c) i.(ii)

Impaired loans and advances

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

	31.03.2018 G\$ 000	31.03.2017 G\$ 000
<u>Sub-Standard</u>		
-Pass Due 90-179 days	349,709	1,363,321
<u>Doubtful and Loss</u>		
-Pass Due 180-359 days	334,255	278,955
-Pass Due 360 days	804,987	2,095
Total	1,488,951	1,644,371

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18. Financial Risk Management Cont'd

(d) Impaired loans and advances cont'd

The table below depict the Bank's exposure to credit risk where financial instruments are held:

As at 31 March 2018

	Guyana G\$ 000	Outside of Guyana G\$ 000	Total G\$ 000
On Statement of Financial Position			
Cash resources	4,340,683	2,048,416	6,389,099
Treasury bills	2,472,150	-	2,472,150
Loans and advances (net)	5,036,948	-	5,036,948
Other assets	253,938	-	253,938
	<u>12,103,719</u>	<u>2,048,416</u>	<u>14,152,135</u>
Off Statement of Financial Position			
Bill Collection, Guarantees, Letters of Credit	<u>16,808</u>	<u>-</u>	<u>16,808</u>
Total	<u><u>12,120,527</u></u>	<u><u>2,048,416</u></u>	<u><u>14,168,943</u></u>

As at 31 March 2017

	Guyana G\$ 000	Outside of Guyana G\$ 000	Total G\$ 000
On Statement of Financial Position			
Cash resources	5,808,871	2,179,967	7,988,838
Treasury bills	2,935,900	-	2,935,900
Loans and advances (net)	6,050,846	-	6,050,846
Other assets	274,865	-	274,865
	<u>15,070,482</u>	<u>2,179,967</u>	<u>17,250,449</u>
Off Statement of Financial Position			
Bill Collection, Guarantees, Letters of Credit	<u>213,810</u>	<u>-</u>	<u>213,810</u>
Total	<u><u>15,284,292</u></u>	<u><u>2,179,967</u></u>	<u><u>17,464,259</u></u>

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18. Financial Risk Management Cont'd

(e) Diversification of exposure

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

The major activity of the Bank is in providing banking services to commercial, industrial and domestic consumers. The risk is spread over a cross-section of clients.

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

	31.03.2018 G\$ 000	31.03.2017 G\$ 000
<u>Loans and Advances:</u>		
Agriculture	176,746	308,348
Services	2,592,750	2,566,585
Manufacturing	758,476	1,008,832
Household	167,973	239,740
Construction and engineering	245,020	212,797
Mining and quarrying	29,947	58,575
Housing loan and commercial real estate	1,410,157	1,987,963
	<u>5,381,068</u>	<u>6,382,840</u>
Provision for impairment (note 10 a)	<u>(344,121)</u>	<u>(331,994)</u>
	<u>5,036,948</u>	<u>6,050,846</u>

(f) Renegotiated loans and overdraft

There were no renegotiated loans and overdraft for the year.

19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Listed below are transactions and balances with related parties:

	31.03.2018 G\$ 000	31.03.2017 G\$ 000
(a) <u>Due from related party</u>		
Bank of Baroda Mumbai (i)	(16,676)	83
Bank of Baroda New York (i)	800,690	391,808
Bank of Baroda London (i)	156	855
Bank of Baroda Brussels (i)	198	3,189
	<u>784,368</u>	<u>395,935</u>
Bank of Baroda London (ii)	<u>1,254,000</u>	<u>1,776,500</u>
Bank of Baroda London (ii)- Income	<u>46,290</u>	<u>42,859</u>

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19. Related party transactions (Cont'd)

- (i) The above balances represents current accounts held with Subsidiaries of Bank of Baroda
- (ii) This balance represents placements held with Bank of Baroda London and interest is received at a rate of 1.5% to 1.5%

(b) Key Management personnel

(i) Compensation

The Bank's 6 (2016/2017 - 6) key management personnel comprise its Chairman, Directors, Compliance officer and three Branch Managers. The remuneration paid to key management.

	31.03.2018	31.03.2017
	G\$ 000	G\$ 000
Short term employee benefits	35,381	38,378
(ii) Directors fees		
Chairman	160	320
(iii) Management fees to parent company		
Bank of Baroda (India)	8,234	26,138
This represents allocation of management fees for work done on behalf of Bank of Baroda Guyana by the parent company.		
(iv) Loans and advances		
Balance at end of the year	4,252	4,640

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

No provision was made for loan losses to related parties.

20. Contingent Liabilities

- (a) The Bank is the claimant in several litigation matters involving defaulting customers. The Directors are of the view that no provision for any contingency is necessary.

- (b) Customers' liability under Acceptances, Guarantees and Letters of Credit

	31.03.2018			
	Under 3	3 to 12	Over 12	Total
	Months	Months	Months	
	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Commercial Sector	-	-	16,808	16,808
	-	-	16,808	16,808

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20. Contingent Liabilities (Cont'd)

	31.03.2017			
	Under 3 Months G\$ 000	3 to 12 Months G\$ 000	Over 12 Months G\$ 000	Total G\$ 000
Commercial Sector	-	-	213,810	213,810
	-	-	213,810	213,810

21. Statutory Reserve

	31.03.2018 G\$ 000	31.03.2017 G\$ 000
At Beginning	309,897	285,835
Movement	16,503	24,062
At End	326,400	309,897

This is computed in accordance with the Financial Institutions Act 1995.

22. Analysis of financial assets and liabilities by measurement basis

	31.03.2018			
	Treasury Bills G\$ 000	Loans and Receivables G\$ 000	Financial assets and liabilities at amortised costs G\$ 000	Total G\$ 000
ASSETS				
Cash and due by banks	-	-	3,846,555	3,846,555
Deposits with Bank of Guyana	-	-	2,542,545	2,542,545
Treasury Bills	2,472,150	-	-	2,472,150
Loans and advances	-	5,036,948	-	5,036,948
Tax recoverable	-	-	64,817	64,817
Other Assets	-	-	253,938	253,938
	<u>2,472,150</u>	<u>5,036,948</u>	<u>6,707,855</u>	<u>14,216,953</u>
LIABILITIES				
Demand deposits	-	-	2,713,989	2,713,989
Savings deposits	-	-	2,191,250	2,191,250
Term deposits	-	-	6,498,745	6,498,745
Other liabilities	-	-	197,195	197,195
	<u>-</u>	<u>-</u>	<u>11,601,179</u>	<u>11,601,179</u>

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22. Analysis of financial assets and liabilities by measurement basis

	31.03.2017		
		Financial assets and liabilities at amortised costs	Total
ASSETS	Treasury Bills G\$ 000	Loans and Receivables G\$ 000	G\$ 000
Cash and due by banks	-	-	4,467,399
Deposits with Bank of Guyana	-	-	3,521,439
Treasury Bills	2,935,900	-	-
Loans and advances	-	6,050,846	-
Tax recoverable	-	-	83,989
Other Assets	-	-	274,865
	<u>2,935,900</u>	<u>6,050,846</u>	<u>8,347,692</u>
			<u>17,334,438</u>
LIABILITIES			
Demand deposits	-	-	2,509,400
Savings deposits	-	-	2,161,287
Term deposits	-	-	9,854,930
Other liabilities	-	-	335,478
	<u>-</u>	<u>-</u>	<u>14,861,095</u>
			<u>14,861,095</u>

23. Fair value of financial instruments

Fair values have been determined as follows:

	31.03.2018		31.03.2017	
	Carrying value G\$ 000	Fair value G\$ 000	Carrying value G\$ 000	Fair value G\$ 000
Assets				
Treasury Bills	2,472,150	2,472,150	2,935,900	2,935,900
Loans and Advances	6,050,846	6,050,846	6,050,846	6,050,846
Tax Recoverable	64,815	64,815	83,989	83,989
Other Assets	253,938	253,938	274,865	274,865
Cash and bank due by banks	3,846,555	3,846,555	4,467,399	4,467,399
Deposits with Bank of Guyana	2,542,545	2,542,545	3,521,439	3,521,439
	<u>15,230,849</u>	<u>15,230,849</u>	<u>17,334,438</u>	<u>17,334,438</u>
Liabilities				
Deposits	11,403,984	11,403,984	14,525,617	14,525,617
Other Liabilities	280,906	280,906	335,478	335,478
	<u>11,684,890</u>	<u>11,684,890</u>	<u>14,861,095</u>	<u>14,861,095</u>
Property and Equipment	<u>174,128</u>	<u>174,128</u>	<u>183,625</u>	<u>183,625</u>

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23. Fair value of financial instruments (Con't)

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

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets were determined with reference to quoted market prices. Quoted market prices were obtained from independent market valuers.

The fair value of other financial assets and financial liabilities were determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions and the company's past experience.

Loans are net of specific and other provisions for impairment. The fair value of loans is based on expected realisation of outstanding balances taking into account the bank's history with respect to delinquencies.

Financial instruments where the carrying amounts are equal to fair value :- due to the short maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair value. These includes cash resources, other receivables and liabilities.

24. Segment Reporting

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

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. Management considers its operations to be a single business unit. All business is done in Guyana except for certain activities.

	31.03.2018			31.03.2017		
	Guyana	Outside of	Total	Guyana	Outside of	Total
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Fair Value of Treasury Bills	2,472,150	-	2,472,150	2,935,900	-	2,935,900
Investment Income	54,277	-	54,277	159,028	-	159,028

Cash Resources:

Local	4,340,683	-	4,340,683	5,808,871	-	5,808,871
Foreign	10,048	2,038,368	2,048,416	7,532	2,172,435	2,179,967

Income from cash resources:

Local	46,290	-	46,290	42,859	-	42,859
Foreign	-	29,517	29,517	-	38,347	38,347

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25. Reclassification

The following items were reclassified in the prior year to confirm with current year presentation:

	31.03.2017
Taxes recoverable increase by:	24,117
Other liabilities increased by:	(57,249)

26. Approval of financial statements

The financial statements were approved by the board of directors on 25 April 2018