



The New Building Society Limited



**2017
Annual Report**

Contents

- 2. Mission Statement
- 2. Business Objective
- 3. Notice of Meeting
- 4. Corporate Information
- 5. Five-year Statistical Information
- 5. Financial Highlights
- 7. Chairman's Report
- 10. Board of Directors
- 12. CEO/Director/Secretary's Report
- 17. Staff Matters
- 18. Management Team
- 20. Report of Directors
- 22. Report of the Directors on Corporate Governance
- 24. Report of the Independent Auditors
- 27. Statement of Financial Position
- 28. Statement of Profit or Loss and Other Comprehensive Income
- 29. Statement of Cash Flows
- 30. Notes to the Financial Statements
- 59. Our Contributions and Sponsorships

Mission Statement

To provide our members with the very best Mortgage and Savings products through a large network of branches, modern technology and a disciplined, affable and well trained staff and to uphold our social responsibilities through involvement in worthwhile community projects.

Business Objective

To provide a broad range of Mortgage and Savings Products through a wide network of branches.

To provide independent financial advice on products offered.

To practice prudent management to ensure financial stability.

To provide excellent customer service using technology and a highly efficient and disciplined staff.

To provide employees with very favorable working conditions thereby enhancing their personal growth and development.

To be a respected and appreciated corporate citizen.

Notice of Meeting

Notice is hereby given that the Seventy-Eighth Annual General Meeting of the Members of the New Building Society Limited will be held at 10.30 a.m on Saturday, 21st April, 2018 at the Society's Chief Office at Lot 1 North Road & Avenue of the Republic, Georgetown.

AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2017.
2. To elect Directors in accordance with Rule 47(1). The Directors retiring by rotation are Dr. Nanda K. Gopaul and Mr. Seepaul Narine who being eligible, offer themselves for re-election - Rule 47(2).
3. To fix the remuneration of the Directors for the year 2018.
4. To appoint Auditors for the year 2018.
5. To fix the remuneration of the Auditors for the year 2018.
6. To approve the sum of **eight million dollars (\$8,000,000.00)** for donations to Charity and for Educational purposes for the year 2018.
7. To transact any other business of which due notice shall have been given in accordance with Rule 36.

By Order of the Board,



.....
Anil Kishun
CEO/Director/Secretary
14th February, 2018

Please Note:

- **Only Members holding at least one of the following Accounts are entitled to attend the meeting –**
Save & Prosper Accounts - **minimum balance \$1,000:**
Five Dollar Share Accounts - **minimum balance \$1,000:**
- **Only first named Members** holding any of the Accounts mentioned above will be allowed entry.
- A proxy need not be a member of the Society. A Member may uplift one proxy form from any of the Society's Offices and the form must be returned no later than 2.30 p.m. on **Friday, 13th April, 2018.**
- Any Company which is a Member of the Society may by resolution of its Directors authorize such person as it thinks fit to act as its representative at the meeting.
- Please bring your **Passbook and some form of Identification** to gain entry to the Meeting.

Corporate Information

BOARD OF DIRECTORS

Floyd Mc Donald - Chairman
Seepaul Narine - Vice-Chairman
Dr. Nanda K. Gopaul
Edwin Verasammy
Kalyan Tiwari
Chandrawati Ramson
Anil Kishun - CEO/Director/Secretary

CHIEF OFFICE

1 North Road & Avenue of the Republic,
Georgetown, Guyana.
Tel: 227-4444. Fax: 225-0832
Website: www.nbsgy.com
Email: nbsltd@networksgy.com

BRANCHES

New Amsterdam

15-16 New Street, New Amsterdam,
Berbice, Guyana.
Tel: 333-2157, 2893, 5024. Fax: 333-5642

Rosignol

196 Section 'A', Rosignol,
West Coast Berbice, Guyana.
Tel: 330-2341. Fax: 330-2268

Corriverton

31 No. 78 Village, Corriverton,
Corentyne, Berbice, Guyana.
Tel: 335-3239. Fax: 335-3344

Rosehall

26 B Public Road, Williamsburg,
Corentyne, Berbice, Guyana.
Tel: 322-5035. Fax: 322-5036

Mackenzie

34 A Republic Avenue, Mackenzie,
Linden, Guyana.
Tel: 444-6543. Fax: 444-6066

Essequibo

29 Henrietta,
Essequibo Coast, Guyana.
Tel: 771-4956. Fax: 771-4954

ATTORNEYS-AT-LAW

Messrs. Cameron & Shepherd

2 Avenue of the Republic,
Georgetown, Guyana.

Messrs. Mc Doom & Co.

215 King Street & South Road,
Lacytown,
Georgetown, Guyana.

BANKERS

Bank of Nova Scotia

104 Carmichael Street,
North Cummingsburg,
Georgetown, Guyana.

Republic Bank (Guyana) Limited

38-40 Water Street, Robbstown,
Georgetown, Guyana.

Bank of Baroda (Guyana) Inc.

10 Avenue of the Republic, Robbstown,
Georgetown, Guyana.

Guyana Bank for Trade & Industry Limited

47-48 Water Street, Robbstown,
Georgetown, Guyana.

Demerara Bank Limited

214 Camp Street, North Cummingsburg,
Georgetown, Guyana.

Citizens Bank Guyana Inc.

231-233 Camp Street & South Road,
Lacytown, Georgetown, Guyana.

AUDITORS

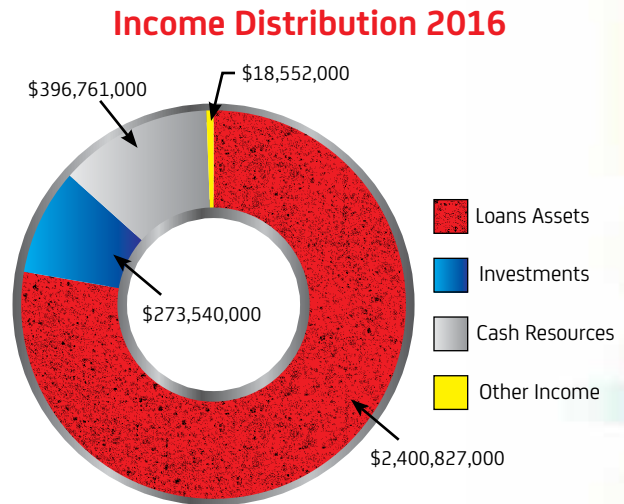
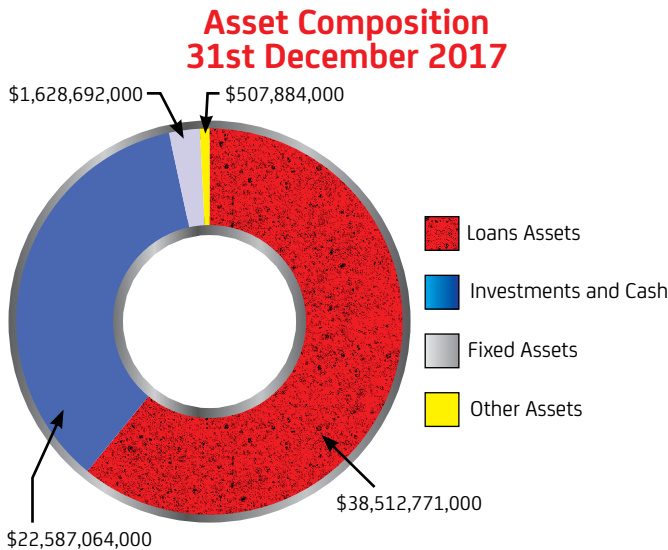
Maurice Solomon & Company

92 Oronoque Street, Queenstown,
Georgetown, Guyana.
Tel: 227-5568. Fax: 227-5564

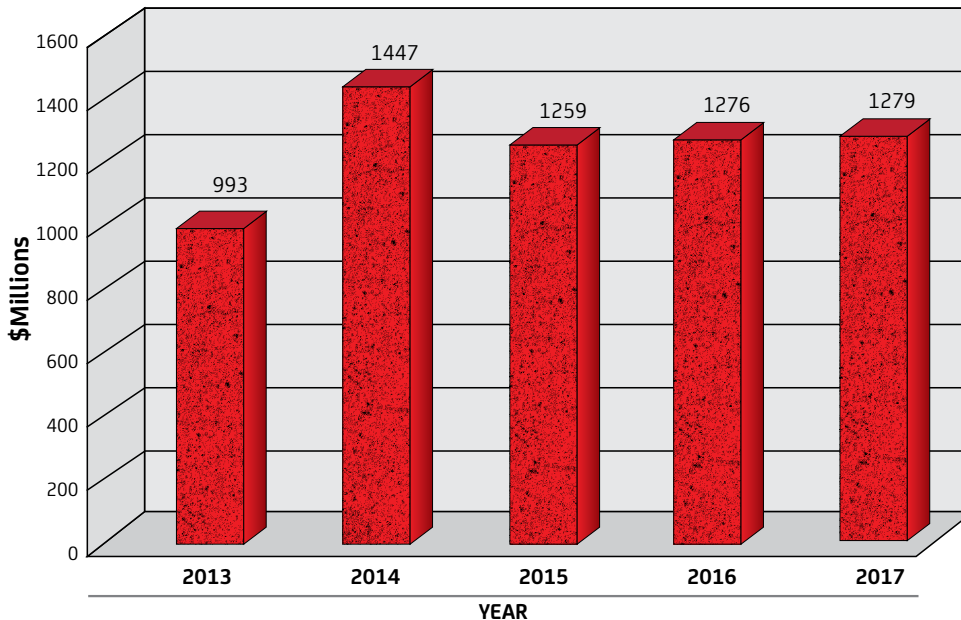
Five-Year Statistical Information (2013-2017)

DESCRIPTION	2013 \$M	2014 \$M	2015 \$M	2016 \$M	2017 \$M
PROFIT	993	1,447	1,259	1,277	1,279
TOTAL ASSETS	53,973	56,440	58,872	59,811	63,236
TOTAL MORTGAGE BALANCE	32,880	36,946	37,368	37,288	38,513
INVESTMENTS	17,972	16,211	18,130	19,426	21,389
TOTAL SAVINGS BALANCE	44,730	45,883	47,186	47,005	49,055
RESERVES	8,950	10,377	11,455	12,638	14,063
MORTGAGE LOANS DISBURSED FOR YEAR	7,764	6,843	3,623	3,196	4,235

Financial Highlights

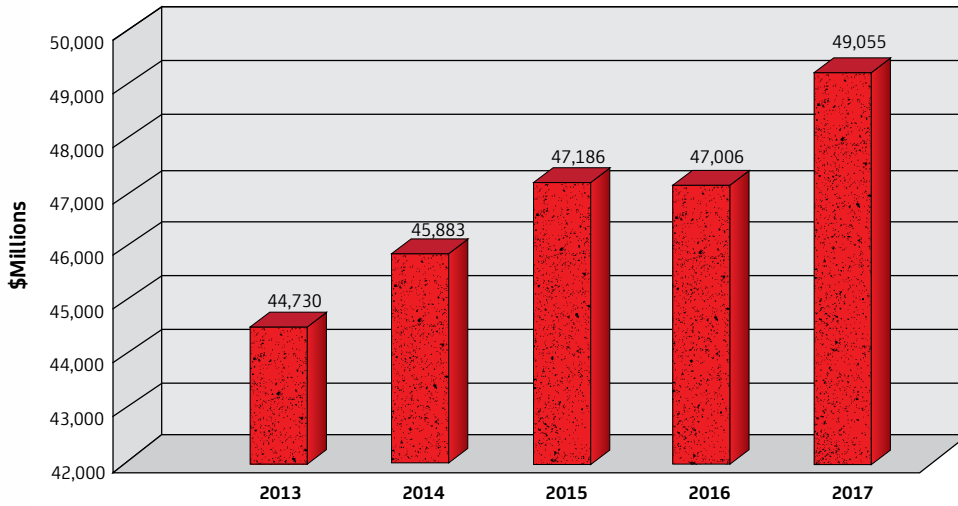


Profitability (2013-2017)

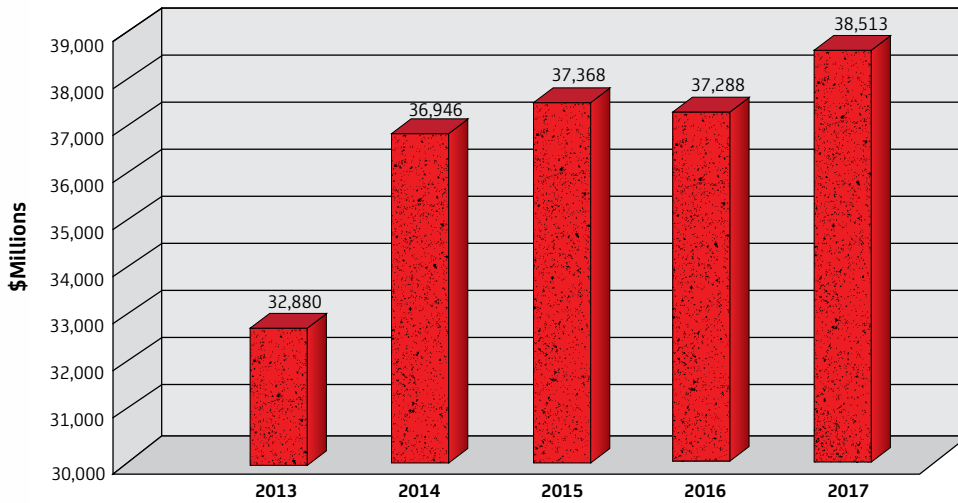


Financial Highlights (cont'd)

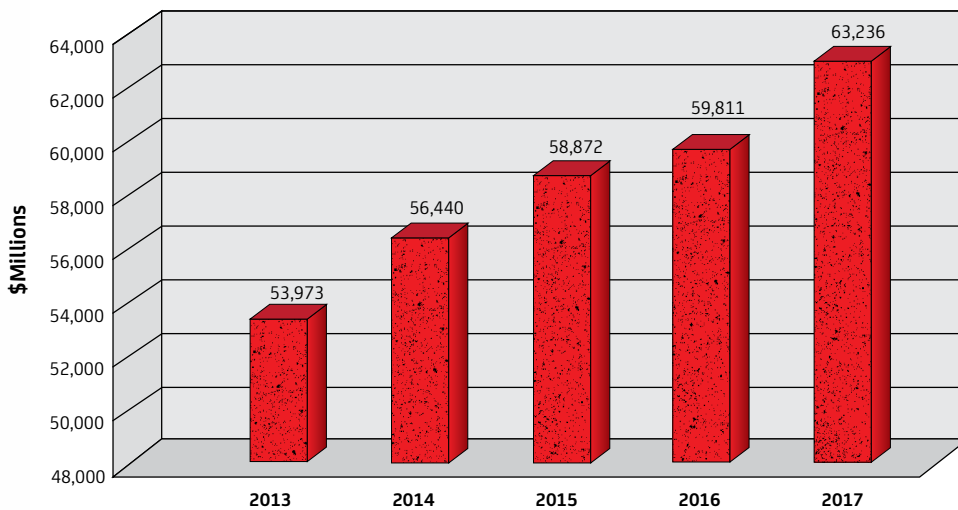
SAVINGS GROWTH 2013 - 2017



MORTGAGE GROWTH 2013 - 2017



ASSET GROWTH 2013 - 2017



Chairman's Report



“The Society recorded a profit of \$1.279B for the year ended 2017 which is slightly above the previous year’s figure of \$1.277B”

This year, as we celebrate the 78th Anniversary of the New Building Society Limited, I am pleased to report that we have once again done well despite a contraction in economic activities nationally. The Society recorded a profit of \$1.279B for the year ended 2017 which is slightly above the previous year’s figure of \$1.277B.

As an organisation that is premised on membership, the Society continues to pursue the concept of mutuality, striving to balance the interests of our savers and borrowers equitably. It is important to note that the Society has managed to maintain consistent Balance Sheet growth which is a key indicator of overall growth of the organisation.

The Directors of the Society are ever mindful of the uncertainties in the Financial Sector in Guyana and as a result, conduct periodic reviews of our day to day operations in keeping with best practices in corporate governance. We also recognise that it is vital to control costs and to exercise prudence in our mortgage lending

to maintain our competitive position in the market place.

ECONOMIC REVIEW

In 2017, the world economy recovered slightly from 2016 as a result of increased investments, trade and production. The World Economic Outlook report pointed to a global growth of 3% in 2017, a mere 0.4% higher than 2016. It also projected that this growth will increase marginally to 3.7% in 2018. The overall world growth can be attributed to progress achieved by the advanced economies through increased global demands for commodities and stronger exports.

In 2018, however, this said growth is expected to decline in all major economies except the United States and France. The United Kingdom is also experiencing declining growth as the pound sterling weakens with the effects of Brexit. China’s economy on the other hand expanded in 2017 and it is anticipated to continue to grow in 2018.

Chairman's Report (Cont'd)

The Caribbean and Latin American economies which suffered continued decline over the last few years, recorded a growth of less than 1% at the end of 2017 according to the Caribbean Development Bank. Growth in the Caribbean economies is anticipated to increase to approximately 2% by the end of 2018. Although Guyana experienced economic growth during 2017, compared to 2016, many of our fellow Caribbean neighbours like Trinidad & Tobago and Suriname experienced downturns. Even though there is the expectation that these economies will recover in 2018, the entire region must remain wary of the threat of increased climate related disasters, tightening global financial conditions and volatile commodity prices.

Guyana's economy grew by approximately 3% in 2017 compared to 2.6% in 2016. This is as a result of recovery in agriculture, fishing, rice, livestock and other crops sectors which compensated for the decline in the sugar and forestry industries.

The mining and quarrying sectors declined by approximately 1.9% compared to 46.1% growth in 2016. However the manufacturing, construction and services sectors all recorded growth in 2017, whilst gold production remained stable.

FINANCIAL RESULTS

We the Directors are proud to inform our members that despite the many hardships experienced throughout the year 2017, the Society recorded a profit in excess of \$1 Billion dollars even though the small spread between savings and mortgage rates were maintained during the year.

This is to be seen against the back drop of a paucity of investment opportunities other than in the mortgage sector.

The Society will continue to strive to adjust its strategies and policies to ensure that our business remains profitable, whilst at the same time, provide quality services to our members. Over the years, the Society has always been conscious of the need to manage costs carefully and our prudent strategies are in line with our modern mutuality concept. As a Building Society, our aim is to run a stable, low risk organization for the benefit of our members.

We will continue to be cognizant of the changes in the regulatory environment and take all the necessary

steps to comply with the Anti Money Laundering and Countering the Financing of Terrorism Act in Guyana as well as the capital adequacy requirements.

REVENUE

Interest income for 2017 was \$3.1B, the same as last year 2016 \$3.1B. Earnings on loan assets were 78% of total interest income (2016-77%). As the Society continued to grow, we were able to keep our expenses in line with the budgeted targets.

ASSETS

Assets grew by 5.7% to \$63.2B in 2017, compared to 2016 which was \$59.8B.

SAVINGS

The Society's Deposit base as at December 31, 2017 was \$49B compared to \$47B in 2016. The traditional Building Society principle of mutuality remains our cornerstone as we continue to deliver excellent customer service to our members. We actively look after our members' interests by offering competitive interest rates on both savings and mortgages.

MORTGAGES

Despite there being increasing competition in the mortgage market, the Society has managed to keep its rates stable whether borrowers were renovating, purchasing or constructing their own homes. We have also, over the years, supported first time home owners by offering sound advice based on our immense experience accumulated over the years.

The mortgage portfolio at the end of 2017 was \$38.5B compared to \$37.3B at the end of 2016, an increase of 3.2%.

This growth in the mortgage portfolio was achieved despite greater competition in the industry and declining market opportunities. Notwithstanding these challenges, the Society kept its interest rates competitively priced and used a combination of appropriate lending criteria and high quality service to achieve growth.

Our approach to dealing with people experiencing financial difficulties is the main reason for our continued low level of arrears compared to our competitors.

However, factors in our external environment continue to be volatile and these can have a severe impact on our members' ability to meet their financial obligations. Members, who are affected by these adverse conditions, will be supported by the Society through financial flexibility and human understanding.

COMPLIANCE

The Society has been adhering to all aspects of the Anti Money Laundering and Countering the Financing of Terrorism regulations inclusive of the amendments made recently.

CUSTOMER FOCUS

The Board of Directors also recognises that service to our members is vital to our continued financial success. To this end, we ensure that our customers receive excellent service by continuously investing in the career development of our staff. Additionally, we continue to care for our members by maintaining competitive savings rates in a low interest rate environment.

Our members remain our number one priority and we continue to offer our services through our network of branches in Georgetown, Linden, Essequibo and Berbice.

CORPORATE SOCIAL RESPONSIBILITY

In an effort to continue to be a good corporate citizen, we at the New Building Society continue to integrate social, environmental and ethical issues at all levels in our day to day operations and overall strategies.

We at the New Building Society demonstrate our commitment to our social responsibility through our donation initiative targeting both charitable and educational institutions on a monthly, quarterly and annual basis. Our track record will show that we have sponsored a number of charitable, educational and sports related projects over the years.

EMPLOYEES

In order to best serve our members, we at the Society, continuously develop and invest in our employees through in-house and external training programs. We also strive to provide a stable, low risk environment for our employees to work in, along with the requisite tools and adequate compensation packages. Our aim is to attract and retain appropriately qualified and experienced employees to achieve our goal of providing excellent customer service to you, our valued members.

The Society actively supports employees pursuing personal growth in attaining professional qualifications via our training and educational development and financial assistance programs.

OUTLOOK TO THE FUTURE

Notwithstanding the many challenges in the banking sector, the Society continued to experience growth in its mortgage and savings portfolios and total assets base. We remain optimistic about the expansion of the housing sector in Guyana, particularly about the role we can play in increasing the number of houses nationwide.

The New Building Society is in a strong financial position and remains a leading Financial Services Provider. As we look to the future, we will continue to monitor growth and seek to improve key financial indicators such as profit margin, return on assets and non-performing loans to name a few.

The year 2018 will undoubtedly present its own challenges. However, the Society will strive to overcome these and pursue further growth by firmly sticking to our mutual values and responsibilities to you, our valued members.

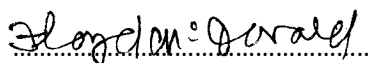
We will continue to monitor changes in legislation affecting the financial sector in Guyana especially as it relates to the Anti Money Laundering and Countering the Financing of Terrorism Act with the aim of implementing same.

ACKNOWLEDGMENT

As Chairman of the Board of Directors, I would like to take this opportunity to thank all of you, our members for your continued loyal support throughout the years. As a result of this support and confidence, the Society was able to maintain its financial strength and strong balance sheet.

I also wish to commend the Management and staff of the Society for their commitment to the goals and objectives of the Society and we are grateful for your continued support for the years ahead.

To my fellow Directors, I wish to recognize your valuable support to the successful functioning of the Society during the year 2017.

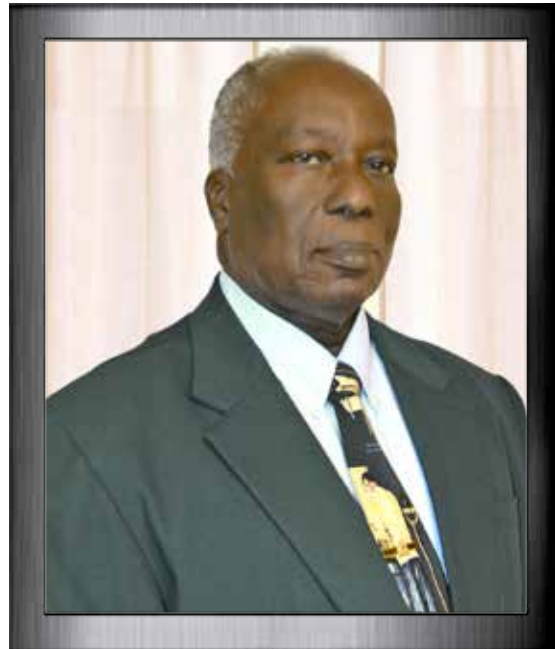


Floyd Mc Donald

Chairman

14th February, 2018

Board of Directors



Floyd McDonald, Chairman



Seepaul Narine, Vice - Chairman



Dr. Nanda K. Gopaul, Director



Edwin Verasammy, Director



Kalyan Tiwari, Director



Chandrawati Ramson, Director



Anil Kishun, CEO / Director / Secretary

CEO/Director/ Secretary's Report



“ *The Society's products continue to be very attractive to the market as at the end of 2017, our Investors Balance was \$49B while the Mortgage Portfolio was \$38.5B, covering just under 10,000 homes.* ”

The primary focus of the New Building Society Ltd. is to ensure that the Society has a sustainable future based on excellent customer service and strong financial and risk management policies. To achieve this, the Society actively promotes an environment that can quickly adapt to changes which hopefully can translate to improvements of service delivery to the Society's customers.

Our customers are our greatest asset and we place them at the heart of everything we do. I am pleased to report that the New Building Society Ltd. has once

again delivered another solid financial performance. The year 2017 was another challenging year for us and despite this, we were able to record a profit of \$1,279M.

As a mutual organization, the Society consistently prioritizes the delivery of good long-term values to our membership and customers by maintaining a strong and sustainable business model. Our goal is to generate sufficient profit to maintain the financial health of the Society and its members.

The Society's core business mission is to help our customers to own their own homes, manage their finances and provide a safe place for their Savings. The Society's mutuality concept provides a business environment to make sure we deliver the best rates of return on Savings and the most competitive lending rates to our customers.

The goal of the Society is profit sufficiency rather than profit maximisation. This is to ensure the safety and stability of our members' interests, adequate capital strength and resilience to market forces. This concept also gives us the ability to further invest in the Society's business infrastructure to better serve our customers. In 2017, the modern facility of our Corriverton Branch Office was designed to better serve our customers in that area. We also continued the drive to modernize our technologies so as to allow more market competitiveness and efficiency.

The Society's products continue to be very attractive to the market as at the end of 2017, our Investors Balance was \$49B while the Mortgage Portfolio was \$38.5B, covering just under 10,000 homes. Our assets base is now \$63.2B with reserves of \$14B.

ECONOMIC REVIEW

The Global Economy experienced a cyclical recovery in 2017 and growth for the year was estimated to be approximately 3%. This growth was due to a rebound in investments, manufacturing activities and trade. In particular, the rebound in global investments accounted for most of the growth in 2017 and was supported favorably by financing costs, rising profits and improved business sentiments across both advanced economies and emerging markets of developing economies. The Global growth outcomes for 2017 were generally stronger than expected and the outlook, especially for advanced economies such as those in the Euro countries, improving the most.

However, in many countries inflation still remained weak and Economic Growth still continued to be major issues for many emerging markets and developing economies in Sub-Saharan Africa, the Middle East and Latin America where growth was considered to be lackluster and with several of them experiencing stagnant per capita income for the year 2017.

Guyana's economy was projected to grow by three percent in 2017, the same as Global growth. This

growth was expected to be fueled by increases in the production of rice and manufactured goods as well as in the activities of construction and other services. On the other hand the output of the mining sector, the sugar and forestry industries were expected to contract. However the cost of the price of food and fuel was expected to rise only moderately.

FINANCIAL RESULTS

The Society recorded a profit of \$1.279B for the year 2017, marginally above the \$1.277B for 2016. This financial performance was attained despite a challenging year where earnings on liquid assets continued to decline.

REVENUE

Revenue from mortgages was \$2.4B or 78% of total revenue of \$3.1B for the year 2017. Mortgage continued to be the Society's major revenue stream and mortgage disbursements totaled \$4.2B for year 2017 compared to \$3.2B for 2016. This increase in mortgage disbursements contrasted with the downward trend experienced in the two previous years.

Revenue from Cash Resources and Investments was \$670M for the year 2017 as compared with \$720M for 2016. The decrease in earnings on these financial Instruments was as direct result of declining rates of earnings and limited market opportunities for short term Liquid investments.

ASSETS

The Society's Assets at the end of the year 2017 was \$63.2B representing a growth of \$3.4B or 5.7% over the previous year (compared to 1.6% for 2016). The Assets growth was augmented by increased investments by the Society in its core business (mortgages).

SAVINGS

Our superior interest rates offered saw our Savings Portfolio grow by \$2B to \$49B, an increase of 4% over 2016. The growth in the Savings Balances accounted for 58% of the assets growth of the Society. We are mindful that, as a mutual organization, we are able to operate differently and Savers are at the heart of every decision we make. In particular, our profitability targets are set around being financially sustainable, while ensuring that Savers get an equitable share of the

CEO/Director/Secretary's Report (Cont'd)

Revenues. The members' return on their investments was \$1.1B or 35% of Total Revenue.

MORTGAGES

The Society remained focused on assisting borrowers to own their own homes at a most affordable cost. We processed 1,081 new Mortgage applications for the year 2017, a significant improvement over the previous year's 656 applications. 2017 was another successful year for Mortgages given the challenging economic conditions and an ever increasing competitive environment in which we choose to operate. Our Mortgage Portfolio grew by \$1.2B or 3% to \$38.5B for the year 2017.

The quality of our mortgage portfolio is monitored by Management and the Board of Directors, using a number of indicators to ensure our level of arrears remains low. Despite this, delinquent mortgages increased from the previous year with non performing loans moving from 1% at the end of 2016 to 1.69% at the end of 2017 of the Mortgage Portfolio. Enhanced monitoring has since been implemented.

LIQUIDITY

The Society maintains a prudent level of liquid assets and continues to hold liquidity balances well in excess of regulatory requirements, primarily in Treasury Bills and Banks Accounts which are readily convertible to cash. The Society's Liquid Assets grew by \$2.1B from \$19.1B in 2016 to \$21.2B in 2017 and covers 43% of Members' funds (2016 - 40%). This level of liquidity provides an adequate buffer in the event of any major funding issues arising and provides comfort that the Society will be able to meet any other financial obligations under stressful scenarios.

CAPITAL ADEQUACY RATIO

Whilst augmenting Assets growth in 2017, the Society also maintained a strong capital position ensuring all capital ratios were significantly above the regulatory requirements. This ratio which reflects accumulated profits compared to the Society's risk weighted assets represents the strongest and most robust form of capital adequacy which stood at 51.5% at the end of 2017 compared to 47% at the end of 2016.

CUSTOMER FOCUS

The Society being a mutual organization is able to have a customer centric focus on everything it does. Our mortgage and savings products are competitively designed to meet our customer needs and enhancing their long term value. The Society continues to place emphasis on all areas of our operations as we modernize our business infrastructures and processes to efficiently serve our customers.

We continuously engage with our customers by listening to them and understanding what they want from the Society. This helps us to make the right decisions in their best interests. In 2017, the Society continued to electronically modernize our customers' data on our New Banking Software which provides us with the tools to improve our customer service.

CORPORATE SOCIAL RESPONSIBILITY

It has always been important for us to work together with all stakeholders in our communities. We target grassroots organizations that deliver real benefits and value to these Communities. We continue to Sponsor Annual Cricket tournaments which provide opportunities for young cricketers to improve and show case their skills.

In 2017, the Society made donations to a number of Charitable Organizations, which enabled them to support a host of well deserving causes and those whose needs were considerably the greatest. These donations supported the invaluable work of helping the elderly and other vulnerable members in our Communities.

EMPLOYEES

One of the areas of focus in our customer service strategy is our human touch. We ensure that this is part of our organization's culture. We consistently engage with our employees for them to understand their respective roles. This gives us the key to better able to implement our strategy and to achieve our goals. We work hard to sustain a high level of employee commitment and professionalism to our jobs. This is achieved by reinforcing our desired culture in a proactive and purposeful way, using a variety

of tangible and intangible methods such as good remuneration and benefits package, a comfortable work environment and continuous on the job training, among others.

OUT LOOK TO THE FUTURE

The year 2017 was another good one for the Society. We recorded healthy growth in both mortgage and savings balances thus achieving a strong financial performance. The competitive market environment for 2018 is expected to be similar to that of 2017. The current market trends are expected to impact on disposable incomes for mortgagors and the rate of returns on Investments for savers. We are conscious of the effect of this reality on our business and as such the Society will continue with its naturally cautious approach as we strive to further solidify the Society's Asset base.

The Financial outlook for the Society remains healthy. We remain vigilant to all market uncertainties and welcome any new regulatory requirements which will strengthen the resilience of the Financial Sector. We

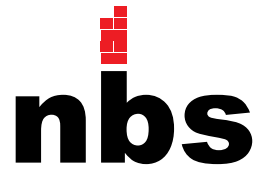
are well placed to capitalize upon the all future market opportunities as well as manage the resultant risks that may arise.

ACKNOWLEDGEMENT

The Society will continue to focus on meeting the needs of you, our members, through sustained growth. I am confident that the skilled and dedicated staff will continue to deliver outstanding customer service. The continued guidance of the Board of Directors will ensure the progress and success of the Society in 2018. I would like to thank you, our members for your continued loyalty, Directors, staff and other stakeholders for your hard work, commitment and dedication which resulted in another successful year for The New Building Society Ltd.



.....
Anil Kishun
CEO/Director/Secretary
14th February, 2018



NBS provides loans for various categories of income earners.
These are houses completed with funding from the Society.



**Higher Income
Residence**



**Middle Income
Residence**



**Low Income
Residence**

Staff Matters



LONG SERVICE AWARDS GEORGETOWN

In 2017 six members of staff received Long Service Awards. Some served 25 years while others completed 15 years. The Directors, Management and other Staff extend heartfelt thanks to all and wish them continued success.



LONG SERVICE AWARDS BERBICE



RIBBON CUTTING AT BRANCH OFFICE OPENING

Miss Annamika Ramdat, daughter of Mrs. Sarojne Ramdat, Branch Manager, assists the Honorable Minister of Finance, Winston Jordan with cutting of the ribbon to open the new Corriverton Office Building.



FUN DAY GATHERING 2017

The Chairman of the Board of Directors, Mr. Floyd Mc Donald with other Directors and Staff, stand alongside Mr. Rana Persaud, Captain of the Branches whose team won the Overall Champion Trophy from their counterparts from Georgetown.

Management Team



Anil Beharry,
Assistant Secretary



Savitri Samaroo,
Operations Manager



Mohamed Majeed
IT Systems Administrator



Noel Fernandes
Assistant Manager - Mortgage



Rana Persaud
Manager, Berbice Operation



Bibi A. Jagnarayan
Branch Manager - Rosignol



Atma L. Rajaram
Manager - Internal Audit



Sewchan Raghunandan
Branch Manager - Essequibo



Gleniss Ramsahoi
Branch Manager - Mackenzie



Sarojne Ramdat
Branch Manager - Corriverton



Subrena Budhoo
Branch Manager - Rosehall

Report of The Directors

For The Year Ended December 31, 2017

The Directors are pleased to present the 78th Annual Report together with the audited Financial Statements of the New Building Society Limited (NBS) for the year ended December 31, 2017.

PRINCIPAL BUSINESS ACTIVITIES

The main aim of the New Building Society is to provide a broad range of quality Mortgage and Savings Products that are widely available from our network of branches located across the country. These products and services are delivered with quality, efficiency, courtesy and are reliability supported by our key values of fairness, honesty, corporate responsibility, employees' and customers' prioritization.

BUSINESS HIGHLIGHTS:

Residential Mortgage Balances increased from \$37.3B in 2016 to \$38.5B at the end of the year 2017.

Savings Balances increased from \$47B in 2016 to \$49B in 2017.

FINANCIAL HIGHLIGHTS

In the year 2017 NBS:-

	2017 \$ Millions	2016 \$ Millions	% Change
- Recorded a profit of	1,279	1,277	+ 0.2
- Increased Total Reserves to	14,063	12,638	+ 11.3
- Increased Assets under Management to	63,236	59,811	+ 5.7
- Provided New Advances to Mortgagors totaling	4,235	3,196	+ 32.5

MORTGAGES;

As at December 31, 2017, there were 9,808 Mortgage Accounts totaling \$38,629M which represent 61% of our Total Assets (2016 – 9,832 Mortgage Accounts totaling \$37,348M or 62% of our Total Assets).

SAVINGS:

The value of net receipts for the year 2017 was \$2,050M as against a deficit of \$180M for the corresponding period of 2016. Our Total Investors' Balances as at December 31, 2017 was \$49,055M (2016 - \$47,006M).

ASSETS:

Total Assets as at December 31, 2017 was \$63,236M (2016 - \$59,811M), representing an increase of approximately 5.7%. All changes in tangible fixed assets during the year are detailed in the Financial Statements. Freehold Lands and Buildings were re-valued in October 2016 and have been included in the Financial Statements at these valuations. Liquid Assets in the form of Cash and Short Term Securities was \$21,224M and represented 43% of our Investors' Balances as at December 31, 2017 (2016 – \$19,071M – 40%).

CHARITABLE DONATIONS:

At the end of 2017, the Society made donations to several charitable and educational institutions in the communities across the country totaling \$5.7M.

EMPLOYEES:

The New Building Society recognizes the important role employees play in its continued growth and development and therefore continually trains, motivates and appropriately compensates them.

GOING CONCERN:

The Directors are satisfied that the New Building Society has adequate resources to continue in business for the foreseeable future and it is therefore appropriate to

adopt the going concern principle in preparing these Financial Statements.

DIRECTORATE:

In accordance with Rule 47(1), the Directors whose names are listed below, will retire after the 78th Annual General Meeting and are eligible for re-election.

- Dr. Nanda K. Gopaul
- Mr. Seepaul Narine

AUDITORS:

The Auditors Messrs. Maurice Solomon and Company will retire and are eligible for re-election.

By Order of the Board,



Anil O. Kishun
CEO/Director/Secretary
14th February, 2018

Report of the Directors on Corporate Governance

CORPORATE GOVERNANCE AND SUB COMMITTEES OF THE BOARD

The Board ensures our long term sustainability for the good of our customers and members. We do this by formulating our strategy in order to ensure that we meet the needs of our customers, members and regulators, remain competitive and deliver our services adequately with a profit to help build our capital over the long term. The Board formulates the strategy, reviews business performance, oversees the identification and management of risks, ensures adherence to laws and regulations and ensures that the required controls are in place and aligned to our strategy. Years of successive growth and generation of profits is testament to the success and effectiveness of the policies of the Board and their implementation by Management.

The Directors of the Society are committed to best practices in corporate governance and are dedicated to the principles of good corporate governance in order to achieve the highest level of integrity and enhanced stakeholders' value.

In addition to attending Board meetings, Directors are required to serve on one or more of the following Sub Committees which meet on a quarterly basis:-

ROLE OF THE SUB COMMITTEES OF THE BOARD

Sub Committees are chaired by Non-Executive Directors and consist primarily of Non-Executive Directors.

AUDIT AND COMPLIANCE SUB COMMITTEE

The Audit and Compliance Sub Committee ensures the adequacy of controls and judgments made in financial reporting and regulatory compliance and assess the effectiveness of the internal audit and compliance units. The Committee reviews the Terms of Reference of our External Auditors and ensures their continued independence and effectiveness.

This Committee is also responsible for the effectiveness of the Society's AML/CFT framework and has an oversight role designed to ensure that there is compliance with all relevant laws and regulations. It also reviews the Society's AML/CFT Policies to ensure that they are consistent with its business model.

Additionally, the Committee reviews the functionality of our internal control mechanism, risk management policies and ensures that observations and recommendations made by the internal and external auditors are addressed.

Current Chair (Director): Mr. E. Verasammy
Director: Mr. F. Mc Donald
Director: Mrs. C. Ramson

HUMAN RESOURCES SUB COMMITTEE

The Human Resources Sub Committee comprising three Non-Executive Directors discusses and makes proposals to the Board on the Society's organizational structure, employees' compensation and employment policies and procedures. Appointment of key management personnel is approved by this Committee prior to deliberations by the full Board.

Current Chair (Director): Mr. S. Narine
Director: Mr. F. Mc Donald
Director: Mrs. C. Ramson
Director: Mr. E. Verasammy

PENSIONS SUB COMMITTEE

The Pensions Sub Committee comprising of three Non-Executive Directors discusses matters related to the management of the Society's defined benefit pension scheme.

Current Chair (Director): Mr. S. Narine
Director: Mrs. C. Ramson
Director: Mr. E. Verasammy

FINANCE SUB COMMITTEE

The Finance Sub Committee considers the external and internal environment of the Society and assesses the opportunities for investment along with the associated inherent risk thereof as part of its strategy to ensure the soundness of such investments. The Committee also reviews the performance of the Society against its budget and addresses issues relating to any shortfalls or cost overruns. It comprises three Non-Executive Directors.

Current Chair (Director): Mr. F. Mc Donald
 Director: Mr. K. Tiwari
 Director: Mr. E. Verasammy

LOANS SUB COMMITTEE

The Loans Sub Committee which comprises of three Non-Executive Directors is guided by a clearly defined lending policy as approved by the Board. The Committee pays particular attention to the risks relating to lending and assesses our Debt Recovery Management Systems for adequacy and compliance.

Current Chair (Director): Mr. F. Mc Donald
 Director: Mr. K. Tiwari
 Director: Mrs. C. Ramson

INFORMATION TECHNOLOGY (IT) SUB COMMITTEE

This Sub Committee is tasked with reviewing Information Technology policies of the Society to mitigate against any potential or real operational risks of the Society not being able to carry out its day to day operations due to technological failures.

Current Chair (Director): Dr. N.K. Gopaul
 Director: Mr. K. Tiwari

Executives and Senior Managers are required to attend meetings of the Sub Committees depending on the nature and functions of each Sub Committee.

Directors’ Responsibilities for Accounting Records and Internal Controls

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that the Society:

- Keeps accounting records in accordance with the New Building Society (Amendment) Act 2010, the Financial Institution Act 1995 and the AML/CFT Act 2009.
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the Financial Institutions Act 1995 and recommendations and guidelines as issued by the Bank of Guyana.

BUSINESS OBJECTIVES AND ACTIVITIES

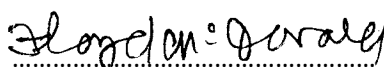
The Society’s business objectives and principal activities are to provide the best savings product and to promote home ownership.

The Board pays continuous attention to the financial market having regard to the provision of attractive rates of interest for investors and mortgagors. We endeavour to continue offering affordable financing for home-building and provide excellent returns to our investors in a safe and secured environment.

Each mortgage or advance granted by the Society is certified by at least one Director, and subsequently approved by the full Board.

The Society has established ethical rules and policies in order, to ensure that the affairs of our customers and members remain confidential. We promote a culture of zero tolerance against discrimination of all forms. We strive to resolve all issues communicated to us in writing or orally by our customers and members, in a timely and efficient manner.

On behalf of the Board of Directors



Floyd Mc Donald
 Chairman
 14th February, 2018

Independent Auditor’s Report To The Members of The New Building Society Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of The New Building Society Limited which comprise the Statement of Financial Position as at 31 December 2017, 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 30 to 58.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, The New Building Society Act, The New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995.

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 the Society 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 matter noted hereunder 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 these matters.

KEY AUDIT MATTERS	HOW OUR AUDIT PROCEDURES ADDRESSED THE KEY AUDIT MATTER
<p>Impairment Provision for Loans and Mortgages The Society has mortgages outstanding of \$38.5 billion, or 61% of total asset net of provision as referred to in note 6.</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; 	<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 Society’s process and documented policy for mortgage loss provisioning. • For loan loss provisions calculated on an individual basis, we tested the factors underlying the

<ul style="list-style-type: none"> Amount and timing of cash flows. <p>With a high degree of critical judgments involved in assessing the mortgage impairment provisions, mortgage impairment was considered as a key audit matter.</p>	<p>impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.</p> <ul style="list-style-type: none"> We also tested the aging of the loan portfolio and considered the completeness of the loan book assessed for impairment in conformity with the Bank of Guyana Supervision Guidelines. 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 Society’s financial statement disclosures regarding mortgage and the related provisions.
REGULATORY ENVIRONMENT	
<p>The Society 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 Society 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 Society 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: We evaluated and tested the Society’s internal controls with emphasis on compliance with AML/CFT policy. This include:</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) are 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 New Building Society Act, The New Building Society Act (Amendment) 2010 (Act No. 12 of 2010), the Financial Institutions Act 1995 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 Society’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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society’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

Independent Auditor's Report To The Members of The New Building Society Limited - *continued*

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 Society'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 Society'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 Society 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 Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the society 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.

REPORT ON ADDITIONAL REQUIREMENT

We have examined the mortgage deeds, transports and other securities belonging to the Society. Title deeds held in respect of mortgages were produced to us and actually inspected by us and we are satisfied that deeds not inspected by us were in the hands of the Society's attorneys or elsewhere in the normal course of the business of the Society.



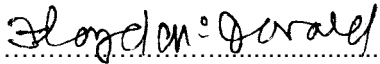
Maurice Solomon & Co.
Chartered Accountants
16 February, 2018


STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017
Expressed in Thousands of Guyana Dollars

	NOTE	2017	2016
Assets			
Cash Resources	5	15,332,921	12,647,421
Loan Assets	6	38,512,771	37,288,192
Investments	7	7,254,143	7,930,571
Property, Plant & Equipment	8	1,628,692	1,573,695
Other Assets	9	269,048	279,077
Retirement Benefit Surplus		238,836	92,247
		63,236,411	59,811,203
Investors' Balances, Other Liabilities And Reserves			
Investors' Balances	10	49,055,168	47,005,510
Other Liabilities	11	118,664	167,202
Risk Reserve	13	107,253	48,238
Assigned Capital	13	250,000	250,000
Revaluation Reserve	13	317,998	317,998
Retained Earnings	13	13,387,328	12,022,255
		63,236,411	59,811,203

The Board of Directors approved these financial statements for issue on 14th February, 2018.


.....
Chairman


.....
Vice-Chairman


.....
CEO/Director/Secretary

The notes on pages 30 to 58 form an integral part of the Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

	NOTE	2017	2016
INTEREST INCOME ON:			
Loan Assets		2,400,827	2,376,564
Investments		273,540	301,651
Cash Resources		396,761	419,114
		3,071,128	3,097,329
INTEREST EXPENSE	16	1,070,552	1,177,341
INTEREST REVENUE		2,000,576	1,919,988
Other Income			
Profit on Sale of Assets		743	59,954
Fees and Commission Income		12,845	5,989
Other Operating Income		5,975	5,502
Loss on Exchange		(1,011)	(26,848)
TOTAL NET INCOME		2,019,128	1,964,585
Operating Expenses			
General Administrative Expenses	15	(603,310)	(560,621)
Net Provision for Impairment on Loan Assets	14;15	(25,820)	(16,018)
Depreciation	15	(50,837)	(55,818)
Other Expenses	15	(59,769)	(55,547)
Total Operating Expenses		(739,736)	(688,004)
PROFIT FOR THE YEAR		1,279,392	1,276,581
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of Provision of Employee Benefits	12	144,696	(93,238)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,424,088	1,183,343

The notes on pages 30 to 58 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
 Expressed in Thousands of Guyana Dollars

	2017	2016
OPERATING ACTIVITIES		
Net Profit for the Year	1,279,392	1,276,581
Adjustments for:		
Depreciation	50,837	55,818
Net Provision for Impairment on Loan Assets	25,820	16,018
Utilization of Provision for Impairment on Loan Assets	(20,204)	(7,190)
Movement in Retirement Benefit Plan Liability	(1,894)	(6,187)
Gain on Disposal of Property, Plant and Equipment	(743)	(59,954)
OPERATING INCOME BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	1,333,208	1,275,086
Loans Advances Net of Repayments	(1,230,195)	71,126
Increase in Other Assets	10,029	(36,176)
Receipts from Investors Net of Withdrawals	2,049,658	(180,296)
(Decrease)/Increase in Other Liabilities	(48,537)	(63,875)
NET CASH OUTFLOW - OPERATING ACTIVITIES	2,114,163	1,065,865
INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(105,883)	(66,000)
Additions to Investments	(6,288,321)	(6,423,892)
Redemptions of Investments	6,964,749	6,308,333
Net Decrease/(Increase) in Restricted Cash Resources and Fixed Deposits	(2,639,732)	(1,180,862)
Proceeds from the Sale of Property, Plant and Equipment	790	122,879
NET CASH INFLOW - INVESTING ACTIVITIES	(2,068,397)	(1,239,542)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	45,766	(173,677)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	1,151,918	1,325,595
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	1,197,684	1,151,918

The notes on pages 30 to 58 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ENTITY IDENTIFICATION

The New Building Society Limited was established in Guyana under the New Building Society Act 1940, as amended. Its registered office is located at Lot 1, North Road and Avenue of the Republic, Georgetown.

The Society operates under the purview of the Financial Institutions Act 1995 and the supervision of the Bank of Guyana, as provided under the New Building Society (Amendment) Act 2010 (Act No. 12 of 2010).

The Society is not subject to taxation under the tax regime of Guyana.

2. PRINCIPAL ACTIVITY

The principal activity is the provision of a range of mortgage and savings products.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings, and in accordance with the New Building Society Act and International Financial Reporting Standards.

The preparation of the Society's financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

a) **Standards, amendments and interpretations that are not yet effective in the current year.**

These standards, amendments and interpretations will be applicable to the Society at a future date and will be adopted when they become effective. The Society is currently assessing the impact of adopting these standards, amendments and interpretations.

IAS 12 - Income Taxes: Income tax consequences of dividends (effective on or before 1 January 2019)

IAS 19 - Employee Benefits: Amendments regarding plan amendments, curtailments or settlements (effective on or before 1 January 2019)

IAS 23 - Borrowing Costs eligible for capitalisation (effective on or before 1 January 2018)

IAS 28 - Investments in Associates and Joint Ventures: Amendments regarding long term interests in associates and joint ventures (effective on or before 1 January 2019)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 BASIS OF PREPARATION (cont'd)

a) Standards, amendments and interpretations that are not yet effective in the current year. (cont'd)

IAS 40 - Investment Property: Amendments to clarify transfers of property to, or from, investment property (effective on or before 1 January 2018)

IFRS 1 - First time adoption of IFRS: Removing short term exemptions (effective on or before 1 January 2018)

IFRS 2 - Share Based Payments: Definition of vesting condition (effective on or before 1 January 2018)

IFRS 3 - Business Combinations: Remeasurement of previously held interest (effective on or before 1 January 2019)

IFRS 4 - Insurance Contracts: Amendments regarding the interaction of IFRS 4 & IFRS 9 (effective on or before 1 January 2018)

IFRS 9 - Financial Instruments: Classification and measurement, impairment, general hedge accounting and derecognition (effective on or before 1 January 2018)

IFRS 11 - Joint Arrangements: Remeasurement of previously held interest (effective on or before 1 January 2019)

IFRS 15 - Revenue from Contracts with Customers (effective on or before 1 January 2018)

IFRS 16 - Leases (effective on or before 1 January 2019)

IFRS 17 - Insurance Contracts (effective on or before 1 January 2021)

3.2 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 Society operates. The financial statements are presented in Guyana Dollars, which is the Society's functional currency.

Transactions and Balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Such balances are translated at the prevailing year end exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 LOAN ASSETS

Loan assets are stated at amortized cost using the effective interest method. Specific provisions for impairment are made throughout the year and at year end if there is objective evidence that a loan asset is impaired. Objective evidence that a financial asset is impaired includes indications that the borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

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 collateral, discounted at the original effective interest rate. The specific provision for properties in possession is based on an agreed sales price with a third party or a Director's valuation.

The carrying values of impaired assets are reduced through the use of an allowance account and the amount is recognized in the income statement. Write-offs are made when all or part of a loan asset is deemed uncollectible and are charged against the allowance account. Recoveries in part or in full of amounts previously written off are credited to income.

The Society also collectively assesses its mortgages for impairment by applying historical loss rates to the portion of the portfolio not deemed to be individually impaired.

Renegotiations normally involve the deferral of repayments for members experiencing significant but temporary cash flow problems, in the judgment of management. Renegotiated facilities continue to earn interest and are aged based on the original terms.

3.4 INVESTMENTS

The Society classifies its investments as held-to-maturity securities as these are non-derivative financial assets with fixed and determinable payments and fixed maturities that management has the positive intent and ability to hold to maturity. The investments are carried at amortized cost with premiums and discounts being amortized to the income statement over the period to maturity on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 PROPERTY, PLANT & EQUIPMENT

Freehold land and buildings are stated at the revalued amounts less accumulated depreciation thereon. All other fixed assets are stated at cost less accumulated depreciation.

Freehold land is not depreciated. Depreciation on all other assets is calculated on a straight line basis at rates estimated to write off the depreciable assets over their expected useful economic lives.

The following rates are used:-

Buildings	2.0%
Office Furniture	10.0%
Machinery and Equipment	12.5%
Motor Vehicles	20.0%

Increases in the carrying amount arising on the revaluation of land and building are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

3.6 INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The cost of acquiring and installing computer software is capitalized and amortized over their estimated useful economic life of eight years on a straight line basis. Costs associated with maintenance of computer software are expensed as incurred.

3.7 INTEREST RECOGNITION

For instruments measured at amortized cost, the effective interest method is used to measure the carrying value of a financial asset or a liability and to allocate the associated interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 RECOGNITION OF FEES AND COMMISSION

Fees and commission are generally recognized on an accrual basis when the service has been provided. Property inspection fees for mortgages that are likely to be drawn down are deferred over the term of the mortgage.

3.9 INVESTORS' BALANCES

Investors' balances are initially recognized at the nominal amount of funds received and subsequently at nominal amount plus accrued interests.

3.10 RETIREMENT BENEFIT PLAN

The Society operates the New Building Society Limited Pension Scheme which is a defined benefit scheme as the amount of pension that an employee will receive on retirement is dependent on years of service and compensation. The assets of the scheme are held independently from those of the Society. The Scheme is funded by employee and Society contributions.

The projected actuarial method is used for the retirement benefit plan. Under this method, the actuarial liabilities consist of the present value of pensions in payment and vested deferred benefits for terminated members, plus that portion of the future benefits expected to be paid to present members which is related to their credited service up to the valuation date. Amounts of pension are determined based on each member's projected final earnings. The current service cost for the defined benefit provisions for the year following the valuation date is the present value of benefits accrued by members with respect to their service in that year.

The characteristics of this actuarial cost method are that it matches year-by-year costs of benefits expected to be accrued by the members each year to the contributions required for those years and, since it results in a pattern of progressively increasing costs for an individual employee as that employee ages, it may also result in progressively increasing costs for the Scheme as a whole if the average age profile of the Scheme membership increases from year to year.

3.11 PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated. Contingent liabilities have not been recognized.

3.12 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and cash at bank excluding balances redeemable after three months.

3.13 COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 IMPAIRMENT LOSSES ON LOAN ASSETS

To identify impairment in the Society's loan assets, judgments are made as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Estimating the quantum and timing of future recoveries involves significant judgment. The size of receipts will depend on the future performance of the borrower and the value of the 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 recognized in these financial statements.

4.2 HELD-TO-MATURITY INVESTMENTS

The Society follows the guidance of International Accounting Standards 39 - Financial Instruments: Recognition and Measurement, on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment for which management evaluates its intention and ability to hold such investments to maturity.

4.3 RETIREMENT BENEFIT PLAN

The present value of the retirement benefit plan obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the plan's obligation. The assumptions used are disclosed in note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

		2017	2016
5.	CASH RESOURCES		
	Redeemable on Demand:		
	Cash in Hand	7,200	7,200
	Cash at Bank, excluding Fixed Deposits	1,190,484	1,144,718
	Classified as Cash and Cash Equivalents	<u>1,197,684</u>	<u>1,151,918</u>
	Redeemable after 3 Months:		
	Fixed Deposits	14,135,237	11,495,503
		<u>15,332,921</u>	<u>12,647,421</u>
6.	LOAN ASSETS		
	Mortgages	38,647,749	37,355,015
	Properties in Possession	24,234	75,012
		<u>38,671,983</u>	<u>37,430,027</u>
	Provision for Impairment on Loan Assets (note 14)	(140,569)	(134,953)
	Unearned Interest	(18,643)	(6,882)
		<u>38,512,771</u>	<u>37,288,192</u>

The table below shows the movement to the Properties in Possession

	2017		2016	
	No. of Properties	Value	No. of Properties	Value
As at the Beginning of the Year	7	75,012	8	50,312
Additions in the Year	-	-	4	71,275
Disposals in the Year	(5)	(50,778)	(5)	(46,575)
As at End of Year	<u>2</u>	<u>24,234</u>	<u>7</u>	<u>75,012</u>

Properties in possession are sold as soon as practicable, with proceeds used to reduce the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

	2017		2016	
6. LOAN ASSETS (cont'd)	No. of Securities	Value	No. of Securities	Value
The table below shows the analysis of the mortgage portfolio by value bands				
Balances not exceeding \$1,000,000	1,623	859,155	1,700	907,620
Balances exceeding \$1,000,000 but not \$1,500,000	718	891,188	804	987,682
Balances exceeding \$1,500,000 but not \$2,000,000	704	1,233,057	731	1,282,879
Balances exceeding \$2,000,000 but not \$2,500,000	629	1,410,699	686	1,536,801
Balances exceeding \$2,500,000 but not \$3,000,000	750	2,058,388	740	2,039,446
Balances exceeding \$3,000,000 but not \$4,000,000	1,517	5,344,216	1,475	5,202,591
Balances exceeding \$4,000,000 but not \$5,000,000	980	4,378,874	990	4,432,557
Balances exceeding \$5,000,000 but not \$6,000,000	766	4,218,292	717	3,936,467
Balances exceeding \$6,000,000 but not \$7,000,000	575	3,732,957	564	3,649,378
Balances exceeding \$7,000,000 but not \$8,000,000	420	3,134,347	417	3,108,312
Balances exceeding \$8,000,000 but not \$9,000,000	288	2,445,845	235	1,995,961
Balances exceeding \$9,000,000 but not \$10,000,000	287	2,725,405	252	2,400,698
Balances exceeding \$10,000,000 but not \$11,000,000	210	2,206,047	180	1,883,258
Balances exceeding \$11,000,000 but not \$12,000,000	257	2,959,576	263	3,026,112
Balances exceeding \$12,000,000	84	1,031,059	78	958,371
Total	9,808	38,629,106	9,832	37,348,133

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

		2017		2016	
7. INVESTMENTS					
Government of Guyana Treasury Bills		5,890,921		6,423,892	
United Kingdom Government Treasury Loans		-		49,434	
Berbice Bridge Company Inc. Bonds		1,363,222		1,457,245	
		<u>7,254,143</u>		<u>7,930,571</u>	
8. PROPERTY, PLANT & EQUIPMENT					
	Freehold Land and Buildings	Machinery, Furniture and Equipment	Work-In- Progress	Motor Vehicles	Total
Cost					
As at 01 January, 2017	1,554,745	266,979	-	67,665	1,889,389
Additions	67,044	11,077	2,262	25,500	105,883
Disposals	-	(17,714)	-	(17,165)	(34,879)
As at 31 December, 2017	<u>1,621,789</u>	<u>260,342</u>	<u>2,262</u>	<u>76,000</u>	<u>1,960,393</u>
Accumulated Depreciation					
As at 01 January, 2017	(103,328)	(148,576)	-	(63,790)	(315,694)
Charges for the Year	(26,726)	(21,145)	-	(2,966)	(50,837)
Written back on Disposals	-	17,668	-	17,162	34,830
As at 31 December, 2017	<u>(130,054)</u>	<u>(152,053)</u>	<u>-</u>	<u>(49,594)</u>	<u>(331,701)</u>
Net Book Value					
As at 31 December, 2017	<u>1,491,735</u>	<u>108,289</u>	<u>2,262</u>	<u>26,406</u>	<u>1,628,692</u>

Freehold land and buildings are recorded at the valuations of the Directors, based on independent professional advice as a result of valuations carried out by the Senior Valuation Officer, Mr. Charles Mc Garrell in October 2016 on the basis of open market value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

8. PROPERTY, PLANT & EQUIPMENT (cont'd)

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Total
Cost				
As at 01 January, 2016	1,570,573	248,076	67,665	1,886,314
Additions	47,097	31,855	-	78,952
Disposals	(62,925)	(12,952)	-	(75,877)
As at 31 December, 2016	<u>1,554,745</u>	<u>266,979</u>	<u>67,665</u>	<u>1,889,389</u>
Accumulated Depreciation				
As at 01 January, 2016	(77,424)	(120,212)	(62,240)	(259,876)
Charges for the Year	(25,904)	(28,364)	(1,550)	(55,818)
As at 31 December, 2016	<u>(103,328)</u>	<u>(148,576)</u>	<u>(63,790)</u>	<u>(315,694)</u>
Net Book Value				
As at 31 December, 2016	<u>1,451,417</u>	<u>118,403</u>	<u>3,875</u>	<u>1,573,695</u>

If freehold land and buildings were stated at historical cost, the carrying values would be:

	2017	2016
Cost	1,252,928	1,141,789
Accumulated Depreciation	(161,326)	(137,165)
	<u>1,091,602</u>	<u>1,004,624</u>

9. OTHER ASSETS

	2017	2016
Accrued Interest	228,900	249,422
Accounts Receivables and Prepayments	40,148	29,655
	<u>269,048</u>	<u>279,077</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

10. INVESTORS' BALANCES	2017	2016
Five Dollar Shares	22,463,274	21,937,615
Save and Prosper	25,577,933	24,035,463
Deposits	1,013,961	1,032,432
	49,055,168	47,005,510
11. OTHER LIABILITIES		
Withholding Taxes	31,332	40,464
Accounts Payables and Accruals	42,420	81,485
Deferred Income	44,912	45,253
	118,664	167,202
12. RETIREMENT BENEFIT PLAN		
The amount recognized in the Statement of Financial Position is as follows:		
Present Value of Obligations	669,141	747,933
Fair Value of Plan Assets	(1,020,188)	(840,180)
Effect of Asset Ceiling	112,211	-
Asset Recognized in the Statement of Financial Position	(238,836)	(92,247)
The movement in the Present Value of the Obligation is:		
As at Beginning of Year	747,933	689,112
Interest Expense	43,018	39,121
Current Service Cost	31,624	30,034
Contributions by Plan Participants	14,368	13,250
Benefits Paid	(23,568)	(42,183)
Actuarial Gain	(144,234)	18,599
As at End of Year	669,141	747,933

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

12. RETIREMENT BENEFIT PLAN (cont'd)	2017	2016
The movement in the Fair Value of Plan Assets is:		
As at Beginning of Year	840,179	868,409
Actual Return on Plan Assets	159,448	(26,914)
Contributions by the Society	31,131	28,709
Contributions by Plan Participants	14,368	13,250
Benefits Paid	(23,568)	(42,183)
Administrative Expenses	(1,370)	(1,092)
As at End of Year	1,020,188	840,179
The amount recognized in the Statement of Profit or Loss:		
Current Service Cost	31,624	30,034
Interest Cost	43,018	39,121
Expected Return on Plan Assets	(46,775)	(47,726)
Administrative Expenses	1,370	1,092
Total included in Staff Cost	29,237	22,521
The amount recognized in Other Comprehensive Income:		
Change In Assumption Gains	(142,353)	-
Experience Gains - Demographic	(1,881)	18,597
Experience Gains - Financial	(112,673)	74,641
Effect of Asset Ceiling	112,211	-
	(144,696)	93,238
Expected Contributions in Upcoming Year	46,727	43,244

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

12. RETIREMENT BENEFIT PLAN (cont'd)

The principal assumptions used were:

	2017	2016
Discount Rate	5.50%	5.50%
Future Salary Increases	4.50%	4.50%
Return on Assets	5.50%	5.50%
Mortality	UP -94 (+1) (with a projection scale AA)	UP -94 (+1) (with a projection scale AA)

The expected return on plan assets comprises income and capital gains less a margin for administrative expenses. The income component has been determined by reference to a weighted average of rates of interest at which deposits have been fixed, and the dividend yield on equity holdings. An allowance for capital gains has been determined by considering the proportion of plan assets invested in equity holdings, adjusted for growth in the capital value in line with economic conditions.

Risks specific to the Society arising from the Retirement Benefit Plan:

Interest Risk: A decrease in the bond interest rate will decrease the retirement benefit surplus.

Mortality Risk: The present value of the plan obligation is calculated by reference to the best estimate of the mortality of the plan participants during and after their employment. An increase in the life expectancy of the plan participants will decrease the retirement benefit surplus.

Salary Risk: The present value of the plan obligation is calculated by reference to the future salaries of the plan participants. An increase in the salary of the plan participants will decrease the retirement benefit surplus.

Investment Risk: A decrease in the return on plan assets will decrease the retirement benefit surplus.

	2017		2016	
Plan Assets are comprised as follows:				
Cash Resources	315,016	31%	281,239	33%
Equity:				
Manufacturing	138,115		97,891	
Distribution	70,195		80,919	
Financial Institutions	445,465		322,200	
	653,775	64%	501,010	60%
Debt Instruments (United Kingdom Government Bonds)	51,397	5%	57,930	7%
	1,020,188	100%	840,179	100%

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

12. RETIREMENT BENEFIT PLAN (cont'd)

A summary of the plan position and experience adjustments is as follows:

	2017	2016	2015	2014	2013
Present Value of Obligation	669,141	747,933	689,112	538,205	498,524
Fair Value of Plan Assets	1,020,188	840,179	868,409	872,563	828,904

Impact of changes in significant actuarial assumptions

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increases and mortality. The sensitivity analysis provided below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Scenario	Benefit Obligation	% Change in Benefit Obligation
Valuation Results	669,141	
Discount Rate -1%	818,247	22.28
Discount Rate +1%	556,660	-16.81
Salary Increases -1%	614,820	-8.12
Salary Increases +1%	732,216	9.43
Increase average life expectancy by 1 year	680,637	1.72
Decrease average life expectancy by 1 year	657,632	-1.72

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

13.

A) RESERVES	2017	2016
Revaluation Reserve		
As at Beginning of Year	317,998	317,998
As at End of Year	<u>317,998</u>	<u>317,998</u>
Retained Earnings		
As at Beginning of Year	12,022,255	10,829,707
Transferred (to)/from Risk Reserve	(59,015)	9,205
	<u>11,963,240</u>	<u>10,838,912</u>
Profit for the Year	1,279,392	1,276,581
Other Comprehensive Income:		
Remeasurement of provision of employee benefits	144,696	(93,238)
As at End of Year	<u>13,387,328</u>	<u>12,022,255</u>

B) The Risk Reserve

The Risk Reserve is created as an appropriation of retained earnings to account for the difference between the specific provision created by the Society and the provisions as required under Bank Of Guyana Supervision Guideline No.5.

The Society makes specific provisions for non-performing advances based on the difference between the carrying amount and the discounted expected cash flows. These provisions booked as at 31 December, 2017 totalled \$140,569 compared with a provision of \$247,821 as required under Bank Of Guyana Supervision Guideline No. 5.

The Risk Reserve as at 31 December, 2017 was \$107,252. The increase of \$59,015 is shown as a transfer of Retained Earnings to Risk Reserve. This is shown in note 13 (A).

C) Assigned Capital

As required by the Financial Institutions Act 1995, the Bank of Guyana has assigned the Society's capital of its business as not less than an amount of \$250,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

	2017	2016
14. PROVISION FOR IMPAIRMENT ON LOAN ASSETS		
As at Beginning of Year	134,953	126,125
Utilized in the Year	(20,204)	(7,190)
Charged for the Year	25,820	16,018
As at End of Year	<u>140,569</u>	<u>134,953</u>
15. NON-INTEREST EXPENSES BY NATURE		
Depreciation	50,837	55,818
Net Provision for Impairment (Note 14)	25,820	16,018
Staff Costs (Note 17)	428,868	392,459
Security	50,805	46,746
Electricity	39,000	35,104
Software Licence Fee	32,498	22,824
Advertising	3,214	4,873
Postage and Telephone	10,104	9,236
Charitable and Educational Donations	5,692	5,685
Auditors' Remuneration	3,272	3,116
Other	89,626	96,125
Total Non-Interest Expenses	<u>739,736</u>	<u>688,004</u>
16. INTEREST EXPENSES		
Five Dollar Shares	373,089	423,297
Save and Prosper Shares	683,296	739,811
Deposits	14,167	14,233
	<u>1,070,552</u>	<u>1,177,341</u>
17. STAFF COSTS		
Wages and Salaries	349,253	322,328
Social Security Costs	19,223	15,599
Pension Costs	29,237	22,521
Other Staff Costs	31,155	32,011
	<u>428,868</u>	<u>392,459</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

18 RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. The related parties are key management personnel including Directors and Senior Officers of the Society and close family members of such individuals. Mortgages are extended to Senior Officers of the Society at the applicable employee rate of 50% of the prevailing rate. All other transactions are carried out on commercial terms and at prevailing rates.

	2017	2016
(a) MORTGAGES		
Balance as at Beginning of Year	47,904	48,562
Effects of Changes in Key Management Personnel	(14,512)	
Mortgages issued during the Year	-	1,600
Mortgage Interest Charged during the Year	1,357	2,419
Mortgage Payments during the Year	(6,311)	(4,677)
Balance as at End of Year	<u>28,438</u>	<u>47,904</u>

No provision has been required in 2017 and 2016 for the mortgages granted to related parties.

(b) INVESTORS' BALANCES

Balance as at Beginning of Year	90,773	96,789
Effects of Changes in Key Management Personnel	31,020	
Deposits Received during the Year	86,151	27,270
Interest earned during the Year (net of tax)	2,857	2,085
Withdrawals made during the Year	(73,737)	(35,371)
Balance as at End of Year	<u>137,064</u>	<u>90,773</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

		2017	2016
18	RELATED PARTY TRANSACTIONS (Cont'd)		
	(c) KEY MANAGEMENT COMPENSATION		
	Short-Term Employee Benefits	109,346	103,638
	Post-Employment Benefits	5,264	4,552
		114,610	108,190
	(d) OTHER SERVICES		
	Legal Services from Key Management	852	13,319
19.	DIRECTORS' COSTS		
	Directors' Costs included in Key Management Compensation		
	Directors' Fees	4,500	4,200
	Directors' Travel	4,500	4,200
	Directors' Pension	2,810	2,010
		11,810	10,410

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

Financial instruments carried at the Statement of Financial Position date include cash resources, loan assets, investments, other assets (excluding property, plant and equipment and prepayments), and investors' balances, accounts payables and accruals.

The Society's financial instruments are classified into the following categories identified in IFRS 7: held-to-maturity and loans and receivables. All of the Society's financial liabilities are classified as financial liabilities measured at amortized cost.

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 Society's investments are classified as held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(a) CATEGORIES OF FINANCIAL INSTRUMENTS (Cont'd)

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 Society's cash resources, loan assets and other assets (excluding property, plant and equipment and prepayments) are classified as loans and receivables.

Financial liabilities which are not classified as fair value through the profit and loss are classified as financial liabilities measured at amortized cost. A financial liability which is acquired principally for the purpose of selling in the short term or derivatives are categorized as fair value through the profit and loss. The Society holds no such financial liabilities. As such, the Society's investors' balances, accounts payables and accruals are classified as financial liabilities measured at amortized cost.

There were no changes in these classifications from the prior year.

(b) RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments incorporate the vast majority of the Society's assets and liabilities. The Society's activity involves the acceptance of deposits from investors which are then used to earn an interest margin by investing these funds in high quality assets. The principal risks which arise from this core activity, and which needs to be managed by the Society, are credit risks, liquidity risk, interest rate risks and foreign exchange risk. The Society's objective is to limit its exposure to such risks while maintaining a steady growth in profitability and net asset base. The Society's risk management policies for each of these risks is described in the following parts to this note.

(c) CREDIT RISK

The Society takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises on the Society's holdings of cash resources, investments and loan assets. The maximum credit risk exposure approximates to the carrying values of these assets at the Statement of Financial Position date.

To reduce the Society's exposure, cash resources are held with financial institutions licensed in Guyana or the United Kingdom. The Society's investments are largely in securities issued or guaranteed by governments of Commonwealth countries. The investment in the bonds issued by the Berbice Bridge Company Inc., while not issued or guaranteed by a government of a Commonwealth Country, is considered to be of sound credit quality based on the Society's assessment of the viability of that company's activity; the bond is secured on the assets of that company.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2017**

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**(c) CREDIT RISK (cont'd)**

With respect to the exposure to credit risk on mortgages, the following mitigating measures are relied upon.

- (i)** Prior to the advancing of funds, an initial interview of the potential borrower is conducted by an Officer of the Mortgage Department. During the interview, the Officer collects information on the proposed project, the income resources to be relied upon for repayments and the property to be lodged as collateral.
- (ii)** The initial inspection of the property to be lodged as collateral is carried out by a Senior Manager of the Society with a Director during which a value is assessed. For loans between ten to twelve million dollars, two Directors inspect the property to ensure the collateral is adequate.
- (iii)** A recommendation is made for the amount to be approved using information collected on the project, sources of repayment and the assessed value of the collateral to be lodged. The recommendation must be within seventy-five percent of the assessed value of the collateral to be lodged and within the statutory lending limits of the Society of twelve million Guyana dollars.
- (iv)** The Board of Directors is required to approve all mortgages regardless of the amount to be disbursed.
- (v)** The mortgage must be registered on the collateral prior to the disbursement of funds.
- (vi)** For mortgages that involve disbursement of funds in stages, a weekly site inspection is carried out by an Officer of the Mortgage Department to assess the satisfaction of set targets prior to further release of disbursements.
- (vii)** Daily reports are generated to identify mortgagors who have defaulted on repayments. The Society has a team within its Mortgage Department that is tasked with the identification and monitoring of defaulting mortgagors.
- (viii)** A Director of the Society is required to inspect collateral lodged at least once every three years.

Given the homogenous nature of the Society's loan assets, management monitors the overall quality of its portfolio by examining the geographic concentration against historic default rates (foreclosed mortgages as a percentage of the geographic total).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(c) CREDIT RISK (cont'd)

The concentration of loan assets that are neither past due nor impaired as at the Statement of Financial Position date and the geographic default rates are shown below.

	2017		2016	
	Value	Default Rate	Value	Default Rate
Demerara, except Linden	29,558,087	0.36%	24,582,980	0.24%
Berbice	6,424,881	0.35%	5,175,090	0.53%
Essequibo	1,827,009	0.44%	1,426,435	0.34%
Linden	819,129	0.10%	610,868	0.00%
	38,629,106		31,795,373	

During the year there were loan assets totaling \$77,575 (2016 - \$209,320) which were renegotiated and which would have otherwise been past due or impaired.

The table below shows the age analysis of loan assets that are past due and impaired mortgages as at the Statement of Financial Position date, along with the estimated fair value of the collateral held against these balances.

	2017	2016
Past Due Accounts		
Past due up to 30 days	4,419,864	3,393,102
Past due 30 to 90 days	2,376,535	1,826,036
Impaired (Over 90 days)	294,284	181,000
Total	7,090,683	5,400,138
Fair value of collateral	14,295,650	11,034,600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(c) CREDIT RISK (Cont'd)

The table below shows the geographic analysis of loan assets that are impaired as at the Statement of Financial Position date, along with the estimated fair value of the collateral held against these balances. All impaired loan assets exceeding 180 days and one year totalled \$186,983 (2016 - \$50,367) and \$15,737 respectively.

	2017	2016
Demerara, except Linden	310,901	172,686
Berbice	270,661	146,568
Essequibo	31,975	23,221
Linden	27,192	6,751
	640,729	349,226
Fair value of collateral	1,079,600	528,850

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) INTEREST RATE RISK

The Society assumes interest rate risk from dealing with members and other third parties through fixed term lending or investment activity. The risk arises from movement in interest rates where the Society's financial assets or liabilities have different repricing dates. The Society manages this risk through the retention of the right to change applicable rates on mortgages and investors' balances and the holding of short-term investments.

The Society's interest bearing instruments carry fixed rate of interest except cash resources totaling \$451,465 (2016 – \$102,104) with an effective interest rate of 0.5% (2016 – 0.5%). Should the interest rates on the floating rate instruments increase/decrease by 50 basis points (2015 – 50 basis points), with all other variables held constant, the profit for the year would increase/decrease by \$2,257 (2016 – \$511).

The tables below summarize the Society's exposure to interest rate risk by categorizing the carrying amounts of assets and liabilities by the earlier of the contractual repricing or maturity dates.

	Up to one year	Over one year	Non- Interest Bearing	Total
As at 31 December 2017				
Cash Resources	14,889,254	-	443,667	15,332,921
Loan Assets	3,197,173	35,450,576	24,234	38,671,983
Investments	6,199,143	1,055,000	-	7,254,143
Other Assets (Property, Plant and Equipment / Retirement Benefit Surplus)	-	-	2,136,576	2,136,576
Total Assets	24,285,570	36,505,576	2,604,477	63,395,623
Investors' Balances	49,055,168	-	-	49,055,168
Other Liabilities	-	-	118,664	118,664
Total Investors' Balances and Other Liabilities	49,055,168	-	118,664	49,173,832
Interest Sensitivity Gap	(24,769,598)	36,505,576	2,485,813	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) INTEREST RATE RISK

	Up to one year	Over one year	Non- Interest Bearing	Total
As at 31 December 2016				
Cash Resources	12,178,706	-	468,715	12,647,421
Loan Assets	37,220,062	-	75,012	37,295,074
Investments	6,423,892	1,506,679	-	7,930,571
Other Assets (Property, Plant and Equipment / Retirement Benefit Surplus)	-	-	1,945,019	1,945,019
Total Assets	55,822,660	1,506,679	2,488,746	59,818,085
Investors' Balances	47,005,510	-	-	47,005,510
Other Liabilities	-	-	167,202	167,202
Total Investors' Balances and Other Liabilities	47,005,510	-	167,202	47,172,712
Interest Sensitivity Gap	8,817,150	1,506,679	2,321,544	

The effective interest rates/yields on significant financial instruments are as follows:

	2017	2016
	%	%
Fixed Deposits	2.8	3.6
Mortgages	6.2	6.4
Investments	3.8	3.8
Investors' Balances	2.2	2.5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(e) LIQUIDITY RISK

Liquidity risk is the risk that the Society is not able to meet its financial obligations as they fall due. The Society is exposed to daily calls on its cash resources from investors' accounts and mortgage draw downs. The Society's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Society and to enable it to meet all financial obligations. This is achieved through maintaining a prudent level of liquid assets and through management control of the growth of business.

All the Society's financial liabilities are payable within one month of the Statement of Financial Position date. However, in practice, investors' balances are repaid later than on the earliest date on which repayment can be required.

The tables below analyze assets and liabilities of the Society into relevant maturity groupings.

	Up to one year	One to five years	Over five years	Total
As at 31 December 2017				
Cash Resources	15,332,921	-	-	15,332,921
Loan Assets	3,221,407	8,724,517	26,726,059	38,671,983
Investments	6,199,143	1,055,000	-	7,254,143
Other Assets	269,048	1,628,692	238,836	2,136,576
Total Assets	25,022,519	11,408,209	26,964,895	63,395,623
Investors' Balances	49,055,168	-	-	49,055,168
Other Liabilities	79,626	25,136	13,902	118,664
Total Investors' Balances and Other Liabilities	49,134,794	25,136	13,902	49,173,832
Net Liquidity Gap	(24,112,275)	11,383,073	26,950,993	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(e) LIQUIDITY RISK (Cont'd)

	Up to one year	One to five years	Over five years	Total
As at 31 December 2016				
Cash Resources	12,647,421	-	-	12,647,421
Loan Assets	2,988,763	8,534,444	25,831,808	37,355,015
Investments	6,768,276	1,162,295	-	7,930,571
Other Assets	279,077	1,573,695	92,247	1,945,019
Total Assets	22,683,537	11,270,434	25,924,055	59,878,026
Investors' Balances	47,005,510	-	-	47,005,510
Other Liabilities	122,448	25,584	19,170	167,202
Total Investors' Balances and Other Liabilities	47,127,958	25,584	19,170	47,172,712
Net Liquidity Gap	(24,444,421)	11,244,850	25,904,885	

(f) FOREIGN EXCHANGE RISK

Foreign exchange exposure arises from the Society's holding of foreign-denominated financial assets. Management limits the exposure to unfavourable exchange rate movements by investing in stable currencies.

Aggregate Assets denominated in Foreign Currencies amounted to:

British Pound Sterling

United States Dollar

	2017	2016
British Pound Sterling	67,282	52,714
United States Dollar	686,736	679,924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(f) FOREIGN EXCHANGE RISK (Cont'd)

At 31 December 2017, if the Guyana dollar had weakened / strengthened by 1% against the British Pound Sterling, with all other variables held constant, profit for the year would have been \$673 (2016 – \$2,635 for a 5% change) higher / lower.

At 31 December 2017, if the Guyana dollar had weakened / strengthened by 1% against the US Dollar, with all other variables held constant, profit for the year would have been \$6,867 higher / lower.

21. CAPITAL COMMITMENT

	2017	2016
Capital Commitments for Property and Equipment Authorized and Contracted for	-	61,000

22. FAIR VALUE MEASUREMENTS

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/2017	31/12/2016				
Loan Assets	Asset - 41,674,058	Asset - 40,662,836	Level - 2	The fair value of the loan assets was estimated to be using the discounted amount of the estimate of future cash flows expected to be received. Expected cash flows are discounted at the current market rates to determine the fair value.	N/A	N/A
Investments - Government of Guyana Treasury Bills	Asset - 5,842,598	Asset - 6,424,386	Level - 2	The fair values have been estimated by applying discounted cash flows analysis, using current market rates.	N/A	N/A
Investments - United Kingdom Government Treasury Loans	Nil	Asset - 63,976	Level - 1	The fair value of the United Kingdom Government Treasury Loans is based on current market value.	N/A	N/A
Investments - Berbice Bridge Company Inc. Bonds	Asset - 1,569,845	Asset - 1,663,926	Level - 2	The fair values have been estimated by applying discounted cash flows analysis, using actuarial discounted rates for similar term investments.	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

23. FAIR VALUE MEASUREMENTS (Cont'd)

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/2017	31/12/2016				
Freehold Land and Buildings	Asset - 1,554,745	Asset - 1,570,573	Level - 3	"The appraisal was carried out in October 2016 using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the freehold land and buildings in question, including plot size, location, encumbrances and current use."	"The significant unobservable input is the adjustment for factors specific to the freehold land and buildings in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation."	Granting that the inputs are subjective judgements, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Cash Resources and Other Assets

Cash Resources and Other Assets: The carrying value of cash resources and other assets approximate to fair value given their short term nature.

Investors' Balances and Other Liabilities

The fair value of investors' balances and other liabilities approximates to the amount repayable on demand as the balances carry no stated maturity.

There were no transfer between levels in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Thousands of Guyana Dollars

24. CONTINGENT MATTERS

(a) CLAIM FROM A MEMBER

On 16 October 2007, the Society received a writ from a member seeking an amount of \$7,673 which was allegedly given to an employee of the Society to convert into foreign currency for remittance overseas. The sum, it was claimed, was not remitted or returned to the member. The initial ruling of the court was in favour of the plaintiff. The Society has appealed this ruling and is confident of success on appeal. No provision has been made for the sums in this regard in these financial statements.

(b) CLAIMS FROM BUILDING CONSULTANTS

During December 2008 the Society received three writs of claim totaling \$29,829 from consultants involved in providing architectural, structural engineering and quantity surveying services in respect of preparatory works for the construction of the Society's new Head Office. The initial ruling of the court was in favour of the plaintiff. The Society has appealed this ruling and is confident of success on appeal. No provision has been made for the sums in this regard in these financial statements.

(c) CLAIMS FROM FORMER EMPLOYEES

During 2010, the Society received from three former employees writs seeking damages in excess of fifty million dollars in each case for wrongful dismissal and breach of contract of employment. The trial for these cases are currently engaging the attention of the court. Judgement in the High Court was granted in favour of one of the Plaintiffs on July 20, 2017 in excess of fifty million dollars. The Society has filed an appeal in response to that judgement. However, an order was granted by the Court of Appeal directing that the pension benefits be paid, while the property of the Plaintiff was lodged on security representing the amount paid. This matter has been appealed and awaiting hearing in the Court of Appeal. The other two (2) matters are currently waiting to be heard by the High Court. No provision has been made for the sums claimed in these financial statements, as the Society is confident of defending all three (3) actions.

Our Contributions and Sponsorships



COTTON TREE PRIMARY BEST GRADUATING STUDENT IN MATHS

Mrs. Bibi Jagnarayan, Manager of the NBS' Rosignol Branch, presents a Trophy to the Best Graduating Student of Cotton Tree Primary School in Mathematics at the National Grade Six Assessment 2017.



WATOOKA DAY PRIMARY SCHOOL DONATION

Miss Angale Alberts of NBS' Mackenzie Branch presents Ms. Marcia Brisport, Head Teacher of Watooka Day Primary with a Trophy for that School's Annual Prize Giving Exercise.



DISABLED PEOPLE NETWORK

Ms. Malveka Persaud of the Society's Rosignol Branch Office, hands over the Society's donation to a member of the Disabled Persons Network Region 5 in the presence of his colleague and other Members of Staff of the NBS.

Our Contributions and Sponsorships (Cont'd)

CRICKET LAUNCH 2017

Mr. Roger Harper, President of the Georgetown Cricket Association (GCA), accepts NBS' Sponsorship cheque for the Second Division 40-Over Cricket Competition from the Society's CEO/Director/Secretary, Mr. Anil Kishun. NBS Directors and other members of the GCA look on approvingly



RAMDIHAL PRESENTING TO REHAB CENTRE

Ms. Bridget Chichester, the Centre Administrator for the Community Based Rehabilitation Programme Region 6, receives NBS' Contribution from Mr. Mahendra Ramdihal of the Society's Rosehall Branch Office



AMERICAN RESEARCHERS VISIT NBS

Researchers from the American University in Washington, D.C. visited Guyana to conduct studies of various aspects of life in Guyana. They visited NBS as part of their program.



NBS Corriverton Branch



The New Building Society Limited

1 North Road & Avenue of the Republic,
Georgetown, Guyana.

Tel: 227-4444. Fax: 225-0832

Website: www.nbsgy.com

Email: nbsltd@networksgy.com