INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
GUYANA BANK FOR TRADE AND INDUSTRY LIMITED
(SUBSIDIARY OF SECURE INTERNATIONAL FINANCE COMPANY INCORPORATED)
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Guyana Bank for Trade and Industry Limited which comprise the statement of financial position as at 31 December 2011 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 33 to 84

DIRECTORS'/MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors/ Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report - cont'd

OPINION

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Bank for Trade and Industry Limited as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

TSD Lal & Co.

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TSD LAL & CO.
CHARTERED ACCOUNTANTS
(An Independent Correspondent Firm of Deloitte Touche Tohmatsu)

Date: February 10, 2012

77 Brickdam,
Stabroek, Georgetown,
Guyana

STATEMENT OF INCOME

FOR YEAR ENDED 31 DECEMBER 2011

	Notes	2011 G$ 000	2010 G$ 000
Interest Income			
Loans and Advances		**2,521,027**	1,985,994
Treasury Bills		**534,464**	829,498
Investments	**4(a)**	**535,731**	571,532
Foreign Bank Deposits		**82,770**	39,114
Other		**14,633**	8,798
		3,688,625	3,434,936
Interest Expense			
Savings Deposits		**643,166**	735,055
Term Deposits		**253,685**	242,348
Foreign Currency Deposits		**8,801**	36,485
Other		**41,589**	5,212
		947,241	1,019,100
Net Interest Income		**2,741,384**	2,415,836
Other Income	**4(b)**	**859,576**	944,059
Net Interest and Other Income		**3,600,960**	3,359,895
Non-Interest Expenses			
Salaries and Other Staff Costs	**5**	**840,951**	709,661
Premises and Equipment		**596,929**	385,439
Other		**202,157**	608,861
		1,640,037	1,703,961
Associate Company:-share of profit	**10(b)**	**3,871**	3,845
Profit before Taxation		**1,964,794**	1,659,779
Taxation	**6**	**581,966**	455,195
Profit for the Year	**7**	**1,382,828**	1,204,584
Basic earnings per share in dollars	**8**	**34.57**	30.11

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

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31 DECEMBER 2011

	2011 G$ 000	2010 G$ 000
Profit for the Year	**1,382,828**	**1,204,584**
Other comprehensive income		
Loss arising on revaluation of:- Available for sale financial assets	**(46,211)**	(40,407)
Share of comprehensive loss of associate	**(5,426)**	(14,650)
Other comprehensive loss net of tax	**(51,637)**	(55,057)
Total comprehensive income for the year	**1,331,191**	1,149,527

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

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 31 DECEMBER 2011

	Notes	Share Capital G$ 000	Retained Earnings G$ 000	Other Reserve G$ 000	Statutory Reserve G$ 000	Revaluation Reserve G$ 000	General Banking Risk Reserve G$ 000	Total G$ 000
Balance at 1 January 2010		**800,000**	**3,726,107**	**(103,309)**	**800,000**	**18,963**	**410,233**	**5,651,994**
Profit for the year		-	1,204,584	-	-	-	-	1,204,584
Other comprehensive loss for the year		-	-	(55,057)	-	-	-	(55,057)
Total comprehensive income/(loss) for the year		-	1,204,584	(55,057)	-	-	-	1,149,527
Payment of Dividends	**27**	-	(300,000)	-	-	-	-	(300,000)
Transfer to/ (from) Reserve	**23(d)**	-	38,686	-	-	-	(38,686)	-
Balance at 31 December 2010		**800,000**	**4,669,377**	**(158,366)**	**800,000**	**18,963**	**371,547**	**6,501,521**
Profit for the year		-	1,382,828	-	-	-	-	1,382,828
Other comprehensive loss for the year		-	-	(51,637)	-	-	-	(51,637)
Total comprehensive income/(loss) for the year		-	1,382,828	(51,637)	-	-	-	1,331,191
Payment of Dividends	**27**	-	(360,000)	-	-	-	-	(360,000)
Transfer to/ (from) Reserve	**23(d)**	-	35,509	-	-	-	(35,509)	-
Balance at 31 December 2011		**800,000**	**5,727,714**	**(210,003)**	**800,000**	**18,963**	**336,038**	**7,472,712**

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 G$ 000	2010 G$ 000
Assets:			
Cash Resources			
Cash and due by banks	9 (a)	9,818,770	4,182,985
Deposits with Bank of Guyana	9 (b)	8,186,566	6,631,726
Cheques and other items in transit	9 (c)	360,293	481,853
Treasury Bills	9 (e)	15,854,805	19,246,547
		34,220,434	30,543,110
Investments			
"Available for Sale"	10 (a)	8,292,214	4,893,502
"Held to Maturity"	10 (a)	402,344	403,500
		8,694,558	5,297,002
Non-Current Assets - Associate company	10 (b)	183,252	184,807
Assets classified as Held for sale	14	17,075	17,093
Loans and advances	11	24,051,231	19,363,205
Defined benefit asset	17	-	601
Property and equipment	12(a)	6,801,630	6,588,300
Deferred tax assets	6	169,152	116,210
Other assets	13	921,332	546,560
		7,892,114	7,251,671
		75,058,664	62,656,888

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 G$ 000	2010 G$ 000
Liabilities:			
Deposits			
Demand		**17,180,254**	13,311,686
Savings		**34,186,832**	29,154,977
Term		**15,199,571**	11,275,249
		66,566,657	53,741,913
Defined benefit liability	**17**	**4,355**	-
Due to banks		**265**	2,564
Taxation		**183,281**	55,985
Other	**15**	**831,393**	2,354,905
		1,019,294	2,413,454
Capital and reserves			
Share capital	**16**	**800,000**	800,000
Retained earnings		**5,727,714**	4,669,377
Other reserve	**23 (a)**	**(210,003)**	(158,366)
Statutory reserve	**23 (b)**	**800,000**	800,000
Revaluation reserve	**23 (c)**	**18,963**	18,963
General Banking Risk Reserve	**23 (d)**	**336,038**	371,547
		7,472,712	**6,501,521**
		75,058,664	**62,656,888**

These financial statements were approved by the Board of Directors on February 15, 2012

On behalf of the Board:

John Tracey ....

Mr. John T. Tracey
Chief Executive Officer and Director

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Mr. Robin S. Stoby, S.C.,
Chairman and Director

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

STATEMENT OF CASH FLOWS

FOR YEAR ENDED 31 DECEMBER 2011

	2011 G$ 000	2010 G$ 000
Operating activities		
Profit before taxation	**1,964,794**	1,659,779
Adjustments for:		
Share of profit of associate company	**(3,871)**	(3,845)
Depreciation	**286,480**	152,743
Loss on sale of fixed assets	**(24,384)**	(4,419)
Net increase in customers' loans	**(4,688,026)**	(6,283,594)
Net increase in customers' deposits	**12,824,744**	7,924,959
Increase/decrease in other assets	**(374,772)**	101,599
Decrease/(increase) in assets classified as held for sale	**18**	(285)
(Decrease)/increase in other liabilities	**(1,523,512)**	218,925
Decrease in defined benefit asset	**601**	3,882
Increase in defined benefit liability	**4,355**	-
Increase in required reserve with Bank of Guyana	**(1,675,290)**	(850,825)
Cash provided by operating activities	**6,791,137**	**2,918,919**
Taxation		
Taxes paid/adjusted	**(505,056)**	(678,800)
Net cash provided by operating activities	**6,286,081**	**2,240,119**
Investing activities		
Increase in Investments and Other Cash Resources	**(5,813)**	(1,523,298)
Increase in Investment in Associate Company	**-**	(64,548)
Additions to Fixed assets	**(524,549)**	(1,130,618)
Proceeds from disposal of fixed assets	**355**	12,416
Net cash used in investing activities	**(530,007)**	**(2,706,048)**
Financing activities		
Dividends paid	**(360,000)**	(300,000)
Net cash used in financing activities	**(360,000)**	**(300,000)**
Net increase/(decrease) in cash and cash equivalents	**5,396,074**	(765,929)
Cash and short term funds at beginning of year	**5,070,094**	5,836,023
Cash and short term funds at end of year (Note 9 (d))	**10,466,168**	**5,070,094**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and activities

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

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

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

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

2 New and revised standards and interpretations

	Effective for annual periods beginning on or after
Amendments to Standards	
IFRS 1 Short term Disclosure Exemption - IFRS 7	1 July 2010
IFRS 1 Short term Exemption – IFRS 9	On adoption of IFRS 9
IFRS 1 Three amendments to IFRS 1 – Changes in accounting policies, deemed cost exemption for event-driven fair value measurements and deemed cost (rate-regulated entities)	1 January 2011
IFRS 3 Amendments to IFRS3 (2008)	1 July 2010
IFRS 7 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 1 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011
IAS 27(2008) Amendments as part of Improvements to IFRSs 2010	1 July 2010
IAS 32 Classification of Rights Issues	1 February 2010
IAS 34 Amendments as part of Improvements to IFRSs 2010	1 January 2011
New Interpretations	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations - cont'd

	Effective for annual periods beginning on or after
Amendments to Interpretations	
IFRIC 13 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011
Available for early adoption for the current year end	
New and Amended Standards	
IFRS 1 Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 1 Severe Hyperinflation	1 July 2011
IFRS 7 Enhanced Derecognition Disclosure Requirements	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 9 Additions for Financial Liability Accounting	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IAS 27(2011) Separate Financial Statements	1 January 2013
IAS 28(2011) Investments in Associates and Joint Ventures	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1(2011) Amendments to IAS 1 – Presentation of Other Comprehensive Income	1 July 2012
IAS 12 Amendments to IAS 12 – Income Taxes	1 January 2012
IAS 19 Amendments to IAS 19 – Employee Benefits	1 January 2013
New interpretation	
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Bank has not opted for early adoption.

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

IFRS 7

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets and are intended to provide greater transparency around risk exposures when a financial asset is transferred. The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Bank's disclosures.

IFRS 9

IFRS 9 was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in November 2010 and the revised date for adoption is

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations - cont'd

IFRS 9 - cont'd

now 1 January 2015. This standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs. Subsequently, financial assets are to be measured either at amortised cost or fair value.

The application of IFRS 9 may have significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. When adopted, the standard will be applied retrospectively in accordance with IAS 8.

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. When adopted, the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IAS 1

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IAS 12

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

IAS 19

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations - cont'd

under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

The application of the amendments to IAS 19 may have impact on amounts reported in respect of the Bank's defined benefit plan. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

IFRS 12
IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

3.1 Summary of significant accounting policies

(a) Accounting convention
The financial statements have been prepared under the historical cost convention, as modified for the revaluation of "available for sale" investments, property and equipment as stated in Notes 10 and 12 respectively, and conform with International Financial Reporting Standards. The principal accounting policies are set out below.

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

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

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

Interest income is not recognized on non-accrual loans.

(c) Non interest income
The Bank earns fee income from a diverse range of services provided to its customers.

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

Fees and commissions are recognized as earned. Examples of these types of accounts are:
- ATM – transaction charge for use of ATM service
- Commitment Fees – negotiation, application fees for new loan accounts
- Drafts and Transfers – cost of drafts, telegraphic transfer
- Ledger Fees – charge for new cheque books
- Safe Custody – annual rental of safe deposit boxes, Telephone Banking – transaction cost.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(c) Non interest income - cont'd

Rental income

Income from rental of property to Guyana Americas Merchant Bank Inc is recognized on an accrual basis.

(d) Loans and advances

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

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

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

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

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

(e) Loan Impairment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

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

- Personal Loan Financing:- Quality Lifestyle Loans: low income mortgage loans, residential mortgage loans, automobile, consumer care,personal and Single Parent loans

- Business financing:- Commercial Loan Plan : corporate, manufacturing, agriculture, rice farming and trading & services loans

Collateral

It is the Bank's policy that all facilities are fully and tangibly secured. However, under the current Quality Lifestyle Loan Plan some loans such as the Consumer Care, Personal and Automobile Loans are issued against Bills of Sale over moveable assets, which are not considered as tangible collateral, hence these facilities can be considered as unsecured. In exceptional cases, depending on the customer's credit history, size and type of product and duration of credit, facilities may also be unsecured. The principal collateral types accepted by the Bank to secure credit facilities are listed in note 20 (c).

Classification

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

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

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

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

Past Due

A loan is classified as past due when:
(i) Principal or interest is due and unpaid for one month to less than three months or
(ii) Interest charges for one to two months have been capitalized, refinanced or rolled over

An overdraft is classified as past due when

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

Non-Performing Loans

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

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

Loans

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

Overdrafts

(i) The approved limit has been exceeded for three months or more into a term loan after three months or more.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

(ii) Interest charges for three months or more have not been covered by deposits.
(iii) The account has developed a hardcore which was not converted.

Loan Losses

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

(i) An account is considered uncollectible.
(ii) An account classified as doubtful with little or no improvement over the twelve month period.
(iii) The unsecured portion of a loan with fixed repayment dates when:-
  (1) Principal or interest is due and unpaid for twelve months or more, or
  (2) Interest charges for twelve months or more have been capitalized, refinanced or rolled over
(iv) The unsecured portion of an overdraft when
  (1) The approved limit has been exceeded for six months or more, or
  (2) Interest charges for six months or more have not been covered by deposits, or
  (3) The account has developed a hard core which was not converted into a term loan after 12 months or more.

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

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

Provisioning

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

Classification	**Level of Provision**
Grade 1	0%
Grade 2	0%
Grade 3	0 – 20%
Past Due	20%
Non Performing	100%

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

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

Renegotiated loans

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

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

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

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

Renegotiated credit facilities are permitted subjected to the following conditions:

- The existing financial position of the borrower can service the debt under the new conditions.

- An account classified as doubtful or loss shall not be renegotiated unless an upfront cash payment is made to cover, at the least, unpaid interest or there is an improvement in the collateral taken which will make the renegotiated account, including unpaid interest, a well-secured account.

- A commercial facility shall not be renegotiated more that twice over the life of the original facility and mortgage or personal loans not more than twice in a five-year period.

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

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

Impairment Losses

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

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

The result of the evaluation produced a material difference between the two methods, therefore, movements from the preceding year to the current financial year end were transferred to the General Banking Risk Reserve Account.

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

Assets acquired in exchange for loans

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

(f) Foreign currencies

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

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

(g) Fixed assets and depreciation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(g) Fixed assets and depreciation - cont'd

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

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(h) Acceptances, Guarantees and Letters of Credit

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

(i) Balances excluded from the accounts

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

(j) Pension plan

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

The Plan is administered by an insurance company under the terms of a trust deed dated 1 January 1999 which makes it responsible to ensure that contributions are adequate to meet the liabilities of the plan. The Bank's total contribution to the pension plan for the year amounted to G$40,596,000 (2010 - G$33,295,000).

Pension accounting costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the statement of income based on actuarial advice.

Actuarial gains and losses are recognized as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed the greater of (a) 10% of the present value of the defined benefit obligation, and (b) 10% of the fair value of any plan assets at that date.

The gains or losses are recognised by amortising them over the expected average remaining working lives of the employees in the plan.

(k) Statutory reserve

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

This Reserve Account is now equal to the 'Paid up' Capital.

(l) Reserve requirement

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

(m) Revaluation reserve

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

(n) Other reserve

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

(o) Taxation

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

Current Tax

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

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

Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(o) Taxation - cont'd

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

(p) Financial instruments

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

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

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

Other receivables

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

Cash and short term funds

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

Deposits and Other Payables

These are measured at amortised cost.

Derecognition

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

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

(q) Financial investments

The Bank classifies its investment portfolio into the following categories: "held to maturity investments" and "available for sale financial assets". Management determines the

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(q) Financial investments - cont'd

appropriate classification at the time of purchase based on the purpose for which the investment securities were acquired. The classification is reviewed annually.

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

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

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

Available for sale financial assets

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

(r) Provisions

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

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

(s) Non-current assets held for sale

A noncurrent asset is classified as held for sale when: its carrying amount will be recovered principally through a sale transaction rather than through continuing use; the asset is available for immediate sale in its present condition; and its sale is highly probable.

Assets classified as held for sale are not depreciated or amortised and are carried at the lower of carrying amount and fair value less costs to sell. Fair values of these assets are determined by independent valuators.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(t) Impairment of tangible assets

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

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

(u) Dividends

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

(v) Investment in Associate company

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

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

(w) Segment reporting

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

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

The Bank analyses its operations by both business and geographic segments. The primary

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(w) Segment reporting

format is business reflecting retail and commercial banking and treasury. Its secondary format is that of geographic segments reflecting the primary economic environments in which the bank has exposure.

(x) Earnings per share

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

3.2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting estimates and judgements in applying accounting policies

Impairment losses on loans and advances

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

Available for sale financial assets

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

Held to maturity financial assets

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

Retirement benefit asset/obligation

The provisions for defined benefit asset/obligation are determined by the actuary based on data provided by management. The computation of the provisions by the actuary assumes that the data provided is not materially misstated.

NOTES TO THE FINANCIAL STATEMENTS

3.2 Critical accounting judgements and key sources of estimation uncertainty - cont'd

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

Useful lives of property, plant and equipment

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

Impairment of financial assets

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

			2011 G$ 000	2010 G$ 000
4	**(a)**	**Income from investment**		
		Available for sale	**498,887**	532,376
		Held to Maturity	**36,844**	39,156
			535,731	571,532
	(b)	**Other income**		
		Commissions	**328,519**	289,243
		Exchange gain	**524,741**	639,391
		Rental and other income	**6,316**	15,425
			859,576	944,059
5	**Salaries and other staff costs**			
	Salaries and wages		**538,153**	455,111
	Other staff costs		**267,159**	221,252
	Pension		**35,639**	33,298
			840,951	709,661

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation

	2011 G$ 000	2010 G$ 000
Reconciliation of Tax Expense and Accounting Profit		
Accounting profit	**1,964,794**	1,659,779
Less: Share of Associate Company's profit	**3,871**	3,845
	1,960,923	1,655,934
Corporation tax at 40%/45%	**784,369**	745,170
Add:		
Tax effect of expenses not deductible in determining Taxable Profits		
Depreciation for Accounting Purposes	**114,533**	68,734
Collectively assessed impairment allowance	**30,326**	9,002
Other	**11,130**	6,593
	940,358	829,500
Deduct:		
Tax effect of depreciation for tax purposes	**53,906**	66,605
Interest not taxable	**306,571**	343,956
Others	**-**	6,516
Corporation Tax	**579,881**	412,422
Deferred Tax	**(52,942)**	(7,195)
Property Tax	**55,027**	49,968
	581,966	455,195
Taxation - current	**634,908**	462,390
- deferred	**(52,942)**	(7,195)
	581,966	455,195

Components of deferred tax assets

	2011 G$ 000	2010 G$ 000
Fixed assets	**168,921**	117,953
Defined benefit liability/asset	**231**	(1,743)
	169,152	116,210

Movement in temporary differences

	Defined benefit asset G$ 000	Fixed assets G$ 000	Total G$ 000
At 31 December 2009	**(2,017)**	111,032	**109,015**
Movement during the year	**274**	6,921	7,195
At 31 December 2010	**(1,743)**	117,953	116,210
Movement during the year	**1,974**	50,968	52,942
At 31 December 2011	**231**	168,921	169,152

NOTES TO THE FINANCIAL STATEMENTS

7 Profit after taxation

	2011		2010	
	G$ 000	G$ 000	G$ 000	G$ 000
Profit after taxation		**1,382,828**		1,204,584
After charging:				
Auditors' remuneration (a)		**9,678**		8,716
Depreciation		**286,480**		152,743
Directors' emoluments (b)		**9,130**		9,130
Loan impairment/(recoveries)				
Impairment	**100,000**		200,001	
Recoveries on loans previously written off	**(234,938)**	**(134,938)**	(38,480)	161,521
After crediting:				
Exchange gain		**524,741**		639,391
Fees and commissions		**328,519**		289,243
Profit on sale of fixed assets		**24,384**		4,419

	2011	2010
(a) Auditors' remuneration		
Audit Services	**5,700**	5,100
Taxes and audit related services and expenses	**3,978**	3,616
	9,678	8,716
(b) Chairman	**2,490**	2,490
Seven directors sharing equally	**5,810**	5,810
Executive director	**830**	830
	9,130	9,130

8 Basic earnings per share

	2011 G$ 000	2010 G$ 000
Calculated as follows:		
Profit after taxation	**1,382,828**	1,204,584
Number of ordinary shares issued and fully paid	**40,000,000**	40,000,000
Basic earnings per share in dollars	**34.57**	30.11

NOTES TO THE FINANCIAL STATEMENTS

		2011 G$ 000	2010 G$ 000
9	**(a) Cash and due by banks**		
	Cash	**1,460,043**	1,248,756
	Balances with other banks	**8,358,727**	2,934,229
		9,818,770	4,182,985
	(b) Deposits with Bank of Guyana		
	Statutory reserve	**7,899,196**	6,223,906
	Balance in excess of required reserve	**287,370**	407,820
		8,186,566	6,631,726
	(c) Cheques and other items in transit	**360,293**	481,853
	This represents cheques and other items in the process of being cleared through the Central and commercial banks clearing systems.		
	(d) Cash and short term funds		
	Cash and bank balances	**9,818,770**	4,182,985
	Balance in excess of required reserve	**287,370**	407,820
	Cheques and other items in transit	**360,293**	481,853
	Due to banks	**(265)**	(2,564)
		10,466,168	5,070,094
	(e) Treasury Bills - Government of Guyana	**15,854,805**	19,246,547

NOTES TO THE FINANCIAL STATEMENTS

	2011		2010	
10 (a) Investments	**Fair value G$ 000**	**Cost G$ 000**	**Fair value G$ 000**	**Cost G$ 000**
Available for Sale	**8,292,214**	**8,464,772**	4,893,502	5,019,849
Held to Maturity (unsecured)	**402,344**	**402,344**	403,500	403,500
	8,694,558	**8,867,116**	5,297,002	5,423,349

10 (b) Investment in associate company	**2011 Cost G$ 000**	**2010 Cost G$ 000**
Non Current Asset - Associate Company	**183,252**	184,807

The Bank holds 40% (2010 - 40%) of the share capital of the Guyana Americas Merchant Bank Inc.

	2011 G$ 000	2010 G$ 000
Associate company		
At 1 January	**184,807**	131,064
Shares acquired during the year	**-**	64,548
Share of profit of associate company	**3,871**	3,845
	188,678	199,457
Share of investment reserve of associate company	**(5,426)**	(14,650)
At 31 December	**183,252**	184,807

The financial statements of Guyana Americas Merchant Bank Inc. in summary form as at 31 December is presented below:

	2011 G$ 000	**2010 G$ 000**
Statement of income		
Income	**45,871**	41,104
Profit after taxation	**9,678**	9,613
Statement of financial position		
Total assets	**484,370**	505,559
Tax Liability	**3,615**	3,618
Equity and liabilities		
Capital and reserves	**479,230**	483,118
Current liabilities	**5,140**	22,441
Total equity and liabilities	**484,370**	505,559

NOTES TO THE FINANCIAL STATEMENTS

10 (c) Analysis of financial assets and liabilities by measurement basis

ASSETS	**Held for Sale G$ 000**	**Held to Maturity G$ 000**	**Loans and Receivables G$ 000**	**Available for Sale G$ 000**	**Financial Assets and Liabilities at amortised cost G$ 000**	**Total G$ 000**	**2010 Total G$ 000**
2011							
Cash and due by banks	-	-	-	-	9,818,770	9,818,770	4,182,985
Deposits with Bank of Guyana	-	-	-	-	8,186,566	8,186,566	6,631,726
Cheques and other items in transit	-	-	-	-	360,293	360,293	481,853
Treasury bills	-	-	-	-	15,854,805	15,854,805	19,246,547
Other Investments	-	402,344	-	8,292,214	-	8,694,558	5,297,002
Assets acquired for loan liquidation	17,075	-	-	-	-	17,075	17,093
Loans and Advances	-	-	24,051,231	-	-	24,051,231	19,363,205
Other assets	-	-	-	-	921,332	921,332	546,560
Total Assets	**17,075**	**402,344**	**24,051,231**	**8,292,214**	**35,141,766**	**67,904,630**	**55,766,970**
2010	**17,093**	**403,500**	**19,363,205**	**4,893,502**	**31,089,671**		**55,766,970**
LIABILITIES							
2011							
Demand	-	-	-	-	17,180,255	17,180,255	13,311,686
Savings	-	-	-	-	34,186,832	34,186,832	29,154,977
Term		-	-	-	15,199,571	15,199,571	11,275,249
Due to banks	-	-	-	-	265	265	2,564
Taxation	-	-	-	-	183,281	183,281	55,985
Other	-	-	-	-	831,393	831,393	2,354,905
	-	-	-	-	**67,581,597**	**67,581,597**	**56,155,367**
2010	-	-	-	-	**56,155,367**		**56,155,367**

NOTES TO THE FINANCIAL STATEMENTS

	2011 G$ 000	2010 G$ 000
11 (a) Loans and advances		
Accrual loans and advances	**24,046,056**	19,752,237
Non-accrual loans and advances	**2,313,231**	1,826,566
	26,359,287	21,578,803
Impairment allowances	**(2,308,056)**	(2,215,598)
Net loans and advances	**24,051,231**	19,363,205
(b) Impairment allowances		
Collectively assessed impairment		
At 1 January	**57,091**	37,087
Written back in the year	**(57,091)**	(37,087)
Increase in allowance	**75,816**	57,091
At 31 December	**75,816**	57,091
Individually assessed impairment		
At 1 January	**2,158,507**	1,989,089
Write-offs	**(7,542)**	(10,578)
Increase in allowance	**81,275**	179,996
At 31 December	**2,232,240**	2,158,507
Total at 31 December	**2,308,056**	2,215,598

NOTES TO THE FINANCIAL STATEMENTS

12 Property, Plant and Equipment

	Land and buildings G$ 000	Equipment G$ 000	Capital work-in-progress G$ 000	Total G$ 000
(a) Cost/valuation				
At 1 January 2011	6,216,858	1,485,209	138,374	7,840,441
Additions	-	16,802	507,747	524,549
Disposals	-	(8,869)	(24,853)	(33,722)
Transfers	146,146	96,456	(242,602)	-
At 31 December 2011	6,363,004	1,589,598	378,666	8,331,268
Comprising:				
Cost	6,341,710	1,589,399	378,666	8,309,775
Valuation	21,294	199	-	21,493
	6,363,004	1,589,598	378,666	8,331,268
Depreciation				
At 1 January 2011	315,963	936,177	-	1,252,141
Charge for the year	120,085	166,395	-	286,480
Write back on disposals	-	(8,983)	-	(8,983)
At 31 December 2011	436,048	1,093,589	-	1,529,638
Net book values:				
At 31 December 2011	5,926,956	496,009	378,666	6,801,630
At 31 December 2010	5,900,895	549,032	138,374	6,588,300

(b) Revaluation reserve

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

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

If no revaluation of land, buildings and equipment was done, the net book value of property, plant and equipment would have been approximately G$6,780,137,000 (2010 - G$ 6,566,807,000).

NOTES TO THE FINANCIAL STATEMENTS

13 Other assets

	2011 G$ 000	2010 G$ 000
Interest and commissions accrued	**175,692**	133,636
Prepaid expenses	**30,807**	43,515
Inter-bank balance	**455,054**	216,762
Prepaid stationery	**34,418**	34,157
Sundry debtors	**27,991**	16,616
Agriculture Diversification Fund	**2,650**	-
Other	**194,720**	101,874
	921,332	546,560

14 Assets classified as held for sale

Properties on hand

	2011 G$ 000	2010 G$ 000
At 1 January	**17,093**	16,808
Additions	**-**	285
Disposals	**(18)**	-
At 31 December	**17,075**	17,093

15 Other Liabilities

	2011 G$ 000	2010 G$ 000
European Commission Financing (unsecured) (a)	**249,739**	1,783,852
Agriculture Diversification Fund (b)	**230,395**	-
Accrued interest on deposits	**125,204**	163,374
Unpresented drafts	**147,916**	148,139
Accrued expenses	**78,139**	175,793
Other	**-**	83,747
	831,393	2,354,905

(a) On 7 November 2006 a contract was entered into with The Caribbean Forum of ACP States CARIFORUM to carry out the Implementation of a Financial Facility to Improve the Competitiveness of the Rice Sector in the Caribbean, in particular, Guyana. This liability represents the draw down of 6.5M Euros and no interest was charged on the amount drawn down.

The Scheme came to an end on 30 September 2008	2011 G$ 000	2010 G$ 000
Amount committed	**1,783,852**	1,783,852
Amount drawndown	**1,783,852**	1,783,852
Amount drawn down		
1st Tranche	**332,345**	332,345
2nd Tranche	**342,810**	342,810
3rd Tranche	**181,209**	181,209
4th Tranche	**927,488**	927,488
	1,783,852	1,783,852

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
15 (a) Other Liabilities - cont'd	**G$ 000**	**G$ 000**
Rice Facility-repayment terms		
Within 1 year	**249,739**	-
1-5 years	**-**	1,523,113
	249,739	1,523,113

This amount represents the agreed 86% of the amount drawn down which is estimated to be the amount repayable based on the contract with CARIFORUM. No amount was repaid to date.

(b) On June 14, 2011, the bank entered into a contract with the Ministry of Agriculture to carry out the implementation of a Financial Facility of USD1.7M which was funded by the Inter American Development Bank (IDB). The Financial Facility aims to increase Guyana's export growth rate in the agricultural sector by making financial resources through loans and grants available to eligible beneficiaries in three (3) clusters of non traditional agricultural exports, aquaculture, fruits and vegetables, and livestock (beef).

In 2011, two (2) tranches of funds totalling USD1,130,090 were disbursed to the bank. Interest earned on the loans are exempted from Corporation Tax.

The Financial Facility comes to an end on 31.08.2021

The Guyana Bank for Trade and Industry Limited and the Ministry of Agriculture have agreed to an interest rate of 5% to 8% per annum.

16 Share capital	**2011**	**2010**
Authorised		
Number of ordinary shares	**50,000,000**	**50,000,000**
	G$ 000	**G$ 000**
Issued and fully paid		
40,000,000 ordinary shares	**800,000**	**800,000**

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

NOTES TO THE FINANCIAL STATEMENTS

17 Defined benefit asset

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2010 by Bacon Woodrow & de Souza Limited. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

	2011 G$ 000	2010 G$ 000
Amounts in the statement of financial position:		
Defined benefit obligation	**322,998**	287,653
Fair value of plan assets	**(350,420)**	(312,442)
Unrecognised actuarial gain	**31,777**	24,188
Defined benefit liability/(asset)	**4,355**	(601)
Amounts included in salaries and other staff costs in the statement of income		
Current service cost	**42,505**	35,082
Interest on defined benefit obligation	**12,832**	11,509
Expected return on plan assets	**(14,741)**	(13,293)
Net pension cost	**40,596**	33,298
Reconciliation of opening and closing defined benefit asset in the statement of financial position		
Opening defined benefit (asset)/liability	**(601)**	(4,483)
Plus net premium pension cost	**40,596**	33,298
Less contributions paid	**(35,640)**	(29,416)
Closing defined benefit liability/(asset)	**4,355**	(601)
Actual return on plan assets		
Expected return on plan assets	**14,741**	13,293
Actuarial loss on plan assets	**(7,355)**	(5,440)
	7,386	7,853

Summary of principal assumptions as at 31 December	2011 Per annum %	2010 Per annum %
Discount rate	**4.5**	4.5
Rate of salary increases	**4.5**	4.5
Rate of pension increases	**0.0**	0.0
Expected return on assets	**4.5**	4.5

Asset allocation as at 31 December	%	%
Equity Securities	**0.0**	0.0
Debt Securities	**0.0**	0.0
Property	**0.0**	0.0
Other	**100.0**	100.0
Total	**100.0**	100.0

NOTES TO THE FINANCIAL STATEMENTS

17 Defined benefit asset - cont'd

Experience History	2007 G$ 000	2008 G$ 000	2009 G$ 000	2010 G$ 000	2011 G$ 000
Defined Benefit Obligation	186,412	225,941	261,297	287,653	**322,998**
Fair Value of Plan Assets	(224,179)	(259,324)	(286,349)	(312,442)	**(350,420)**
Deficit	(37,767)	(33,383)	(25,052)	(24,789)	**(27,422)**
Experience adjustment on Plan liabilities	(13,412)	2,296.0	(3,051.0)	(9,017.0)	**(14,944)**
Experience adjustment on Plan assets	(4,133)	234.0	(4,935.0)	(5,440.0)	**(7,355)**

	2012 G$ 000	2011 G$ 000
Expected bank's contribution	37,200	**33,300**

The major categories of plan assets, and the expected rate of return at the financial year end for each category, are as follows:

	Expected return		Fair value of plan assets	
	2011 G$ 000	**2010 G$ 000**	**2011 G$ 000**	**2010 G$ 000**
Securities	**-**	-	**-**	-
Property	**-**	-	**-**	-
Other	**14,741**	13,293	**(350,420)**	(312,442)
	14,741	13,293	**(350,420)**	(312,442)

The plan's assets are invested in a Deposit Administration Contract.
The plan does not directly hold any assets in the sponsoring employer.

18 Capital risk management

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

The Bank's overall strategy remains unchanged from 2010

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

Capital Adequacy

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

NOTES TO THE FINANCIAL STATEMENTS

18 Capital risk management - cont'd

Capital Adequacy - cont'd

GBTI remains well capitalised with the Bank's Tier 1 Capital Adequacy Ratio standing at 19.50% as at 31 December, 2011.

Total Tier 1 and Tier 11 Capital was 20.66% of risk-adjusted assets at 31 December, 2011 compared to 22.02% at the end of the previous year.

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

Gearing ratio

The gearing ratio at the year end was as follows:

	2011 G$ 000	2010 G$ 000
Debt (i)	66,566,657	53,741,913
Cash and cash equivalents	(34,220,434)	(30,543,110)
Net debt	32,346,223	23,198,802
Equity (ii)	7,472,712	6,501,521
Net debt to equity ratio	4.33:1	3.57:1

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

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

19 Significant accounting policies

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

20 Financial risk management

Financial risk management objectives

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

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

The Bank's Management reports monthly to the board of directors on matters relating to risk and management of risk

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

Financial risk management objectives - cont'd

(a) Market risk

The Bank's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Bank uses gap analysis, interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest rate and foreign currency risk.

There has been no change in the Bank's exposure to market risks or the manner in which it manages these risks.

(i) Other price risk

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

Cross-border risk though relatively minimal, exists in relation to investments in Caricom Sovereign Bonds and such risk is mitigated by the application of prudent selection and stringent monitoring of the Bank's investment portfolio by its intermediary Guyana Americas Merchant Bank Inc. Cross-border risk is also applicable to the National Gas Company bond investment in Trinidad and Tobago.

The Bank does not actively trade in equity investments. The Bank's exposure to equity price risks arising from equity investments is not material to the financial statements. Equity investments total G$1.7M.

(ii) Interest rate sensitivity analysis

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

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

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

This impact is illustrated on the following table

	Increase/ decrease in basis point	Impact on profit for the year 2011 Increase/(Decrease)	2010 Increase/(Decrease)
		G$ 000	**G$ 000**
Local Currency	+/-50	**33,844**	**132,345**
Foreign Currencies	+/-50	**35,326**	**22,132**

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(a) Market risk - cont'd

(iii) Interest rate risk

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

	Maturing 2011					
	Average Interest rate	Within 1 year G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Non-interest bearing G$ 000	Total G$ 000
Assets						
Cash resources	0.00 to 3.20	26,033,868	-		8,186,566	34,220,434
Investments	10.11	304,875	3,519,505	4,868,442	1,736	8,694,558
Loans and advances (net)	10.76	11,137,898	3,433,481	9,479,852	-	24,051,231
Other	-	-	-	-	921,332	921,332
		37,476,641	6,952,986	14,348,294	9,109,634	67,887,555
Liabilities						
Demand accounts	-	-	-	-	17,180,255	17,180,255
Savings accounts	2.09	34,186,832	-	-	-	34,186,832
Term accounts	1.98	15,199,571	-	-	-	15,199,571
Due to banks		-	-	-	265	265
Taxation					183,281	183,281
Other		831,393	-	-	-	831,393
		50,217,796	-	-	17,363,801	67,581,597
Interest sensitivity gap		**(12,741,155)**	**6,952,986**	**14,348,294**		

	Maturing 2010					
	Average Interest rate %	Within 1 year G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Non-interest bearing G$ 000	Total G$ 000
Assets						
Cash resources	0.00 to 3.20	24,319,204	-	6,223,906	-	30,543,110
Investments	10.11	-	-	5,295,266	1,736	5,297,002
Loans and advances (net)	10.76	9,079,403	2,998,312	7,285,490	-	19,363,205
Other	-	-	-	-	546,560	546,560
		33,398,607	2,998,312	18,804,662	548,296	55,749,877
Liabilities						
Demand accounts	-	-	-	-	13,311,686	13,311,686
Savings accounts	2.09	29,154,977	-	-	-	29,154,977
Term deposit accounts	1.98	11,275,249	-	-	-	11,275,249
Due to banks		-	-	-	2,564	2,564
Taxation					55,985	55,985
Other		1,523,113	-	-	831,792	2,354,905
		41,953,340	-	-	14,202,027	56,155,367
Interest sensitivity gap		**(8,554,733)**	**2,998,312**	**18,804,662**		

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(a) Market risk- cont'd

(iv) Currency risk

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

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

	Euro € G$ 000	US $ G$ 000	GBP£ G$ 000	Cdn $ G$ 000	Others G$ 000	Total G$ 000
31 December 2011						
Assets	185,686	12,544,022	238,638	182,639	5,300	13,156,285
Liabilities	18,662	7,892,846	1,010	64	-	7,912,582
31 December 2010						
Assets	31,534	8,148,912	51,405	6,966	6,645	8,245,462
Liabilities	8,785	5,373,385	735	43	-	5,382,948

Foreign currency sensitivity analysis

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

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

	Euro Impact		US Dollar Impact		£ Sterling Impact		Canadian Dollar Impact	
	2011 $M	2010 $M	2011 $M	2010 $M	2011 $M	2010 $M	2011 $M	2010 $M
Profit or (loss)	2.51	0.31	69.77	38.16	3.56	0.70	2.74	0.10

(b) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(b) Liquidity risk - cont'd

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

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

	Maturing					
	2011					
	Within 1 year					
	On Demand G$ 000	Due in three months G$ 000	Due within 3 to 12 months G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Total G$ 000
Assets						
Cash resources	16,141,013	6,143,091	11,936,330	-	-	34,220,434
Investments	200,327	-	304,875	3,579,504	4,609,851	8,694,557
Loans & advances (net)	1,333,962	2,037,631	7,766,305	3,433,482	9,479,852	24,051,232
Other	921,332	-	-	-	-	921,332
	18,596,634	8,180,722	20,007,510	7,012,986	14,089,703	67,887,555
Liabilities						
Demand accounts	17,180,255			-	-	17,180,255
Savings accounts	34,186,832			-	-	34,186,832
Term deposit accounts	-	11,596,131	3,603,440	-	-	15,199,571
Due to banks	265	-	-	-		265
Taxation		183,281	-	-	-	183,281
Other	831,393	-	-	-	-	831,393
	52,198,745	11,779,412	3,603,440	-	-	67,581,597
Net assets/(liabilities)	**(33,602,111)**	**(3,598,690)**	**16,404,070**	**7,012,986**	**14,089,703**	**305,958**

	Maturing					
	2010					
	Within 1 year					
	On Demand G$ 000	Due in three months G$ 000	Due within 3 to 12 months G$ 000	1 to 5 years G$ 000	Over 5 years G$ 000	Total G$ 000
Assets						
Cash resources	1,248,756	3,823,901	19,246,547	-	6,223,906	30,543,110
Investments	-	-	-	730,800	4,566,202	5,297,002
Loans & advances (net)	1,305,530	1,506,801	6,267,072	2,998,312	7,285,490	19,363,205
Other	546,560	-	-	-	-	546,560
	3,100,846	**5,330,702**	**25,513,619**	**3,729,112**	**18,075,598**	**55,749,878**
Liabilities						
Demand accounts	13,311,686	-	-	-	-	13,311,686
Savings accounts	29,154,977	-	-	-	-	29,154,977
Term deposit accounts	7,335,961	865,000	3,074,288	-	-	11,275,249
Due to banks	-	-	-	-	2,564	2,564
Taxation	-	55,985	-	-	-	55,985
Other	-	-	1,523,113	-	831,792	2,354,905
	49,802,624	920,985	4,597,401	-	834,356	56,155,367
Net assets/(liabilities)	**(46,701,778)**	**4,409,717**	**20,916,218**	**3,729,112**	**17,241,242**	**(405,489)**

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(c) Credit risk

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

	2011 Maximum exposure G$ 000	2010 Maximum exposure G$ 000
Cash and due by banks	**9,818,770**	4,182,985
Deposits with Bank of Guyana	**8,186,566**	6,631,726
Cheques and other items in transit	**360,293**	481,853
Treasury Bills	**15,854,805**	19,246,547
Investments:		
Available for Sale	**8,292,214**	4,893,502
Held to Maturity	**402,344**	403,500
Asset classified as Held for sale	**17,075**	17,093
Loans and Advances	**24,051,231**	19,363,205
Total	**66,983,298**	55,220,410
Customer liability under acceptances, guarantees and letters of credit	**1,268,033**	1,184,099
	1,268,033	1,184,099
Total Credit risk exposure	**68,251,331**	56,404,509

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

Balances due by Banks include balances held with correspondent Banks. These Banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due. The related risk is therefore considered very low.

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

Assets held for sale have been assessed as fully recoverable.

For investment management refer to Note 21.

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

- Not adversely affect its profitability.
- Maintain the public's confidence in its asset quality and to continue as a going concern.
- Assure shareholders of the bank's solvency.
- Comply with the requirements of the prevailing laws and bank regulations.
- Assure an orderly and balanced growth of its assets over time.

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(c) Credit risk - cont'd

The bank has standard policies and procedures dedicated to controlling and monitoring risk from such activities. Compliance with credit policies and exposure limits is reviewed by the internal auditors on a continuous basis. These policies include but are not limited to:

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

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

iii. Adherence to a loans to equity ratios policy that conforms to the tenets of sound banking.

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

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

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

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

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

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

ix. Ongoing training is conducted for credit officers to enhance their skills and techniques in assessing credit.

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(c) Credit risk - cont'd

xi. Authorised lending limits utilizing the hierarchical structure of the Bank.

xii. Generation of daily and monthly management exception reports.

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

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

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

xvi. Interest on non-accrual/impaired accounts is not taken to income.

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

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

Credit Quality Loans & Advances	**2011 G$ 000**	**2010 G$ 000**
Neither past due nor impaired	**21,702,354**	17,928,102
Past due but not impaired	**2,364,282**	1,825,720
Impaired	**2,292,651**	1,824,981
	26,359,287	21,578,803

Loans and Advances which were Past Due but not Impaired

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

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

		2011 G$ 000	**2010 G$ 000**
Grade 1	- Satisfactory risk	**21,702,354**	17,928,102
Grade 2	- Monitor list		
	- Past Due up to 29 days	**1,468,637**	806,943
	- Past Due 30 - 59 days	**688,088**	425,180
	- Past Due 60 - 89 days	**207,557**	593,597
		2,364,282	1,825,720

The security held for these loans are the same as those stated in Note 20 (c)(iv).

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(d) Impaired Loans and Advances

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

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

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

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

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

	2011 G$ 000	2010 G$ 000
Grade 3- Sub-standard		
- Past due 90 - 179 days	**120,272**	371,073
Grade 4- Doubtful and loss		
- Past due 180 - 359 days	**525,908**	1,260,887
- Past due 360 days and over	**1,646,471**	193,021
	2,172,379	1,453,908
Total impaired loans and advances	**2,292,651**	1,824,981
Impaired loans and advances by product type (includes corporate facilities)		
Quality lifestyle loans	**13,586**	6,550
Commercial loans and advances (includes corporate facilities)	**2,279,065**	1,818,431
	2,292,651	1,824,981

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

	2011	2010
Renegotiated Loans/Overdrafts	**554,786**	433,782

Commitment Fees

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(f) Diversification of Exposure

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

The major activity of the Bank is in providing Banking Services to commercial, industrial and domestic consumers.

The risk is spread over a cross-section of clients. At the reporting date there were no significant concentrations of credit risk for loans. There is no special collateral requirement relating to concentration of risks

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

	2011 G$ 000	2010 G$ 000
Loans and advances		
Agriculture	**3,127,855**	2,121,672
Services & Distribution	**12,573,191**	9,812,287
Manufacturing	**3,303,810**	3,277,352
Household	**6,104,710**	4,979,946
Mining and quarrying	**1,249,721**	1,387,546
	26,359,287	21,578,803
Impairment allowances	**(2,308,056)**	(2,215,598)
Net Loans and Advances	**24,051,231**	19,363,205

Concentration of deposits

Deposits	2011 G$ 000	2010 G$ 000
State entities	**15,124,496**	10,209,220
Commercial sector	**8,244,592**	6,392,959
Personal sector	**39,339,416**	33,206,485
Other enterprises	**1,298,287**	1,525,588
Non residents	**2,559,866**	2,407,661
	66,566,657	53,741,913

21 Investment risk management

The investment in the long-term debt of CARICOM Sovereign and Corporate issuers ("CARICOM Bonds") and in the equity of Guyanese public companies are the only investment services provided to the Bank by The Guyana Americas Merchant Bank Inc. The effective management of this risk is critical to the preservation of the Bank's capital base. Investment risk is the risk of loss resulting from an investor's inability to meet its payments of interest (coupon) and repayment of principal on its bonds and the risk of loss resulting from a decline in the value of a company's equity and impairment in the payment of dividend.

NOTES TO THE FINANCIAL STATEMENTS

21 Investment risk management - cont'd

Guyana Americas Merchant Bank Inc's objective in the management of this risk is to invest both individually and collectively, at such a level that will provide the highest risk-adjusted rate of return. CARICOM Bond investment proposals are reviewed by the Chairman and Managing Director of The Guyana Americas Merchant Bank Inc. and compliance with the guidelines approved by the Board of Directors. The review process is enhanced through the availability of credit analyses provided by securities brokerage institutions and credit rating agencies. Corporate equity investment proposals are reviewed by the managing director and investment decisions are taken within exposure limits approved by the Board of Directors.

The Bank's investment in the National Gas Company of Trinidad and Tobago is also subject to market fluctuation in prices which the bank's management monitors effectively.

The Bank also has investment in bonds issued by Berbice River Bridge Inc. These bonds are not traded and are unsecured. However, this investment is closely monitored by the Bank's management.

Investment risk management is undertaken at the individual investment level and the degree of monitoring of each investment is determined as a result of the outcome of an evaluation of the level of risk involved. An appropriate risk response strategy is implemented immediately for investments that show signs of credit deterioration. Any impairment to a financial asset resulting from an investor's inability to meet its debt service obligations or a company not performing financially in accordance with expectations, is treated in accordance with International Financial Reporting Standards.

22 Contingencies

(i) Contingent Liabilities

(a) Pending litigations

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

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

	2011				2010			
	Under 3 mths G$'000	3 to 12 mths G$'000	Over 12 mths G$'000	Total G$'000	Under 3 mths G$'000	3 to 12 mths G$'000	Over 12 mths G$'000	Total G$'000
State entities	3,221	-	26	3,247	20,513	9,140	3,596	33,249
Commercial sector	245,128	273,022	502,422	1,020,572	338,552	340,068	532,483	1,211,103
Personal sector	36,780	62,579	144,855	244,214	56,316	3,600	143,839	203,755
	285,129	335,601	647,303	1,268,033	415,381	352,808	679,918	1,448,107

	2011 G$ 000	2010 G$ 000
(ii) Contingent asset		
EU/CARIFORUM Financing	249,739	249,739

This amount represents funds that the Bank is expected to retain after repaying the European Union/CARIFORUM funds disbursed to the Bank for lending to the rice industry, based on an agreement which contains certain conditions not wholly within the control of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

		2011 G$ 000	2010 G$ 000
23 Reserves			
(a) Other reserve			
(i)	Available for sale investment:-		
	At 1 January	**(126,347)**	(85,940)
	Movement	**(46,211)**	(40,407)
	At 31 December	**(172,558)**	(126,347)
(ii)	Share of reserve of associate company:-		
	At 1 January	**(32,019)**	(17,369)
	Share of comprehensive income	**(5,426)**	(14,650)
	At 31 December	**(37,445)**	(32,019)
	Total	**(210,003)**	(158,366)
(b) Statutory reserve			
At 1 January and 31 December		**800,000**	800,000
This reserve is computed in accordance with the Financial Institutions Act.			
(c) Revaluation reserve			
At 1 January and 31 December		**18,963**	18,963
This represents revaluation increase of land, buildings and equipment			
(d) General Banking Risk Reserve			
At 1 January		**371,547**	410,233
Decrease in provision		**(35,509)**	(38,686)
At 31 December		**336,038**	**371,547**

	2011 G$ 000	2010 G$ 000
24 Balances excluded from the accounts	**9,942**	9,942

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

25 Related party transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

25 Related party transactions and balances - cont'd

Listed below are transactions and balances with related parties.

(a) Group companies	**2011 G$ 000**	**2010 G$ 000**
(i) Loans and advances		
Balances at end of year	**476,434**	660,114
Interest income	**37,330**	33,194
(ii) Deposits		
Balance at end of year	**1,503,889**	1,122,753
Interest expense	**32,476**	27,619
(iii) Commissions	**2,540**	563
(iv) Insurance policies	**5,650,156**	4,993,279

The nature of these contracts relate to policies held for fire insurance, cash on premises, public liability, fidelity guarantee, employers liability, computer all risk, cash-in-transit and various risks

(b) Parent company	**2011 G$ 000**	**2010 G$ 000**
Deposits		
Balance at end of year	**29,932**	8,150
Interest expense	**89**	38

The rates of interest and charges have been similar to transactions involving third parties in the normal course of business.

(c) Associate company	**2011 G$ 000**	**2010 G$ 000**
(i) Deposits		
Balance at end of year	**4,224**	13,177
Interest expense	**-**	311
(ii) Investments		
Investments effected through associate company (fair value)	**2,161,067**	2,990,408
(iii) Fees paid to associate company-Guyana Americas Merchant Bank Inc.	**2,491**	1,519
(iv) Annual rental - Guyana Americas Merchant Bank Inc.	**5,582**	4,070

The rates of interest and charges have been similar to transactions involving third parties in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

25 Related party transactions and balances - cont'd

(d) Key management personnel

(i) Compensation

The Bank's 31 (2010 - 31) key management personnel comprise its Directors, its Chief Executive Officer and Managers. The remuneration paid to key management for the year was as follows:	2011 G$ 000	2010 G$ 000
Short-term employee benefits	**162,163**	170,143
Post-employment benefits	**5,788**	5,449
	167,951	175,592
(ii) Loans and advances		
Balance at end of year	**120,591**	165,289
Interest income	**9,189**	5,569
(iii) Deposits		
Balance at end of year	**171,105**	142,113
Interest expense	**924**	516

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

No provision was made for loan losses to related parties.

(iv) Hughes Fields & Stoby		
Fees	**580**	580

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

26 Capital commitments	2011 G$ 000	2010 G$ 000
Capital commitments not provided for in the financial statements	**912,122**	251,323
27 Dividends		
Amounts recognised as distributions to shareholders in the year:		
Final dividend for year ended 31 December 2011 G$6.00 per share (2010 - G$4.50)	**240,000**	180,000
Interim dividend of G$3.00 per share (2010 - G$3.00)	**120,000**	120,000
	360,000	300,000
Proposed final dividend of G$8.00 per share (2010 - G$6.00)	**320,000**	240,000

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

NOTES TO THE FINANCIAL STATEMENTS

28 Fair value of financial instruments

The following table details the carrying costs of financial assets and liabilities and their fair values

	2011		2010	
Financial assets	**Carrying Value G$ 000**	**Fair Value G$ 000**	**Carrying Value G$ 000**	**Fair Value G$ 000**
Cash resources	**34,220,434**	**34,220,434**	30,543,110	30,543,110
Investments:-				
Available for sale	**8,292,214**	**8,292,214**	4,893,502	4,893,502
Held to maturity	**402,344**	**402,344**	403,500	403,500
Asset classified as held for sale	**17,075**	**17,075**	17,093	17,093
Loans and advances:-	**24,051,231**	**24,051,231**	19,363,205	19,363,205
Other assets	**921,332**	**921,332**	546,560	546,560
	67,904,630	**67,904,630**	55,766,970	55,766,970
Financial liabilities				
Deposits	**66,566,658**	**66,566,658**	53,741,913	53,741,913
Due to banks	**265**	**265**	2,564	2,564
Taxation	**183,281**	**183,281**	55,985	55,985
Other financial liabilities	**831,393**	**831,393**	2,354,905	2,354,905
	67,581,597	**67,581,597**	56,155,367	56,155,367

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

The fair values of financial assets and financial liabilities are determined as follows.

(a) Available for sale and held to maturity financial assets

	2011 G$'000	**2010 G$'000**
Level 1	**8,292,214**	4,893,502
Level 2	**402,344**	403,500
	8,694,558	5,297,002

(b) The fair values of assets held for sale were evaluated by reference the market value of similar properties as held for sale financial assets.

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

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

Fair value measurements recognised in the statement of financial position

The following provides details of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information

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

The Bank accounts for intersegment revenue and transfers as if the revenue or transfers were of third parties ie at current market prices

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

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

Effective from 1 January 2009 the Bank's business has been classified primarily into two main segments, namely Retail Commercial Banking and Treasury(by class of business).

The table below shows segment information by class of business

	2011		
	Retail and Commercial Banking $'000	**Treasury $'000**	**Total $'000**
Interest Income	2,535,660	1,152,965	3,688,625
Interest Expense	947,241	-	947,241
Net Interest Income	1,588,419	1,152,965	2,741,384
Loan Impairment Expense	(100,000)	-	(100,000)
Loan Impairment Recoveries	234,938	-	234,938
	1,723,357	1,152,965	2,876,322
Other Income	859,576	-	859,576
Share of profit of associate company		3,871	3,871
Operating Expenses	1,774,975	-	1,774,975
Profit before Taxation	807,958	1,156,836	1,964,794
Segment Assets			
Cash resources	-	34,220,434	34,220,434
Investments:-			
Available for sale	-	8,292,214	8,292,214
Held to Maturity	-	402,344	402,344
Non Current Assets-Associate company	-	183,252	183,252
Asset classified as held for sale	-	17,075	17,075
Loans and advances	24,051,231	-	24,051,231
Defined benefit asset	-	-	-
Property and equipment	-	6,801,630	6,801,630
Deferred tax assets	-	169,152	169,152
Other assets	-	921,332	921,332
Total segment assets	24,051,231	51,007,433	75,058,664
Segment Liabilities			
Deposits:-			
Demand	17,180,255	-	17,180,255
Savings	34,186,832	-	34,186,832
Term	15,199,571	-	15,199,571
Due to banks	265	-	265
Taxation	183,281	-	183,281
Other	831,393	-	831,393
Total segment liabilities	67,581,597	-	67,581,597

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information - cont'd

	2010		
	Retail and Commercial Banking $'000	**Treasury $'000**	**Total $'000**
Interest Income	2,033,906	1,401,030	3,434,936
Interest Expense	1,019,100	-	1,019,100
Net Interest Income	1,014,806	1,401,030	2,415,836
Loan Impairment Expense	(200,000)	-	(200,000)
Loan Impairment Recoveries	99,524	-	99,524
	914,330	1,401,030	2,315,360
Other Income	944,059	-	944,059
Operating Expenses	1,599,640	-	1,599,640
Profit before Taxation	**258,749**	**1,401,030**	**1,659,779**
Segment Assets			
Cash resources	-	30,543,110	30,543,110
Investments:-			
Available for sale	-	4,893,502	4,893,502
Held to Maturity	-	403,500	403,500
Non Current Assets-Associate company	-	184,807	184,807
Asset classified as held for sale	-	17,093	17,093
Loans and advances	19,363,205	-	19,363,205
Defined benefit asset	-	601	601
Property and equipment	-	6,588,300	6,588,300
Deferred tax assets	-	116,210	116,210
Other assets	-	546,560	546,560
Total segment assets	**19,363,205**	**43,293,683**	**62,656,888**
Segment Liabilities			
Deposits:-			
Demand	13,311,686	-	13,311,686
Savings	29,154,977	-	29,154,977
Term	11,275,249	-	11,275,249
Due to banks	2,564	-	2,564
Taxation	55,985	-	55,985
Other	2,354,905	-	2,354,905
Total segment liabilities	**56,155,367**	-	**56,155,367**

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information - cont'd

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

	Additions to non current assets	
	2011	**2010**
	G$ 000	**G$ 000**
Retail and commercial lending	**524,549**	1,130,618
Treasury	**-**	-
	524,549	1,130,618

(b) Revenue from major services

The following is an analysis of the Bank's revenue from its major services	**2011** **G$ 000**	**2010** **G$ 000**
Retail and commercial lending	**2,535,660**	2,025,108
Treasury	**1,152,965**	1,401,030
Other	**-**	8,798
	3,688,625	3,434,936

(c) Geographical information

The bank operates in two principal geographical areas - Corporate Office and Other Branches

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

	Revenue		Non Current Assets	
	2011	**2010**	**2011**	**2010**
	G$ 000	**G$ 000**	**G$ 000**	**G$ 000**
Corporate Office	**1,457,067**	755,897	**4,649,964**	4,417,603
Main Branch	**1,006,623**	2,110,783	**285,899**	328,702
Other Branches	**1,224,935**	568,256	**1,865,767**	1,841,995
	3,688,625	3,434,936	**6,801,630**	6,588,300